

ASHFIELD DISTRICT COUNCIL



Council Offices,
Urban Road,
Kirkby in Ashfield
Nottingham
NG17 8DA

Agenda

Audit Committee

Date: **Monday, 26th July, 2021**

Time: **7.00 pm**

Venue: **Council Chamber, Council Offices, Urban Road,
Kirkby-in-Ashfield**

For any further information please contact:

Lynn Cain

lynn.cain@ashfield.gov.uk

01623 457317

AUDIT COMMITTEE

Membership

Chairman: Councillor David Walters

Councillors:

John Baird
Will Bostock
Kevin Rostance

Jim Blagden
Christian Chapman
Dave Shaw

FILMING/AUDIO RECORDING NOTICE

This meeting may be subject to filming or audio recording. If you have any queries regarding this, please contact Members' Services on 01623 457317.

SUMMONS

You are hereby requested to attend a meeting of the Audit Committee to be held at the time/place and on the date mentioned above for the purpose of transacting the business set out below.



Carol Cooper-Smith
Chief Executive

AGENDA

Page

1. **To receive apologies for absence, if any.**
2. **Declarations of Disclosable Pecuniary or Personal Interests and/or Non-Registrable Interests.**
3. **To receive and approve as a correct record the minutes of the meeting of the Committee held on 29 March 2021.** 5 - 10
4. **Ashfield District Council – Going Concern Assessment.** 11 - 16
5. **Value For Money Audit Committee Checklist.** 17 - 68
6. **Council's Treasury Management and Borrowing Activities 2020/21.** 69 - 76
7. **Financial Management Code.** 77 - 80
8. **Internal Audit Annual Report 2020-21.** 81 - 102
9. **Audit Progress Report.** 103 - 120
10. **Section 100A Local Government Act 1972: Exclusion of the Press and Public.**

A Member of the Committee is asked to move:-

“That in accordance with the provisions of Section 100A of the Local Government Act 1972, the press and public be now excluded from the meeting during the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act and in respect of which the Proper Officer considers the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”
11. **Investment Property Performance 2020/21.** 121 - 138

This page is intentionally left blank

AUDIT COMMITTEE

Virtual Meeting held on Monday, 29th March, 2021 at 7.00 pm

Present: Councillor David Walters in the Chair;

Councillors John Baird, Jim Blagden,
Arnie Hankin, Kevin Rostance and Dave Shaw.

Apology for Absence: Councillor Christian Chapman.

Officers Present: Bev Bull, Lynn Cain, Ruth Dennis, Peter Hudson
and Shane Wright.

In Attendance: Michael Butler (Mazars).
Mandy Marples and Hannah McDonald (CMAP).

AC.31 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests

No declarations of interest were made.

AC.32 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 1 February 2021, be received and approved as a correct record.

AC.33 MAZARS: Audit Progress Report - Year Ending 31 March 2021

Mazars Audit Manager, Michael Butler, presented the report and provided the Audit Committee with an update on progress in delivering its responsibilities as the Council's External Auditor.

Work was progressing well and on track with the agreed timetable with the preliminary date for completion of the draft Statement of Accounts being set at 30 September 2021.

Members were asked to note that in the Audit Strategy Memorandum, Mazars had reported that Nottinghamshire Pension Fund was a service organisation for the purposes of their audit approach. Having considered the International Auditing Standards (UK) (ISAs) definitions of service organisations, it had been re-evaluated and concluded that Nottinghamshire Pension Fund did not meet the definition of a service organisation. This change, however, would not have any significant impact on the audit strategy or risk assessment.

The three significant risks originally identified in the Audit Strategy still remained appropriate for 2020/21 and would be addressed as part of the agreed audit process:

- Management override of controls
- Valuation of the net defined benefit pension liability
- Valuation of land & buildings, HRA dwellings, investment properties and other PPE related assets (where material).

An additional audit risk in relation to Covid-19 Grants recognition had also been added as a result of local authorities being provided with substantial sums of Government financial support to distribute to local businesses during the Covid-19 pandemic.

RESOLVED

that the External Auditor's progress report, as presented to Committee, be received and noted.

AC.34 Accounting Policies for 2020/21 and other Statement of Accounts Matters

The Council's Chief Accountant presented the report and requested Committee Members to consider the accounting policies that the Council were proposing to adopt for the current financial year in the preparation of the Statement of Accounts for 2020/21.

Members were also advised as to the impact of changes to the Code of Practice on Local Government Accounting on the production of the 2020/21 Statement of Accounts process.

RESOLVED that

- a) the Accounting Policies, as detailed at Appendix A to the report, be approved;
- b) it be noted that any subsequent amendments or changes to the policies and the associated financial implications will be reported back to this Committee.

(Following consideration of this item, Councillor Kevin Rostance joined the meeting at 7.13pm.)

AC.35 Pension Assumptions for 2020/21 Statement of Accounts

The Council's Chief Accountant presented the report and explained the purpose of the IAS19 (International Accounting Standards) and what assumptions had been made by the Pension Fund Actuary as outlined in the briefing note appended to the report.

RESOLVED

that having considered the Actuary's briefing note attached as Appendix A and the proposed IAS 19 assumptions detailed within it, the assumptions be agreed as the basis for the calculation of the pension figures required for the 2020/21 Statement of Accounts.

AC.36 Independent Member for the Audit Committee

The Corporate Finance Manager (and Section 151 Officer) requested Members to consider the potential appointment of an Independent Member to the Audit Committee as per CIPFA Best Practice Guidance, National Audit Office (NAO) Guidance and the Redmond Review Recommendations.

Having considered the pros and cons for the appointment, as outlined in the report, Members were reminded that the appointment of an Independent Member was not statutory but deemed good practice and if they were minded to do so, a recommendation would need to be made to Cabinet for approval.

RESOLVED

that the opportunity to appoint an Independent Member to the Audit Committee as per CIPFA Best Practice Guidance, National Audit Office (NAO) Guidance and the Redmond Review Recommendations, be declined.

AC.37 Audit Progress Report

Hannah McDonald, CMAP's Group Auditor, presented the report and summarised audit progress as at 17 March 2021.

Seven pieces of work had been finalised during that time with five audit assignments having been completed. The 'People Management' audit review that was showing as 90% completed in the report had now also been issued. A synopsis of each of the completed reviews were presented to Members for information.

With regard to recommendation tracking, Members were heartened to see that there were few outstanding recommendations but for those still awaiting completion, it was acknowledged that the impact of the pandemic was continuing to cause delays in some areas. As a result of this some of the deadline dates for the Depot Investigation had been extended accordingly.

RESOLVED

that audit assignment progress as at 17 March 2021, as presented to Committee, be received and noted.

AC.38 Internal Audit Plan 2021-22 and Audit Charter

Mandy Marples, CMAP Audit Manager, presented the Audit Plan for 2021/22 and the Audit Charter and explained the process for selecting audit reviews, based upon consultation with the Council's Leadership Team (CLT), utilising

the Council's risk registers and CMAP's bespoke risk assessment model.

RESOLVED

that the content of the Audit Plan for 2021/22 and Audit Charter, as presented, be received and approved.

AC.39 Corporate Governance and Anti-Fraud Update

The Director of Legal and Governance (and Monitoring Officer) presented the report requesting Members to consider the Local Code of Corporate Governance, the processes in place for preparing the 2020/21 Annual Governance Statement and summary updates relating to the Anti-Fraud audit reviews undertaken during 2020/21.

In relation to the Local Code of Corporate Governance, Members were reminded that the Council already had a suite of policies and procedures in place which collectively made up its governance arrangements. These included various policies and procedures which set out the Council's approach to preventing, detecting and investigating fraud and corruption. The policies and procedures were last updated and approved by Committee in February 2020 and no further changes were recommended at this present time.

Due to the COVID-19 Pandemic, the arrangements for the preparation and publication of the Annual Governance Statement (AGS) for 2019/20 had been changed to reflect the demands placed upon local authorities and deadlines were extended resulting in the AGS being presented to Committee on 19 October 2020.

Work needed to get back on track for 2021/22 although the deadline for the Council to prepare the draft Statement of Accounts and the AGS had again been extended in light of COVID-19 and work pressures, to 31 July 2021.

In relation to work undertaken by Internal Audit regarding anti-fraud activity during 2020/21, the main areas considered were as follows:

- Management of Fraud Risk - Audit Review
- COVID-19 Business Grants
- Data Matching for Local Restrictions Support Grants and Additional Restrictions Grants.

Members were advised as to the remit of each review, the investigative work undertaken including outcomes and any subsequent recommendations to management for approval and implementation.

RESOLVED

that having been duly considered by Committee, the following be received and noted:

- a) the Local Code of Corporate Governance, as appended to the report, and acknowledgment that no changes are required at this present time;
- b) the process for preparing the 2020/21 Annual Governance Statement;

- c) summary updates relating to Anti-Fraud audit reviews undertaken during 2020/21.

AC.40 Whistleblowing Annual Update

The Director of Legal and Governance (and Monitoring Officer) presented the report and provided Members with an update as to the operation of the Whistleblowing Policy over the preceding 12 months. In relation to the Whistleblowing Policy, Members were advised that no changes were required for the forthcoming year.

One anonymous whistleblowing complaint, via the trade union, had been received in the preceding twelve months. The allegations were substantial and were in relation to alleged fraud, corruption and bribery. An extensive investigation was carried out with 16 people being interviewed by the Director of Legal and Governance and the Chief Executive and the police were also involved at certain points in the investigation. On its conclusion, there had been no evidence of any wrongdoing and no disciplinary action was taken but some management recommendations had been made and disseminated accordingly.

It had been acknowledged following the investigation, that most whistleblowing allegations were now being submitted as anonymous through the unions and management were keen to ascertain why this was. Investigations could be undertaken with far greater clarity and understanding if the whistle blower was a named officer and it was hoped that this course of action could be encouraged in the future.

The Director of Legal and Governance (and Monitoring Officer) was intending to be a more visible presence at the Depot going forward to encourage a drop in approach for staff wishing to voice any concerns or worries in confidence.

RESOLVED that

- a) it be acknowledged that no changes were required to the Whistleblowing Policy, as appended to the report, for the forthcoming year;
- b) the update as to the operation of the Whistleblowing Policy over the preceding 12 months, be received and noted.

The meeting closed at 8.02 pm

Chairman.

This page is intentionally left blank

REPORT TO:	AUDIT COMMITTEE	Date:	26 JULY 2021
Heading:	ASHFIELD DISTRICT COUNCIL – GOING CONCERN ASSESSMENT		
Portfolio Holder:	CLLR DAVID MARTIN – PORTFOLIO HOLDER FOR FINANCE AND REVENUES & BENEFITS		
Ward/s:	ALL		
Key Decision:	No		
Subject to Call-In:	No		

Purpose of Report

This report sets out the assessment by the Council’s Section 151 Officer of the Council’s Going Concern status in respect of the draft 2020/21 Statement of Accounts.

Recommendation(s)

That the Audit Committee notes and supports the Section 151 Officer’s Going Concern assessment and the basis on which the assessment has been derived.

Reasons for Recommendation(s)

In accordance with good practice governance arrangements and to meet external audit requirements.

Alternative Options Considered

(with reasons why not adopted)

Not applicable

Detailed Information

The concept of a ‘going concern’ assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might

be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

Where the 'going concern' concept is not the case, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the 'going concern' concept would potentially have a fundamental impact on the financial statements.

Given the significant reduction in central government funding for local government since 2010 and the potential threat that COVID-19 continues to pose to the ongoing viability of one or more councils as a consequence, Councils' External Auditors are placing a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. In response, the position at Ashfield District Council is set out below.

Assessment of Going Concern

As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2020/21 (the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

The main factors which underpin the going concern assessment are:

- The Council's current financial position
- The Council's projected financial position
- The Council's governance arrangements
- The regulatory and control environment applicable to the Council as a local authority

These are considered in more detail below.

1. The Council's current financial position

The financial outturn position (subject to external audit verification) for 2020/21 shows a net General Fund surplus after transfers to earmarked reserves of £1.164m. As at the 31 March 2021 the Council held general revenue reserves of £7.877m (a 17.3% increase on 2019/20). In addition, the Council held earmarked reserves at 31 March 2021 of £14.265m which are held to meet specific identified pressures into the future.

General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the organisation. The Council's Constitution requires that the minimum level of general reserves to be held by the Council to be £1.35m. At 31 March 2021 general reserves were at £7.877m, over £6.5m in excess of this minimum value.

At 31st March 2021 the Housing Revenue Account (HRA) had a surplus balance of £41.622m (an increase of £4.805m since 31 March 2020) and the most recent 30 Year HRA Business Plan shows it to be viable to 2034/35. The latest version of the Business Plan does not yet reflect the £4.805m surplus in 2020/21 so the position is expected to further improve.

At 31 March 2021 the Council held £17.593m in the form of either cash or short-term investments maturing within the next financial year.

At 31 March 2021 the Council held £97.036m in external long-term loans. The next loans due for repayment on maturity amount to £6.5m at the end March 2023. Due to increases in reserves and cash balances as at 31 March 2021 it is anticipated that any borrowing requirement in 2021/22 will be able to be managed through internally borrowing in year.

In respect of the 2020/21 Capital Programme the annual approved revised budget was £17.279m and the Programme out-turned with an underspend against the approved Capital Programme of £5.455m. These underspends are to be requested for approval to carry-forward to 2021/22 by Council on 29 July 2021. The Council funds its Capital Programme from borrowing, capital receipts, direct financing from revenue, government grants and partnership funding eg developer contributions. The Capital Programme is both affordable and sustainable.

2. The Council's balance sheet as at 31 March 2021

The balance sheet shows a net worth of £144.198m and this is significantly reduced by the inclusion of a pension liability of £124.085m. There are statutory arrangements for funding the pension deficit through increasing contributions over the remaining working life of the employees, as assessed by an independent actuary. Therefore, the financial position of the Council remains healthy. Other factors giving rise to this assessment include:

- The adequacy of risk assessed provisions for doubtful debts
- The range of reserves set aside to help manage expenditure
- An adequate risk assessed working balance to meet unforeseen expenditure

3. The Council's projected financial position

In March 2021, the Council approved a balanced budget for 2021/22. This allows for net spending of £13.136m and required no increase in council tax, pressures/growth of £327k, savings of £309k and the net use of £431k earmarked reserves. Setting this budget included a transfer of £116k to the General reserve.

The Council's Medium Term Financial Strategy (MTFS) is reviewed and updated annually and reflects a five year assessment of the Council's spending plans and associated funding. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the Council's Capital Programme, as well as the management of debt and investments. An update on the Council's medium-term financial position covering the five year period 2021/22 to 2025/26 was reported to Cabinet on 23 February 2021 and Council on 4 March 2021. An updated version will be presented to Cabinet following the Autumn 2021 Spending Round.

With the Council already having overcome significant reductions in central government grant funding an estimated budget gap of £3.018m over the period 2021/22 to 2025/26 has been identified in the MTFS (which now shows a reduction in the cumulative funding gap of £0.5m since last year). The Council has developed a strategy to identify savings and additional income to manage the reduction in resources which includes: service reviews, procurement savings, asset rationalisation, consideration of alternate service delivery models, etc. and potential savings through Invest to Save – in particular via the Council's Digital Transformation Programme. The Council's Corporate Leadership Team and Cabinet meet regularly to consider business cases and proposals

to help mitigate the forecast MTFS funding gap. The budget will continue to be monitored over the Medium Term Financial period by Cabinet.

The Council has a well established process for the development of the Capital Strategy, reported to Cabinet through financial monitoring reports throughout the year, which ensures the Council maintains a Capital Programme which is prudent, sustainable and affordable. The General Fund capital budget for the years to 2024/25 is £41.301m.

The 2021/22 General Fund is currently forecasting to spend within budget.

4. The Council's governance arrangements

The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements.

An overview of this governance framework is provided within the Annual Governance Statement. This includes a detailed review of the effectiveness of the Council's governance arrangements.

5. The external regulatory and control environment

As a local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for councils to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being, when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery.

However, given the severity of this pandemic on the Country's finances, it would be complacent to sit back and wait for Government intervention in such a situation. MHCLG have conceded that councils could still be left with unmanageable pressures and may continue to be concerned about their future financial position, urging any authority that found itself in that position to contact the department with immediate effect. Ashfield District Council is in a healthy financial position such that intervention is not required nor is it currently anticipated to be required.

6. Impact of Covid-19

To date the Council has received £2.647m of Covid 19 funding to cover additional costs and pressures arising due to the pandemic and for compensation as a contribution to the loss of sales fees and charges income. As at 31 March 2021 £886k of this funding had not been utilised and has been transferred to a 'Covid reserve' to help mitigate any further Covid-related cost pressures in 2021/22. The Government has also currently committed to extend the lost sales, fees and charges compensation scheme until 30 June 2021 and has provided £817k of additional Covid funding for 2021/22.

As a consequence of the pandemic, as would be expected, Council Tax and Business Rates collection has reduced although the final collection rates were better than was being forecast during the year. In-year collection rates are shown in the table below:

	2020/21	2019/20	Change
Council Tax	95.85%	97.03%	-1.18%
Business Rates	95.40%	97.95%	-2.55%
Council Dwelling Rents	99.82%	99.27%	+0.55%

It is too early to say how much of the collection fund reductions will not be recovered into the future. As the Council collects this income for other Preceptors (County Council, Fire and Rescue, Police and Parishes) for any unrecoverable loss the impact on the Council is approximately 10% (Council Tax) and 40% (Business Rates).

7. Conclusion

It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that the Council remains a 'going concern'.

Implications

Corporate Plan: No direct consequences from this report.

Legal: No direct consequences from this report.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	No direct implications from this report.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
The assessment of ADC as a Going Concern is incorrect.	As set out in the body of this report.

Human Resources: Not applicable

Environmental/Sustainability: Not applicable

Equalities: Not applicable

Other Implications: Not applicable

Reason(s) for Urgency

Not applicable

Reason(s) for Exemption

Not applicable

Background Papers

Draft Statement of Accounts 2020/21 and Annual Governance Statement
Annual Budget Setting Report – Council 4 March 2021

Report Author and Contact Officer

Pete Hudson

CORPORATE FINANCE MANAGER (& SECTION 151 OFFICER)

pete.hudson@ashfield.gov.uk

01623 457362

Agenda Item 5



Report To:	AUDIT COMMITTEE	Date:	26TH July 2021
Heading:	VALUE FOR MONEY AUDIT COMMITTEE CHECKLIST		
Portfolio Holder:	CLLR DAVID MARTIN, PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS		
Ward/s:	N/A		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

The report provides information in relation to a new requirement for the Audit Committee to provide comment by exception on the Value For Money (VFM) Checklist provided by the External Auditor, Mazars.

The VFM Checklist has been completed by the entity for assurance to the Audit Committee and is included as Appendix 1.

Recommendation

- For Audit Committee to make comment by exception on the VFM Checklist provided at Appendix 1.

Reasons for Recommendation(s)

This is a new requirement of the External Auditor to inform their work on the Council's value for money arrangements. A new Code of Audit Practice applies from 2020/21 which requires changes to their work on VFM.

Alternative Options Considered

To provide a comment based on Audit Committee activity during the year. For example, the Audit Committee may have specifically requested a deep dive on the robustness of saving plans. This has been considered not appropriate as it does not demonstrate that Audit Committee have considered and agree with the entity's response.

Detailed Information

1.1 There has been a new Code of Audit Practice (the Audit Code), which prescribes how the External Auditors carry out their responsibilities. The Audit Code applies from 2020/21 onwards. The Audit Code requires changes to their work on VFM arrangements.

Page 17

1.2 The Audit Code requires the Auditors to comment on the Council's 'adequate arrangements' in relation to:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services
- Governance: how the body ensures that it makes informed decisions and properly manages its risks
- VFM: how the body uses information about its costs and performance to improve the way it manages and delivers its services

One of the indicators of ‘adequate arrangements’ covers “effective challenge from those charged with governance/audit committee”

- 1.3 The External Auditors expect the Audit Committee to be sighted on both the definition of adequate arrangements and ensuring that these have been adequately reflected in the internal control environment and, where appropriate, in the Annual Governance Statement (AGS).
- 1.4 The External Auditors require the self-assessment included at Appendix 1 to be completed by the entity for assurance to the Audit Committee. The self-assessment details the ‘proper arrangements’ that should be in place, and then requires the entity to assess how we assure the Audit Committee that these arrangements are in place.
- 1.5 The self-assessment shows that assurance is provided for all proper arrangements through the Narrative Report and the Annual Governance Statement and are also linked to the risks included in the Corporate Risk Register. (The assessment has been made with reference to the 2019/20 Annual Governance Statement as the 2020/21 Statement is still being finalised, but it will follow the same format with updates and additional information.)
- 1.6 The Audit Committee is asked to comment by exception if they have any concerns over the ‘proper arrangements’. Where no concerns are raised it is proposed to complete the column in the check list ‘Does the Audit Committee have significant concerns over the arrangements’ as ‘No’.

Implications

Corporate Plan:

The Corporate Plan includes providing good quality and value for money services as one of the Council’s purposes. The consideration of this checklist demonstrates that those charged with governance receive information to assure them proper arrangements for VFM are in place.

Legal:

There are no significant legal issues identified in the report.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	None
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	None
Housing Revenue Account – Capital Programme	None

Risk:

Risk	Mitigation
Effective challenge by the audit committee is not in place.	The completion of this checklist demonstrates that arrangements are in place to allow for effective challenge from the Audit Committee. This is through reporting processes in the Narrative Statement, Annual Governance Statement and the Corporate Risk Register updates.

Human Resources:

None

Environmental/Sustainability

None

Equalities:

None

Background Papers

Draft Narrative Report 2020/21 (included in the Draft Statement of Accounts) 2020/21.

Annual Governance Statement 2019/20 (included in the Final Statement of Accounts 2019/20).

Report Author and Contact Officer

Bev Bull

Chief Accountant

b.bull@ashfield.gov.uk

01623 457424

This page is intentionally left blank

New VFM Code: Proper Arrangements Audit Committee Checklist

Background

The New Code of Audit Practice has increased the prominence and expectations of Audit Committees as those charged with governance. Specifically, one of the indicators of 'adequate arrangements' covers "effective challenge from those charged with governance/audit committee"

The reporting requirements of the Annual Governance Statement are largely unchanged, but with changes in the definition of "adequate arrangements" and the factors auditors are required to report on, it is important that there are no surprises.

We expect the Audit Committee to be sighted on both the definition of adequate arrangements and ensuring that these have been adequately reflected in the internal control environment and, where appropriate, in the Annual Governance Statement.

The table below should be completed by the entity for assurance to the Audit Committee. There is no need to provide detailed descriptions of arrangements, this exercise is designed to ensure that the activity is covered through the organisation's governance and external reporting arrangements.

Is the Arrangement described in the AGS?

- This should be a simple yes or no answer. Possibly supported by a section or page reference in the prior year AGS. This will allow the matter to be tracked and confirmed for 2020/21

Is the Arrangement described in the Annual Report/ Narrative Report?

- Yes or no will suffice, as well as a comment to confirm which section of the Annual Report this is covered in.

If neither, how is the Audit Committee assured, these arrangements are in place?

- Would require some narrative. Examples would be minutes of meetings from other committees, representation by NEDs on other committees, inclusion in the internal audit plan, inclusion in the Strategic Risk Register

Does the Audit Committee have significant concerns over the Arrangements?

- There are two options for this column:
 1. To present the report as a whole for Audit Committee and receive a comment by exception on the overall report
 2. Provide a comment based on Audit Committee activity during the year. For example, the Audit Committee may have specifically requested a deep dive on the robustness of saving plans

Proper Arrangements	Is the Arrangement described in the AGS?	Is the Arrangement described in the Annual Report/ Narrative Report?	If neither, how is the Audit Committee assured, these arrangements are in place?	Does the Arrangement link to a specific Risk in the Strategic Risk Register?	Does the Audit Committee have significant concerns over the Arrangements?
Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services, including					
how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them		Yes - Section 10 Outlook Budget and Funding includes details of funding uncertainties	N/A	Yes -The Corporate Risk Register includes - Level of central government funding 2020 onwards.	
how the body plans to bridge its funding gaps and identifies achievable savings		Yes - Section 10 Outlook Budget includes details of plans to address the future estimated financial challenge. Section 5 on Governance and Risk includes comments on the main corporate risks and mitigation. This includes the future financial sustainability and details the work programme to identify savings and increase income.	N/A	Yes – The Corporate Risk Register includes - Failure to identify savings required by MTFS.	
how the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities		Yes - Section 10 Outlook Budget and Funding includes refers to Digital Transformation Strategy and Local Plan and capital investments.	N/A	See above.	
how the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system		Section 6 – Corporate Plan and Section 7 Operational Performance – comments of achievement delivered within the financial out-turn that has been achieved.	N/A	The following are included on the Corporate Risk Register that are service related but would have financial implications: -Loss of planning appeals	

Proper Arrangements	Is the Arrangement described in the AGS?	Is the Arrangement described in the Annual Report/ Narrative Report?	If neither, how is the Audit Committee assured, these arrangements are in place?	Does the Arrangement link to a specific Risk in the Strategic Risk Register?	Does the Audit Committee have significant concerns over the Arrangements?
				-Leisure Centre - Overspend impacts the finances of the Council -Introduction of Universal Credit -Business Rates appeals are higher than forecast. -Ability to achieve efficiencies and compliance from procurement reviews / improvement. Commercial property investment.	
how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans		Yes - Section 10 Outlook Budget and Funding		See above.	
Governance: how the body ensures that it makes informed decisions and properly manages its risks, including					
how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Yes - 'How the Council Works'		N/A		
how the body approaches and carries out its annual budget setting process	Yes – 'How the Council Works'		N/A		

Proper Arrangements	Is the Arrangement described in the AGS?	Is the Arrangement described in the Annual Report/ Narrative Report?	If neither, how is the Audit Committee assured, these arrangements are in place?	Does the Arrangement link to a specific Risk in the Strategic Risk Register?	Does the Audit Committee have significant concerns over the Arrangements?
how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;	Yes - 'Role of the Chief Finance Officer in Ashfield District Council '		N/A		
how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	Yes – Appendix 1 The Governance Framework and Review of Effectiveness. Putting the Principles into effect. The role of audit committee is identified throughout the AGS.		N/A	Yes -The Corporate Risk Register includes - Ethical Governance – failure/delay to implement changes to the Members' Code of Conduct and recommendations of the Committee on Standards in Public Life (CSPL) and Peer Challenge.	
how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/ conflicts of interests)	Yes – Appendix 1 The Governance Framework and Review of Effectiveness. Putting the Principles into effect.		N/A	See above.	
Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:					
how financial and performance information has been used to	Yes - Improvement Actions section included in AGS.		N/A		

Proper Arrangements	Is the Arrangement described in the AGS?	Is the Arrangement described in the Annual Report/ Narrative Report?	If neither, how is the Audit Committee assured, these arrangements are in place?	Does the Arrangement link to a specific Risk in the Strategic Risk Register?	Does the Audit Committee have significant concerns over the Arrangements?
assess performance to identify areas for improvement					
how the body evaluates the services it provides to assess performance and identify areas for improvement;	Yes - 'How the Council Works' includes details of Corporate Plan and development of service plans and details the service performance is monitored through performance boards.		N/A		
how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve;	Yes – Appendix 1 The Governance Framework and Review of Effectiveness. Putting the Principles into effect details how we engage with Partners and Stakeholders and that performance is monitored through programme boards.	-	N/A		
where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	Yes – Appendix 1 The Governance Framework and Review of Effectiveness. Putting the Principles into effect identifies the role of the Efficiency Board.		N/A	Yes -The Corporate Risk Register includes Ability to achieve efficiencies and compliance from procurement reviews / improvement.	

Supplementary: Adapting to Covid19

Arrangements were adapted to respond to the new risks from 2020-21 onwards as a result of the pandemic, which may have led to significant weaknesses in arrangements.

We would expect how the organisation adapted to Covid19 in the 2020/21 AGS and this may be supplemented by management reports or work performed by Internal Audit.

As a check on outcomes:

- Have any ongoing key performance targets adjusted or undelivered as a result? If so, how were those charged with oversight informed and what is the view for 2021/22 and onwards?

Response:

There has been a substantial review of our corporate risk to reflect the organisational impact of the COVID pandemic. As a result, some risks have seen a significant increase and some new risks were identified. This was reported to Audit Committee in the bi-annual Corporate Risk Register update. The Corporate Risk Strategy includes biannual reporting to Audit Committee on the risk register, therefore ensuring the Audit Committee will have oversight in 2021/22.

- Where internal governance arrangements were adjusted, did these lead to any breaches in regulations or key controls?

Response:

No - It was reported in the AGS 2019/20 that arrangements were put in place to for urgent decision making during the covid-19 pandemic and an update report including decisions taken was taken to Cabinet in June 2020 for endorsement.



CONTENTS

	PAGE
NARRATIVE REPORT	3
THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	20
AUDIT CERTIFICATE AND OPINION	21
STATEMENT OF ACCOUNTING POLICIES	25
THE CORE FINANCIAL STATEMENTS	
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	41
MOVEMENT IN RESERVES STATEMENT	43
BALANCE SHEET	46
CASH FLOW STATEMENT	48
NOTES TO THE CORE FINANCIAL STATEMENTS	
1. ACCOUNTING STANDARDS TO BE ADOPTED	49
2. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES	49
3. ASSUMPTIONS MADE ABOUT FUTURE AND SOURCES OF UNCERTAINTY	50
4. MATERIAL ITEMS OF INCOME AND EXPENSE	52
5. EVENTS AFTER THE BALANCE SHEET DATE	52
6. EXPENDITURE AND FUNDING ANALYSIS	52
7. EXPENDITURE AND INCOME ANALYSED BY NATURE	57
8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE	58
9. GRANT INCOME	63
10. INTEREST PAYABLE AND OTHER CHARGES	65
11. TANGIBLE NON-CURRENT ASSETS	66
12. HERITAGE ASSETS	69
13. TANGIBLE NON-CURRENT ASSETS VALUATIONS	70
14. INVESTMENT PROPERTIES	71
15. INTANGIBLE NON-CURRENT ASSETS	73

CONTENTS CONTINUED

16.	GAINS AND LOSSES FROM THE SALE OF ASSETS	73
17.	FINANCIAL INSTRUMENTS	73
18.	INVENTORIES	75
19.	DEBTORS	75
20.	CASH AND CASH EQUIVALENTS	76
21.	ASSETS HELD FOR SALE	76
22.	CREDITORS	77
23.	PROVISIONS	78
24.	USABLE RESERVES	80
25.	UNUSABLE RESERVES	83
26.	CASH FLOW STATEMENT NOTES	88
27.	MEMBERS ALLOWANCES	89
28.	OFFICERS' REMUNERATION AND EXIT PACKAGES	90
29.	EXTERNAL AUDIT COSTS	94
30.	RELATED PARTY TRANSACTIONS	94
31.	CAPITAL FINANCING REQUIREMENT	96
32.	ASSETS HELD AS LESSEE	96
33.	ASSETS HELD AS LESSOR	97
34.	REVALUATION LOSS	97
35.	RETIREMENT BENEFITS	97
36.	CONTINGENT ASSETS AND LIABILITIES	103
37.	DEFERRED CREDITS	105
38.	JOINT CREMATORIUM COMMITTEE	105
39.	NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS	106
40.	TRUST FUNDS	108

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT	109
COLLECTION FUND	115
ANNUAL GOVERNANCE STATEMENT	120
GLOSSARY OF TERMS AND ABBREVIATIONS	



NARRATIVE REPORT

1. BACKGROUND TO THE NARRATIVE REPORT

The Accounts and Audit (England) Regulations 2015 introduced a requirement for Local Authorities to publish an annual narrative report to accompany its Statement of Accounts. The purpose of the narrative report, which replaced the explanatory forward in the Statement of Accounts, is to comment on the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The Narrative Report summarises what Ashfield District Council spent in 2020/21, how it was spent and what has been achieved in line with the Corporate Priorities. It provides a narrative context to the accounts by presenting a clear and simple summary for residents, of Ashfield's financial position and performance for the year and its prospects for future years.

2. COUNCIL LEADER'S PREFACE



Cllr Jason Zadrozny
Leader of Ashfield District Council

Despite the Covid-19 pandemic, 2020/21 has proved to be a very successful year for Ashfield both in terms of maintaining high quality service delivery and continued effective financial management.

A robust 2020/21 budget set for the year supplemented by effective, responsible financial control by accountable officers and close scrutiny by elected Members has again enabled the Council to deliver within budget.

This year I am particularly delighted with the progression of our capital programme and specifically the commencement of building our new Leisure Centre in Kirkby supported by £3m funding from our partners; Sport England and the Local Enterprise Partnership (LEP); our future planned investment in our Leisure Centres at Hucknall and Lammas and the vast improvements we have been able to make to our parks and open spaces during the last year. This has been of immense importance to assist with the health and well-being of our residents during the pandemic when access to so many facilities has been significantly compromised and for long periods of time.

The Council secured over £6.27m from the Future High Streets Fund to invest in Sutton-in-Ashfield and £62.6m Towns Fund for both Sutton and Kirkby. This investment in our District will offer huge

opportunities to our local residents and businesses going forward.

In 2020/21 the Council secured over £1m in Green Homes Grant funding to support investment in both council and private housing across the District. We have also submitted a funding bid for more of this funding which, if successful, will see this investment double to over £2m. This funding will both improve energy efficiency ratings and reduce energy costs for low income households and help reduce the District's carbon footprint – something this Council is very passionate about addressing.

Ashfield is an ambitious and aspirational Council, but also one that delivers. We put our residents at the heart of everything we do.

We know Ashfield, like all Councils faces future financial challenges but with our passion and desire we are confident that we will continue to invest in our District and through this deliver increased chances of an improved quality of life for our residents.

A handwritten signature in black ink, appearing to read 'J. B. Zadrozny'.

Cllr Jason Zadrozny
Leader of Ashfield District Council

3. INTRODUCTION TO THE NARRATIVE STATEMENT

BY THE CORPORATE FINANCE MANAGER
(SECTION 151 OFFICER)

As the Council's Chief Finance Officer I am pleased to present Ashfield District Council's Statement of Accounts for the year ending 31st March 2021. The Statement aims to provide information to all stakeholders (residents, local businesses, Councillors, partners, members of the public) so that they can:

- Understand the overall financial position of the Council and the Outturn for 2020/21
- Have confidence that the Council has used and accounted for public money in an appropriate manner
- Be assured that the financial position of the Council is sound and secure

This Statement of Accounts has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2020/21 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit (Amendment) Regulations 2021.

The Statement of Accounts should be read in the context of continuing demand and cost pressures on the services provided by the Council, and the level of resources available to fund them. This includes the additional financial challenges and government funding made available as a consequence of the Covid-19 pandemic. There remains significant uncertainty about the level of future Government funding pending the outcome, timing and impact of the delayed Spending Review, Fair Funding Review, the future level of Business Rates retention and the Business Rates re-set, the future of New Homes Bonus funding and the national response to financial

recovery from the pandemic. As a consequence of the pandemic the Government agreed a one year financial settlement for 2021/22 and has indicated a full Spending Round from 2022/23. Whilst the short term funding decisions are understandable given these circumstances this does severely hamper effective longer term financial planning.

The pressures on Council services will continue to rise and the future financial position of the Council will be dependent on its ability to manage demand with reducing resources. The Council is progressing implementation of its Digital Services Transformation Strategy at a pace, which along with the review of current services and service level provision, and the identification of opportunities for additional income generation, will be critical to the Council's ongoing financial sustainability. Ashfield is not unique in this regard – all Councils face this funding uncertainty.

We know that further challenges lie ahead and the Council's Cabinet working with senior management are actively progressing options to address these challenges. The 2020/21 accounts demonstrate the Council's success, despite the impact of the pandemic, in continuing to deliver quality services within budget and this will put the Council in a good position in respect of addressing future financial challenges.

Pete Hudson ACMA, CGMA
Corporate Finance Manager (S151 Officer)

4. INTRODUCTION TO THE DISTRICT OF ASHFIELD



Ashfield is situated within North Nottinghamshire and serves a population of approximately 127,900 residents (ONS 2019 mid-year estimates) covering an area of 42 square miles across three towns (Kirkby-in-Ashfield, Sutton-in-Ashfield and Hucknall) and a number of rural villages. The area boasts a mix of beautiful countryside, complemented by award winning urban and country parks. Ashfield is one of seven District Councils in Nottinghamshire.

Ashfield has excellent transport links through the M1 motorway, bus, rail and tram links which makes the area an ideal business location. The District is also within one hour's drive of East Midlands Airport and Doncaster Sheffield Airport.

Ashfield has traditionally relied on the manufacturing sector for local employment but recognises the need to move to a more diverse local economy offering 'high value added' services as well as manufacturing. In 2020 the unemployment rate (16-64) was 4.0% which is lower than the East Midlands average (4.8%) and the national average (4.7%), however, those in employment on average earn less (£504 per week gross, an increase of 0.6% on 2019) than the average weekly pay in Great Britain (£587, no change since 2019).

The Council is working with its partners to address the skills gap and promote the area as a place to invest, particularly for Creative, Business, Professional Financial Services, Advanced Manufacturing and Knowledge Based Industries; and to connect local people to local jobs.

Since October 2016 the Council has managed its own housing stock and remains committed to providing good quality housing and continues to invest in its housing stock. In the last 3 years the Council has also acquired 34 additional properties to grow its stock and help meet the social housing needs of Ashfield residents. During 2020/21 £2.6m was spent to maintain Council houses to the Decent Homes Standard. This is significantly less than in 2019/20 (£4.3m) largely as a consequence of the pandemic delaying planned works. As at the 31st March 2021 the Council has 6,635 Council dwellings.

Although the rate of building new homes in the District has declined in the last 18 months, new properties do continue to be built and the Council Tax base continues to grow. The majority of properties within the District are categorised at the lowest levels for Council Tax billing purposes, Band A to Band C. Band A: 46%, Band B: 22% and Band C: 18%. Of the £68.834m of Council Tax raised in 2020/21, the Council received £6.418m to help provide residents with the services on which they rely.



5. GOVERNANCE & RISK

There have been no significant changes in governance arrangements during 2020/21. Details of the Council's governance arrangements, its identified potential risks and the planned mitigation of those risks is set out in the Annual Governance Statement (AGS) which includes the ongoing impacts and response to the COVID-19 pandemic together with an update regarding recovery to date. The impact of exiting the EU is to be imminently removed as a key risk from the Corporate Risk Register.

The key corporate risks and planned mitigation are shown in the table below:

Corporate Risk	Risk Mitigation
Future financial sustainability	Robust balanced budget for 2020/21. Ongoing work programme with Cabinet/CLT to identify savings and income generating opportunities to address the estimated funding gap: Digital Services Transformation agenda, service reviews, review of fees and charges, procurement savings.
Failure to adopt a Local Plan	A Member Working Group has been meeting regularly. Consultants, where appropriate have been engaged in order to develop the evidence base. Ongoing support from Members to engage in a timely way in the process and their support for the consultation process. Championing from the Chief Executive and Director. A revised timeframe has been developed and reports are being prepared for a future Cabinet relating to the Local Development Scheme and public consultation.
Delivery of Digital Services Transformation Programme	Team restructures including recruitment to key posts has taken place. Several projects are now delivering at a pace with effective project management in place to deliver future projects, savings and efficiencies. Means of funding the various projects is in place. Member Champion identified and aligned with Scrutiny Committee work plan.
Monitoring of Investment in Commercial Properties	Regular updates to CLT, Leadership and Audit Committee to monitor existing Portfolio. No further acquisition to take place following outcome of Public Works Loans Board (PWLB) consultation. Consultants remain engaged to provide specialist knowledge regarding the investment market and also to assist with the monitoring of the portfolio. Monitoring through Commercial Investment Working Group (officer group). Member training has been provided. Risks effectively managed through Covid pandemic to date. Loss of one tenant expediently replaced by another.
Data Matching and National Fraud Initiative	A Data Matching Sub Group of the Anti-Fraud Officer Working Group had been established to specifically focus on Data Matching. The Sub Group had an action plan for embedding and improving the Council's Data Matching processes and this will be monitored by the main group. Annual reports to CLT and Audit Committee also planned. Due to the COVID Pandemic and realigning of resources to meet the demands of administering and awarding COVID Grants, the progress of this work plan has not taken place although extensive use of NFI and Spotlight has taken place to assist with assessing business grant eligibility.
COVID-19 pandemic – risk developed as part of recovery work to cover communities, business, Council finances and ways of working.	Recovery work has commenced which will identify the risk to the Council and the Communities further. Internal structures have been established to oversee the local recovery work as well as play a part in the Local Resilience Forum (LRF) recovery work. An initial Recovery Strategy was reported to Cabinet on 30 June 2020. The Covid Response and Recovery Scrutiny Panel was established to focus on and monitor the Council's response and recovery and has been meeting frequently; the panel will continue to meet during 2021/22 with a revised focus on recovery.

6. CORPORATE PLAN

The current Corporate Plan covers the period 2019 to 2023 and was originally approved by Cabinet in September 2019 with a refresh of the Plan being approved by Cabinet in July 2020.

VISION

The purpose of the Council as set out in the current Corporate Plan is to:

- a. **Serve the Communities and Residents of Ashfield;**
- b. **Provide good quality, value for money services; and**
- c. **To act strategically and plan for the future, working with others to bring about sustainable improvements in people's lives.**

PRIORITIES

The Council's Priorities as set out in the current Corporate Plan are:

- a. **Health & Happiness;**
- b. **Homes & Housing;**
- c. **Economic Growth & Place;**
- d. **Cleaner & Greener;**
- e. **Safer & Stronger; and**
- f. **Innovate & Improve**

Each Directorate has a number of service areas and each has a Service Plan which supports effective delivery of the Corporate Plan priorities.



OVERALL PERFORMANCE 2020/21

Corporate Plan progress is monitored through both the successful delivery of key projects and initiatives, and performance achieved against the corporate scorecard.

Overall, the corporate scorecard outturn for April 2020 to March 2021 and despite the full year and continuing impact of the Covid-19 pandemic indicates the following:-

67% of measures achieved or exceeded target, or were within a 10% variance of target.

75% of measures indicated an improved position compared to the previous year, or were within 5% of previous year's performance levels.

7. OPERATIONAL PERFORMANCE / ACHIEVEMENTS 2020/21

The Council has delivered significant achievements in 2020/21. Some of the key achievements set out by Corporate Plan Priority are:

Health and Happiness

• Leisure:

- Commenced the build of the new Kirkby Leisure Centre following the contract award to Kier, including securing £3m from Sport England and the Local Enterprise Partnership (LEP) towards this key investment.
 - Successfully re-let the Leisure Operating Contract to Everyone Active for a period of 10 years.
 - Secured £280k through the National Leisure Recovery Fund to support the successful transitional reopening of leisure facilities.
- Through the Ashfield Community Fund distribution of over £40,000 to the Community and Voluntary sector in Ashfield, to help them support residents negatively impacted by Covid. In addition, the Council co-ordinated over £120k of Covid Winter Grants (food vouchers) to vulnerable residents.
 - Ashfield Health and Wellbeing Partnership has launched a new strategy for 2021 – 2025, which is focussed on delivering outcomes to enable residents to have the best start in life, make healthy choices, age well, be physically active and live and work in environments that foster positive mental wellbeing.
 - The Council has worked tirelessly with Public Health England to provide safety advice to businesses in relation to Covid interpreting legislation, providing advice and guidance.



Homes and Housing

- Throughout the year of the pandemic we successfully eliminated homelessness by implementing the 'everyone in' homeless initiative.
- Ashfield has been the lead authority in securing £1m Rough Sleeper Initiative to improve opportunities and support for rough sleepers and those threatened with rough sleeping across the County.
- Work has commenced on 2 new affordable Council housing



developments. The new homes will be thermally efficient and will minimise carbon usage.

- Successful bid for £1m funding to improve thermal efficiency ratings of domestic properties, both Council owned and private sector.
- Statutory Gas Safety Checks – Despite the pandemic, achieved a compliancy rate of 99.67% with only 22 properties could not provide access due to issues such as self-isolating or shielding.
- For 2020/21, 99.37% of emergencies repairs were attended to in Government timeframes (5,356 repairs out of 5,390).

Economic Growth and Place

- Kirkby and Sutton Towns Funding – the Town Investment Plan for Kirkby and Sutton was submitted to MHCLG in February 2021 with a request for over £62m and potential investment of £99m. An announcement on the Town Deal offer is due in early June.
- The Future High Streets bid for Sutton was successful and over £6.27m has been secured to deliver projects to revitalise the town centre.
- Town centre masterplans for Kirkby and Sutton were adopted and underpinned the Towns Fund bids and Station Masterplans bids.
- Planning applications continue to be processed well above nationally prescribed standard targets, with 95% of major applications being processed within 13 weeks and 91% of minor applications within 8 weeks.
- An Economic Recovery Plan post Covid has been developed and is being implemented.
- The Council was successful in achieving the Restoring Your Railways bid

Cleaner and Greener

- A review of the standard of all of our parks, open spaces, play areas and sports facilities has been completed. Investment of £1.8m in parks and green spaces has continued with improvements completed at 19 sites. This has resulted in a significant increase in the numbers of people using them – critical during the pandemic when alternative facilities have been closed or access significantly restricted.
- The Council has developed a set of carbon emissions baseline for its activities, which can be used to track progress in the reduction of such emissions in future and is working with Nottingham City Council to develop a carbon reduction strategy and action plan.

Safer and Stronger

- The Council has responded to 2,574 reports of anti-social and nuisance behaviour between April-September 2020, a 34% increase compared to the previous year.
- CCTV is supporting the continued identification of ASB and crime and disorder across the District with the use of cameras deployed in hotspot locations to tackle both ASB and environmental crime.
- Domestic abuse remains a high priority, the Council has appointed a new Domestic Abuse and Vulnerability Officer in October 2020. The officer acts as the Council lead for MARAC (a multi-agency risk assessment conference) and provides key support for survivors across the District.

Innovate and Improve

- Over 60,000 payments made online throughout the year, a significant increase of 14% compared to last year and 25% higher over the last 2 years since we implemented our new 'e-store', exceeding channel shift predictions.
- During 2020/21 over 7,300 business grant payments were processed to Ashfield business, with a total value of around £30m.
- Online Benefit and Test & Trace applications implemented during the year allowed the Council to process over 2,600 online benefits related applications and receive and process almost 1,300 test and trace claims, enabling £191,000 to be paid in test and trace grants.
- At the end of September, 2020, we launched a brand new, modern, user friendly website, which was accredited by the Shaw Trust as fully meeting accessibility standards. Over the last six months, since launch, website usage statistics are indicating significant improvements, particularly regarding the customer journey and easier access to information.
- Staff sickness absence out-turn has seen an 11% reduction compared to the previous year.
- Procurement activities conducted by Nottingham City Procurement on behalf of Ashfield have delivered savings of over £2.7m in spend avoidance.



COVID 19 STATEMENT

Due to the Covid-19 pandemic the Council has put in place a number of measures throughout the year to ensure that additional support and reporting mechanisms were in place (and continue to operate) to meet both additional internal and external requirements. The Council's response to the key issues presented by the Pandemic are set out in the table below:

Area of Impact	Issue / Response of the Council
Council's Workforce	<p>From the outset of the pandemic the Council put in place a daily absence monitoring system to identify emerging pressures on key services where absence was being reported. This daily reporting has continued throughout 2020/21 and to date (June 2021). No staff have been furloughed and sickness absence for the year 2020/21 is 11% lower than in 2019/20. Wherever possible staff have been able to work from home and have been provided with the relevant ICT to facilitate agile working.</p> <p>The Council engaged and deployed additional agency staff as Covid Marshals throughout the year to assist with providing advice and guidance to local businesses and citizens on implementing covid secure measures and to also enforce compliance where this has been necessary.</p>
Service Delivery	<p>The Council has continued to deliver all of its key in-house services throughout the year including an increase to its waste collection services to respond to the additional demands presented by the pandemic, using additional agency staff when necessary. At times during the year there were staff shortages within the cemeteries team but these absences were covered through staff redeployment and agency cover to ensure effective service continuity.</p> <p>Most of the in-person appointments were replaced with on-line or telephone service provision to maximise the protection of both the public and Council staff. Where in-person appointments have been essential these have taken place following strict Covid-safe guidance.</p> <p>The Council's staff have, on behalf of the Government, processed significant volumes of business grants and business rates reliefs throughout the year to ensure local businesses are supported. Where the Council has had discretion over grant payments these are reflected in the Comprehensive Income and Expenditure Statement (CIES) but where it has acted as Agent for the Government (a conduit to pay businesses the grants to which they are entitled as directed by Government) these are not reflected in the CIES.</p>
Supply Chains & Third Parties	<p>Provision of leisure services by our partner 'Everyone Active' has followed the strict Government guidelines throughout the year. During the limited times when the Leisure Centres have been able to operate capacity has been significantly restricted and this placed significant financial pressure on our Leisure Partner. The Council has utilised some of its Covid-19 grant funding to support the organisation and has also worked with them to successfully secure further funding from the National Leisure Recovery Fund (NLRF – Sport England) to aid its transitional recovery.</p> <p>We complied with the Central Government Policy Note PPN 02/20 and 04/20 to support key suppliers to ensure business and service continuity. To comply</p>

Area of Impact	Issue / Response of the Council
	<p>we identified key suppliers at risk and offered support. However, due to changes in lockdown restrictions and other financial support they could access themselves, no additional support was needed, we continued to pay suppliers promptly.</p> <p>Other than at the very start of the pandemic when there was a national shortage, the Council has been able to access and provide relevant Personal Protective Equipment (PPE) to its workforce.</p>
Reserves / Financial Performance / Cashflow	<p>The Council has delivered its service well within budget for the year both for its General Fund and HRA Outturns. The unspent balance of our Covid 19 grant has been transferred to reserves and will be used to cushion any further financial implications of the pandemic going forward.</p> <p>The Council's reserves have further increased in 2020/21 compared with 2019/20 which has further increased the Council's financial resilience and will assist with sustainability for the future – the Council remains a 'going concern'.</p> <p>During the financial year the Council had no adverse impact on its cashflow at any time, principally due to most grants being received from Government in advance of the requirement to pay them to businesses.</p>
Reporting	<p>The Council has been reporting on both the financial and performance impacts of the pandemic throughout the year. This includes regular reports to the Corporate Leadership Team (Standing Weekly Agenda item), Cabinet, the Covid Scrutiny Panel (specifically established to monitor pandemic impacts/recovery) and the Council.</p> <p>The Council has also been submitting the various weekly, monthly, quarterly and ad-hoc financial reports in respect of grant processing and payment assurance to Government Departments.</p> <p>Where appropriate Officer Decision Records (ODR's) and Executive Decision Records (EDR's) have been prepared to record pandemic related decisions.</p>
Other Major Risks and Recover Action	<p>The pandemic is not yet over and the furlough scheme is still currently in place until the end of September 2021 at which time more will be known about the impact on businesses and jobs. However, the Council's recent success in securing £62.6m Towns Fund funding and £6.27m Future High Streets Fund funding along with other sources of match funding and the significant ongoing investment in our leisure provision will bring new jobs and businesses to the District and through the nature of these various projects, will boost the visitor numbers to the local economy in the coming years.</p>

8. ORGANISATIONAL DELIVERY

The Council consists of 35 Councillors, controlled by the Ashfield Independents (28) with 3 Conservative, 2 non-aligned and 2 Labour Councillors. The Council's Cabinet comprises of ten Councillors:



Within Ashfield there are two parishes, Selston Parish Council and Annesley & Felley Parish Council who provide additional services to residents within their respective boundaries. The JUS-t Neighbourhood Plan was made for a substantial part of the Parish of Selston following a referendum in October 2017. Currently no neighbourhood plan has been adopted by Annesley & Felley Parish Council.

The Teversal, Stanton Hill and Skegby Neighbourhood Forum brought forward a Neighbourhood Plan for Teversal, Stanton Hill and Skegby, which was also made in October 2017. The Forum was re-designated for a further five years following a decision of the Cabinet on 27th January 2020.

MANAGEMENT STRUCTURE AND WORKFORCE

The Council's management structure – the Corporate Leadership Team (CLT) is documented in the Council's Constitution and is comprised of the Chief Executive, four Directors and the Corporate Finance Manager (& Section 151 Officer). The CLT is responsible for implementing the Council's strategic goals as determined by elected Members, and for the effective operational delivery and management of Council services. As at 31st March 2021 the Council's workforce comprised 592 employees in post (540.19 full time equivalent posts) on the approved staffing establishment.

KEY PARTNERING ARRANGEMENTS

Ashfield District Council has key working relationships with the following organisations:

- Mansfield District Council and Newark & Sherwood District Council for owning and operating the Mansfield Crematorium.
- Mansfield District Council for delivering shared services across both authorities (Human Resources & Payroll and Legal Services).
- Ashfield District Council is the Lead Partner for the Rough Sleeper Initiative funding/service.
- Mansfield District Council – Home Options Partnership
- Mansfield District Council and Newark & Sherwood District Council – Private Sector Landlord Forum
- Broxtowe Borough Council sharing an Estates Manager, whilst Ashfield provides Business Rates processing support to Broxtowe.
- J. Tomlinson Ltd, our delivery partner for completing capital improvements to the Council's housing stock.
- Nottingham City Homes for the Lifeline Service.
- Sport & Leisure Management Ltd for operating the Council's leisure centres.
- Nottingham City Council for provision of Procurement services.
- Central Midlands Audit Partnership (CMAP) for the provision of our Internal Audit function.
- Erewash Borough Council for the provision of our Building Control function.



9. FINANCIAL PERFORMANCE 2020/21

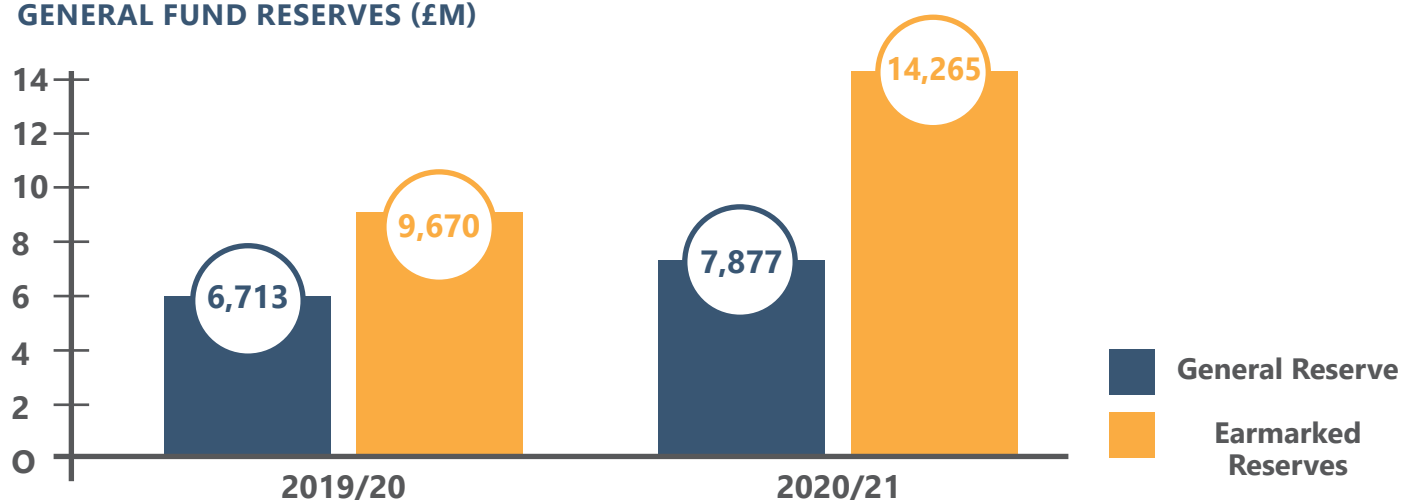
GENERAL FUND REVENUE OUTTURN

The General Fund supports the day to day running of the Council's services, excluding Council Housing provision.

Directorate	Revised Budget £'000	Outturn £'000	Variance £'000
Chief Executive	540	536	(4)
Resources & Business Transformation	958	(1,730)	(2,688)
Legal & Governance	1,809	1,654	(155)
Place & Communities	10,338	8,392	(1,946)
Housing & Assets	2,277	2,129	(148)
Net Cost of Services	15,922	10,981	(4,941)
Key Variance Explanations:			
Unallocated Covid funding (service related)			(1,198)
Unallocated Covid funding (support for individuals)			(1,146)
Unused budgeted transfers from earmarked reserves			(427)
New Burdens funding not utilised in 2020/21			(550)
Towns Fund and Future High Streets Capacity Funding to be used in 2022/23			(313)
Unbudgeted Investment Property Income			(250)
Housing Benefit Losses			250
Increased Planning income			(325)
Salaries and wages savings			(564)
Transport related savings			(269)
Unspent Homelessness Support and Syrian Vulnerable Persons Grant			(141)
Other net Costs/Savings			(8)
			(4,941)

GENERAL FUND RESERVES – CHANGE 2019/20 TO 2020/21

GENERAL FUND RESERVES (£M)



HOUSING REVENUE ACCOUNT (HRA)

The HRA is a ring-fenced landlord's account for the management and maintenance of the Council's housing stock. This account funds both day to day revenue costs as well as funding borrowing costs for capital work to maintain and improve council properties.

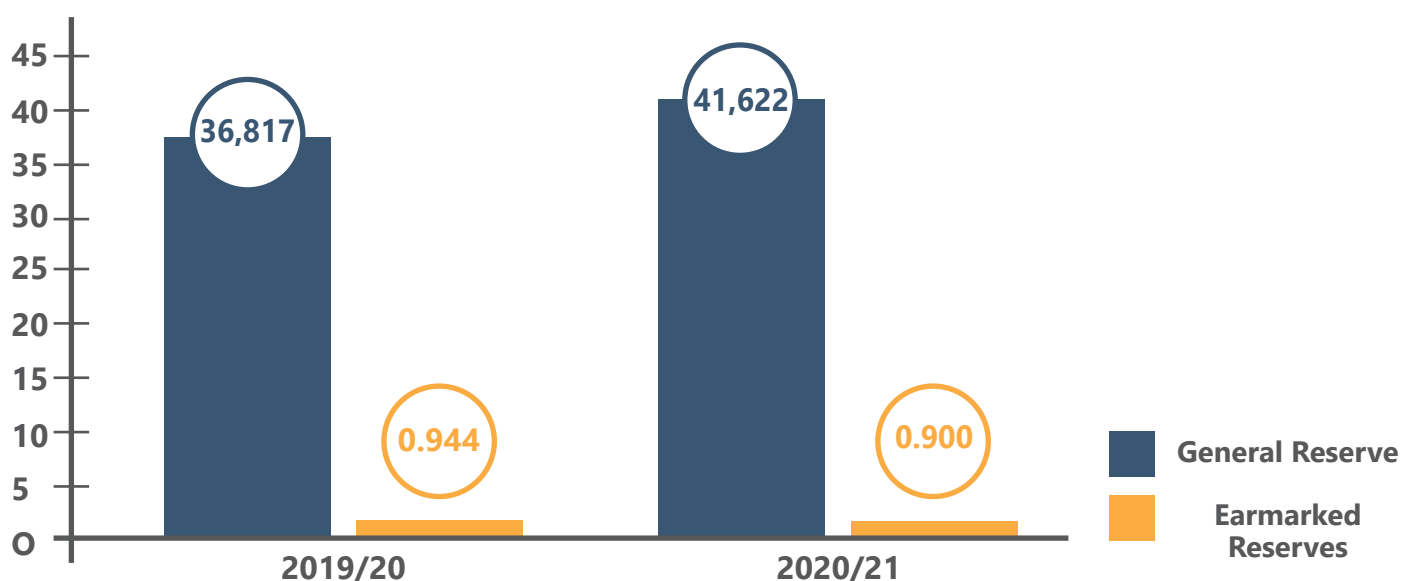
HRA OUTTURN 2020/2021

Compared to the 2020/21 revised budget the HRA achieved savings of £1.777m, these are shown in the Table below:

	£'000
Reduced income from closure of Community Centres and home improvement/garden maintenance due to the Covid restrictions.	50
Reduced Interest rates in the banking sector reduced the average annual interest rate on the HRA balances.	141
Reduced repairs and maintenance and staffing expenditure attributable to a reduction in repairs due to the Covid restrictions.	(1,220)
Reduced contribution to bad debt provision	(119)
Reduced capital expenditure largely due to the delay in new vehicle delivery.	(656)
Other various minor variances (net)	27
	(1,777)

HRA RESERVES – CHANGE 2019/20 TO 2020/21

HRA RESERVES (£M)



Further information relating to the Housing Revenue Account can be found within the Supplementary Financial Statements.

Capital Spending 2020/21

Capital monies are spent on building or enhancing the Council's asset base. There are rules and regulations regarding what can be classed as capital expenditure and this expenditure must be financed separately from the day to day running costs of the Council. During 2020/21 the Council spent £11.8m on capital works. Key projects were:

NEW KIRKBY LEISURE CENTRE

Almost £1m was spent on the new Leisure Centre at Kirkby, the building of which commenced in late 2020/21.

PARKS AND OPEN SPACES

Over £1m capital funding has been spent on Parks and Open Spaces infrastructure across the whole District during 2020/21.

DISABLED FACILITIES GRANTS

The Council spent £691k to meet the statutory duty to provide Mandatory Disabled Facilities Grants to qualifying applicants under the Housing Grants Construction and Regeneration Act 1996. These grants provide the funds for adaptations to modify environments to restore or enable independent living, privacy, confidence and dignity for individuals and their families in non-Council dwellings.

INVESTMENT PROPERTY ACQUISITION

£3.3m was spent on the acquisition of an investment property in April 2020. The Council has since taken a decision not to acquire any further

investment properties (unless for regeneration purposes within the District) following the outcome of the consultation undertaken in 2020 which would now restrict access to Public Works Loan Board funding as a borrowing source should this acquisition strategy continue.

HOUSING PROJECTS

£5.1m was spent in 2020/21 on improvements to Council dwellings throughout the District ensuring that the Decent Homes Standard is maintained and on the other projects including the acquisition of houses to add to the Council's stock to help meet the social housing demands of our residents and undertaking disabled adaptations to Council properties.

Balance Sheet

PROPERTY, PLANT & EQUIPMENT (PPE)

The value of PPE increased by £7.770m to £305.143m as at 31st March 2021. This increase is due to increases in revaluations (mainly to the leisure centres) and new additions exceeding depreciation, disposals and impairment in the year.

Council dwellings are valued utilising the East Midland Adjustment Factor, as required by Government. This Adjustment Factor reduces the value of social housing from the market level to a level which reflects the Government's assessment of valuation, taking account of 'right to buy' and other factors.

INVESTMENT PROPERTIES & ASSETS HELD FOR SALE

The overall value of Investment Properties decreased in year by £2.4m. This decrease was due to valuation reductions of £5.8m across the portfolio which were partially offset by the £3.3m purchase of one investment property in April 2021. The Asset Held for Sale value decreased by £0.7m in the year; this was largely due to the transfer out of this category of the Brook Street, Sutton in Ashfield.

LONG TERM PROVISIONS

The value of Long Term provisions increased by £11k to £2.315m at the end of March 2021. The main provision within this is £1.984m in respect of Business Rates appeals.

PENSION LIABILITY

The Council is a member of the Nottinghamshire County Council Pension Fund. The Pension Liability increased by £31.193m to £124.085m at 31st March 2021 largely due to changes to the financial assumptions of a lower discount rate and an increased inflation rate in line with economic information, as advised by Barnett Waddingham, the Council's Pensions Actuary, both of which increase the pension liability. The increase in liability due to the changes in the financial assumptions is partly offset by investment returns by the Fund and the pension payments made during 2020/21.

10. OUTLOOK



BUDGETS AND FUNDING

There is significant uncertainty about the level of funding the Council will receive beyond 2021/22 pending the outcome and impact of the following:

- The impact of and recovery from the Covid-19 pandemic;
- The next Spending Review;
- Fair Funding Review;
- Business Rates – future levels of retention and clarification of what will happen around the baseline re-set; and
- Future of New Homes Bonus funding and distribution methodology

It is anticipated that a key outcome of the above will be a redistribution of resources to address the national social care pressure in both Adults' and Children's services and as District Councils do not provide these services, District Councils' resources will reduce.

Ashfield District Council, like most Councils, receives support from Local Government Futures (LG Futures) and has used their resource forecasting model and the Council's own forecast expenditure requirements to estimate the anticipated funding gap for the next four financial years. Notwithstanding the uncertainty brought about by the aforementioned factors, the

estimated cumulative funding gap from 2022/23 to 2025/26 is £3m with the largest proportion of this (£2.46m) front-loaded into 2022/23.

As set out in the Council's 2021/22 Budget Setting Report robust plans are in place to identify options and implement actions to address the future estimated financial challenge. This includes a line by line review of all of the Council's budgets and Medium Term Financial Strategy (MTFS) assumptions; a review of fees and charges and income generating opportunities; a review of procurement and contracting arrangements; a review of services and future service delivery options; and delivery of financial efficiencies from the investment in technology via the Council's Digital Transformation Strategy. It also includes progressing at a pace the development and delivery of our Local Plan clearly setting out our aspirations for the District in terms of where we want to see both business and homes growth, and attract developers to help deliver that vision. The Corporate Leadership Team and the Council's Cabinet meet frequently to progress this work.

The Council has a strong track record of setting a balanced and deliverable budget and this robust approach will continue

with the future development of the MTFS to ensure the Council's ongoing financial sustainability.

The Medium Term Financial Strategy will be updated and re-presented to Cabinet in Autumn 2021 to reflect the 2020/21 Outturn and progress on identifying savings to help close the estimated funding gap.

CAPITAL INVESTMENT

Recent announcements made by Government to invest £62.6m in Kirkby and Sutton from the Towns Fund and over £6.27m from the Future High Streets Fund, coupled with our own significant investment plans for our leisure provision which are currently being delivered at a pace, will bring about new opportunities for the whole District. The investment will deliver jobs and further education opportunities, long-term economic and productivity growth, new homes, improved transport infrastructure, reduced carbon and new cultural and visitor facilities.

11. EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts is for the financial year 31st March 2021 and as required by the Code, comprises of Core and Supplementary Statements, together with Disclosure Notes. The style and format of the Accounts complies with the local authority accounting standards.

The Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement records all of the Council's income and expenditure for the year. It includes both the amounts spent on local taxpayer services and also local rent payer services. The top half of the statement provides analysis of spend by Directorate on services that the Council is required to undertake by law (statutory duties such as street cleansing, planning and registration) and discretionary services focussed on local priorities and need. The bottom half of the statement deals with corporate transactions and funding.

MOVEMENT IN RESERVES STATEMENT (MIRS)

This statement summarises the movement in year on the Council's different reserves. These reserves are analysed into 'useable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'unusable reserves' which must be set aside for specific purposes (as they relate to gains and losses on statutory adjustment accounts).

BALANCE SHEET

The Balance Sheet is a 'snapshot' of the Council's financial position at the end of March 2021. It shows the Council's assets, liabilities, cash balances and reserves at 31st March 2021.

CASH FLOW STATEMENT

The Cash Flow Statement shows the reasons for changes in the Council's cash balances during the year, and whether the change is due to operating activities (day to day costs), new investments, or financing activities (such as repayment of borrowing and other long term liabilities).

The Supplementary Financial Statements

HOUSING REVENUE ACCOUNT (HRA)

This Account separately identifies expenditure incurred in the provision, management and maintenance of the Council's housing stock and demonstrates how this has been funded from rents, service charges and other income. In accordance with the Local Government and Housing Act 1989 this is maintained as a separate account and must operate with a positive working balance.

THE COLLECTION FUND

The Collection Fund details all monies due from Council Tax and Non Domestic Rate payers and redistribution of some of these payments to other organisations on whose behalf the Council collects these taxes including the County Council and the Nottinghamshire Police and Crime Commissioner and Fire & Rescue Authorities.

Annual Governance Statement (AGS)

This Statement sets out the Council's governance structures and its key internal controls.

Other Key Sections in the Statement of Accounts

STATEMENT OF RESPONSIBILITIES

This Statement sets out the respective responsibilities of the Council and the Chief Finance Officer.

ACCOUNTING POLICIES

These Policies explain the treatment and basis of the figures in the accounts in accordance with proper accounting practices.

NOTES TO THE FINANCIAL STATEMENTS

These provide additional information on important points included in the Core Financial Statements.

EXPENDITURE AND FUNDING ANALYSIS (EFA)

This Statement shows how annual expenditure is used and funded from Council resources in comparison with how those resources are consumed or earned by the Council. It also shows how this expenditure is allocated for decision making purposes across the Council's Directorates.

GLOSSARY OF TERMS AND ABBREVIATIONS

Key terms used throughout this Statement of Accounts are more fully explained.

FURTHER INFORMATION

If you require further information concerning the Council's 2020/21 Accounts please contact:

The Corporate Finance Manager
Ashfield District Council
Urban Road,
Kirkby in Ashfield,
Nottinghamshire
NG17 8DA

Telephone: **01623 457362** or
Email: **Pete.Hudson@ashfield.gov.uk**



THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

RESPONSIBILITIES OF THE COUNCIL

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Finance Manager;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

I confirm that the Financial Statements were approved by the Audit Committee meeting held on 27th September 2021.

Signed on behalf of Ashfield District Council:

Councillor D. Walters
Chairman of the Audit Committee

RESPONSIBILITIES OF THE CORPORATE FINANCE MANAGER

The Corporate Finance Manager is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code of Practice").

In preparing this Statement of Accounts, the Corporate Finance Manager has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Corporate Finance Manager has also

- Kept proper, up to date accounting records;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that the Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2021.

P. Hudson, ACMA, CGMA
Corporate Finance Manager & Section 151 Officer
27th September 2021

AUDIT CERTIFICATE AND OPINION



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHFIELD DISTRICT COUNCIL

These 4 pages are left blank for the independent auditor's report.



STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the financial year 2020/21 and its position at the year-end 31st March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than one working day.

Cash Equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of any bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. EXCEPTIONAL ITEMS

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserves against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation, impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. EMPLOYEE BENEFITS

A. BENEFITS PAYABLE DURING EMPLOYMENT

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and accumulated flexi time for current employees and are recognised as an expense for the services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements etc. earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus and Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

B. TERMINATION BENEFITS

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

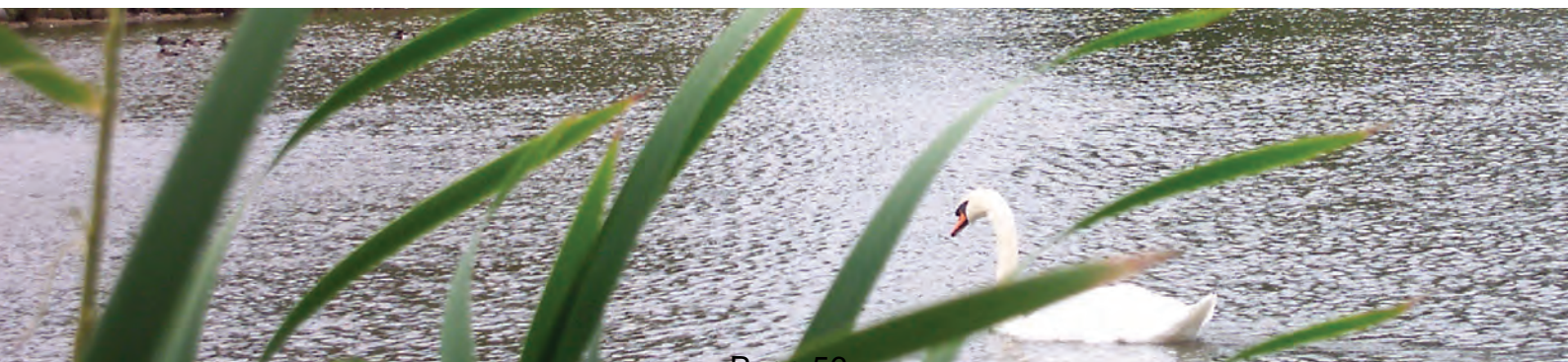
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

C. POST EMPLOYMENT BENEFITS

Most employees of the Council contribute to the Nottinghamshire Pension Fund, the Local Government Pension Scheme administered by Nottinghamshire County Council. The scheme provides defined benefits (retirement lump sums and pensions) earned as employees work for the Council.

The Nottinghamshire Pension Fund is accounted for as a defined benefit scheme:

- The liabilities of Nottinghamshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate based on an appropriate rate of return on high quality corporate bonds.
- The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value.
 - a) Quoted securities – current bid price
 - b) Unquoted securities – professional estimate
 - c) Unitised securities – current bid price
 - d) Property – market value



The change in the net pension liability is analysed into the following components:

- Service Cost comprising

a) Current Service Cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the services for which the employees worked

b) Past Service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs

c) Net interest on the net defined liability (asset), i.e. the net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

d) Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses - changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

e) Contributions paid to Nottinghamshire Pension

Fund - Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end.

The negative balance that arises on the Pensions reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

- Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. EVENTS AFTER THE REPORTING PERIOD

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified;

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. For the purposes of consideration, Post Balance Sheet events can occur up to approval of the Statements by the Audit Committee.

9. FINANCIAL INSTRUMENTS

a. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, which are initially measured at fair value, and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate of interest for each instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally borrowed.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
 - fair value through profit or loss (FVPL), and
 - fair value through other comprehensive income (FVOCI)
- The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets measured at amortised costs

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments are classed as either long-term assets, if repayable after 12 months or longer, or current assets, if repayable within 12 months. Investments are shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council. The amount shown in the Balance Sheet represents the outstanding principal due to be repaid to the Council and the interest that is credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year under the loan agreement.

c. Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

10. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Non-specific Grants

These are general grants allocated by central government directly to local authorities as additional revenue funding. They are non-ring-fenced and are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. For example, New Homes Bonus funding.

11. INTANGIBLE ASSETS

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

During 2020/21, no Council assets met the 'Intangible Assets' definition.

12. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

(a) Joint Crematorium Committee

The Council is a constituent member of a joint crematorium committee with neighbouring authorities of Mansfield and Newark and Sherwood District Councils. Current activities are split between all the councils based on the number of residents of each district area cremated. The balance sheet is apportioned based on the current year's cremations from each area. The Council's share of running costs and income has been included in the Comprehensive Income and Expenditure Statement and the share of assets included within the Balance Sheet using these apportionments. Due to the nature of the relationship of the Council within the committee, Group Accounts are not required for this entity. Information on the Council's share of the income and expenditure and associated assets and liabilities is shown in note 39 to the Core Financial Statements.

13. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included on the balance sheet at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.



14. INVESTMENT PROPERTIES

The Council does hold properties for investment purposes.

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

a. Operating Leases

The Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments, (e.g. there is a rent-free period at the commencement of the lease)

The Council as Lessor

The Council does act in the capacity as lessor for the leases of land and properties it owns. Rents due under operating leases are accounted for on a straight-line basis as they become due. Land and property leased under operating leases are held as non-current assets within the Balance Sheet and valued in accordance with appropriate valuation practices.

b. Finance Leases

The Council as Lessee

Plant and Equipment held under finance leases are recognised on the Balance Sheet at the lower of the fair value of the asset at the lease inception and the present value of the minimum lease payments. The value of the asset is matched by a liability to pay the finance lessor.

The Council does not have any finance leases where it acts as lessee.

The Council as Lessor

The Council does not have any finance leases where it acts as lessor.

16. OVERHEADS AND SUPPORT SERVICES

The cost of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

17. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classed as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Property, Plant and Equipment may also include assets held under finance leases, which have been capitalised and included in the Balance Sheet at a value reflecting the fair value of the asset.

A de-minimis asset value of £10,000 has been set and expenditure on new assets of less than this amount is charged to the service revenue account as a proxy for depreciation, unless the expenditure forms part of a larger scheme.

Measurement

Assets are initially measured at cost, which comprises all expenditure that is directly attributable to bringing an asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Asset Category	Basis of Valuation
Property, Plant and Equipment	Fair value determined in the existing use of the asset
Dwellings	Fair value in the existing use value for social housing
Investment Properties	Fair value to reflect market conditions at the end of the reporting period
Infrastructure, community assets and assets under construction	Depreciated historic cost once the asset becomes operational

Assets are then carried in the Balance Sheet using the following measurement bases:

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate for fair value. Where assets have a short useful life then depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in their value, but as a minimum every 5 years. The Council's housing stock is re-valued annually by applying an appropriate housing price index to a series of beacon values at the start of the financial year.

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified they are accounted for by a debit to the Revaluation Reserve to the extent that an accumulated gain has been recorded against that asset; where there is no balance or an insufficient balance on the revaluation reserve for that asset the write down of the asset value is charged against the relevant service within the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Revaluations are recorded by individual asset. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Costs of dismantling assets such as roofs, windows and heating systems in Council Dwellings are included in the costs paid to the main contractor. The main contractor is responsible for the disposal of the dismantled assets. The dismantled assets have been assessed by the valuer as only having a negligible value.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where there is an indication that there is a material impairment in the value of an asset when compared to the carrying value an impairment loss is recognised. The impairment loss is written down to the revaluation reserve to the extent that any balance for that asset is held within the revaluation reserve. Where there is no balance or an insufficient balance then the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued service use then it is reclassified as an asset held for sale. The asset is revalued immediately before classification and then carried at the lower of this amount or fair value less costs of disposal. Where there is a subsequent decrease in the valuation determined on classification to Asset held for sale then a loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in the fair value of assets held for sale are only recognised to the extent that they reverse a previous loss recognised within the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains relating to the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipt Reserve within the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance within the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment over a period of their estimated useful lives; freehold land is determined to have an infinite economic life and is not depreciated, assets under construction are not depreciated until they become operational in providing services. Depreciation is calculated using the straight-line method. Assets are depreciated over the estimated economic life of the asset, which has been assessed as being the following periods:

Council dwellings	40 years
Other HRA assets	10 - 80 years
Other Buildings	10 - 80 years
Vehicles, plant and equipment	3 - 10 years
Infrastructure	10 - 40 years
Community Assets	20 years

Revaluation gains are also depreciated. The difference between the depreciation on the current value and that, which would have been charged on the historic value, is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

The Council allocates the costs of an individual asset to its various components to calculate depreciation charges where the value of the asset exceeds £500K and more than one individual component exceeds 20% of the asset value. The impact on depreciation charges for assets below the threshold is not considered material. The componentisation is based on the following elements of the asset:-

- Boilers, heating and plant systems
- Lifts
- Roofs
- Windows and doors

In terms of Council Dwellings, these assets are collectively valued in excess of £500K. However, when comparing the value of depreciation charged on a component basis compared to the current 40-year life straight-line methodology, the difference is not considered material. Council Dwellings are therefore not currently subject to componentisation but the policy is to be reviewed on an annual basis.

18. HERITAGE ASSETS

The Council's Heritage Assets held are Historical Monuments, Statues and Artwork. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, no depreciation is charged on Heritage Assets as they are deemed to have an indeterminate life and have a high residual value.

Historical Monuments

The Council has seven Cenotaphs that are located at various outside locations throughout the District. These monuments are reported in the Balance Sheet on an average replacement cost basis, which has been agreed following discussions with our internal valuer.

Statues and Artwork Collection

The collection includes Statues, Sculptures and Mosaics situated within the local town and village streets throughout the Council. The collection depicts the Council's mining and engineering history to ensure the knowledge, culture and understanding of our heritage is preserved for future generations. An artwork example would be The Flight of Fancy sculpture that represents the Rolls Royce Flying Bedstead thrust measuring machine that was developed to research the use of direct lift. These items are reported in the Balance Sheet on an historic cost basis or on an insurance valuation basis and were mainly purchased from grant funding.

NON BALANCE SHEET ITEMS

The Council also holds a collection of items that are not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. These items are believed to have a value of £10k or less. The majority of the collection is street mosaics, murals and sculptures purchased through grant funding or produced by the public art events. The Council has also received a number of donations including a Knitting machine and a Stocking machine dating back to the 18th and 19th century, both of which are believed to be forerunners to the Spinning Jenny. It is difficult to obtain a valuation on these two items as there is no comparable item that provides a market value. Most assets are located on public streets, in parks or are on display within public council buildings. A few items are stored securely in the Council's Council Offices and not currently available for public viewing however, ways of making these items more accessible are being developed.

HERITAGE ASSETS – GENERAL

Heritage Assets are reviewed by the Council for impairments such as where an item has suffered physical deterioration or breakage. Any impairment is measured and recognised within the Revaluation Reserve. The Council works closely with the Ashfield War Memorial Committee to preserve and maintain the local historical monuments. All other Heritage Assets are reviewed and maintained as required. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

19. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

b. Contingent Liabilities

A Contingent Liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent Liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

c. Contingent Assets

A Contingent Asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes, or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The level of reserves and balances is reviewed annually to ensure they are appropriate. The General Fund Balance, Earmarked Reserve and Reserves arising from Capital Receipts together with Capital Grants Unapplied are deemed to be usable reserves in that they may be used to fund future expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments retirement benefits and employee benefits; these are termed unusable reserves and are not available to be used to fund future expenditure.

21. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Statement of Income and Expenditure in the year. Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts so that there is no impact on the level of council tax.

22. VALUE ADDED TAX

Value Added Tax (VAT) is excluded from all income and expenditure received and paid by the Council except where it is classed as irrecoverable by HM Revenue and Customs.

23. THE COLLECTION FUND

i) Council Tax

The Council includes its share of the accrued Council Tax due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the local precept for Council and parish activities is reversed through the General Fund Balance to ensure only the level of Council Tax required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other preceptors of Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

ii) Business Rates

The Council includes its share of accrued Business Rates due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the forecast amount due to the Council is reversed through the General Fund Balance to ensure only the level of Business Rates required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other partners of the pool (Central Government, Nottinghamshire County Council and Nottinghamshire Fire Authority) are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

24. FAIR VALUE MEASUREMENT

The authority measures some of its non-financial assets such as investment properties and potentially some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3** – unobservable inputs for the asset or liability.



This page is intentionally left blank

Report To:	AUDIT COMMITTEE	Date:	26th JULY 2021
Heading:	COUNCIL'S TREASURY MANAGEMENT AND BORROWING ACTIVITIES 2020/21		
Portfolio Holder:	PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN		
Ward/s:	N/A		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

This report provides information on the Council's Treasury Management activities which the Council carries out to manage both its funding and its cash flow, with the aim of minimising the risks to which the Council is exposed when borrowing and lending monies.

It sets out the performance in 2020/21 against the prudential indicators, which were previously approved by Full Council on the 5th March 2020, as part of the Treasury Management Strategy. This ensures that borrowing and lending are controlled within reasonable limits, in line with good practice.

Recommendation(s)

Members are requested to:

- i) Note the performance including the compliant prudential indicators, as outlined in the report.
- ii) Recommend consideration of the report by Cabinet, including points raised by the Audit Committee in respect of the report (if any).

Reasons for Recommendation(s)

The requirements of the Council's Financial Regulations include:

(C.31) the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

(C.30), Cabinet will receive an annual Treasury Management Performance Report.

In accordance with CIPFA Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”), Members should approve the annual report for Treasury Management activity in 2020/21 which forms part of this document.

Under CIPFA’s Prudential Code for Capital Finance in Local Authorities, Members have a statutory duty to adopt a set of annual indicators relating to capital expenditure and Treasury Management.

Alternative Options Considered

None. A report must be received to comply with the Council’s Financial Regulations and CIPFA Codes of Practice.

Detailed Information

TREASURY MANAGEMENT - ANNUAL REPORT 2020/21

1. Introduction

1.1 The Treasury Management Policy Statement includes a requirement for the production of an Annual Report on the Treasury Management activities undertaken during the year. This requirement is also incorporated in the Council's Financial Regulations and is considered as good practice in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Treasury Management.

2. The Financial Markets During 2020/21

2.1 Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the onset of the Covid-19 pandemic in March 2020 which caused the Monetary Policy Committee to cut the Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The base rate has remained at 0.10% for the duration of 2020/21.

2.2 The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdowns. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

3. Borrowing

3.1 The borrowing activities undertaken during the year are summarised below:

Table 1 – Borrowing Activities 2020/21

Type of Loan	Amount Outstanding 01/04/20 £'000	Borrowed £'000	Repaid £'000	Amount Outstanding 31/03/21 £'000
Long Term Loans				
- PWLB	62,536	0	(0)	62,536
- Mortgage Loan	34,500	0	(0)	34,500
- Temporary Loan	5,000	0	(5000)	0
Total External Debt	102,036	0	(5,000)	97,036

- 3.2 The temporary loan repaid had reached maturity and was therefore repaid.
- 3.3 The table represents the actual transactions undertaken and therefore will differ to those shown in the statement of accounts due to the differences between face value and fair value.

4. Prudential Borrowing Limits

- 4.1 One of the requirements of the CIPFA Prudential Code is to report performance against a range of indicators to Members. Underpinning the Prudential system for borrowing is the fundamental objective that any investment in assets needs to be both affordable and remain within sustainable limits. The Council sets its own targets, boundaries or limits against which it monitors actual performance. For 2020/21 these were approved by Council on 5th March 2020. The comparison of out-turn to those targets are set out in Appendix 1 to this report.
- 4.2 There was one occasion where the receipt of interest on our Handelsbanken deposit account temporarily caused the balance to exceed the £5m limit as previously reported in the mid-year report.

5. Loan Interest Payments

- 5.1 There are two measures of performance used for assessing the Council's borrowing activities. These are the total amount of interest paid compared to estimated figures and the average rate of interest paid on external loans. An analysis of interest payments compared to the revised estimates is given below:

Table 2 – Loan Interest Payments

	Revised Estimate	Actual	Variance
	£'000	£'000	£'000
PWLB	1,946	1,946	0
Mortgage Loans	1,576	1,576	0
Temporary Loans	16	16	0
Total	3,538	3,538	0

6. Investments

- 6.1 Cash flow surpluses are placed in investment accounts or in short-term money market deals. The movement in external investments during the year is given below:

Table 3 - Investments

	Temporary Advances
	£000
Balance at 01/04/20	9,984
New Investments	202,243
Repayments	194,511
Balance at 31/03/21	17,716
Annual Return	0.18%

- 6.2 Overall Investment Income achieved compared to the revised budget is as follows:

Table 4 – Investment Income

Budget £000	Actual £000
35	42

- 6.3 The above figures demonstrate that investments are an important element of the Council's budget. Relatively small movements in interest rates can have a significant impact on the income received. The main reasons for the better than expected investment income was due to the Council receiving more grant money than anticipated as a result of the pandemic and underspends on the capital programme resulting in higher cash balances available for investment.

Implications

Corporate Plan:

The reporting of the Council's Treasury Management and Borrowing Activities ensures compliance with the Council's Financial Regulations and the CIPFA best practice. The Council's effective treasury management activities support delivery of the Corporate Plan objectives.

Legal:

The recommendations contained in the report ensure compliance with Financial Regulation C.30 and C.31.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	No direct financial implications arising from this report.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
None Identified	N/A

Human Resources:

No adverse Human Resources implications identified.

Environmental/Sustainability

No Environmental/Sustainability implications.

Equalities:

No adverse Equality implications.

Background Papers

(if applicable)

Report Author and Contact Officer

Bev Bull

Chief Accountant

bev.bull@ashfield.gov.uk

01623 457424

APPENDIX 1 PRUDENTIAL INDICATORS OUTTURN 2020/21

The target indicators were approved by Council on 5th March 2020. After the indicators were set the Government announced that it would end PWLB borrowing for those authorities who continue to purchase investment properties for yield. The authority initially had a £20m scheme for investment property purchases in 2020/21. This capital scheme and funding requirement was therefore subsequently reduced to £3.305m, which is the value of the single investment property purchased in April 2020. The reduction in investment property expenditure is the primary reason for the variance to target on several indicators.

1. Prudential Indicators of Affordability

a) Ratio of financing costs to net revenue stream split between the Housing Revenue Account and the General Fund

The Council is required to calculate an estimated ratio of its financing costs divided by its net revenue stream for both the General Fund and the Housing Revenue Account.

2020/21	Target %	Actual %
Housing Revenue Account	13.79	14.52
General Fund	26.60	14.09

The variance to target on the Housing Revenue is due to a reduction in interest receivable following the base rate cut to 0.10% on 19th March 2020.

The variance to target on the General Fund is due to the reduced financing costs due to the reduction of the investment property budget of £16.7m.

b) Estimate of the incremental impact of capital investment decisions on the Council Tax and Rent Levels

Authorities are required to estimate the impact on the Council Tax (General Fund) and Rent levels (Housing Revenue Account) of the associated financing costs of the incremental capital programme.

2020/21	Target £	Actual £
Housing Revenue Account – Rents (52 Weeks)	0.00	0.00
General Fund -Council Tax (Band D)	59.62	30.64

There was no new borrowing completed for the HRA in 2020/21 as expected.

The reduction against target for the impact on Council Tax for the General Fund is primarily due to a reduction in the investment property capital programme.

c) Net borrowing and the Capital Financing Requirement split between the General Fund and the Housing Revenue Account

In order to ensure that in the medium term borrowing is only undertaken for capital purposes, local authorities are required to ensure that net external borrowing does not exceed, except in the short term, the total of their capital financing requirement. In broad terms the capital financing requirement reflects an authority's need to borrow for capital purposes and is a measure of the assets contained on the balance sheet which have as yet not been fully financed, i.e. there is still some debt outstanding.

31 st March 2021	Target £m	Actual £m
Housing Revenue Account	80	80
General Fund	108	82

The main reason for the variance for the General Fund is due to the movement on the investment property capital programme and lower than expected MRP charges as a result of slippage on the 2019/20 capital outturn.

d) **Estimates of capital expenditure split between the General Fund and the Housing Revenue Account**

2020/21	Target £m	Revised Capital Programme £m	Actual £m
Housing Revenue Account	14.1	5.7	5.1
General Fund	27.3	11.6	6.6

The main reasons for the differences between the Housing Revenue Account (HRA) and the General Fund (GF) are as follows:

- i) HRA – Variance to revised capital programme is largely due to HRA vehicle purchases being delayed due to pandemic. Also, the target indicator was set before the pandemic and therefore decent homes work costs were expected to be higher.
- ii) GF – The start dates were delayed for the Kirkby Leisure Centre and Towns Fund Projects and the scheme expenditure has slipped into 2021/22. The target indicator included £20m of investment properties the Council only purchased one investment property for £3.3m and spend on the new Kirkby Leisure Centre in 2020/21 was £4.5m less than target (timing difference).

e) **Authorised Limit of external debt**

The Council is required to set an authorised limit for its total external debt, gross of investments and includes the need to borrow on a short-term basis to cover for temporary shortfalls in cash flow. The Authorised limit is set at a level which is the approximate value of the funded capital programme plus the Capital Financing Requirement.

2020/21	Authorised Limit £m	Actual Borrowing £m
Borrowing	206	97

f) **Operational Boundary**

The operational boundary is based on the most likely or prudent but not worst-case scenario in relation to cash flow. The reason for the difference between the Operational and Actual Borrowing is due to the Authority using internal reserves and working capital e.g. the HRA balances to fund Capital Expenditure rather than borrowing.

2020/21	Operational Boundary £m	Actual Borrowing £m
Borrowing	191	97

2. **Prudential Indicators for Prudence**

a) **Interest rate exposure**

This indicator gives the following maximum levels of exposure to fixed and variable interest rate payments. Fixed interest loans charge the same amount of interest from the start of the loan until the loan is repaid. The interest payable for variable rate loans may change from the inception date to the maturity date. The target for fixed rate loans is set at the same level as the Authorised Limit whereas the target for variable rate loans is set at an amount which is 40% of the Authorised Limit.

Principal Outstanding 2020/21	Target £'000	Actual £'000
At Fixed Rates	206,000	97,036
At Variable rates	82,400	0

b) **Maturity Structure of fixed rate borrowing**

The Council has numerous fixed rate loans. It is prudent to ensure that these loans do not mature at the same time. Therefore, the Council has set lower and upper limits for the maturity of its fixed rate loans.

Maturity	Lower Limit £'000	Upper Limit £'000	Actual 31 st March 2021 £'000
Less than 12 months	0	20,000	0
12 months to 24 months	0	20,000	1,500
24 months to 5 years	0	25,000	13,190
5 years to 10 years	0	50,000	9,046
10 year and over	0	100,000	73,300

Principal sums invested for more than 364 days

The below represents the maximum amount the Authority can invest with any institution. This is to reduce the potential exposure to the Authority should any institution become insolvent.

2020/21	Limit £m	Actual £m
Upper Limit	5	0

Report To:	AUDIT COMMITTEE	Date:	26th JULY 2021
Heading:	FINANCIAL MANAGEMENT CODE		
Portfolio Holder:	CLLR DAVID MARTIN, PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS		
Ward/s:	N/A		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

To inform Audit Committee of the requirements of the CIPFA Financial Management Code (the FM Code) as a framework to support good practice in financial management and assist in demonstrating financial sustainability.

Recommendation

- For Audit Committee to note the contents of the report.

Reasons for Recommendation(s)

To raise the awareness of the FM Code and the collective responsibility of elected Members, the Corporate Leadership Team and Chief Finance Officer to demonstrate compliance with the FM code.

Alternative Options Considered

None – the report is raising awareness of the FM code, which is one of the actions required to comply with the code.

Detailed Information

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019. The first full year of compliance is 2021/22.
- 1.2 The general financial management of a local authority has not until now been supported by a professional code. The Code has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future.

- 1.3 The FM Code applies to all Local Authorities as does the Prudential Code, Accounting Code of Practice and the Role of Chief Finance Officer. The codes themselves do not have

legislative backing but support the requirement of Section 151 of 1972 Local Government Act that requires Local Authorities to make arrangements for the proper administration of their financial affairs.

1.4 The FM Code applies a principles-based approach and relates to other existing statutory and good practice guidance to provide a comprehensive picture of financial management of the Council. The FM Code identifies 6 Principles 'CIPFA Statement of Principles of Good Financial Management' these are:

- **Organisational leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into the organisation
- **Accountability** – based on medium term financial planning that drives the annual budget process supported by effective risk management, quality supportive data and whole life costs
- **Transparency** - Financial management is undertaken with transparency at its core using consistent meaningful and understandable data, reported frequently and evidence of periodic and elected Member decision making
- **Standards** - adherence to professional standards is promoted by the leadership team and is evidenced
- **Assurance** – Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and results of external audit, internal audit and inspection
- **Sustainability** - the long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources

1.5 Specific standards are then identified to support each principle to provide a strong foundation to support good practice in financial management and to assist in demonstrating financial sustainability to:

- Financially manage the short, medium and long-term finances
- Manage financial resilience to meet unforeseen demands on services
- Manage unexpected shocks in financial circumstances

The standards under each of the principles are included at Appendix 1.

1.6 The FM code is not prescriptive, self-regulation is required to exercise professional judgement backed by appropriate reporting. The requirement is to demonstrate processes, satisfying the principles and financial management should be proportionate to the risks to the financial sustainability posed by scarce resources and demand for services. Demonstrating compliance is the collective responsibility of elected Members, the Corporate Leadership Team and Chief Finance Officer.

1.7 Local Authorities are required to implement the code by:

- Completing an assessment of elements of the code
- Reflecting on its position against the standards
- Taking necessary action to comply with standards if gaps are identified
- Raise awareness within the organisation

1.8 A self-assessment is to be completed of the Council's assessed level of compliance with the standards contained in the FM Code. This self-assessment will be reported to the next Audit Committee.

Implications

Corporate Plan:

Compliance with the FM Code will contribute to sound decision making, assessing financial resilience and demonstrate financial sustainability, all of which contribute to long term ability to deliver the Corporate Plan.

Legal:

Compliance with the FM Code supports the requirement of Section 151 of 1972 Local Government Act that requires Local Authorities to make arrangements for the proper administration of their financial affairs.

Finance:

The Chief Financial Officer (Section 151 Officer) has the Statutory Responsibility (supported by the management team and elected Members) for ensuring compliance with the FM Code.

Budget Area	Implication
General Fund – Revenue Budget	None.
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	None
Housing Revenue Account – Capital Programme	None

Risk:

Risk	Mitigation
If compliance with the CIPFA Financial Management Code is not demonstrated, the Council's financial management, financial resilience and sustainability could be challenged and have a negative impact.	To complete a self-assessment to demonstrate the Council's compliance with the standards contained in the FM Code. Actions will be identified to address any gaps. The initial self-assessment and progress on implementing any actions will be reported to the Audit Committee.

Human Resources:

None

Environmental/Sustainability

None

Equalities:

None

Background Papers

CIPFA Financial Management Code 2019.

Report Author and Contact Officer

Bev Bull

Chief Accountant

b.bull@ashfield.gov.uk

01623 457424

The CIPFA Financial Management Code Principles and Standards





Ashfield District Council – Internal Audit Annual Report 2020-21

Audit Committee: 26 July 2021

Report Produced: 30 June 2021



Contents	Page
Introduction	3
Quality Assurance and Improvement Programme	5
Audit Opinion 2020-21	7
Audit Coverage	13
Performance Measures	17
QAIP – Improvement Plan	18
IIA Core Principles Action Plan	20

Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

Contacts

Richard Boneham CPFA
 Head of Internal Audit (DCC) &
 Head of Audit Partnership
 c/o Derby City Council
 Council House
 Corporation Street
 Derby, DE1 2FS
 Tel. 01332 643280
richard.boneham@derby.gov.uk

Adrian Manifold CMIIA
 Audit Manager
 c/o Derby City Council
 Council House
 Corporation Street
 Derby
 DE1 2FS
 Tel. 01332 643281
adrian.manifold@centralmidlandsaudit.co.uk

Mandy Marples CPFA, CCIP
 Audit Manager
 c/o Derby City Council
 Council House
 Corporation Street
 Derby
 DE1 2FS
 Tel. 01332 643282
mandy.marples@centralmidlandsaudit.co.uk

Providing Excellent Audit Services in the Public Sector

Introduction

Why an Audit Opinion is required

The Public Sector Internal Audit Standards (PSIAS) states:

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 2450 Overall Opinions

In this instance, the Chief Audit Executive is Mandy Marples, Audit Manager.

With regard to overall opinions, CIPFA's Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition (issued February 2019) also states:

"The Public Sector Requirement in PSIAS 2450 requires that the Chief Audit Executive must provide an annual report to the board timed to support the annual governance statement. This must include:

- *an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework – i.e. the control environment*
- *a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance providers)*
- *a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.*

In local government, the annual opinion should be guided by the CIPFA Framework Delivering Good Governance in Local Government.

The annual report should also include:

- *disclosure of any qualifications to that opinion, together with the reasons for the qualification*
- *disclosure of any impairments ('in fact or appearance') or restriction in scope*
- *a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets*
- *any issues the Chief Audit Executive judges particularly relevant to the preparation of the annual governance statement*
- *progress against any improvement plans resulting from QAIP external assessment.*

In the context of the PSIAS, 'opinion' means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work)."

How an Audit Opinion is Formed

Internal Audit's risk-based plan must take into account the requirement to produce an annual internal audit opinion. Accordingly, the Audit Plan must incorporate sufficient work to enable the Audit Manager to give an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.



Possible Overall Opinions

The Audit Manager's opinion relative to the organisation as a whole could fall into one of the following 3 categories:

- **Inadequate System of Governance, Risk and Internal Control** – Findings indicate significant weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.
- **Adequate System of Governance, Risk and Internal Control Subject to Reservations** – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.
- **Satisfactory System of Governance, Risk and Internal Control** - Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

Quality Assurance and Improvement Programme

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Public Sector Internal Audit Standards state:

Public sector requirement

The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 1320 Reporting on the Quality Assurance and Improvement Programme

Public Sector Internal Audit Standard 1312 also requires that:

"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation."

Assessments are based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.
- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

An external quality assessment of the internal auditing activities of CMAP was undertaken during the period February – April 2017 and identified some opportunities for further improvement and development. The consultant provided an update position on our overall conformance with the Standards in September 2017 and reassessed our conformance as follows:

	Number of standards	Generally Conforms	Partially Conforms	Does Not Conform
Code of Ethics	4	4	0	0
Attribute Standards	19	19	0	0
Performance Standards	33	33	0	0

As required, we have also undertaken a self-assessment against the Standards in April 2021 using the tool specifically developed by the Institute of Internal Auditors (IIA) for

Ashfield District Council – Internal Audit Annual Report 2020-21

this purpose. As such, CMAP has identified a number of actions for improvement some of which listed in the [QAIP Improvement Plan](#) section to the rear of this report.

In November 2020 we also undertook a self-assessment of our conformance against the Practice Guide - Demonstrating the Core Principles for the Professional Practice of Internal Auditing. The IIA's self-assessment tool was used once again. The resulting [IIA Core Principles Action Plan](#) is at the end of this report.

We have determined that CMAP '**Generally Conforms**' to the Standards. 'Generally Conforms' means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

Audit Opinion 2020-21

Based on the work undertaken during the year, I have reached the overall opinion that there is a **Satisfactory System of Governance, Risk and Internal Control** - Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

In forming this opinion, I am satisfied that no conflicts of interest have occurred which would have any bearing on my independence or objectivity. Also, my organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.

I have arrived at this opinion having regard to the following:

- The level of coverage provided by Internal Audit was considered adequate.

Note: The COVID-19 pandemic did impact on Internal Audit's ability to undertake all the work it planned to do in 2020/21. Some audit reviews could not be commenced or were delayed, as service teams were fully committed to delivering essential COVID-19 support. However, those audit reviews that were an essential component to inform the annual opinion were either completed or sufficiently completed to enable the overall opinion to be determined. I am satisfied that sufficient internal audit work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Council's governance framework, its risk management framework and the system of internal control that it operates.

- We place reliance on other assurance providers who contribute to the overall assurance framework.
- Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the organisation's control environment is operating effectively.
- Our insight gained from our interactions with Senior Management and the Audit Committee.
- The changing risk environment within the Council has been taken into account during the 2020-21 financial year. Key features included;

Strategic Leadership – The Interim Chief Executive continued in post during the pandemic and the recruitment exercise for a permanent replacement remained on hold. This gave stability in strategic leadership during a period of unprecedented challenges.

Anti-Fraud – As with many local authorities, routine operations have seen disruption due to key members of staff being actively engaged in service delivery related to COVID-19. The development of a corporate approach to anti-fraud has suffered in this respect as the Council's anti-fraud activity

focused largely on the COVID-19 Business Support Grants and not on development. This is only to be expected as public money in the form of grants was given out at pace and fraud was a particular risk to the public purse.

As such, two internal audits were added to the Internal Audit plan to support the Council. The first reviewed the Council's payment and control of the administration and allocation of the first round of grant payments, looking specifically at pre-payment checks, post-payment checks and facilitating effective data matching to aid the council in identifying potential fraudulent applications and payments. The second audit used data matching on the second tranche of grant payments to provide assurance that the payments were valid.

A further audit that reviewed the Council's Management of Fraud Risk made a number of recommendations to strengthen the Council's anti-fraud arrangements. This piece of work and the lack of progress during the year in developing a corporate approach highlighted the need for greater operational resilience and improved capacity in identifying and dealing with suspected fraudulent activity.

Remote Working - Whilst working from home or agilely are not new initiatives to the Council, the COVID-19 pandemic has meant the Council is required to support home working on a much greater scale, and for significant periods of time. An audit to review the key controls on some of the cyber risks and management challenges faced with such a transition in working patterns was undertaken. This audit is substantially complete but has yet to be finalised.

Financial Resilience - The challenge to deliver effective public services and maintain financial stability and resilience is significant, especially during a pandemic with the additional financial burdens that this places on a Council. We reviewed the Council's financial health and resilience, in light of the pandemic. This audit focused on the controls and governance arrangements the Council had in place to manage its financial health and resilience and it identified no areas of significant concern, although it is yet to be finalised.

Outstanding Recommendations - The degree to which recommended actions have been implemented to address our concerns over risk and control weaknesses within the Council has suffered as a result of the pandemic. Ongoing issues with progressing recommendation implementation have been exacerbated by the pandemic as officers time has been diverted to business continuity arrangements. We will continue to work with the Council to improve the position.

- No adverse implications for the organisation's Annual Governance Statement have been identified from any of the work that Internal Audit has undertaken in 2020-21.

Internal Audit Work to Support The Opinion

- The original 2020-21 Internal Audit Plan, approved by the Audit Committee on 10 February 2020, was informed by Internal Audit's own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to the organisation's key risks and objectives. The Plan was amended during the year to accommodate the changing risk profile of the Council. The following audits were removed from the original approved plan; Business Continuity, Main Accounting System, Taxation, Creditors, ICT Infrastructure, Corporate Improvement/Transformation, Commercial Property Portfolio, Debtors, Payroll, Environmental Protection and Contracts Register. Audits of Delegated Decisions, Business Support Grants and Financial Health & Resilience were added.
- The following tables summarise the 2020-21 Audit Plan assignments and their outcomes as well as those assignments from the 2019-20 Audit Plan which were still ongoing in 2020-21.

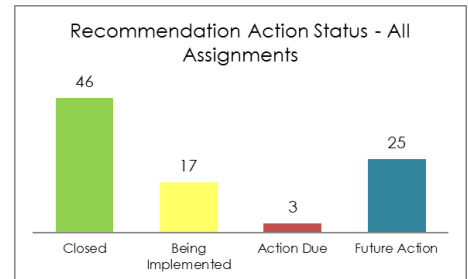
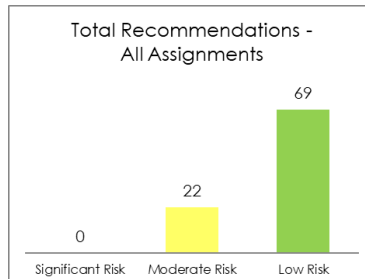
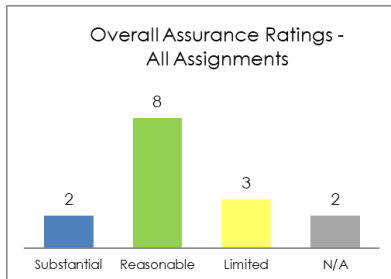
2020-21 Jobs	Status	% Complete	Assurance Rating
Management of Fraud Risk	Final Report	100%	Limited
Delegated Decisions	Final Report	100%	Reasonable
Teleworking Security	In Progress	75%	
Risk Management 2020-21	Final Report	100%	N/A
Business Support Grants	Final Report	100%	Reasonable
Procurement Follow-up	Final Report	100%	Substantial
People Management	Final Report	100%	Reasonable
Support Grants – Second Round Payments	Final Report	100%	N/A
Financial Health & Resilience	In Progress	80%	
Complex Case Work	Final Report	100%	Limited
Disabled Facilities Grants	Final Report	100%	Reasonable
Rent Control	Final Report	100%	Reasonable

B/Fwd Jobs	Status	% Complete	Assurance Rating
Medium Term Financial Plan	Final Report	100%	Reasonable
Creditors 2019-20	Final Report	100%	Substantial
Anti-Fraud & Corruption 2019-20	Final Report	100%	Reasonable
Digital Transformation	Final Report	100%	Reasonable
Transformation Project Assurance	Final Report	100%	Limited

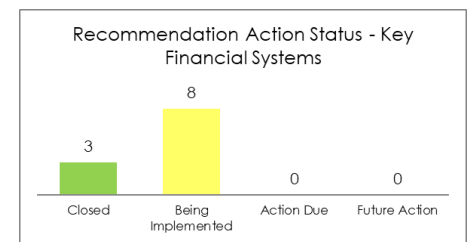
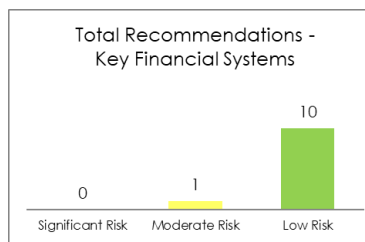
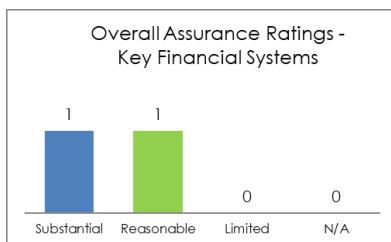
The internal audit work we have carried out during the year has demonstrated that in general there is a sound governance framework in place, risks are being managed and the controls put in place to mitigate those risks are working in practice. Where weaknesses have been identified, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

Ashfield District Council – Internal Audit Annual Report 2020-21

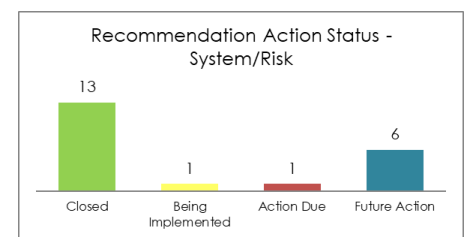
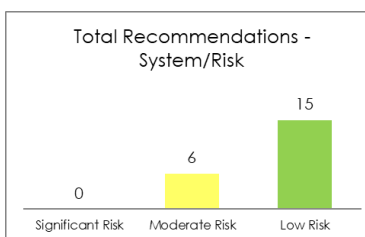
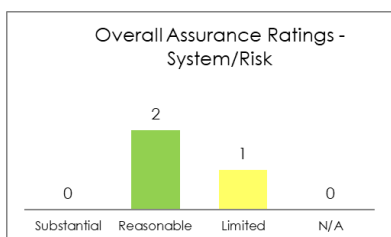
- Of the 15 completed assignments, 10 attracted either a Substantial or Reasonable assurance rating, 3 assignments were given a Limited assurance rating and there were 2 where an assurance rating was not applicable due to the nature of the review. From the completed assignments a total of 91 recommendations were made; 69 of these were considered to present a low risk; 22 were considered to present a moderate risk; none were considered to present either a significant or critical risk. Although there were a number of moderate risk recommendations made, they were not significant in aggregate to the system of internal control.



- Of the 3 **Key Financial System** audits undertaken in 2020-21, 2 were finalised and 1 attracted a Substantial overall assurance rating and 1 a Reasonable rating. These audit assignments identified 11 recommendations, 10 of which were classified as low risk and 1 moderate risk. The Financial Health and Resilience audit is substantially complete but has yet to be finalised.

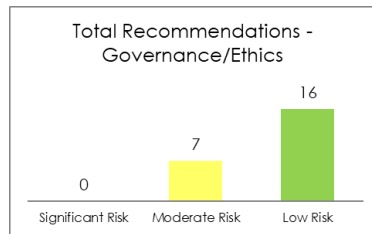


- Of the 3 **System/Risk** audits undertaken in 2020-21, all were finalised. Two attracted a Reasonable overall assurance rating and 1 attracted a Limited assurance rating (Complex Case Work). A total of 21 recommendations were made; 6 of which were considered to present a moderate risk, 15 were judged as low risk. There were no significant or critical risk issues identified. All of the recommendations from the Complex Case Work audit have been addressed to our satisfaction.

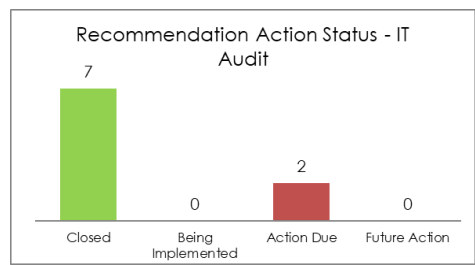
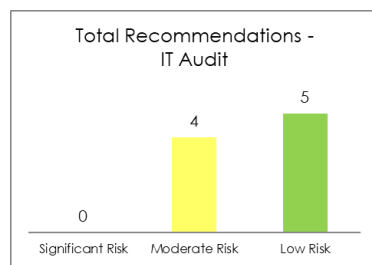
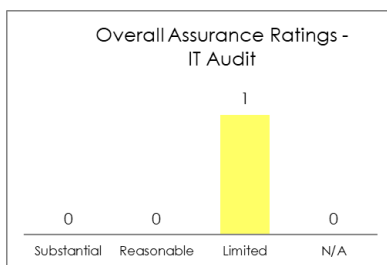


Ashfield District Council – Internal Audit Annual Report 2020-21

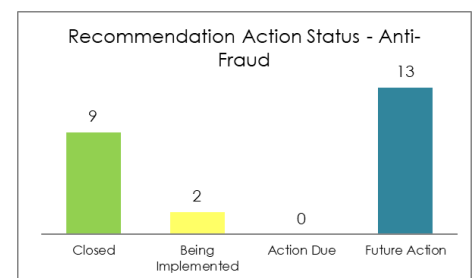
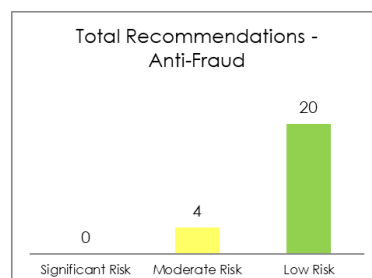
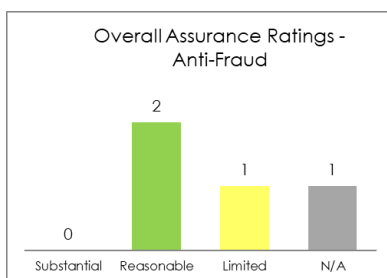
- All of the 4 **Governance/Ethics** audits undertaken during 2020-21 have been finalised and 3 were judged to have Reasonable overall assurance ratings. An assurance rating wasn't applicable to the Risk Management audit due to the consultancy nature of the review. The assignments resulted in 23 recommendations; 7 of which were considered to represent a moderate risk and 16 a low risk.



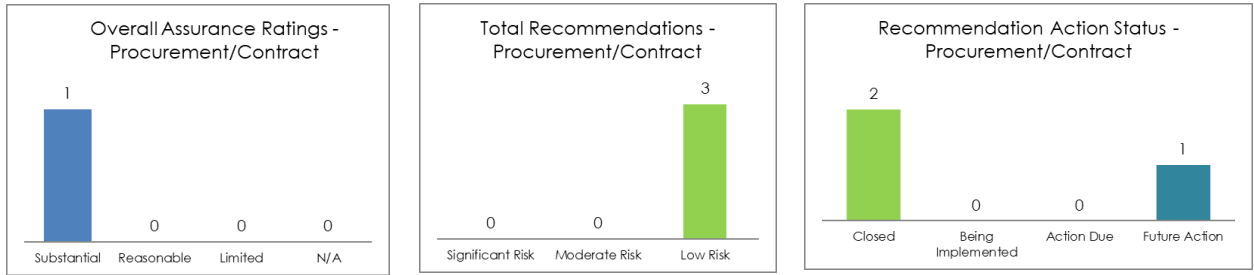
- Of the 2 **IT Audits** undertaken, one was completed during 2020-21 and attracted a Limited assurance rating (Transformation Project Assurance). A total of 9 recommendations were made, 4 of which were moderate risk recommendations and 5 low risk. Of the 4 moderate risk issues, 3 have been implemented to our satisfaction. The other IT audit assignment is substantially complete but has yet to be finalised.



- Of the 4 **Anti-fraud** assignments undertaken in 2020-21, all were completed. 1 piece of work was to support the second round of business grant support payments and did not result in an overall assurance rating, 2 attracted a Reasonable assurance rating and 1 a Limited assurance rating (Management of Fraud Risk). The assignments resulted in 24 recommendations; 4 of which were considered to represent a moderate risk and 20 a low risk.



- The 1 **Procurement/Contract** audit finalised during 2020-21 attracted an overall assurance rating of Substantial. The assignment identified 3 low risk recommendations.



This opinion is provided with the following caveats:

- The opinion does not imply that Internal Audit has reviewed all risks, controls and governance arrangements relating to the Council. The opinion is substantially derived from the conduct of risk-based audit work and as such, it is only one component that is taken into account when producing the Council's Annual Governance Statement.
- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.

Audit Coverage

Assurances Provided

The following table seeks to summarise the extent of audit coverage provided to Ashfield District Council during 2020-21 and the assurance ratings associated with each audit assignment.

Summary of Audit Plan 2020-21 Results (incl. Jobs B/Fwd)	Type of Review						Totals
	Key Financial System	System/ Risk	Governance /Ethics	IT Audit	Anti- Fraud	Procurement /Contract	
Not Yet Complete	1			1			2
Substantial	1					1	2
Reasonable	1	2	3		2		8
Limited		1		1	1		3
No							
N/A			1		1		2
	3	3	4	2	4	1	17

Assurance Ratings Explained

Substantial - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

N/A – The type of work undertaken did not allow us to reach a conclusion on the adequacy of the overall level of internal control.

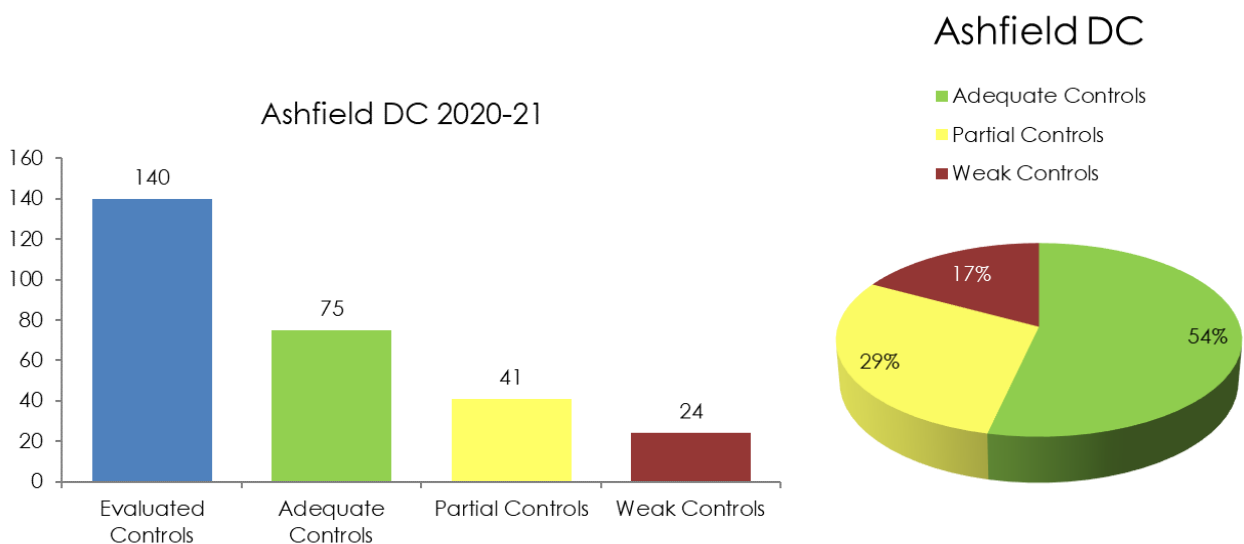
These assurance ratings are determined using our bespoke modelling technique which takes into account the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks.

Audit Plan Assignments 2020-21

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Financial Health and Resilience						n/a
Medium Term Financial Plan	Reasonable			1	6	14%
Creditors 2019-20	Substantial				4	50%
People Management	Reasonable				9	22%
Complex Case Work	Limited			5	4	100%
Rent Control	Reasonable			1	2	67%
Delegated Decisions	Reasonable			1	5	17%
Risk Management 2020-21	N/A					n/a
Anti-Fraud & Corruption 2019-20	Reasonable			2	9	82%
Digital Transformation	Reasonable			4	2	33%
Teleworking Security						n/a
Transformation Project Assurance	Limited			4	5	78%
Management of Fraud Risk	Limited			2	12	7%
Business Support Grants	Reasonable			2	3	80%
Support Grants - Second Round Payments	N/A					n/a
Disabled Facilities Grants	Reasonable				5	80%
Procurement Follow Up	Substantial				3	67%
TOTALS				22	69	51%

Internal Controls Examined

For those audits finalised during 2020-21, we established the following information about the controls examined:



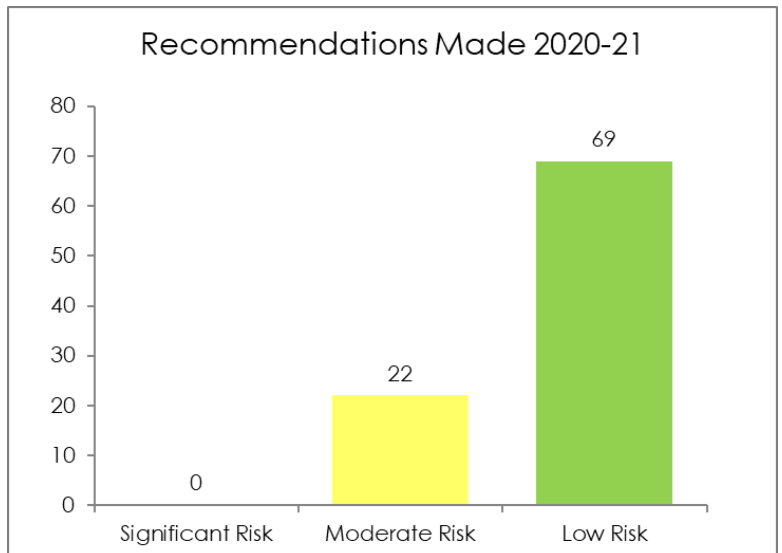
Recommendations Made

The control weaknesses identified above resulted in 91 recommendations which suggested actions for control improvements. The following table and charts show where the recommendations came from, how the recommendations were risk rated and the current status of all recommendations made in 2020-21:

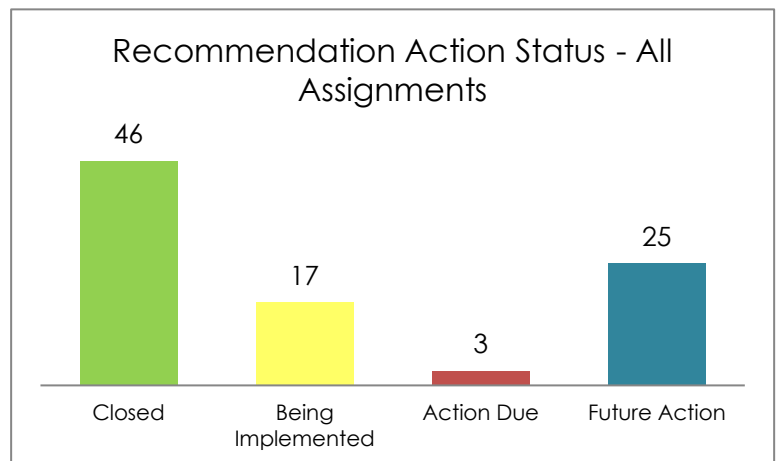
Audit Assignments Completed in Period	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
Financial Health and Resilience	Key Financial System				
Medium Term Financial Plan	Key Financial System	1		6	
Creditors 2019-20	Key Financial System	2		2	
People Management	System/Risk	2	1		6
Complex Case Work	System/Risk	9			
Rent Control	System/Risk	2		1	
Delegated Decisions	Governance/Ethics	1			5
Risk Management 2020-21	Governance/Ethics				
Anti-Fraud & Corruption 2019-20	Governance/Ethics	9		2	
Digital Transformation	Governance/Ethics	2		4	
Teleworking Security	IT Audit				
Transformation Project Assurance	IT Audit	7	2		
Management of Fraud Risk	Anti-Fraud	1			13
Business Support Grants	Anti-Fraud	4		1	
Support Grants - Second Round Payments	Anti-Fraud				
Disabled Facilities Grants	Anti-Fraud	4		1	
Procurement Follow Up	Procurement/Contract	2			1
TOTALS		46	3	17	25

Recommendations Summary

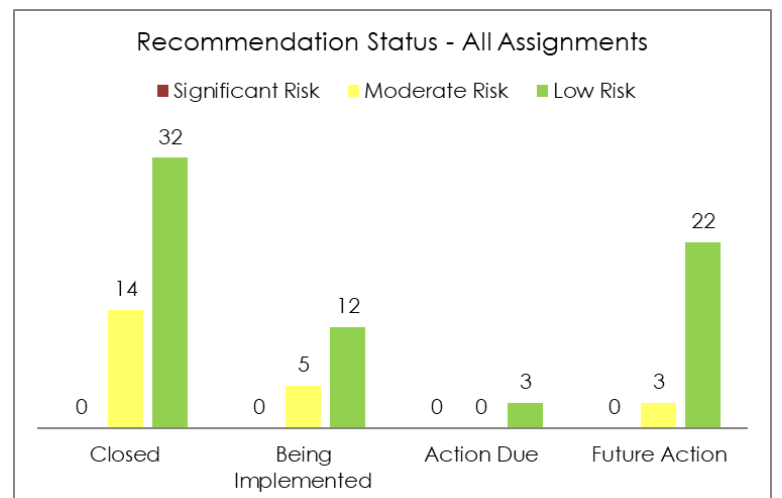
These 91 recommendations have resulted from the 17 audit assignments finalised either during 2020-21 or finalised in the time following the year-end. Approximately 76% of all recommendations made were considered to present a low risk, 24% a moderate risk and 0% a significant risk.



Of the 91 recommendations made, 51% have been closed, 19% have passed their original action date and a revised target has been set, 3% have passed their original action date but we have not yet received information regarding the status of management's action. The remaining 27% have an agreed original action date set in the future.



It is pleasing to note that 14 of the moderate risk recommendations raised have been addressed to our satisfaction, as have 32 of the low risk recommendations. We will continue to monitor all recommendations not yet addressed and will bring those moderate risk recommendations that remain outstanding to the attention of the Audit Committee throughout the coming year.

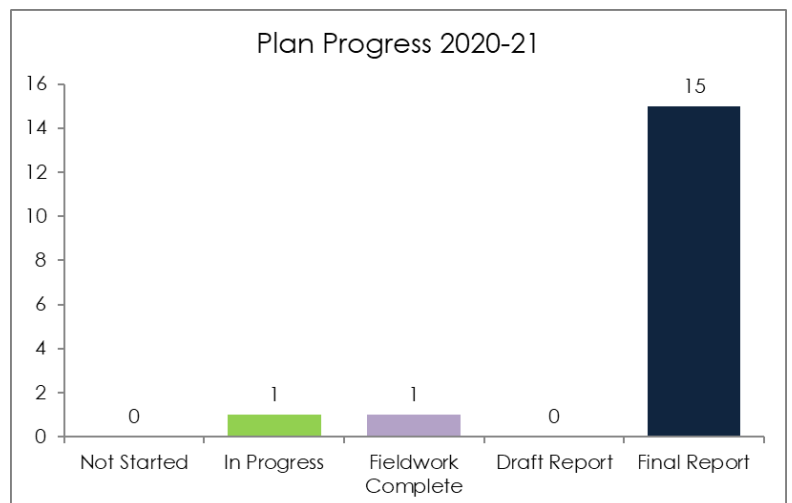


Performance Measures

5 customer satisfaction surveys have been returned. Surveys contain 11 questions regarding the audit service provided and asked managers to score each on a scale of 1-5 (1=Very Poor, 2=Poor, 3=Fair, 4=Good, 5=Excellent). From the 5 customer satisfaction returns received, the overall average score out of 55 was 48.



As at 31 March 2021 we estimate that we had completed 83.1% of the revised Audit Plan against a target of 90%. This target makes no allowance for the impact of the pandemic on both ADC and on CMAP. Our progress with certain audit assignments has been impacted by Covid-19. The chart shows the current progress on 2020-21 audits as at the date of this report.



QAIP – Improvement Plan

ACTIONS

1. We could seek feedback from Audit Committees & Senior Management on whether the Audit Plan focuses on the things that matter to the organisation and whether our opinion and recommendations are valued and help the organisation or we could seek a formal endorsement from Audit Committee and Client Lead Officer of the Audit Plan and our Opinion when reporting to Committee.
2. We should continue to heighten our profile by building on the relationship management already established with each partner organisation. i.e. Regular meetings with senior management combined with a regular on-site presence. Note under the current circumstances (Covid pandemic) this needs to be through regular contact via virtual meetings.
3. We should map competency levels of staff over the various audit disciplines (e.g. contract, IT, probity, investigations etc.) that we can link to audit engagements to demonstrate that the staff assigned are appropriate.
4. We should continue to promote a culture of continuous improvement which considers the needs of individuals by:
 - staff completing the AMS in respect of any training received,
 - undertaking GPCs in accordance with the hosts requirements and
 - producing a Training & Development Plan.
5. Our opinion statements should explicitly state whether there are any perceived conflicts of interest with any other assurance providers which the CAE is relying upon when forming an opinion.
6. We should ask staff to complete a Personal Development Plan and then produce a Training & Development Plan for the Team.
7. We should aim to increase our knowledge around the use of data analytics and other CAATs and identify the benefits it could bring to the audit processes.
8. To ensure that audit engagements are supported by appropriate tools, we need to develop a strategy for the use of data analytics.
9. Complete this self-assessment annually and produce a revised QAIP and Action Plan for reporting to all necessary parties.
10. To demonstrate stakeholder engagement with the process, we should ensure that the QAIP Action Plan is a standard agenda item on both the CMAP Operational Group and at Audit Section meetings.
11. To demonstrate each work programme has been appropriately approved, we should continue to develop the controls/risk/tests selection from a searchable database in the AMS (which will automatically generate the control evaluation) which incorporates attributes for each control (such as risk type, control type) so we can better demonstrate our coverage and the scrutiny and approval of that coverage by audit management. We should continue to gather control/risk/test data from existing audits ready for import into the database.

Ashfield District Council – Internal Audit Annual Report 2020-21

12. CMAP needs to explore potential external assessors that can deliver the appropriate level of validation required and that understand the partnership ethos/approach.
13. We should continue to develop the process for incorporating other assurance information into our overall risk assessment process and our overall opinion and how the other assurance provider information we gather can be used to demonstrate the overall Assurance 'map' for each organisation.
14. We should ensure that our Audit Manual is complete, up-to-date, readily available and used by all audit staff.
15. To support the improvement of the organisation's governance framework, we should undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations.
16. We should consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.

IIA Core Principles Action Plan

<p>Principle 1. Demonstrates integrity</p> <p>Standards series: 1000 – Purpose, Authority, and Responsibility; 1300 – Quality Assurance and Improvement Programme; 2000 – Managing the Internal Audit Activity</p>
<p>Corrective action plan</p> <p><i>To demonstrate continuous improvement, we could:</i></p> <ul style="list-style-type: none"> • include a section on ethics (with a scenario) in our CMAP staff induction process. • Add “and integrity” to our Customer Satisfaction Survey Q5. • Include ethics on the agenda for team meetings.
<p>Principle 2. Demonstrates competence and due professional care</p> <p>Standards series: 1200 – Proficiency and Due Professional Care; 2000 – Managing the Internal Audit Activity; 2200 – Engagement Planning; 2300 – Performing the Engagement; 2600 – Communicating the Acceptance of Risks</p>
<p>Corrective action plan</p> <p><i>To demonstrate continuous improvement, we should complete the actions 3,4, & 6 included in our QAIP Action Plan, which all relate to staff competencies and training and development.</i></p> <p><i>Need to better analyse our training hours across the team in order to demonstrate CPE/training skills attained.</i></p> <p><i>Need to further develop the Auditor Competencies analysis to demonstrate the matching of assignments to skills.</i></p> <p><i>Need to develop the variable enquiry page in the Windows 10 Audit Management System for the recommendation reports already developed for South Derbyshire.</i></p>
<p>Principle 3. Is objective and free from undue influence (independent)</p> <p>Standards series: 1000 – Purpose, Authority, and Responsibility; 1100 – Independence and Objectivity; 2000 – Managing the Internal Audit Activity</p>
<p>Corrective action plan</p> <p><i>The different responsibilities of the Host authority and the Operational Board towards the CAEs regarding their appointment / removal and appraisal could be better defined.</i></p> <p><i>We should debate the principle of private sessions between Audit Committees and CAEs at the Operational Board.</i></p>
<p>Principle 4. Aligns with the strategies, objectives, and risks of the organisation</p> <p>Standards series: 2000 – Managing the Internal Audit Activity; 2200 – Engagement Planning</p>
<p>Corrective action plan</p> <p><i>We should enquire how other audit partnerships demonstrate how they conform with these principles/ standards.</i></p>
<p>Principle 5. Is appropriately positioned and adequately resourced</p> <p>Standards series: 1000 – Purpose, Authority, and Responsibility; 1100 – Independence and Objectivity; 1200 – Proficiency and Due Professional Care; 2000 – Managing the Internal Audit Activity</p>

Corrective action plan

We should consider the benefits of measuring the % plan available for management requests.

Principle 6. Demonstrates quality and continuous improvement

Standards series: 1300 – Quality Assurance and Improvement Programme; 2000 - Managing the Internal Audit Activity

Corrective action plan

We could formally compare annual self-assessments to highlight the actions taken and the overall improvements made.

Progress against the QAIP Action Plan should be monitored and periodically reported to the Operational Board. Supporting evidence should be retained.

We should analyse and report on the balanced scorecards for 2019-20 & 2020-21.

Principle 7. Communicates effectively

Standards series: 1300 – Quality Assurance and Improvement Programme; 2000 – Managing the Internal Audit Activity; 2200 – Engagement Planning; 2300 – Performing the Engagement; 2400 – Communicating Results; 2600 – Communicating the Acceptance of Risks

Corrective action plan

We should consider the benefits of producing promotional information on our work, potentially utilising more modern communication methods.

Principle 8. Provides risk-based assurance

Standards series: 2000 – Managing the Internal Audit Activity; 2100 – Nature of Work; 2200 – Engagement Planning; 2400 – Communicating Results; 2600 – Communicating the Acceptance of Risks

Corrective action plan

We should explore how we can utilise the Controls database to link audit results back to organisational risks.

Undertake further work to facilitate the improvement of each organisations risk management framework.

Continue to develop the Assurance Mapping information for organisations to adopt.

Principle 9. Is insightful, proactive, and future-focused

Standards series: 2000 – Managing the Internal Audit Activity; 2100 – Nature of Work

Corrective action plan

We should consider formally asking our various “Boards” whether they consider us to be insightful, proactive, and future-focused.

We should consider how we can increase the use of data analytics across a wider variety of audit engagements.

Our development of the Controls database should enable a greater analysis of the type of risks identified by our work.

We should consider adopting control maturity models to further explain to provide perspective on the adequacy and scalability of current controls.

We should consider recording emerging risks in the engagement risk assessment document.

Principle 10. Promotes organisational improvement

Standards series: 1000 – Purpose, Authority, and Responsibility; 2000 – Managing the Internal Audit Activity; 2100 – Nature of Work; 2500 – Monitoring Progress; 2600 – Communicating the Acceptance of Risks

Corrective action plan

We should consider monitoring and reporting upon the % of recommendations implemented within the original agreed timescales, then those within 3 months, 6 months, 12 months, greater than 12 months.

We should consider how we could identify best practice information to share across different business units/partners.

We should consider whether we can identify cost savings from our work.

We should consider whether a measurement of consultancy work would be beneficial.



Ashfield District Council – Audit Progress Report

Audit Committee: 26 July 2021



Contents

Page

AUDIT DASHBOARD	3
AUDIT PLAN	4
AUDIT COVERAGE	5
RECOMMENDATION TRACKING	9

Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

Contacts

Richard Boneham CPFA
Head of Internal Audit (DCC) &
Head of Audit Partnership
c/o Derby City Council
Council House
Corporation Street
Derby, DE1 2FS
Tel. 01332 643280
richard.boneham@derby.gov.uk

Adrian Manifold CMIIA
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643281
adrian.manifold@centralmidlandsaudit.co.uk

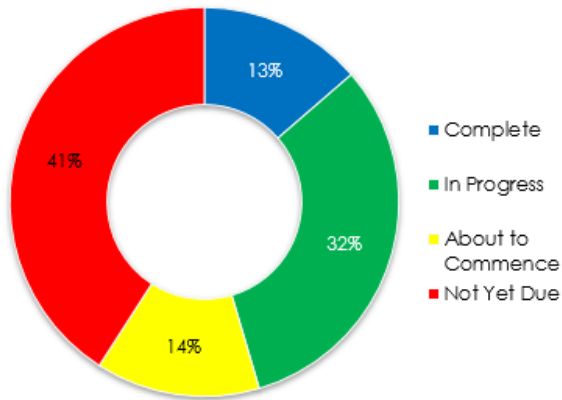
Mandy Marples CPFA, CCIP
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643282
mandy.marples@centralmidlandsaudit.co.uk



Ashfield District Council – Audit Progress Report

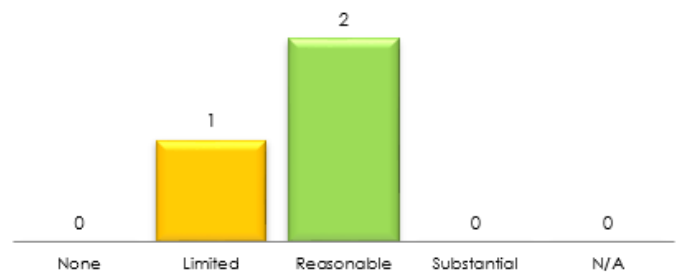
AUDIT DASHBOARD

Plan Progress



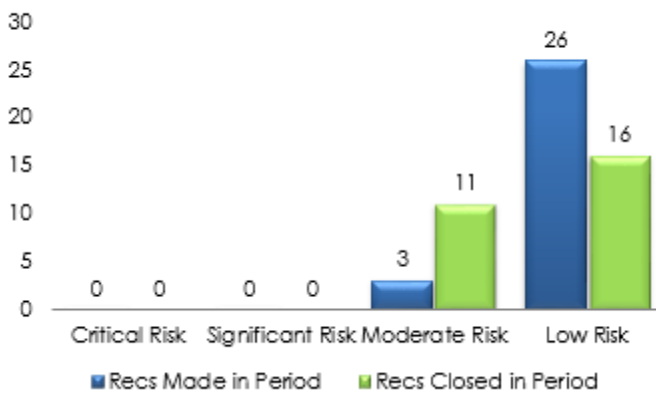
Assurance Ratings

Control Assurance Ratings Issued During Period



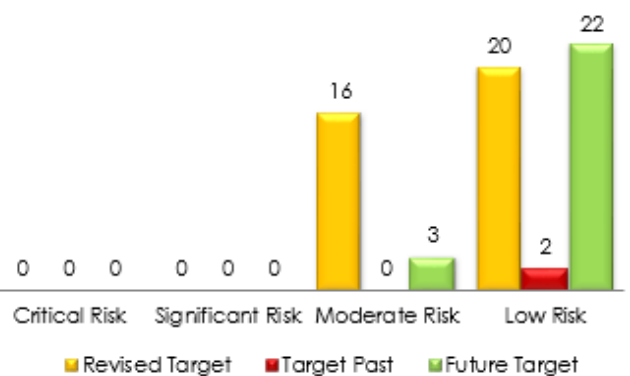
Recommendations

Movement During Period



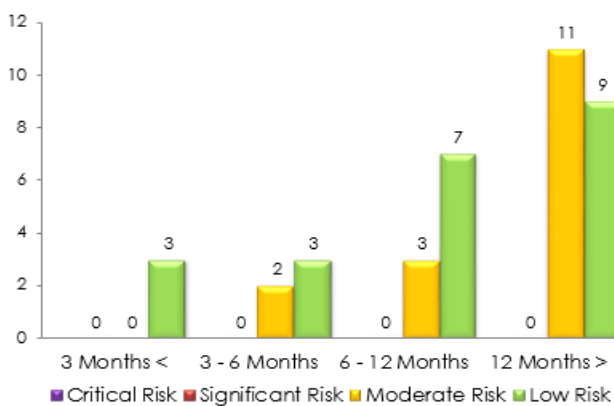
Recommendations

Recommendations Currently Open



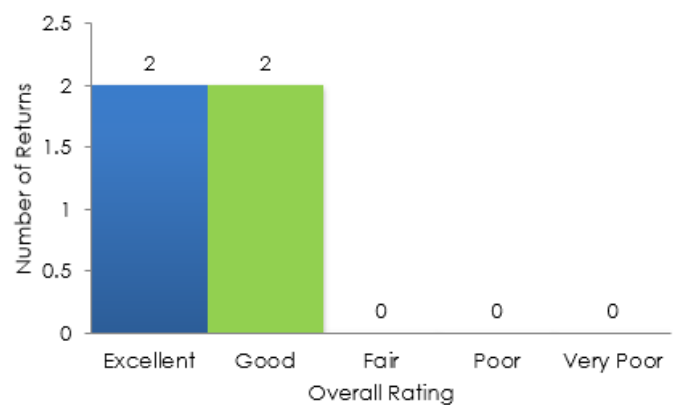
Recommendations

Overdue Recommendations



Customer Satisfaction

Returns Between Apr 2021 - Jul 2021



Ashfield District Council – Audit Progress Report

AUDIT PLAN

Progress on Audit Assignments

The following table provides the Committee with information on how audit assignments were progressing as at 13 July 2021.

2021-22 Jobs	Status	% Complete	Assurance Rating
Scrutiny	Not Allocated	0%	
Accounting Systems	Not Allocated	0%	
Creditors (including Purchase Cards)	Not Allocated	0%	
IT Applications/Infrastructure	Not Allocated	0%	
IT Asset Management	In Progress	15%	
PCI in Organisational Transformation	In Progress	70%	
Risk Management	Not Allocated	0%	
Debtors	Not Allocated	0%	
People Management	Not Allocated	0%	
Payroll	Not Allocated	0%	
Planning	Not Allocated	0%	
Environmental Health	In Progress	90%	
Outdoor Recreation	Allocated	0%	
Selective Licensing	Allocated	0%	
Housing Health & Safety Statutory Compliance	In Progress	10%	
Anti-Fraud & Corruption	In Progress	10%	
Homes England Grant Compliance	Allocated	0%	
B/Fwd Jobs	Status	% Complete	Assurance Rating
Teleworking Security	In Progress	90%	
Financial Health & Resilience	In Progress	90%	
Management of Fraud Risk	Final Report	100%	Limited
People Management	Final Report	100%	Reasonable
Delegated Decisions	Final Report	100%	Reasonable

Audit Plan Changes

The Council has been selected for audit under the Homes England 2021-22 Compliance Audit Programme. Management have requested that CMAP undertake the Independent Auditor role. We have therefore agreed with the Director of Legal & Governance to include the Homes England Grant Compliance audit in the 2021-22 Internal Audit Plan. In order to deliver this work, we have agreed to remove the time allocated to COVID related work.

Ashfield District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

Between 18 March 2021 and 13 July 2021, the following audit assignments have been finalised since the last progress update was given to the Audit Committee.


Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Management of Fraud Risk	Limited	0	0	2	12	7%
People Management	Reasonable	0	0	0	9	22%
Delegated Decisions	Reasonable	0	0	1	5	17%
TOTALS		0	0	3	26	14%

Management of Fraud Risk	Assurance Rating			
	No	Limited	Reasonable	Substantial
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
To ensure accountabilities and responsibilities for managing fraud, bribery and corruption risk are defined across all levels of the organisation.	5	1	3	1
To ensure staff have the skills, awareness and capability to protect the organisation against fraud, bribery and corruption.	5	1	4	0
To ensure controls are in place to mitigate fraud, bribery and corruption risks and are regularly reviewed to meet evolving threats.	3	0	2	1
To ensure fraud risk management practices, tools and methods continue to evolve in line with industry trends, threats and best practice.	2	0	2	0
To consider the implications of COVID-19 on the anti-fraud policies and procedures, ensuring that additional procedures have been implemented to mitigate any additional risks.	3	1	1	1
TOTALS	18	3	12	3
Summary of Weakness		Risk Rating	Agreed Action Date	
The Council's counter fraud roles and responsibilities had not been defined in accordance with the Counter Fraud Functional Standard.		Low Risk	30/04/2022	

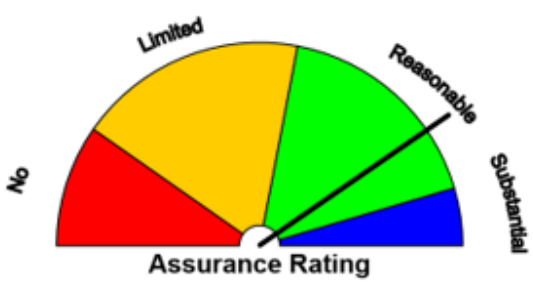
Ashfield District Council – Audit Progress Report

The Council's Anti-Fraud and Corruption Strategy did not include all of the key areas of best practice as set out within the Counter Fraud Functional Standard.	Low Risk	30/04/2022
The Council did not report identified losses to the counter fraud centre of expertise, or other professional bodies by way of fraud surveys, to help monitor and combat losses from fraud, bribery, corruption and error in the public sector.	Low Risk	30/04/2022
There was not a register of interest for officers.	Low Risk	Risk Accepted
The Council's Anti-Fraud and Corruption Strategy and the Anti-Bribery Policy did not include information on the Council's approach to fraud risk assessment.	Low Risk	30/04/2022
The Council did not have trained fraud investigators with professional accreditation to review and investigate all areas of potential fraud.	Moderate Risk	30/04/2022
Anti-fraud, bribery and corruption training had not been delivered to all staff, and the Council did not have a plan for ensuring regular training would take place.	Low Risk	30/04/2022
The Council's fraud risk assessments and therefore the fraud risk register was not broken down between high level risks and department/business unit risks, as advised by the Counter Fraud Functional Standard.	Low Risk	30/04/2022
Fraud risks included in the risk register were not consistently and regularly being reviewed, assessed and updated by responsible officers.	Low Risk	31/12/2021
The Council's fraud detection activities were limited, and they did not belong to any fraud groups nor were they a member of the National Anti-Fraud Network (NAFN).	Moderate Risk	31/10/2021
The annual fraud action plan was last updated in January 2020, and had not been reviewed, monitored and updated.	Low Risk	30/04/2022
The Council had not yet defined outcomes for fraud detection activity and did not have in place metrics to measure the targeted outcomes.	Low Risk	30/04/2022
The Council's policies, procedures and risk register had not been reviewed in light of the additional fraud risks presented by the COVID-19 Pandemic.	Low Risk	30/04/2022
The Council had not introduced procedures such as reviewing transactions and contracts awarded since the commencement of lockdown in March 2020.	Low Risk	31/12/2022

Ashfield District Council – Audit Progress Report

People Management				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The recording of time in the current hybrid working arrangements across the Council is effective and consistent.	3	1	2	0
The Flexi-Time Scheme Policy is being applied consistently and dovetails with the Home Working Policy and the Smarter Working Guidelines.	3	0	3	0
Monitoring and review of time recording, flexi-time and agile working is robust.	4	0	4	0
TOTALS	10	1	9	0
Summary of Weakness		Risk Rating	Agreed Action Date	
The Flexi-Time Scheme Policy had not been reviewed or updated since February 2016.		Low Risk	30/07/2021	
The guidance on the intranet was not the most recent version and the hyperlink on the main agile working page was not linked correctly.		Low Risk	30/05/2021	
There were areas of inconsistency between the Smarter Working Guidelines, the Flexi-Time Scheme Policy and the Home Working Policy, which if reviewed together could be misunderstood by managers and officers.		Low Risk	30/07/2021	
The Flexi-Time Scheme Policy did not state that management must retain the working hours spreadsheet securely and in a format which cannot be altered.		Low Risk	30/07/2021	
The working hours spreadsheet was not sufficiently flexible to allow more than one break.		Low Risk	31/08/2021	
The office-based employees within Housing Repairs did not complete time records to declare the hours they had worked. This contravened the Flexi-Time Scheme Policy which required all employees with electronic access to complete the working hours spreadsheet, with no exclusions for employees on fixed hours contracts.		Low Risk	31/08/2021	
Approaches to monitoring of time recording was not consistent across the Council.		Low Risk	30/07/2021	
There was ineffective monitoring of workload and performance during the pandemic for one service area considered in this audit.		Low Risk	Implemented	
Testing identified there had been occasions where management/employees had not followed the rules around flexible working during the COVID-19 pandemic.		Low Risk	Implemented	

Ashfield District Council – Audit Progress Report

Delegated Decisions				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The processes and procedures for Officer and Executive Decisions are clear and are understood by management.	5	3	2	0
The Officer Decision Records and Executive Decision Records have been completed when required, and in accordance with defined processes.	4	1	2	1
The Officer and Executive Decision Records have been documented and stored correctly to ensure transparency within decision making.	3	1	2	0
TOTALS	12	5	6	1
Summary of Weakness		Risk Rating	Agreed Action Date	
Guidance available on the intranet did not detail comprehensive step by step procedures from the start to the end of the decision-making process.		Low Risk	31/08/2021	
Training to support Executive and officer decision making had not been formally provided since 2018.		Low Risk	31/12/2021	
The Council did not have a central register of all officer delegated powers.		Low Risk	30/04/2022	
The comment making process for decision records was not controlled, and unauthorised officers could provide responses. This meant that there was no process in place to enforce accountability.		Moderate Risk	31/08/2021	
Access to the Democratic Services area of the network had not been appropriately restricted to only those officers with a business need.		Low Risk	Implemented	
The Council's document retention schedule did not specifically state the retention period for Officer Decision Records or Executive Decision Records.		Low Risk	31/08/2021	

Ashfield District Council – Audit Progress Report

RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
14-Feb-19	Risk Registers	Reasonable	1	0	0
10-Jan-19	Depot Investigation	Limited	0	5	0
27-Mar-18	Rent Arrears	Substantial	0	1	0
24-Apr-18	ICT Performance Management	Reasonable	0	2	0
22-Jun-18	Health & Safety	Substantial	0	1	0
16-Aug-19	Fire Safety	Reasonable	0	1	0
12-Mar-19	Treasury Management & Banking Services	Reasonable	0	1	0
03-Dec-19	Data Quality & Performance Management	Reasonable	0	4	0
29-Nov-19	Anti-Fraud	N/A	0	2	0
31-Jan-20	Information Governance	Reasonable	0	2	0
30-Apr-20	Creditors 2019-20	Substantial	0	2	0
27-May-20	Medium Term Financial Plan	Reasonable	0	6	0
08-Jul-20	Anti-Fraud & Corruption 2019-20	Reasonable	0	1	0
09-Jul-20	Digital Transformation	Reasonable	0	4	0
27-Jul-20	Rent Control	Reasonable	0	1	0
16-Nov-20	Disabled Facilities Grants	Reasonable	0	1	0
26-Jan-21	Procurement Follow Up	Substantial	0	0	1
18-Feb-21	Transformation Project Assurance	Limited	0	1	0
16-Mar-21	Business Support Grants	Reasonable	0	1	0
21-Jun-21	Management of Fraud Risk	Limited	0	0	13
10-May-21	People Management	Reasonable	1	0	6
21-Jun-21	Delegated Decisions	Reasonable	0	0	5
		TOTALS	2	36	25

Action Due = The agreed actions are due, but Internal Audit has been unable to ascertain any progress information from the responsible officer.

Being Implemented = The original action date has now passed and the agreed actions have yet to be completed. Internal Audit has obtained status update comments from the responsible officer and a revised action date.

Future Action = The agreed actions are not yet due, so Internal Audit has not followed the matter up.

Ashfield District Council – Audit Progress Report

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Risk Registers	0	0	1	0	0	0
Depot Investigation	0	0	0	0	4	1
Rent Arrears	0	0	0	0	0	1
ICT Performance Management	0	0	0	0	2	0
Health & Safety	0	0	0	0	0	1
Fire Safety	0	0	0	0	1	0
Treasury Management & Banking Services	0	0	0	0	0	1
Data Quality & Performance Management	0	0	0	0	1	3
Anti-Fraud	0	0	0	0	2	0
Information Governance	0	0	0	0	1	1
Creditors 2019-20	0	0	0	0	0	2
Medium Term Financial Plan	0	0	0	0	1	5
Anti-Fraud & Corruption 2019-20	0	0	0	0	0	1
Digital Transformation	0	0	0	0	2	2
Rent Control	0	0	0	0	1	0
Disabled Facilities Grants	0	0	0	0	0	1
Transformation Project Assurance	0	0	0	0	0	1
Business Support Grants	0	0	0	0	1	0
People Management	0	0	1	0	0	0
TOTALS	0	0	2	0	16	20

Ashfield District Council – Audit Progress Report

Highlighted Recommendations

The following significant or moderate risk rated recommendations, that have not yet been implemented, are detailed for Committee's scrutiny.

Being Implemented Recommendations

Data Quality & Performance Management	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>The Data Quality Strategy required updating and had not been formally approved by the Council.</p> <p>We recommend that the Data Quality Strategy is reviewed to ensure it is up to date specifically with current processes and organisational structure. The updated strategy should be approved in accordance with the Council's Constitution.</p>	Moderate Risk
Management Response/Action Details	Action Date
The strategy will be reviewed and presented for approval.	30/04/2020
Status Update Comments	Revised Date
<p>We have successfully recruited to a Business Improvement Lead position in the last month; this role will lead effective delivery of our performance management framework.</p> <p>This action will be deferred to enable us to not only update the strategy but also make significant changes in alignment with our digital transformation programme.</p>	30/07/2021

Information Governance	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>Sensitive, personal data was being stored in locations which were not suitably restricted to only those officers with a genuine business need to access such information.</p> <p>We recommend that management take appropriate action to ensure that all personal, sensitive data is secured in files, within restrictive sub-folders, with access limited to only those officers who have a genuine business need to access such information.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>The IT Security Policy Framework is under review. As part of this review we will ensure it is updated to take account of GDPR requirements. Specifically, we will introduce the following measures to assist with ensuring access to data is suitably restricted to only those officers with a genuine business need to access such information:</p> <ul style="list-style-type: none"> - Starters/Transfers/Leavers E-Form – to be completed by the Section Manager. This form will identify access rights of starters, amendments for staff transferring internally and identify when staff leave the Council. This will be used in conjunction/cross-references with the report received from HR on a quarterly basis. - E-Form for completion by Managers/Directors for folder access changes. - Introduction of new file structure guidelines and cascade through ELT/ALT, DMTs and MOD. - Provision of Group Access Permission lists on a quarterly basis to Service Managers for checking and confirmation/amendment. IT to meet with individual Managers to confirm, amend and clarify what is required of Managers as part of this new process. 	30/06/2020
Status Update Comments	Revised Date
Action on hold due to Covid-19.	30/09/2020

Ashfield District Council – Audit Progress Report

ICT Performance Management		Rec No. 1
Summary of Weakness / Recommendation		Risk Rating
<p>Despite commitment to performance management in the Councils latest Technology Strategy, we could not find any documented performance management metrics and goals to support this. Similarly, performance metrics for IT did not appear to be subject to annual review, or agreed or monitored by the Council.</p> <p>We recommend that Management defines performance management metrics for the IT service, and implements policies and procedures for monitoring and reporting compliance. Metrics, goals and targets should also be subject to annual review.</p>		Moderate Risk
Management Response/Action Details		Action Date
There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.		01/09/2018
Status Update Comments		Revised Date
The Service Manager for ICT has updated audit that a prerequisite for this recommendation is the implementation of a new helpdesk system which will have appropriate reporting capabilities. The revised target for addressing this issue is now the end of July 2021.		30/07/2021

ICT Performance Management		Rec No. 2
Summary of Weakness / Recommendation		Risk Rating
<p>Reviews of the team's performance in relation to the resolution of incidents and service requests did not appear to comply with a formal schedule, and evidence of previous reviews could not be provided as the actions/discussions were not documented in minutes.</p> <p>We recommend that Management defines a schedule for reviewing performance of incident and request resolution times, and ensures any agreed actions are documented in minutes which are retained.</p>		Moderate Risk
Management Response/Action Details		Action Date
There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.		01/09/2018
Status Update Comments		Revised Date
The Service Manager for ICT has updated audit that a prerequisite for this recommendation is the implementation of a new helpdesk system which will have appropriate reporting capabilities. The revised target for addressing this issue is now the end of July 2021.		30/07/2021

Depot Investigation		Rec No. 1
Summary of Weakness / Recommendation		Risk Rating
<p>The Zeus time recording system was not being used fully and consistently across the Service.</p> <p>We recommend that Management ensure that employee time is recorded accurately, fully and consistently. Management should perform adequate checks to ensure time recording systems are being used as expected and hold staff to account where appropriate. Training should be given to staff where required and supported by procedural guidance notes.</p>		Moderate Risk

Ashfield District Council – Audit Progress Report

Management Response/Action Details	Action Date
Review of time recording systems and policy. Training and reminder messages for managers and officers. Introduce spot checks.	30/09/2019
Status Update Comments	Revised Date
The Zeus system will be getting removed and replaced by a different system, this will fully address this recommendation.	30/06/2021

Depot Investigation	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>Management and staff were not always adhering to the Council's Leave Policy with meeting requests being used to request and approve leave.</p> <p>We recommend that Management ensure they are complying with the Council's Leave Policy and use the official process to authorise and record leave. After the year end, a sample of leave records should be examined by Management, independently of authorising Managers, to check for accuracy and review the appropriateness of records maintained.</p>	Moderate Risk
Management Response/Action Details	Action Date
Review policy. Implementation of electronic leave request and approval system through MyView. Training and reminder messages for managers and officers. Introduce sample checks	01/04/2020
Status Update Comments	Revised Date
<p>Policy has been reviewed and circulated to trade unions. Training is still to be undertaken. This has been put on hold due to retirement of the System Administrator and COVID-19.</p> <p>MyView is being rolled out to all Services, this is behind schedule due to COVID-19 however the roll out has recommenced using a virtual platform for the training and assistance.</p>	31/07/2021

Depot Investigation	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>We were informed by the Investigating officer that the Transport Manager's Purchase card had been photocopied and was available for use, unsecured in the general office.</p> <p>We recommend that all Purchase Card holders are reminded of the corporate policy and their personal responsibilities in relation to holding a card. Management should take appropriate action where instances of misuse are found.</p>	Moderate Risk
Management Response/Action Details	Action Date
Carry out a review of the policy and procedure and then roll out to officers through the provision of information and training.	31/10/2019
Status Update Comments	Revised Date
Review of policy and procedure has been completed. A report will be presented to CLT before the 30th June 2021, thereafter the revised policy will be rolled out to Officers and training provided.	30/09/2021

Ashfield District Council – Audit Progress Report

Depot Investigation	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>There were variances between Directorates over the controls in place for the authorisation and the recording and retention of supporting information for Purchase card usage.</p> <p>We recommend that corporate guidance is provided to Card holders which detail how they should be authorising and recording card purchases and the requirements for supporting information retention. The use of Purchase cards should be subject to regular Management oversight.</p>	Moderate Risk
Management Response/Action Details	Action Date
Carry out a review of the policy and procedure and then roll out to officers through the provision of information and training. The revised policy will include a process for ensuring management oversight.	31/10/2019
Status Update Comments	Revised Date
Review of policy and procedure has been completed. A report will be presented to CLT before the 30th June 2021, Thereafter the revised policy will be rolled out to Officers and training provided.	30/09/2021

Anti-Fraud	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>The Anti-fraud Sub-group had not met regularly for some months and the Baseline Assessment had not been completed. Therefore, the review of the Council's anti-fraud measures could not be completed.</p> <p>We recommend that the Service Manager, Revenues & Benefits, resumes the Anti-fraud Sub-group meetings with a priority action to complete the Baseline Assessment. This will enable the group to compare the Council's anti-fraud activities with good practice in each service area and produce a development plan. Regular updates should then be provided to Management, the Anti-Fraud Group and the Audit Committee.</p>	Moderate Risk
Management Response/Action Details	Action Date
Data-matching Sub-Group Meetings will resume and will report on its actions to the main Anti-Fraud Officer Working Group.	31/03/2020
Status Update Comments	Revised Date
Action on hold due to COVID-19.	30/09/2020

Ashfield District Council – Audit Progress Report

Anti-Fraud	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>The Council's use of the NFI and Data Matching exercises to identify fraud and error had been limited. We were unable to identify the Council's plans for further development in this area.</p> <p>We recommend that the Service Manager, Revenues & Benefits, evaluates the current NFI and Data Matching provision within the Council and explores results of the NFI and Data Matching exercises to determine which of the matches should be pursued and appropriately resourced. The Service Manager, Revenues & Benefits should also evaluate the suggested further actions in the Anti-Fraud Review and make appropriate recommendations to the Anti-Fraud Group in order to develop and embed an anti-fraud culture within the Council.</p>	Moderate Risk
Management Response/Action Details	Action Date
The Council is considering its current arrangements and will review these in light of best practice in order to develop an action plan designed to embed an anti-fraud culture within the Council including carrying out NFI and data matching exercises.	31/03/2020
Status Update Comments	Revised Date
Action on hold due to COVID-19.	30/09/2020

Fire Safety	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>Not all entrance doors to flats comply with Fire Safety Regulations.</p> <p>We recommend that the Council reviews all flat entrance doors to identify those which do not comply with Fire Safety Regulations, or those that have failed recent government tests. The Council should then take action to ensure the appropriately accredited fire safety doors are installed at the entrances to all flats.</p>	Moderate Risk
Management Response/Action Details	Action Date
An assessment of all flat entrance doors has been completed and the results forwarded to the Assets & Investment Section for building into future door replacement programme(s). However, due to uncertainties around the manufacture, testing, certification and subsequent affected supply of composite fire doors, it is currently not possible to identify a definitive timescale for completion. The option to use alternative timber fire doors of the appropriate fire safety standards and specification are currently being looked into.	31/03/2020
Status Update Comments	Revised Date
The Framework is with procurement and legal are reviewing the lease holder agreement regarding the replacement of doors where there flat is leased.	30/09/2021

Ashfield District Council – Audit Progress Report

Digital Transformation	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>The Council did not have signed, up to date and adequate contracts in place for some of the applications tested.</p> <p>We recommend that a review is undertaken to ensure that the Council has a signed, up to date and adequate contract in place for all Council applications. Where contracts are not in place, the Council should take action to formalise the provision and maintenance of applications in use.</p>	Moderate Risk
Management Response/Action Details	Action Date
Solution architecture review to be completed across the portfolio.	31/10/2020
Status Update Comments	Revised Date
<p>This review has now commenced by the Innovations and Solutions Manager and Procurement and Projects Officer.</p> <p>We need to look at each contract and make sure that on renewal contracts are detailed and in place for each application.</p> <p>We need to look at all of the applications in the systems document and review whether there is a contract and any recurring payment.</p> <p>Suggest the implementation date is adjusted to 30/09/21 to enable the solution manager to complete all necessary contract reviews across the solution architecture.</p>	30/09/2021

Digital Transformation	Rec No. 6
Summary of Weakness / Recommendation	Risk Rating
<p>The contracts register did not include accurate detail for the applications reviewed as part of the audit.</p> <p>We recommend that the Council ensure all application contracts are included in the contracts register where appropriate, and any upgrades or new contract details are recorded on the register on a timely basis.</p>	Moderate Risk
Management Response/Action Details	Action Date
Solution architecture review to be completed across the portfolio.	31/10/2020
Status Update Comments	Revised Date
<p>We have looked at all of the contracts and dates in the contracts register but we need to make sure that all of our applications are fully covered.</p> <p>Innovations and Solutions Manager will be doing this work over the next months.</p>	30/09/2021

Ashfield District Council – Audit Progress Report

Rent Control	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>There was no evidence of which officers had completed and reviewed the annual housing rent reconciliation. There were also a number of reconciling items from prior years which needed to be reviewed and adjustments made to the system where possible to remove these prior year balancing items on the reconciliation.</p> <p>We recommend that documentary evidence is retained to evidence the completion and review of the annual housing rent reconciliation. Also, that the prior year reconciling items are reviewed, and adjustments made to the system where possible to remove these prior year balancing items on the reconciliation.</p>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>Part 1.</p> <p>This has been completed for 2019/20 but this was after the internal rent audit. Reviewed by B.Bull. Documented on the audit deliverables presented to Mazars. Agree to continue to complete the review annually.</p> <p>Part 2.</p> <p>These reconciling items are to do with system problems within the Open Housing Rent module this has caused errors with some transactions. System fixes are required to correct the balances in the rent groups on the Open Housing System. Until the fixes are completed, this carries forwards incorrect balances, by including these problems, on the Open Housing System. These prior year reconciling items are itemised and documented and do not change year on year. If separate system fixes to the current errors are not possible in the Open Housing System then a forced fixed will be required to the Open Housing System balance on the rent group. A time frame will be set as to when to make this adjustment failing the production of a fix from the software company. Other balances for example minor variance balances and the domestic alarm issue from 2016/17 will be adjusted as soon as possible</p>	<p>30/09/2020</p>
Status Update Comments	Revised Date
<p>Part 1 completed. Part 2 as mentioned in the action details column relies on system fixes by the software provider and is being worked with IT (out of our hands regarding completion date, if at all). The other items are complete.</p>	<p>30/09/2021</p>

Ashfield District Council – Audit Progress Report

Medium Term Financial Plan	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>A full and comprehensive Medium Term Financial Strategy had not been produced and approved by Members since October 2015.</p> <p>We recommend that a comprehensive Medium Term Financial Strategy is produced as soon as possible and approved by Members, and produced regularly thereafter.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Agreed. A full MTFs will be produced which reflects the next spending round announcements in the Autumn 2020. With the impact of the Covid-19 pandemic we know that there will be delays to implementing the Fair Funding Review, level of Business Rates retention and possibly the reset. This, combined with the Governments response to recovering from the financial consequences of the Covid-19 pandemic will vastly increase the uncertainty of future funding streams and this uncertainty will be reflected in the new Strategy. The Strategy will be reviewed annually with amendments being presented to Members and a full Strategy will be produced at least every 4 years, earlier if changes to circumstances necessitate this (e.g. Significant changes to key funding streams, change in administration, etc.).</p>	28/02/2021
Status Update Comments	Revised Date
<p>Delayed due to COVID-19 and a single year settlement being announced for 2021/22. A full MTFs will be produced which reflects the next spending announcements in Autumn 2021. The strategy will be reviewed annually and presented to members. A full strategy will be produced every 4 years.</p>	31/01/2022

Business Support Grants	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>There were no checks with neighbouring councils to ascertain if businesses had already made grant claims for the same accounts in different jurisdictions.</p> <p>We recommend that the two cases found in the sample test are investigated to ascertain if the businesses were eligible for the grant they received, and recovery action is taken if duplicate grants are found to have been paid. We also suggest that in the future, the Council introduce a process for cross-authority checking where there are potential fraudulent claims submitted.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>We only paid a grant if the Business premise was located in Ashfield, this would also be the case for other Local Authorities in relation to businesses located in their area. So, there was no point in checking with neighbouring LAs as no one would be able to claim a grant for a premise that was not within the LAs own area. Also, where businesses had more than one premises, either within a specific area or across multiple LA areas, the business was entitled to claim a grant for each sperate hereditament form the LA where the property was located. Where applications have been received for discretionary grants for Market Traders and Taxi Drivers we have only paid grants to those who reside in District. We have received some applications from Market Traders who trade in Ashfield but reside outside of the District. In these instances these businesses have been redirected to their District/Borough Council. Where application deadlines have been missed through applying to the wrong Council, the affected businesses have been supported through the Council making contact with the relevant Council to arrange payment. The two cases identified in the report are in the process of being investigated.</p>	31/03/2021
Status Update Comments	Revised Date
<p>The two cases identified are being reviewed, assurance has been given that the first case was eligible and the second case requires further clarification.</p>	30/06/2021

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank