

**ASHFIELD DISTRICT COUNCIL**



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

## **Agenda**

### **Audit Committee**

Date: **Monday, 18th October, 2021**

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Time: **7.00 pm**

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

For any further information please contact:

**Lynn Cain**

[lynn.cain@ashfield.gov.uk](mailto:lynn.cain@ashfield.gov.uk)

01623 457317

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# 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.



**Theresa Hodgkinson**  
**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 26 July 2021.** 5 - 8
4. **MAZARS: Audit Completion Report.** 9 - 44
5. **Audited Statement of Accounts 2020/21.** 45 - 48
6. **Financial Management Code Self-Assessment.** 49 - 68
7. **Treasury Management Mid Year Report 2021/22.** 69 - 86
8. **Audit Progress Report.** 87 - 104

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## AUDIT COMMITTEE

Meeting held in the Council Chamber, Council Offices, Urban Road, Kirkby-in-Ashfield,

on Monday, 26th July, 2021 at 7.00 pm

**Present:** Councillor David Walters in the Chair;

Councillors John Baird, Jim Blagden,  
Will Bostock, Sarah Madigan (as substitute for  
Christian Chapman) and Dave Shaw.

**Apologies for Absence:** Councillors Christian Chapman and  
Kevin Rostance.

**Officers Present:** Lynn Cain, Ruth Dennis and Peter Hudson.

**In Attendance:** Mandy Marples (CMAP).

### **AC.1 Declarations of Disclosable Pecuniary or Personal Interests and/or Non-Registrable Interests**

No declarations of interest were made.

### **AC.2 Minutes**

RESOLVED

that the minutes of the meeting of the Committee held on 29 March 2021, be received and approved as a correct record.

### **AC.3 Ashfield District Council – Going Concern Assessment**

The Council's Corporate Finance Manager (and S151 Officer) presented his assessment of the Council's Going Concern status in respect of the draft 2020/21 Statement of Accounts.

The required assessment was as a result of the pandemic whereby local authorities had to demonstrate they could exist as a going concern for the foreseeable future and report their position through the Audit Committee. Ashfield District Council was currently in good shape and the highlights from the 2020/2021 assessment were duly conveyed to Members.

RESOLVED

that the Section 151 Officer's Going Concern assessment and the basis on which the assessment has been derived, be noted and supported.

#### **AC.4 Value For Money Audit Committee Checklist**

The Council's Corporate Finance Manager (and Section 151 Officer) informed Members 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.

Committee was asked to comment by exception if they had any concerns over the 'proper arrangements' as outlined in the Checklist. Where no concerns were raised it was proposed to complete the column in the Checklist 'Does the Audit Committee have significant concerns over the arrangements' as 'No'.

RESOLVED

that having been duly considered by Committee, the Corporate Finance Manager (and Section 151 Officer) be instructed to include a 'No' against the 'Does the Audit Committee have significant concerns over the arrangements' question within the Value For Money (VFM) Checklist.

#### **AC.5 Council's Treasury Management and Borrowing Activities 2020/21**

The Council's Corporate Finance Manager (and Section 151 Officer) presented Members with the Council's Treasury Management activities for 2020/21, which had been carried out to manage both the Authority's funding and cash flow transactions with the aim of minimising the risks to which the Council was exposed to when borrowing and lending monies.

Committee noted that there had been some variances to indicators in relation to investment property borrowing due to the Council changing its Investment Strategy due a fairly recent change in Government borrowing via the PWLB and that there had been one occasion where the receipt of interest on the one of the Council's deposit accounts had temporarily caused the balance to exceed the £5m limit. It was noted that this had also been reported in the mid-year Treasury Report.

RESOLVED

that the Treasury Management performance including the compliant prudential indicators, as outlined in the report, be received and noted and recommended to Cabinet for further consideration.

#### **AC.6 Financial Management Code**

The Council's Corporate Finance Manager (and Section 151 Officer) informed Committee as to the requirements of the new CIPFA Financial Management Code (the FM Code) as a framework to support good practice in financial management and assist in demonstrating financial sustainability.

The Code would take effect from the 2021/22 Statement of Accounts and a more detailed report would be submitted to the Audit Committee for consideration in September 2021 which would provide Ashfield's Self-Assessment against the Code for consideration.

RESOLVED

that the report be received and noted.

**AC.7 Internal Audit Annual Report 2020-21**

Mandy Marples, CMAP Audit Manager, presented the Internal Audit Annual Report for 2020/21 and as Chief Audit Executive, had reached an overall opinion that there was currently a 'satisfactory system of internal audit' (the highest rating permissible) at the Council. Findings had indicated on the whole, controls were satisfactory and management had been supportive in implementing any suggested enhancements via an action plan for improvement.

Members were asked to particularly note the Internal Audit Opinion Statement outlined in the report which highlighted how the opinion had been formed by having regard for levels of audit coverage, leadership, anti-fraud, financial resilience and any outstanding recommendations.

RESOLVED

that the 2020/21 Annual Report of Internal Audit and Internal Audit Opinion that supports it, be received and noted.

**AC.8 Audit Progress Report**

Mandy Marples, CMAP Audit Manager, presented the report and summarised audit progress as of 13 July 2021. Three pieces of work had been finalised during that time regarding 'Management of Fraud Risk', 'People Management' and 'Delegated Decisions'.

Committee were asked to note that there had been an Audit Plan change due to the Council having been selected for audit under the Homes England 2021-22 Compliance Audit Programme. The Council requested that CMAP undertake the Independent Auditor role and in order to deliver this work, it had been agreed to remove the time allocated to COVID related work.

RESOLVED

that audit assignment progress as of 13 July 2021, as presented to Committee, be received and noted.

**AC.9 Section 100A Local Government Act 1972:  
Exclusion of the Press and Public**

RESOLVED

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.

**AC.10 Investment Property Performance 2020/21**  
**(Exempt by virtue of Paragraph 3)**

The Council's Corporate Finance Manager (and Section 151 Officer) gave Members an update regarding performance and monitoring of the Council's Commercial and Investment Property portfolio for 2020/21.

RESOLVED

that performance in relation to the Council's Commercial and Investment Property Portfolio for 2020/21, as presented, be received and noted.

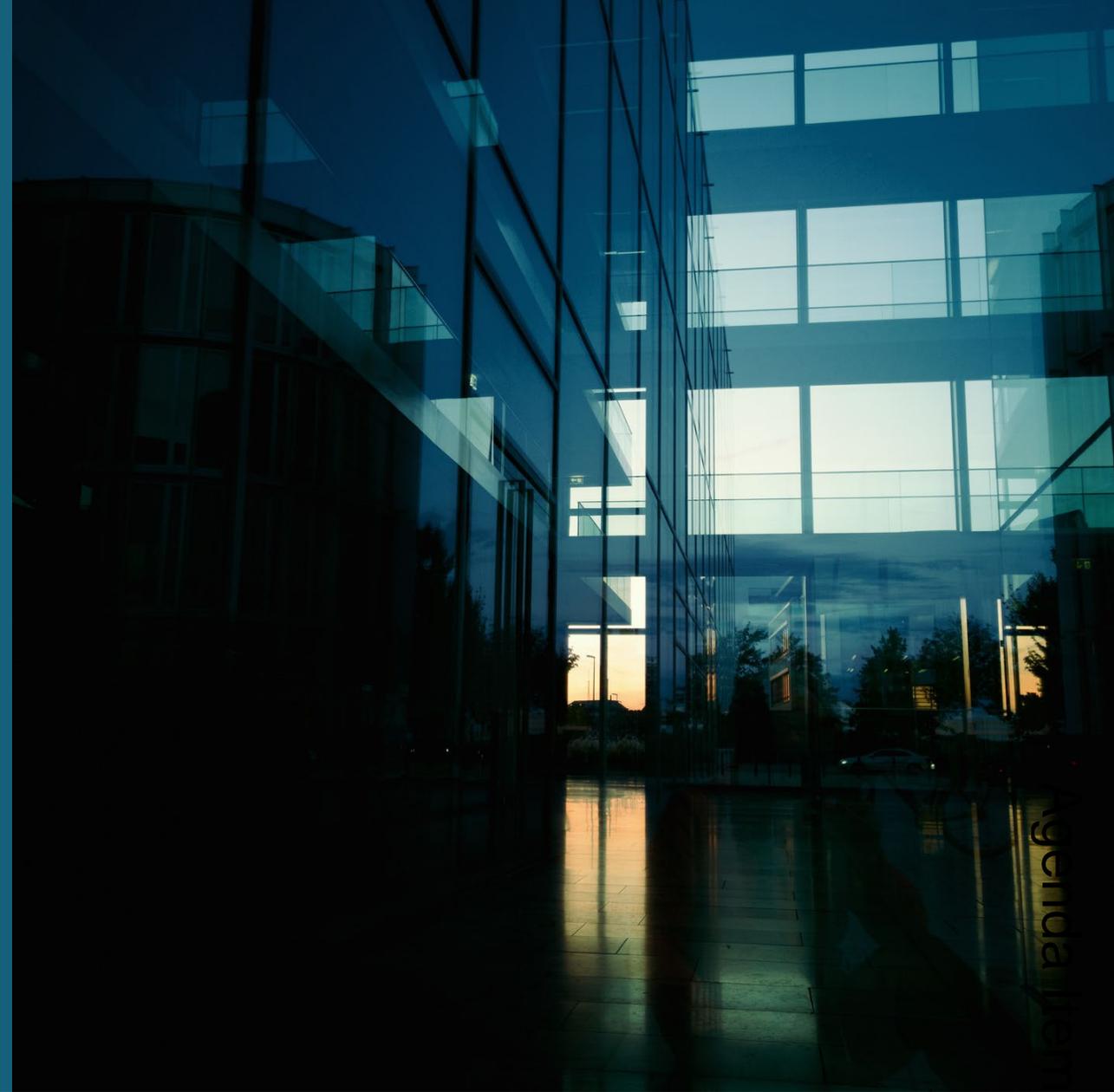
The meeting closed at 8.06 pm

Chairman.

# Audit Completion Report

Ashfield District Council - Year ended 31  
March 2021

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October 2021



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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

## Audit Committee

Ashfield District Council

Council Offices  
Urban Road  
Kirkby in Ashfield  
Nottinghamshire  
NG17 8DA

7 October 2021

Mazars LLP

Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

Dear Committee Members

## Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated 22 January 2021 and subsequent Progress Report dated March 2021. We have reviewed our Audit Strategy Memorandum and Progress Report and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0115 964 4744.

Yours faithfully



David Hoose

Mazars LLP

# 01

## Section 01: **Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum and Progress Report, which include:

- Management override of controls (Audit Strategy Memorandum);
- Defined benefit liability valuation (Audit Strategy Memorandum);
- Valuation of property, plant and equipment (Audit Strategy Memorandum); and
- COVID-19 grants recognition (Progress Report).

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements.

Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



### Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



### Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

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# 02

## Section 02: **Status of the audit**

## 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Fees and charges		A number of queries remain outstanding that are being processed by the audit team and discussed with management where further evidence is required.
COVID-19 grants		A number of queries remain outstanding that are being processed by the audit team and discussed with management where further evidence is required.
Property, plant and equipment		We are awaiting on key evidence to support the calculations of the revaluations undertaken in the 2020/21 financial year.
Debtors		A number of queries remain outstanding that are being processed by the audit team and discussed with management where further evidence is required.
Creditors		A number of queries remain outstanding that are being processed by the audit team and discussed with management where further evidence is required.
Cash		A number of queries remain outstanding that are being processed by the audit team and discussed with management where further evidence is required.
Whole government accounts		We are awaiting further guidance from central government in relation to the 2020/21 process, therefore, this work is yet to start.
Completion procedures		This remains outstanding due to queries identified above.



Likely to result in material adjustment or significant change to disclosures within the financial statements.



Potential to result in material adjustment or significant change to disclosures within the financial statements.



Not considered likely to result in material adjustment or change to disclosures within the financial statements.



# 03

## Section 03: **Audit approach**

# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum dated 22 January 2021 and our subsequent Progress Report dated March 2021.

We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum and subsequent Progress Report.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £1,715k using a benchmark of 2% of gross operating expenditure.

Our final assessment of materiality, based on the final financial statements and qualitative factors is £1,760k using the same benchmark.

Specific materiality thresholds also used are:

Threshold	£'000s
Officer remuneration	5*
Termination payments	28
Members allowances	92
Audit fees	15

\*Bandings within the note are £5k, so therefore a one band move is considered material

## Reliance on internal audit

No reliance has been placed on internal audit for the 2020/21 financial audit. Enquiries have been undertaken to help aid the overarching control environment at the Council.

## Use of experts

Information below was disclosed within our Audit Strategy Memorandum, dated 22 January 2021. No changes to our audit approach have been identified.

Item of account	Management's expert	Our expert
Property Plant and Equipment	<b>Internal Valuer</b> Mr M Kirk – Estates Manager	None. Third party evidence provided via the NAO to support our challenge of valuation assumptions.
	<b>External Valuer/s</b> Covers Other PPE and Investment Properties	
Pensions	<b>Barnett Waddingham</b> Actuary for Nottinghamshire Pension Fund	PWC (Consulting actuary appointed by the NAO)
Financial Instrument disclosures	<b>Link Asset Management (LAM)</b> Treasury management advisors	None. We have used information supplied by LAM to support our challenge and assumptions to management.

## Service organisations

As reported within our March 2021 Progress Report:

In our Audit Strategy Memorandum, we reported that Nottinghamshire Pension Fund was a service organisation for the purposes of our audit approach.

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services

We have re-evaluated our assessment and concluded that Nottinghamshire Pension Fund does not meet the definition of a service organisation. This does not have a significant impact on our audit approach.



# 04

## Section 04: **Significant findings**

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

## Significant risks

Management override of controls

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### Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

### Audit conclusion

No issues have been identified that need to be brought to the attention of members.



# 4. Significant findings

**Defined benefit liability valuation**

**Description of the risk**

The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council’s balance sheet.  
The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.  
Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

**How we addressed this risk**

We addressed this risk by:

- critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund’s Actuary;
- liaised with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- tested payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by PWC and consulting actuary engaged by the National Audit Office; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council’s financial statements.

**Audit conclusion**

No issues noted throughout our testing that need to be brought to the attention of members.

An unadjusted misstatement has been identified. Further details including quantification of the amount in question is discussed in part 6 of this report.

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# 4. Significant findings

Valuation of property, plant and equipment

## Description of the risk

Land and buildings are a significant balance on the Council's balance sheet.

The valuation of land and buildings is complex and is subject to a number of management assumptions and judgements.

Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.

This risk covers:

- HRA Council Dwellings
- Investment Properties
- Other PPE related assets

## How we addressed this risk

We addressed this risk by:

- critically assessed the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- considered whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- assessed whether valuation movements are in line with market expectations by using third party information provided by Gerald Eve to provide information on regional valuation trends;
- critically assessed the treatment of the upward and downward revaluation movements in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- critically assessed the approach that the Council adopts to ensure that assets are not subject to revaluation in 2020/21 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and
- tested a sample of items of capital expenditure, disposals and reclassifications (where balances are material) to confirm that the amounts used and accounting treatment applied is appropriate in line with the CIPFA Code of Practice.

## Audit conclusion

In line with section 2 of this report, a number of significant queries remain outstanding. It has been identified, by the client that revaluations included within the draft financial statements is overstated by a material amount. Additional information is provided in section 6 of this report. No other concerns at this point in time need to be brought to the attention of members.

# 4. Significant findings

## COVID-19 grants recognition

### Description of the risk

Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities. Management have had to exercise a level of judgement in relation to these specific COVID-19 grants, covering the following:

- the extent to which the Council is acting as an agent or principal; and
- whether conditions associated with the grants have been met at the reporting date.

This creates a financial reporting risk as to whether income is appropriately recognised in the financial statements.

### How we addressed this risk

We addressed this risk by:

- reviewed the Council’s approach to determine whether grants are or are not ringfenced for specified areas of expenditure; and
- tested a sample of grant income recorded in the ledger to grant allocations/ notifications; and
- challenged the Council’s judgements as to whether it is acting as agent or principal in respect of the administration of individual grant funding streams, and the accounting treatment associated with these judgements; and
- reviewed a sample of grants to ensure conditions to recognise the income in 2020/21 have been met or not.

### Audit conclusion

In line with section 2 of this report, a number of queries remain outstanding. At this point in time, no significant concerns have been identified that need to be brought to the attention of members.

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# 4. Significant findings

## Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances.

Draft accounts were received from the Council on 18 June 2021 and were of a good quality. These were supported by working papers of a good standard and represents a significant achievement by the finance team.

## Significant matters discussed with management

Significant matters discussed with management during the year include the on-going impact of COVID-19 on the Council’s business, including any potential impact on risks of material misstatement.

This included the disclosures required regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts.

## Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.



# 05

## Section 05: **Internal control recommendations**

# 5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

There have been no internal control recommendations identified as part of the 2020/21 financial audit, therefore, our focus will be on an updated for Members based on internal control recommendations disclosed within 2019/20. There was a total of 1 recommendation that remained open for 2020/21.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	



# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

During our property, plant and equipment testing, we identified some land that the Council owns but that was not formally registered with the land registry.

### Potential effects

The Council is open to disputes over unregistered land.

### Recommendation

The Council is undertaking an exercise to register all its land with the land registry and should conclude this as soon as possible.

### Recommendation open/ closed

Due to the updated provided below, this control recommendation remains open.

### 2020/21 update

Unfortunately, this control recommendation has not been achieved, due to the recent COVID19 pandemic which has caused significant delays to the process.

We have undertaken alternative procedures to gain the assurance required, however, this will continue forward and be monitored throughout the 2021/22 financial audit.

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# 06

Section 06:

## Summary of misstatements

# 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £53k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

## Unadjusted misstatements

Mazars advised management of a matter brought to their attention by the Nottinghamshire Pension Fund auditors. The Pension Fund auditors had identified a 0.23% difference (increased) between the estimated 2020/21 Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2020/21 Fund financial statements being audited.

As disclosed at Note to the Council's financial statements the value of the Council's share of the Fund's estimated pension scheme assets at 31/3/2021 was £125,618k. The extrapolated 0.23% difference is £289k.

Management chose not, on the grounds of materiality, to obtain an updated IAS19 valuation report or amend the accounts for the specific extrapolated differences below, which represent a £289k increase in both Total Net Assets and Total Reserves.

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## 6. Summary of misstatements

### Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Property, plant and equipment				(1,531)
	Cr: Revaluation reserve			1,531	
	Dr: Surplus deficit on revaluation of fixed assets	(1,531)			
	Cr: CIES Other (Reversal through MIRS)		1,531		
An adjustment has been made, identified by the client where the revaluation of a total of 1 asset has been overstated within the financial statements. The asset is componentised within the asset register and the amount of £1,531k had been double counted (included as a separate asset and within the building element of the main asset).					
<b>Total adjusted misstatements</b>		(1,531)	1,531	1,531	(1,531)

We are also aware that the Council have updated their draft financial statements for a number of NNDR adjustments. This has not been identified as an error, but the accounts have been updated to reflect actual data/ monetary figures rather than estimates at the point of when the draft accounts were submitted to audit. The overall net impact of £24k below is trivial, but these have been included within our ISA260 report for reference and transparency.

### Impact on GF balance

Reduction in Business Rate Income CIES	45,285.87
Increase in Deficit - Adjustment to funding basis	- 231,891.72
Increase in movement to reserve	162,897.00
<b>Net impact - Increase to General Fund Balance</b>	<b>- 23,708.85</b>

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# 6. Summary of misstatements

## Disclosure amendments

A few disclosure amendments have been made to the 2020/21 financial statements; these are;

- an officer remuneration band change has been adjusted to correctly reflect monies paid; and
- a net adjustment of £41k has been made to the exit packages note within the financial statements to correctly reflect the general ledger and 2020/21 expenditure.

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# 07

## Section 07: **Value for Money**

# 7. Value for Money

## Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.



# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

Mazars LLP  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

Dear Sirs

### Ashfield District Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Ashfield District Council (the Council) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;

- Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Corporate Finance Manager (& Section 151 Officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

#### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

#### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).



# Appendix A: Draft management representation letter

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## Fraud and error

I acknowledge my responsibility as Corporate Finance Manager (& Section 151 Officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and

others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

## Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed to you in accordance with the requirements of the Code and applicable law.

I have disclosed the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on the Council's Investment Properties. An impairment review is therefore not considered necessary.



# Appendix A: Draft management representation letter

### Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### Subsequent events

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

### Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

### Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the

going concern basis is not less than twelve months from the date of approval of the accounts.

I have updated our going concern assessment in light of the on-going Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

### Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

### Corporate Finance Manager (& Section 151 Officer)



# Appendix A: Draft management representation letter

## Appendix A

### Unadjusted misstatements

Mazars advised management of a matter brought to their attention by the Nottinghamshire Pension Fund auditors. The Pension Fund auditors had identified a 0.23% difference (increased) between the estimated 2020/21 Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2020/21 Fund financial statements being audited.

As disclosed at Note to the Council's financial statements the value of the Council's share of the Fund's estimated pension scheme assets at 31/3/2021 was £125,618k. The extrapolated 0.23% difference is £289k.

Management chose not, on the grounds of materiality, to obtain an updated IAS19 valuation report or amend the accounts for the specific extrapolated differences below, which represent a £289k increase in both Total Net Assets and Total Reserves.



# Appendix B: Draft audit report

## Independent auditor's report to the members of Ashfield District Council

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of Ashfield District Council ("the Council") for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account – Income and Expenditure Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Finance Manager's (& S151 Officer) of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going

concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Finance Manager's (& S151 Officer) with respect to going concern are described in the relevant sections of this report.

#### Other information

The Corporate Finance Manager's (& S151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Responsibilities of the Corporate Finance Manager (& S151 Officer) for the financial statements

As explained more fully in the Statement of the Corporate Finance Manager's (& S151 Officer) Responsibilities, the Corporate Finance Manager (& S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, 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, and for being satisfied that they give a true and fair view. The Corporate Finance Manager (& S151 Officer) is also responsible for such internal control as the Corporate Finance Manager (& S151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Finance Manager (& S151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Corporate Finance Manager (& S151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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# Appendix B: Draft audit report

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Corporate Finance Manager's (& S151 Officer) incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;

- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Corporate Finance Manager's (& S151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

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# Appendix B: Draft audit report

## Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

## Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## Use of the audit report

This report is made solely to the members of Ashfield District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## David Hoose, Key Audit Partner

For and on behalf of Mazars LLP

Park View House

58 The Ropewalk

Nottingham

NG1 5DW



# Appendix C: Independence

As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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# Appendix D: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the Corporate Finance Manager (&amp; S151 Officer) that Ashfield District Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>

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# Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Audit Committee, confirming that</p> <ol style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ol style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ol> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ol>

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# David Hoose

## Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

<b>Report To:</b>	<b>Audit Committee</b>
<b>Date:</b>	<b>18<sup>th</sup> October 2021</b>
<b>Heading:</b>	<b>AUDITED STATEMENT OF ACCOUNTS 2020/21</b>
<b>Portfolio Holder:</b>	<b>CLLR DAVID MARTIN, PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS</b>
<b>Ward/s:</b>	<b>N/A</b>
<b>Key Decision:</b>	<b>NO</b>
<b>Subject to Call-In:</b>	<b>NO</b>

## **Purpose of Report**

This report presents the Audit Committee with the Council's Statement of Accounts for 2020/21 and reports on the outcome of the external audit of the Council's Statement of Accounts 2020/21.

Subject to approval of the Statement of Accounts by the Audit Committee, a copy of the audited Final Statement of Accounts will be placed on the Council's website.

## **Recommendation(s)**

To approve the audited Statement of Accounts for 2020/21 subject to the outstanding items identified in the External Auditors Completion Report 2020/21 .

To delegate authority for the final approval of the audited Statement of Accounts for 2020/21 to the Corporate Finance Manager (Section 151 Officer) subject to a satisfactory outcome of outstanding items and to report back to Audit Committee details of any changes, if required.

## **Reasons for Recommendation(s)**

To comply with Financial Regulations which form part of the Council's Constitution. These state the Audit Committee is responsible for approving the Annual Statement of Accounts.

## **Alternative Options Considered**

None as it is a statutory requirement for Council's to publish the audited Annual Statement of Accounts and a requirement of the Council's Financial Regulations for the Audit Committee to approve the annual Statement of Accounts.

## **Detailed Information**

Prior to the Covid-19 pandemic, the deadline for completion and publication of the draft Statement of Accounts was 31 May and the deadline for the final audited Statement of Accounts was the 31 July. Due to the on-going Covid-19 pandemic, these statutory deadlines were amended by the Accounts and Audit (Amendment) Regulations 2021. The deadlines for the publication of the draft accounts was extended to the 31 July and the deadline for the publication of final audited accounts was extended to 30 September, for the financial years beginning 2020 and 2021.

Despite these changes, the Council's draft Statement of Accounts (excluding the Annual Government Statement (AGS)) were provided to Mazars, the External Auditors on the 18<sup>th</sup> June 2021, in advance of the publication deadline.

Due to providing the draft Statement of Accounts before the extended statutory deadline, the National Non Domestic Rates (NNDR) position included in the Statement of Accounts was based on an estimated position pending the completion of the NNDR 3 claim, which also had an extended deadline to 30<sup>th</sup> June 2021.

The link to the draft statement of accounts is:

<https://www.ashfield.gov.uk/your-council/financial-information/statement-of-accounts-audit-reports/>

Adjustments have been made between the draft and final Statement of Accounts 2020/21 to reflect the final NNDR 3 claim, resulting in an increase in the General Fund balance of £24k.

An error was identified by Council Finance officers in relation to a revaluation and an adjustment has been made between the draft and final Statement of Accounts 2020/21. The error was due to a building value being overstated when the revaluation was accounted for. This amendment decreased the Property Plant and Equipment in the balance sheet by £1.531m, which passes through the Comprehensive Income & Expenditure Statement (CIES) but is reversed out in Movement in Reserves Statement (MIRS) to the Revaluation Reserve in the Balance Sheet, and therefore does not impact on the in-year surplus for 2020/21.

The audit resulted in some minor presentational changes being made to the note to the accounts:

- The banding identified for an officer remuneration payment had been amended
- The exit packages note has been amended following an adjustment to note being required, identified after the draft note had been prepared.

Mazars work on the accounts is substantially complete. If any issues arise from the completion of their remaining work, they will be reported to the next Audit Committee.

The deadline for the publishing of the audited final accounts has not been achieved, due to the external audit not being complete. This situation is allowed for by Regulation. The regulations require, in these circumstances that the Council publishes a notice on the website, which has been completed. The notice explains the final audited Statement of Accounts for the year ended 31 March 2021 will be published as soon as the audit is concluded, and the Independent Auditor's Report issued.

## **Implications**

### **Corporate Plan:**

Production of timely and accurately Statement of Accounts is a statutory requirement. Achievement of this reflects sound financial management supporting delivery of the Corporate Plan.

### **Legal:**

This report enables the Council to present for approval the audited Statement of Accounts in accordance with statute.

### **Finance:**

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	As per the Statement of Accounts
General Fund – Capital Programme	As per the Statement of Accounts
Housing Revenue Account – Revenue Budget	As per the Statement of Accounts
Housing Revenue Account – Capital Programme	As per the Statement of Accounts

### **Risk:**

<b>Risk</b>	<b>Mitigation</b>
The final accounts may change as a consequence of the completion of the outstanding work.	Should any changes be necessary these will be reported to the next Audit Committee with details of any implications.

### **Human Resources:**

None

### **Environmental/Sustainability**

None

### **Equalities:**

None

## **Background Papers**

Statement of Accounts 2020/21  
Mazars Audit Completion Report (ISA 260)

## **Report Author and Contact Officer**

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Chief Accountant  
[b.bull@ashfield.gov.uk](mailto:b.bull@ashfield.gov.uk)  
**01623 457424**

<b>Report To:</b>	<b>AUDIT COMMITTEE</b>
<b>Date:</b>	<b>18<sup>TH</sup> OCTOBER 2021</b>
<b>Heading:</b>	<b>FINANCIAL MANAGEMENT CODE SELF-ASSESSMENT</b>
<b>Portfolio Holder:</b>	<b>CLLR DAVID MARTIN, PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS</b>
<b>Ward/s:</b>	<b>N/A</b>
<b>Key Decision:</b>	<b>NO</b>
<b>Subject to Call-In:</b>	<b>NO</b>

## **Purpose of Report**

To inform Audit Committee of the CIPFA Financial Management Code (the FM Code) Self-Assessment and action plan.

## **Recommendation(s)**

- For Audit Committee to note the Council's position against the FM code Self-Assessment and the action plan.

## **Reasons for Recommendation(s)**

Demonstrating compliance with the FM code is the collective responsibility of elected Members, the Corporate Leadership Team and Chief Finance Officer.

## **Alternative Options Considered**

None – the report is to meet the requirement of the FM code, for elected Members to take collective responsibility, along with the Corporate Leadership Team and Chief Finance Officer to comply with the code.

## Detailed Information

- 1.1 At the previous Audit Committee (26<sup>th</sup> July 2021) a report was presented introducing the FM Code as a framework to support good practice in financial management and assist in demonstrating financial sustainability.
- 1.4 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. Local Authorities are required to complete a self-assessment of the Council's assessed level of compliance with the standards contained in the FM Code. The completed self-assessment is in 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.
- 1.7 The completed self-assessment demonstrates that we have processes in place to comply with each of the standards. Where actions have been identified these are to strengthen the position in relation to the standard. The actions identified are already planned actions identified through internal audit recommendations and service planning objectives.
- 1.8 The Table below summarises actions to be taken. Progress against the actions will be reported back to the Audit Committee

Standard	Action	Lead	Target Date

B	Review the current finance system as the current contract ends, with a view to either increasing the use of system functionality to deliver efficiencies and allow finance team to increase value adding support activities or replace it with one which better meets the needs of the Finance function. This will ensure the Finance function remains fit for purpose to support continued good financial management across the Council.	CFO	April 2023 (when existing system contract ends)
C	To ensure all agreed internal audit recommendations are implemented by the agreed implementation dates.	CLT and Audit Committee	On-going
E	To continue to further embed the Finance Business Partnering approach.	CFO	On-going
F & K	Development of the MTFS 2022-2027 to include scenario planning, sensitivity analysis and specific reference to the financial resilience assessment (February 2022).	CFO	February 2022
G	Report the updated MTFS 2022-2027 to CLT, Cabinet and Council.	CFO	February/ March 2022
H	To assess the implications and implement the new requirements arising from changes in the Prudential Code (Once the consultation is complete and revised code issued - expected Dec 2021 to be implemented for 2022/23).	CFO	February 2022
L	In conjunction with Cabinet, to consider a budget consultation process - online or through a panel, with a view to improving engagement and encouraging active participation in respect of the whole budget.	Cabinet/ CLT	June 2022 for 2023/24 Budget
M	Ensure compliance with the Option Appraisal Model and deliver targeted training where this may be required.	CLT/CFO	Ongoing

## 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.

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	None
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	None
Housing Revenue Account – Capital Programme	None

## **Risk:**

<b>Risk</b>	<b>Mitigation</b>
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

CIPFA Financial Management Code Guidance notes

**Report Author and Contact Officer**

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**CHIEF ACCOUNTANT**

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<b>Responsibilities of the Chief Finance Officer and the Leadership Team</b>			
<b>Code Ref</b>	<b>Financial Management Standard</b>	<b>Suggested Evidence and Requirements</b>	<b>Assessment and Action(s) Required to meet minimum standards 2021/22</b>
<b>Responsibilities of the Chief Finance Officer and the Leadership Team</b>			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	<p>The authority has a clear and consistent understanding of what value for money means to it and its leadership team.</p> <p>There are suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services.</p> <p>The authority is able to demonstrate the action that it has taken to promote value for money and what it has achieved.</p>	<p>The Council has a clear commitment to the provision of value for money which is included in the Corporate Plan as a purpose '<i>We will provide good quality, value for money services.</i>' with associated actions under each of the key priorities for the provision of efficient and effective services.</p> <p>Performance management processes for budget monitoring, service planning and the Corporate Plan are in place including regular monitoring being reported to Corporate Leadership Team (CLT) and Cabinet.</p> <p>The Annual Budget and Medium-Term Financial Strategy (MTFS) is underpinned by value for money and sustainability principles. The Council has historically delivered savings and achieved a favourable General Fund position.</p> <p>The Council has Financial Regulations, Contract Procedure Rules, Procurement Policy and Strategy, Capital Gateway Process and Risk Management Strategy.</p> <p>The Council has a schedule for planned service reviews.</p>

			<p>The Council achieved an unqualified Value For Money conclusion from the external auditors (Mazars) in respect of its 2019/20 Accounts and anticipate a similar outcome for 2020/21, demonstrating its arrangements for securing value for money.</p> <p>The Annual Governance Statement focusses on all aspects of governance including reporting on processes around value for money in cost effective and sustainable service provision.</p> <p><b>No action required.</b></p>
B	<p>The Authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.</p>	<p>The CIPFA Statement requires that the Chief Financial Officer (CFO):</p> <ul style="list-style-type: none"> <li>• Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.</li> <li>• Must be actively involved in, and able to bring influence to bear on, all material business decisions</li> <li>• Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.</li> <li>• Must lead and direct a finance function that is resourced to be fit for purpose.</li> <li>• Must be professionally qualified and suitably experienced.</li> </ul>	<p>The Corporate Finance Manager (CFM) has been formally appointed as Chief Finance Officer (Section 151 Officer) and is also a member of the CLT.</p> <p>The CFM reports to the Director of Resources and Business Transformation. Monthly meetings also take place between the Chief Executive and CFM.</p> <p>The CFM also meets regularly with the Portfolio Holder for Finance.</p> <p>The authority's governance arrangements allow the CFM to bring influence to bear on all material business decisions, and has direct access to all CLT members, the Audit Committee, Internal Audit and External Audit.</p> <p>The Council has a medium-term business and financial planning process to deliver the Council's strategic objectives, including an MTFs, an annual budget process and regular and timely monitoring of budget performance.</p> <p>Professional advice on decisions which have financial implications is provided by the Finance Team and is included in every report. In addition, accountants work</p>

			<p>with budget holders in advance of major decisions to ensure that the financial implications are accurate and well understood.</p> <p>Finance Training had been delivered to all Members and budget holders.</p> <p>The Finance function has the resources, expertise and systems to perform its role effectively. Ensuring the required expertise is in place will require constant review considering the innovative projects which are being explored.</p> <p>There are contracts in place for specialist financial advice (treasury management, financial management &amp; planning and taxation).</p> <p>The CFM is a CIMA qualified accountant (2002) who has previously undertaken the role of Deputy Section 151 Officer at this and another Council. He has wide ranging senior local government finance experience.</p> <p><b>Actions Required</b> Review the current finance system as the current contract ends, with a view to either increasing the use of system functionality to deliver efficiencies and allow finance team to increase value adding support activities or replace it with one which better meets the needs of the Finance function. This will ensure the Finance function remains fit for purpose to support continued good financial management across the Council.</p>
<p><b>Governance and Financial Management Style</b></p>			

C	<p>The Leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</p>	<p>The leadership team espouses the Nolan principles.</p> <p>The authority has a clear framework for governance and internal control.</p> <p>The leadership team has established effective arrangements for assurance, internal audit and internal accountability. The leadership team espouses high standards of governance and internal control.</p> <p>The leadership team nurtures a culture of effective governance and robust internal control across the authority.</p>	<p>The Council has a Constitution and a Local Code of Corporate Governance both embedding the Nolan Principles.</p> <p>The Council's Constitution contains the framework in which the Council works and how decisions are made. The Constitution includes Responsibility for Functions, Terms of Reference, Rules of Procedure (including Financial Regulations and Contract Procedure Rules) Members Code of Conduct, Code of Conduct for Officers. The Constitution is reviewed annually. The last review was May 2021.</p> <p>Internal Audit services are provided by Central Midlands Audit Partnership (CMAP). CMAP, on behalf of the Council, determine an annual programme of audits across the authority to provide assurance about the effectiveness of risk management, control and governance processes. CMAP report on their plan and audit reviews to Audit Committee.</p> <p>CMAP has given an opinion that the Council has a "satisfactory system of internal control" (the highest level of assurance opinion which can be given) for 2020/21.</p> <p><b>Actions Required</b> To ensure all agreed internal audit recommendations are implemented by the agreed implementation dates.</p>
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D	The Authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)	<p>The authority is aware of the provisions of the CIPFA Delivering Good Governance Framework.</p> <p>The authority has sought to apply the principles, behaviour and actions set out in the Framework to its own governance arrangements.</p> <p>The authority has in place a suitable code of governance.</p>	<p>The Council has an approved Local Code of Corporate Governance consistent with the CIPFA Delivering Good Governance Framework. The Local Code is reviewed annually by Audit Committee.</p> <p>The production of the Annual Governance Statement (AGS) as part of the Statement of Accounts also includes a review of compliance with the CIPFA Framework including an update on progress towards the completion of actions previously identified to address control or risk issues along with proposed actions for the following year.</p> <p><b>No action required.</b></p>
E	The Financial Management Style of the authority supports financial sustainability	<p>Strong financial management is assessed against a hierarchy of</p> <ol style="list-style-type: none"> <li>1. delivering accountability</li> <li>2. supporting performance</li> <li>3. enabling transformation.</li> </ol> <p>Need to perform well at each level before moving to the next. This is broadly linked to economy, efficiency and effectiveness.</p>	<p>The Council has an effective framework of financial accountability through:</p> <ul style="list-style-type: none"> <li>• Member delegations which include financial responsibilities;</li> <li>• Officer delegations which include financial responsibilities;</li> <li>• Financial Regulations which set out financial responsibilities for Council, Cabinet, Portfolio Holders, Chief Officers, Budget Managers and all</li> <li>• employees of the Council and all Members.</li> </ul> <p>The Council has established a Performance Management Framework: clear performance targets are set for each Service and performance achieved is subject to regular monitoring using objective performance indicators. Employees undergo an annual Personal Development Review linked to a competency framework.</p> <p>The Finance Team are currently embedding a Finance Business Partnering approach.</p> <p>The finance team are supporting number of transformational programmes, including the Future High</p>

			<p>Street Fund, Towns Fund, Leisure Transformation, Affordable Housing New Build.</p> <p><b>Actions Required</b> To continue to further embed the Finance Business Partnering approach.</p>
<b>Long to Medium Term Financial Management</b>			
F	<p>The Authority has carried out a credible and transparent Financial Resilience Assessment.</p>	<p>The authority has undertaken a financial resilience assessment.</p> <p>The assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios.</p> <p>The authority has taken appropriate action to address any risks identified as part of the assessment.</p>	<p>CLT and Cabinet have reviewed the CIPFA Financial Resilience index and is comfortable with the position for Ashfield, given the investment strategy Ashfield has pursued in recent years.</p> <p>Alternative scenarios are not currently incorporated into the current MTFS although financial assumptions are clear and open to challenge.</p> <p>The Council's Corporate Risks include:</p> <ul style="list-style-type: none"> <li>• Level of central government funding 2020 onwards</li> <li>• Failure to identify savings required by MTFS</li> </ul> <p><b>Actions Required</b> Development of the MTFS 2022-2027 to include scenario planning, sensitivity analysis and specific reference to the financial resilience assessment (February 2022).</p>
G	<p>The Authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members.</p>	<p>The authority has a sufficiently robust understanding of the risks to its financial sustainability.</p> <p>The authority has a strategic plan and long-term financial strategy that addresses adequately those risks.</p> <p>The authority reports effectively to the leadership team and to members its prospects for long-term financial</p>	<p>The 5-year rolling MTFS Estimated Funding Gap is updated and reported to Cabinet and Council each year as part of the budget setting process.</p> <p>The current MTFS approved by Council 4th March 2021 identifies a gap of £2.466m in 22/23 rising to £3.018m by 25/26. The MTFS identifies the Councils approach to addressing the budget gap as additional income generation, the identification of efficiencies, Invest to Save, and utilising reserves to aid the smoothing of the funding gap in 2022/23.</p>

		<p>sustainability, the associated risks and the impact of these for short- and medium-term decision making</p>	<p>The CLT and Cabinet continue to meet regularly to identify and agree options to address the gap. The gap for 22/23 has been significantly reduced due to the business rate reset slipping into the following year, and due to savings and efficiencies being identified.</p> <p>An understanding of longer-term financial sustainability will only be achieved when the current uncertainties and risks associated with the reviews of local government funding (fair funding review, business rates reset, changes to business rates retention and changes to new homes bonus) are known.</p> <p>The Council's Corporate Risks include:</p> <ul style="list-style-type: none"> <li>• Level of central government funding 2020 onwards</li> <li>• Failure to identify savings required by MTFS</li> </ul> <p>The Corporate Risks are reported to CLT and Cabinet.</p> <p><b>Actions Required</b> Report the updated MTFS 2022-2027 to CLT, Cabinet and Council.</p>
H	<p>The Authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p>	<p>The authority is aware of its obligations under the Prudential Code. The authority has prepared a suitable Capital Strategy.</p> <p>The authority has a set of prudential indicators in line with the Prudential Code.</p> <p>The authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.</p>	<p>The Council is aware of its obligations under the Prudential Code and has assessed itself as compliant with those obligations. The Prudential Code provides a framework to operate within and like the Financial Management Code, there are many areas of compliance where the guidance allows for the Council to decide what actions are appropriate within the framework.</p> <p>The Authority has a Capital Strategy, which includes the Commercial Property Investment Strategy. It is reviewed annually and scrutinised by Audit Committee and approved by Cabinet and Council.</p> <p>Prudential indicators are set as part of the annual Treasury Management Strategy and are then monitored</p>

			<p>in the Treasury Management mid-year report and outturn report. All of which are scrutinised by Audit Committee and approved by Cabinet in accordance with Financial Regulations.</p> <p>The Council has also set Investment Property Indicators in relation to its Investment Properties – these are set as part of the Capital Strategy. They are then reported on at mid-year and outturn to Audit Committee.</p> <p>Previously property investments were undertaken in line with the Council’s Commercial Property Investment Strategy and funded through prudential borrowing. In line with updated requirements the Council has no plans for further debt for yield schemes.</p> <p><b>Actions Required</b> To assess the implications and implement the new requirements arising from changes in the Prudential Code (Once the consultation is complete and revised code issued - expected Dec 2021 to be implemented for 2022/23).</p>
I	<p>The Authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans.</p>	<p>The authority has in place an agreed medium term financial plan.</p> <p>The medium-term financial plan is consistent with and integrated into relevant service plans and its Capital Strategy.</p> <p>The medium-term financial plan has been prepared on the basis of a robust assessment of the relevant drivers of cost and demand.</p> <p>The medium-term financial plan has been tested for resilience against realistic potential variations in key drivers of cost and demand.</p>	<p>The 5-year rolling MTFs Estimated Funding Gap is updated and reported to Cabinet and Council each year as part of the budget setting process.</p> <p>The MTFs is consistent with the Corporate Plan, Service Plans and the Capital Strategy.</p> <p>The development of the service budgets is considered by each Directorate. Requiring them to identify cost drivers and demand, and mitigations and savings.</p> <p>The MTFs is a prudent estimate for each Directorates in respect of drivers and demand.</p> <p>The Council maintains several earmarked reserves to manage any significant variances in year, particularly in</p>

			<p>respect of initiatives such as the Corporate Transformation Reserve, Commercial Property Investment Reserve.</p> <p>The Council also holds a Business Rates Equalisation Reserve to manage and mitigate the current and future uncertainty around Business Rates funding.</p> <p><b>No action required.</b></p>
J	<p>The Authority complies with its statutory obligations in respect of the budget setting process.</p>	<p>The authority is aware of its statutory obligations in respect of the budget setting process.</p> <p>The authority has set a balanced budget for the current year.</p> <p>The authority is likely to be able to set a balanced budget for the forthcoming year.</p> <p>The authority is aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so.</p>	<p>The Council understands its obligation in respect of the budget-setting process. The Council has set a balanced budget for the current year that was approved by Full Council.</p> <p>The current MTFS approved by Council 4th March 2021 identifies a gap of £2.466m in 22/23 rising to £3.018m by 25/26. The CLT and Cabinet continue to meet regularly to identify and agree options to address the gap. The gap for 22/23 has since been significantly reduced due to the business rate reset slipping into the following year, and due to savings and efficiencies being identified. It is expected a balance budget will be set for the forthcoming year.</p> <p>The authority is aware of the circumstances under which it should issue a section 114 notice and how it would go about doing so. This includes latest guidance issued by CIPFA considering COVID-19.</p> <p><b>No action required.</b></p>

K	<p>The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p>	<p>The authority's most recent budget report includes a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The report accurately identifies and considers the most significant estimates used to prepare the budget, the potential for these estimates to be incorrect and the impact should this be the case.</p> <p>The authority has sufficient reserves to ensure its financial sustainability for the foreseeable future.</p> <p>The report sets out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is taking to address any shortfall.</p>	<p>The current Annual Budget and MTFS update approved by Council 4th March 2021 includes a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The budget report sets out the key assumptions for</p> <ul style="list-style-type: none"> <li>• Pay inflation</li> <li>• Contract Inflation</li> <li>• Utilities Inflation</li> <li>• No allowance for any inflationary increase in District Council Tax increase from 2021/22</li> <li>• No allowance for any growth in the Council Tax Base</li> </ul> <p>It does not currently consider the impact of changes in these assumptions.</p> <p>The Council maintains several earmarked reserves such as the Corporate Transformation Reserve, Commercial Property Investment Reserve, insurance reserves, NNDR equalisation reserve, asset repair and renewal reserve and a significant General Fund reserve.</p> <p>The current MTFS reports on the level of earmarked reserves and General Fund reserve.</p> <p><b>Action Required</b> As previously referred to, the development of the MTFS 2022-2027 is to include scenario planning and sensitivity analysis regarding changes in assumptions.</p>
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L	<p>The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget</p>	<p>The authority knows who its key stakeholders are.</p> <p>The authority has sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget.</p> <p>The authority has assessed the effectiveness of this engagement.</p> <p>The authority has a plan to improvement its engagement with key stakeholders.</p>	<p>The Council engages with CLT, Cabinet and budget holders in updating the annual budget and MTFS. The Council has not undertaken a formal budget consultation since 17/18.</p> <p><b>Actions Required</b> In conjunction with Cabinet, to consider a budget consultation process - online or through a panel, with a view to improving engagement and encouraging active participation in respect of the whole budget.</p>
M	<p>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p>	<p>The authority has a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal'.</p> <p>The authority offers guidance to officers as to when an option appraisal should be undertaken.</p> <p>The authority's approach to option appraisal includes appropriate techniques for the qualitative and quantitative assessment of options.</p> <p>The authority's approach to option appraisal includes suitable mechanisms to address risk and uncertainty.</p> <p>The authority reports the results of option appraisals in a clear, robust and informative manner that gives clear recommendations</p>	<p>The Council does have a whole life cycle financial option appraisal model that should be utilised across the Council. The model is a weighted benefit model and includes an assessment of qualitative factors and quantitative factors.</p> <p>Currently the Council is participating in several programmes that require specific business case formats to be used specified by the external funder i.e. Towns Fund and Future High Streets Fund (FHSF). The business cases must be green book compliant and follow the same principle as the Council's own option appraisal model but are more detailed and rigorous in respect of Cost Benefit Ratios and identifying qualitative outcomes.</p> <p>The Council has a project delivery framework with standardised documentation that should be used for all projects – the financial option appraisal model is part of the process. The project delivery framework offers guidance to officers undertaking the appraisal – all information is found on 'Helios' on the intranet.</p> <p>Finance officers review the financial option appraisal models that are completed as part of project proposals</p>

		and outlines the risk associated with any preferred option(s).	<p>the other project documentation making up the business case reviewed by Corporate Services and Transformation Team. The Business Case is considered and approved by CLT, and Cabinet where this is required.</p> <p>The project delivery framework with standardised documentation includes a project risk template.</p> <p><b>Action Required</b> Ensure compliance with the Option Appraisal Model and deliver targeted training where this may be required.</p>
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	<p>The authority provides the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability.</p> <p>The reports cover both forward and backward-looking information in respect of financial and operational performance.</p> <p>There are mechanisms in place to report the performance of the authority's significant delivery partnerships.</p> <p>The reports are provided to the leadership team in a timely manner and in a suitable format.</p> <p>The leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action.</p>	<p>Budget Monitoring reports are provided regularly to CLT and the position as at 31 July, 30 Sept, 31 Jan and 31 March are reported to Cabinet.</p> <p>The budget monitoring reports are based on forecast for the year based on actuals to date and known commitments. The reports provide analysis of variances and explanations. This allows CLT to raise questions and to identify any remedial actions. The reports also include progress on achievement of budgeted savings.</p> <p>The reporting requirements for partners are set out in contracts and agreements. The financial implications of the reporting from partners are incorporated into the budget monitoring by the budget holder, who also has responsibility for managing the partnership.</p> <p>A standard project monitoring process for all projects including those delivered by partners is currently being developed and implemented due to the increasing number of projects and partners, as a result of the Towns Fund and FHSF.</p>

			<p>The leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action.</p> <p><b>No action required.</b></p>
O	<p>The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.</p>	<p>The authority has identified the elements of its balance sheet that are most critical to its financial sustainability.</p> <p>The authority has put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet.</p> <p>The authority is taking action to mitigate the risk identified.</p>	<p>The Council identifies and monitors earmarked reserves and the General Fund reserve as part of the budget setting reports, budget monitoring reports and outturn reports.</p> <p>The investment properties being a large asset value on the balance sheet are monitored through reports to Commercial Investment Working Group and Audit Committee (Strategy, mid-year and Outturn).</p> <p>Cashflow, investments and borrowing are monitored through Treasury Management Reports (Strategy, mid-year and Outturn). This includes a full analysis of the balance sheet to forecast the needs to borrow position.</p> <p>The Council has several provisions that are monitored throughout the year e.g., business rate appeals, benefit overpayments and rent arrears.</p> <p><b>No action required</b></p>
P	<p>The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.</p>	<p>The authority's leadership team is aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>The authority's CFO is aware of their responsibilities in terms of the preparation of the annual financial statements.</p> <p>These responsibilities are included in the CFO's role description, personal objectives</p>	<p>Mandatory training has been delivered to all budget holders including CLT and Members that included the role of the CFO and identified their responsibilities for preparing the financial statements.</p> <p>CFO responsibilities in terms of the preparation of the annual financial statements is included within their job description and personal objectives.</p> <p>The financial statements have been prepared on time and in accordance with the requirements of the</p>

		<p>and other relevant performance management mechanisms.</p> <p>The authority's financial statements have hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</p>	<p>Code of Practice on Local Authority Accounting in the United Kingdom. This is evidenced by a consistent unqualified audit opinion for several years.</p> <p><b>No action required.</b></p>
Q	<p>The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.</p>	<p>The authority's leadership team is provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget.</p> <p>The information in these reports is presented effectively.</p> <p>These reports are focused on information that is of interest and relevance to the leadership team.</p> <p>The leadership team feels that the reports support it in making strategic financial decisions.</p>	<p>The CLT along with Cabinet are provided with an Outturn report detailing significant variations to the revised revenue (General Fund and HRA) and capital budgets. The reports request approval of proposed transfers to and from of earmarked reserves. The Chief Finance Officer and CLT consider the treatment of any surpluses and reserves before discussion with Members and formal approval.</p> <p>CLT feels that the reports support it in making strategic financial decisions.</p> <p><b>No action required.</b></p>

<b>Report To:</b>	<b>AUDIT COMMITTEE</b>	<b>Date:</b>	<b>18<sup>th</sup> OCTOBER 2021</b>
<b>Heading:</b>	<b>TREASURY MANAGEMENT MID YEAR REPORT 2021/22</b>		
<b>Portfolio Holder:</b>	<b>PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN</b>		
<b>Ward/s:</b>	<b>ALL</b>		
<b>Key Decision:</b>	<b>NO</b>		
<b>Subject to Call-In:</b>	<b>NO</b>		

## **Purpose of Report**

This mid-year report has been written to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and covers the following:

- An economic update for the 2021/22 financial year as at 30 September 2021;
- The Council's capital position (including prudential indicators);
- The Council's investment portfolio for 2021/22;
- The Council's borrowing position for 2021/22.

## **Recommendation(s)**

- 1) To agree changes to the 2021/22 Prudential Indicators following in year changes to the 2021/22 Capital Programme, and,
- 2) To note contents of the report.

## **Reasons for Recommendation(s)**

In accordance with the Council's Financial Regulations, the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

## **Alternative Options Considered**

*(with reasons why not adopted)*

## **Detailed Information**

## **1 Background**

- 1.1 The Council aims to operate a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending commitments. This management of longer-term cash may involve arranging long or short-term loans, or the use of longer-term cash flow surpluses, and on occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 Accordingly, treasury management is defined as:  
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

## **2 Economics and interest rates to date and the outlook for 2021/22**

- 2.1 In the UK, the first half of the year continued to be impacted on by the on-going Covid-19 Pandemic.
- 2.2 The Monetary Policy Committee (MPC) of the Bank of England maintained the Bank Rate at 0.10%, which has been in effect since 19th March 2020, the forecast is for the Bank Rate to remain at this level for the remainder of the year. It is no longer expected that negative interest rates will be introduced as the economy is starting to recover.
- 2.3 Public Works Loans Board (PWLB) has been the main source of borrowing for the Council. PWLB rates have reduced slightly. The 50 year PWLB (certainty) rate for new long term borrowing reduced from 2.03% on the 1 April to 1.97% by 30 September 2021. During the first 6 months of 2021/22 rates have been as low as 1.49% and as high as 2.06%.
- 2.4 The UK's economy is influenced by UK and worldwide events. It will continue to be impacted by the economic recovery in relation to the Covid-19 pandemic and the impacts of Brexit. A full economic update and interest rate forecast provided by Link Asset Services, our Treasury Advisors, is included at Appendix 1.

## **3 The Council's Capital Position (including Prudential Indicators)**

### Prudential Indicators

#### 3.1 Capital Programme

- 3.1.1 Table 1 below shows the revised estimates for capital expenditure taking into account the changes since the capital programme was agreed at the Budget.

#### **Table 1 – Capital Programme 2021/22**

<b>Capital Expenditure by Service</b>	<b>2021/22 Original Estimate £m</b>	<b>2021/22 Revised Estimate £m</b>
General Fund	22.242	32.557
Area Schemes	0.382	0.977
HRA - Decent Homes	10.073	7.293
HRA – Other	5.285	10.298
<b>Total capital expenditure</b>	<b>37.982</b>	<b>51.125</b>

3.1.2 The main reasons for the increase in the General Fund capital expenditure is due to additions of £5m for Future High Street Fund Schemes, £3.1m for Town Fund Schemes and £1.3m slippage on 2020/21 Town Fund Schemes. The change in the HRA - Decent Homes Schemes is largely due to capital components lasting longer than their anticipated lifecycle. The increase in the HRA – Other capital expenditure is due to the addition of the 2020/21 slippage, bringing forward the Davies Avenue Scheme and the inclusion Green Home Grant scheme. The increase in area schemes is mainly due to slippage from 2020/21.

3.1.3 Table 2 below draws together the main treasury management strategic elements of the capital expenditure plans (above), highlighting the original and the revised estimated financing arrangements of this capital expenditure.

**Table 2 – Capital Expenditure Funding**

<b>Capital Expenditure</b>	<b>2021/22 Original Estimate £m</b>	<b>2021/22 Revised Estimate £m</b>
<b>Total capital expenditure</b>	<b>37.982</b>	<b>51.125</b>
Financed by:		
Capital receipts	2.197	3.347
Capital grants	5.484	13.001
Capital reserves	11.931	13.301
<b>Total financing</b>	<b>19.612</b>	<b>29.649</b>
<b>Borrowing requirement</b>	<b>18.370</b>	<b>21.476</b>

3.1.4 The borrowing requirement for 2021/22 has increased largely because of expenditure slippage from 2020/21.

### 3.2 Capital Financing Requirement, Operational Boundary and Authorised Limit

3.2.1 Any changes to borrowing in the Capital Programme affect the Capital Financing Requirement (CFR). The CFR represents the Council's underlying need to borrow for capital expenditure. The CFR increases by the amount of capital expenditure funded by borrowing and reduces by making revenue charges for the repayment of debt (the Minimum Revenue Provision).

**Table 3 – Capital Financing Requirement (CFR)**

	<b>2021/22 Original Estimate £m</b>	<b>2021/22 Revised Estimate (Adjusted for Slippage) £m</b>
<b>Prudential Indicator – Capital Financing Requirement</b>		
CFR Non-Housing	102.418	101.265
CFR – Housing	80.131	80.061
<b>Total CFR</b>	<b>182.549</b>	<b>181.326</b>
<b>Prudential Indicator – the Operational Boundary for external debt</b>		
Borrowing	186.000	186.000
Other Long Term Liabilities	0.000	0.000
<b>Total debt 31<sup>st</sup> March</b>	<b>186.000</b>	<b>186.000</b>
<b>Prudential Indicator – the Authorised Limit for external debt</b>		
Borrowing	205.000	205.000
Other Long Term Liabilities	0.000	0.000
<b>Total debt 31<sup>st</sup> March</b>	<b>205.000</b>	<b>205.000</b>

3.2.2 The 2021/22 Capital Financing requirement has decreased largely as a result of leased assets being included in the original estimate due to the introduction of a new accounting standard. The introduction of this standard has been delayed by one year.

### 3.3 Estimate of ratio of financial cost to net revenue stream for the current year split between the Housing Revenue Account and General Fund

3.3.1 For the HRA this is calculated by dividing the HRA capital financing costs by the total estimated Council Dwelling Income. For the General Fund this is calculated by dividing the General Fund capital financing costs by the estimated Council Tax Receipt plus Central Government Grants.

**Table 4 - Estimate of ratio of financial cost to net revenue stream**

	<b>Original 2021/22 Estimate %</b>	<b>Revised 2021/22 Estimate %</b>
Housing Revenue Account	14.60	14.59
Non HRA (General Fund)	20.32	16.98

3.3.2 The change to the General Fund estimate is mainly due to external borrowing being less than originally estimated and slippage on the 2020/21 capital programme has resulted in less MRP being charged in 2021/22.

### 3.4 Estimate of the Incremental impact of capital investment decisions on the Council Tax and Rent Levels

3.4.1 These indicators have been prepared using the revised Capital Programme, approved by Council on the 23rd September 2021. For the General Fund this is calculated by dividing the estimated capital financing costs by the estimated Council Tax Band D equivalents. There is no borrowing planned for the Housing Revenue Account (HRA) therefore these ratios are nil. If in future years, there was to be HRA borrowing, the ratio would be calculated by dividing the estimated capital financing costs by the estimated number of council dwellings.

**Table 5 - Incremental impact of capital investment decisions on the Council Tax and Rent Levels**

	<b>Original 2021/22 Estimate £</b>	<b>Revised 2021/22 Estimate £</b>
General Fund (Band D)	25.33	26.06
HRA (52 Weeks)	0	0

3.4.2 The incremental impact of capital investment on the General Fund is slightly higher due to slippage on the 2020/21 capital programme.

## 4. **Prudential Indicators for Treasury Management**

### 4.1 Interest rate exposure

4.1.1 Local authorities are required to set limits for the upper limits on exposure to the effects of changes in interest rates. The indicators relate to both fixed and variable rate interest and are net of any investments.

4.1.2 Depending on the level of interest rates and their expected movement in the year, the Council may take up all of its new borrowings in the form of either fixed or variable rate debt. The figures Table 6 give the following maximum levels, when compared to the authorised limit, of exposure to fixed and variable interest rates, which are prudent limits for the forthcoming years:

**Table 6 - Interest Rate Exposure**

<b>Principal Outstanding</b>	<b>2021/2022 30th September 2021 Actual</b>	<b>2021/2022 Original</b>
	<b>£m</b>	<b>£m</b>
Fixed Rates	97.0	205.0
Variable Rates (No more than 40% of the authorised limit).	15.0	82.0

### 4.2 Maturity Structure of borrowing

4.2.1 For the next three years' the authority is required to set both lower and upper limits for the maturity structure of its borrowing. This indicator relates only to fixed rate debt and is therefore a measure of the longer-term exposure to interest rate risk.

4.2.2 Table 7 shows the proposed lower and upper limits for all three years, given the current structure of the Council's debt portfolio:

**Table 7 - Maturity Structure of Debt**

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Actual Position for 30/09/2021</b>	<b>Lower Limit %</b>	<b>Upper Limit %</b>
Under 12 Months	0.00%	0%	5%
Under 24 Months	0.00%	0%	10%
Under 5 years	15.14%	0%	20%
Under 10 Years	17.23%	0%	25%
Under 20 Years	37.86%	0%	40%
Under 30 Years	43.01%	0%	50%
Under 40 Years	73.93%	0%	80%
Under 50 Years	100.00%	0%	100%
50 Years and Above	0.00%	0%	0%

#### 4.3 Principal sums invested for more than 364 days

4.3.1 Where a local authority invests or plans to invest for periods of more than 364 days it must set an upper limit for each year for the maturity of such investments. The purpose of setting this limit is to contain any exposure to losses, which might arise in the event of having to seek early repayment of the investment and / or adverse movements in shorter-term interest rates.

4.3.2 The strategy for 2021/22 set a limit of a maximum of £5m in each of the next three years to be placed in longer-term investments. The Authority currently does not have any long-term investments.

### **5. Investment Portfolio 2021/22**

5.1 In accordance with the Code, it is the Council's priority to ensure security of capital, liquidity and to obtain an appropriate level of return, which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are still very low and in line with the 0.10% Bank of England Base Rate. Table 6 provides a summary of the Council's total investments as at 30<sup>th</sup> September 2021.

## **Table 8 – Summary of Investments**

<b>Borrower</b>	<b>Balance at 30/09/21 £000's</b>
Call Accounts	10,317
Money Market Funds	19,900
Fixed Term Deposits	5,000
<b>Total</b>	<b>35,217</b>

### **5.2 Bank Accounts**

5.2.1 In total, the Council held investments in banks of £10.315m as at 30 September 2021, (£6.5m as at 31 March 2021).

#### **Table 9 – Call Accounts**

<b>Borrower</b>	<b>Balance at 30/09/21 £000's</b>
Barclays Bank	364
Handelsbanken	4,951
<b>Total</b>	<b>5,315</b>

5.2.2 The average investment portfolio yield for call account investments in the first six months of the year is 0.03%, which is due to low interest rates.

#### **Table 10 – Notice Accounts**

<b>Borrower</b>	<b>Balance at 30/09/21 £000's</b>
Santander 35 Day Notice Account	5,000

5.2.3 The average interest rate across all bank investments (call accounts and notice accounts) counterparties is 0.13%.

### **5.3 Money Market Funds**

5.3.1 The Council currently has three Low Volatility Net Asset Value (LVNAV) Money Market Funds. This means that the value of the shares that the Council holds in these funds may go down as well as up. However, it is unlikely that there will be a change in the price of the Money Market Fund shares between the prices paid and monies received when the shares are sold.

**Table 11 – Money Market Funds**

<b>Borrower</b>	<b>Balance at 30/09/21 £000's</b>
Aberdeen Standard Liquidity – Money Market Fund	5,000
Insight Investments – Money Market Fund	4,900
Federated Hermes – Money Market Fund	5,000
Aviva Investments – Money Market Fund	5,000

The average interest rate across counterparties for Call deposits is 0.01%

#### 5.4 Fixed Term Deposits

5.4.1 As at 31<sup>st</sup> March 2021, the Council had a £2.0m fixed term deposit with The Royal Borough of Windsor and Maidenhead. At the end of September, the Council had two fixed term deposits, with Al Rayan Bank. There have also been term deposits with Banks and the UK Government Debt Management Office, for various periods between 1<sup>st</sup> April and 30<sup>th</sup> September 2021.

**Table 11 – Fixed Term Deposits**

<b>Opening Balance £000's</b>	<b>New Investments £000's</b>	<b>Repayments £000's</b>	<b>Closing Balance £000's</b>
2,000	44,000	41,000	5,000

5.4.2 The comparison below shows the performance of these fixed term deposit investments against the current Bank of England (BoE) base rate.

**Table 12 – Fixed Term Deposits Comparison to Bank of England base rate**

<b>BoE Base Rate as at 30<sup>th</sup> September</b>	<b>Council Performance</b>	<b>Investment Interest Earned £000's</b>
0.1%	0.03%	£4k

#### 5.5 Interest Receivable Budget

5.5.1 The Council's budgeted investment return for 2021/22 is £5k and performance for the half year to 30 September 2021 is £9k, which comprises £4k from term deposits, £1.5k from Money Market Funds and £3.5k from call deposits. The estimated full year outturn is expected to be £13k; £8k greater than budget.

#### 5.6 Investment Strategy Breaches

5.6.1 There was one breach of the Investment Strategy where the operational bank account exceeded £5m:

- i) Barclays – A large investment property rental payment was received on 22 September after the cut off time for placing funds in investments which caused the balance to exceed the £5m limit by £388k. The funds were moved the following day.

## 6 Borrowing

- 6.1 The borrowing activities undertaken during the year to 30 September 2021 are summarised below:

**Table 13 – Council’s borrowing activities to 30<sup>th</sup> September 2021**

<b>Type of Loan</b>	<b>As at 31 March 2021 £'000</b>	<b>Borrowed £'000</b>	<b>Repaid £'000</b>	<b>As at 30 Sept 2021 £'000</b>
Fixed PWLB	62,536	0	0	62,536
Private Placement Loans – LOBO	19,500	0	0	19,500
Private Placement Loans – Fixed	15,000	0	0	15,000
<b>Total External Debt</b>	<b>97,036</b>	<b>0</b>	<b>0</b>	<b>97,036</b>

## 7 Investment Properties

- 7.1 As at the 1st April 2021 the Council had spent £61.810m on investment properties. These investment properties are expected to generate £4.518m gross rental income per annum which is a gross yield of 7.3%. The CFR and therefore MRP charges have increased as result of activity in investment properties.

## **Glossary of Terms**

### **Call Accounts**

Is a bank account for investment funds it has no fixed deposit period, provides instant access to funds and allows unlimited withdrawals and deposits.

### **Consumer Price Index (CPI)**

The official measure of inflation of consumer prices of the United Kingdom.

### **Federal Reserve (Fed)**

The central banking system of the United States of America.

### **Gross Domestic Product (GDP)**

This is the monetary value of all the finished goods and services produced by a country within its borders in a specific time period, usually a year.

### **Gilts**

Gilts are UK Government Bonds which offer a very low risk of default and a corresponding low rate of return.

### **LIBID**

The London Interbank Bid Rate, that is, the interest rate at which banks bid to take short-term deposits from other banks.

### **Monetary Policy Committee (MPC)**

This is a committee of the Bank of England which decides the official interest rate in the UK (the Bank of England Base Rate) and also directs other monetary policy such as quantitative easing and forward guidance.

### **Public Works Loan Board (PWLB)**

The PWLB is a statutory body operating within the UK Debt Management Office to lend money from the National Loan Fund to local authorities and to collect the repayments.

### **Quantitative Easing (QE)**

An unconventional form of monetary policy where a Central Bank creates new money electronically to buy financial assets, like government bonds. This process aims to directly increase private sector spending in the economy and return inflation to target.

### **Implications**

#### **Corporate Plan:**

Effective treasury management and investment in properties is providing an income stream to support delivery of the key services within the Corporate Plan.

#### **Legal:**

Requirement to adhere to the CIPFA Prudential Code. Ensures compliance with Financial Regulations.

**Finance:**

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	No significant implications
General Fund – Capital Programme	No significant implications
Housing Revenue Account – Revenue Budget	No significant implications
Housing Revenue Account – Capital Programme	No significant implications

**Risk:**

<b>Risk</b>	<b>Mitigation</b>
Risk that the investment properties become void or fall in value	Spread of assets within the portfolio and a reserve to cushion any void periods.

**Human Resources:**

No implications.

**Environmental/Sustainability**

No implications.

**Equalities:**

No implications.

**Other Implications:**

No implications.

**Reason(s) for Urgency**

Not Applicable

**Reason(s) for Exemption**

Not Applicable.

**Background Papers**

Link Asset Services – Treasury Management Strategy Statement and Annual Investment Strategy  
Mid-Year Review Report 2021/22

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## 1.1 Economics update

### MPC meeting 24.9.21

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, **the MPC had been prepared to look through a temporary spike in inflation.**
- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to **faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement;** this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
  1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
  2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
  3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

**US.** See comments below on US treasury yields.

**EU.** The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

German general election. With the CDU/CSU and SPD both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SPD-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

**China.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

**Japan.** 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.

**World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

**Supply shortages.** The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

## 1.2 Interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 29<sup>th</sup> September 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<b>BANK RATE</b>	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24.

### Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

### The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

### Forecasts for Bank Rate

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1<sup>st</sup> October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

#### **Forecasts for PWLB rates and gilt and treasury yields**

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

#### **Gilt and treasury yields**

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden's, and the Democratic party's determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.

3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour and supply bottle necks is likely to stoke inflationary pressures more in the US than in other countries.
4. And the Fed was still providing monetary stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries. This could then force the Fed to take much earlier action to start tapering monthly QE purchases and/or increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that some Fed members have moved forward their expectation of when the first increases in the Fed rate will occur in recent Fed meetings. In addition, more recently, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of strong monthly jobs growth figures could be enough to meet the threshold set by the Fed of “substantial further progress towards the goal of reaching full employment”. However, the weak growth in August, (announced 3.9.21), has spiked anticipation that tapering of monthly QE purchases could start by the end of 2021. These purchases are currently acting as downward pressure on treasury yields. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards in the US will invariably impact and influence financial markets in other countries. However, during June and July, longer term yields fell sharply; even the large non-farm payroll increase in the first week of August seemed to cause the markets little concern, which is somewhat puzzling, particularly in the context of the concerns of many commentators that inflation may not be as transitory as the Fed is expecting it to be. Indeed, inflation pressures and erosion of surplus economic capacity look much stronger in the US than in the UK. **As an average since 2011, there has been a 75% correlation between movements in 10 year treasury yields and 10 year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

#### **The balance of risks to medium to long term PWLB rates: -**

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

#### **A new era – a fundamental shift in central bank monetary policy**

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

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# Ashfield District Council – Audit Progress Report

Audit Committee: 18 Oct 2021



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## 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.

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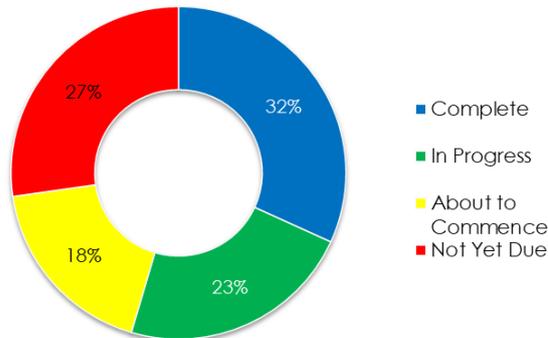


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# Ashfield District Council – Audit Progress Report

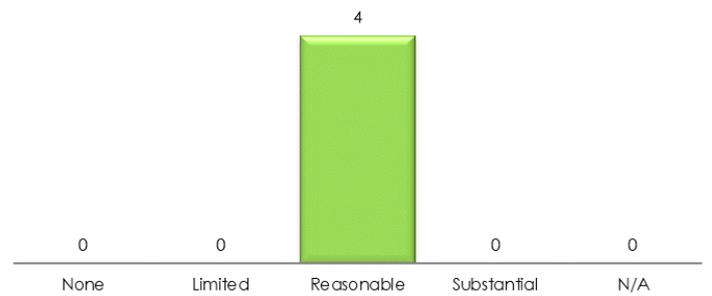
## AUDIT DASHBOARD

### Plan Progress



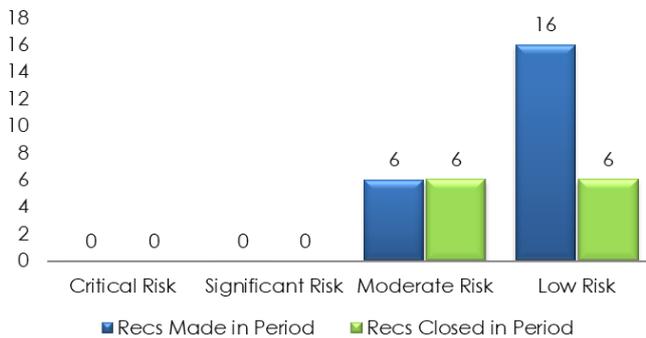
### Assurance Ratings

Control Assurance Ratings Issued During Period



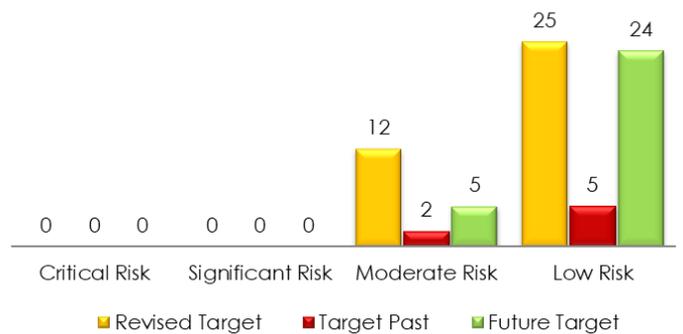
### Recommendations

Movement During Period



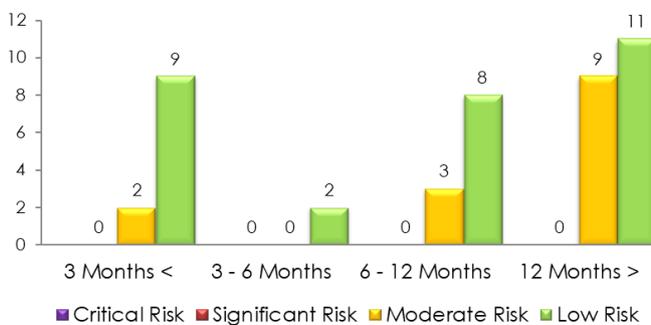
### Recommendations

Recommendations Currently Open



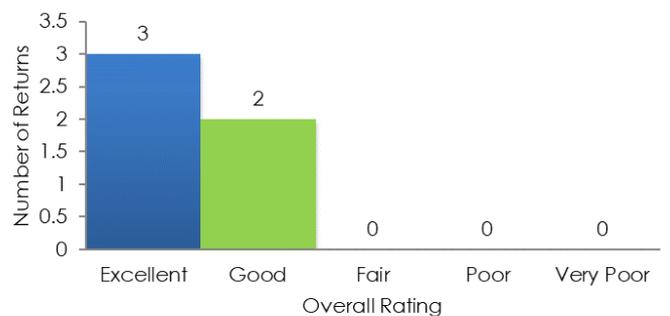
### Recommendations

Overdue Recommendations



### Customer Satisfaction

Returns Between Apr - Sept 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 of 5 October 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 Key Controls	Allocated	0%	
PCI in Organisational Transformation	Final report	100%	Reasonable
Risk Management	Allocated	5%	
Debtors	Allocated	0%	
People Management	Not Allocated	0%	
Payroll	In Progress	60%	
Planning	Not Allocated	0%	
Environmental Health	Final Report	100%	Reasonable
Outdoor Recreation	Allocated	10%	
Selective Licensing	In Progress	60%	
Housing Health & Safety Statutory Compliance	In Progress	75%	
Anti-Fraud & Corruption	In Progress	20%	
Homes England Grant Compliance	Draft Report	95%	
B/Fwd Jobs	Status	% Complete	Assurance Rating
Teleworking Security	Final Report	100%	Reasonable
Financial Health & Resilience	Final report	100%	Reasonable
Management of Fraud Risk	Final Report	100%	Limited
People Management	Final Report	100%	Reasonable
Delegated Decisions	Final Report	100%	Reasonable

### Audit Plan Changes

An IT Audit had been planned to consider the Council's ICT Asset Inventory. However, the Council recognised that there was a body of work required to bring the Inventory up to date. Therefore, with the approval of the Director of Legal and Governance, we have removed this audit from the plan and replaced it with a review of IT Key Controls. This audit will ensure that essential IT Controls continue to operate as intended.

# Ashfield District Council – Audit Progress Report

## AUDIT COVERAGE

### Completed Audit Assignments

Between 14 July 2021 and 5 October 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	
Financial Health & Resilience	Reasonable	0	0	1	3	75%
Teleworking Security	Reasonable	0	0	2	5	29%
Environmental Health	Reasonable	0	0	1	5	17%
PCI – Compliance in Organisational Development	Reasonable	0	0	2	3	20%
<b>TOTALS</b>		<b>0</b>	<b>0</b>	<b>6</b>	<b>16</b>	<b>32%</b>

Financial Health & Resilience				
	Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls
The Council's annual reports have adequately considered and disclosed the impact of Covid-19.	4	1	2	1
The Council has adequately considered its financial resilience in light of the impact of Covid-19.	5	4	1	0
The Council has considered the impact of Covid-19 on its control environment, identifying critical controls to reduce the risk of fraud or error.	6	6	0	0
The Council has considered the regularity of its spending to ensure it adheres to the principles set out in Managing Public Money.	3	3	0	0
<b>TOTALS</b>	<b>18</b>	<b>14</b>	<b>3</b>	<b>1</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
The Annual Governance Statement for 2019/20 did not consider and disclose whether expenditure in response to the Covid-19 pandemic was in accordance with the principles of Managing Public Money.		Low Risk	31/07/2021	
The Annual Governance Statement for 2019/20 did not provide details on any changes made to the control environment, brought about by the Council's response to the Covid-19 pandemic.		Low Risk	31/07/2021	

# Ashfield District Council – Audit Progress Report

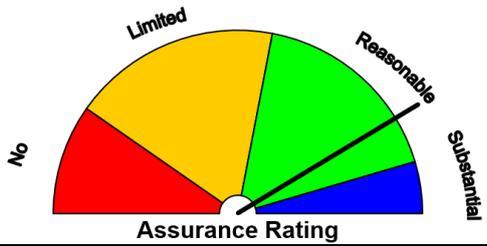
The Annual Governance Statement for 2019/20, approved in August 2020, did not disclose new risks identified from May 2020 as a result of the Covid-19 pandemic.	Low Risk	31/07/2021
The Council had not assessed itself against the Chartered Institute of Public Finance & Accountancy's Financial Management Code.	Moderate Risk	02/11/2021

<h2>Teleworking Security</h2>	<p style="text-align: center;"><b>Assurance Rating</b></p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Ensure that the configuration and management of the Council's Remote Desktop Gateway (RD Gateway) complies with best practice, and the requirements of the Council to support home working.	21	13	0	8
<b>TOTALS</b>	<b>21</b>	<b>13</b>	<b>0</b>	<b>8</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
Domain administrator accounts had been granted permissions to access the public facing Remote Desktop Gateway system.		Low Risk	Risk Accepted	
Domain user accounts with access to the Remote Desktop Gateway system were not always being disabled in an acceptable timeframe upon leaving employment with the Council.		Moderate Risk	01/10/2021	
Less than 3% of users enrolled in the Council's Multi-Factor Authentication system that was required for access to the Remote Desktop Gateway were using strong (e.g., Microsoft Authenticator app) authentication methods as default. This included a number of domain admin accounts.		Low Risk	01/11/2021	
There was a 232 licence difference between the number of users who could connect to the Council's remote desktop gateway system, and the number of remote desktop services client access licences owned by the Council. As Microsoft licensing works off a user or device model, as opposed to a connection model, the current licences owned were not sufficient based on the number of registered users.		Moderate Risk	Completed	
Not all accounts with access to the Remote Desktop Gateway system were subject to maximum password age controls, as the password never expires option had been set to TRUE. This included an enabled domain administrator account (Civica) with no account expiration date set.		Low Risk	01/11/2021	
Not all components of the Remote Desktop Gateway architecture were setup for high availability protections (including no automatic failover configured for the Remote Desktop gateway server component).		Low Risk	01/11/2021	

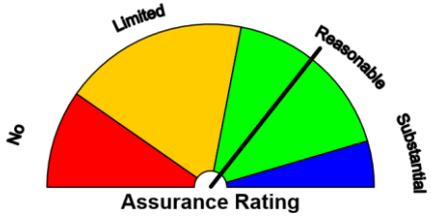
# Ashfield District Council – Audit Progress Report

Standard operating procedures for the maintenance, administration and recovery of the Remote Desktop Gateway system were not documented, and business continuity testing exercises within the team had not covered the unavailability of primary Remote Desktop Gateway support personnel scenario.	Low Risk	01/02/2022
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Environmental Health	Assurance Rating			
	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Environmental Health workflow processes ensure work is managed, accurate and complete.	4	2	0	2
The section has measurable and adequate performance information.	3	1	2	0
There are robust management processes over the processing and progression of complaints.	3	2	1	0
<b>TOTALS</b>	<b>10</b>	<b>5</b>	<b>3</b>	<b>2</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
The different types of inspections, service requests and permits had varied methods of recording work activity which made it difficult for management to monitor progress.		Low Risk	31/12/2022	
The issue of permits, dealing with service requests and the completion of various inspection types was not subject to an independent check or management oversight.		Low Risk	31/03/2022	
Management had not been monitoring the Civica App system or the Service Request spreadsheet for incomplete service requests.		Moderate Risk	31/12/2021	
The Environmental Health performance indicators had not been produced since quarter 3 of 2019/20.		Low Risk	31/03/2022	
The performance indicators for Environmental Health were not meaningful or effective at providing senior management with assurance that the service area was performing to a high standard.		Low Risk	31/12/2021	
Formal complaints were not being checked or approved by management to ensure they had been satisfactorily resolved.		Low Risk	Implemented	



# Ashfield District Council – Audit Progress Report

PCI – Compliance in Organisational Transformation				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Council has adequate governance arrangements in place to manage Payment Card Industry Data Security Standard (PCI DSS).	9	5	3	1
The PCI standard has been taken into account where new systems have been introduced and new processes implemented.	3	2	1	0
<b>TOTALS</b>	<b>12</b>	<b>7</b>	<b>4</b>	<b>1</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
The Callsafe system could be switched off at any time, without management approval. There were no checks or controls around the disabling of the Callsafe system.		Moderate Risk	Implemented	
The Council still had a CHIP&PIN machine in place at the Northern Depot. This meant that the card holder would be present, and the customers card details would pass through the Council's systems, which was not compliant with the Self-Assessment Questionnaire A.		Moderate Risk	23/10/2021	
The ICT Security Policies had not been reviewed and updated for several years.		Low Risk	10/01/2022	
In person training on PCI requirements had not been offered since March 2019. The online training module had not been used since 2015, had not been updated since 2016 and neither of the online courses were mandatory for all employees that take payments.		Low Risk	10/01/2022	
There were no environment or equipment checks for the CHIP & PIN machine at the Northern Depot.		Low Risk	23/10/2021	

# 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	4	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
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
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	1	0	0
18-Feb-21	Transformation Project Assurance	Limited	0	1	0
21-Jun-21	Management of Fraud Risk	Limited	0	0	13
10-May-21	People Management	Reasonable	1	6	0
21-Jun-21	Delegated Decisions	Reasonable	3	0	2
27-Jul-21	Financial Health and Resilience	Reasonable	0	0	1
16-Aug-21	Teleworking Security	Reasonable	1	0	4
01-Oct-21	Environmental Health	Reasonable	0	0	5
05-Oct-21	PCI Compliance in Organisational Transformation	Reasonable	0	0	4
		<b>TOTALS</b>	<b>7</b>	<b>37</b>	<b>29</b>

**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	3	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
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
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
Procurement Follow Up	0	0	1	0	0	0
Transformation Project Assurance	0	0	0	0	0	1
People Management	0	0	1	0	0	6
Delegated Decisions	0	1	2	0	0	0
Teleworking Security	0	1	0	0	0	0
<b>TOTALS</b>	<b>0</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>12</b>	<b>25</b>

# 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>	<b>Moderate Risk</b>
Management Response/Action Details	Action Date
The strategy will be reviewed and presented for approval.	30/04/2020
Status Update Comments	Revised Date
<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> <p>There have been a number of resourcing issues therefore we have taken on an Interim to undertake and complete these tasks.</p>	31/01/2022

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>	<b>Moderate Risk</b>
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"> <li>- 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.</li> <li>- E-Form for completion by Managers/Directors for folder access changes.</li> <li>- Introduction of new file structure guidelines and cascade through ELT/ALT, DMTs and MOD.</li> <li>- 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.</li> </ul>	30/06/2020
Status Update Comments	Revised Date
Actions have been taken to restrict folders and files. Internal Audit will be reviewing these actions as part of the ICT Key Controls audit.	10/01/2022

# 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 Council's 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
<p>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.</p> <p>The first version of the ICT Service Desk software is now in place but ICT still need to review its reporting capabilities. The post of Service Desk Team Leader is currently being advertised.</p>	30/11/2021

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
<p>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.</p> <p>The first version of the ICT Service Desk software is now in place but ICT still need to review its reporting capabilities. The post of Service Desk Team Leader is currently being advertised.</p>	30/11/2021

# Ashfield District Council – Audit Progress Report

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
<p>Review policy. Implementation of electronic leave request and approval system through MyView. Training and reminder messages for managers and officers. Introduce sample checks.</p>	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>The roll out is almost complete but there are a number of employees who have a digital skills gap or don't have a valid ADC email address in the system. These issues will need to be resolved before implementation is complete.</p>	30/08/2022

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
<p>Carry out a review of the policy and procedure and then roll out to officers through the provision of information and training.</p>	31/10/2019
Status Update Comments	Revised Date
<p>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. Training to be completed by the end of October 2021.</p>	31/10/2021

# 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. Training to be completed by the end of October 2021.	31/10/2021

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><b>Moderate Risk</b></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 fix 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 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. A solution has been given however it requires finance to complete labour intensive changes to the system, therefore the deadline will need to be amended.</p>	<p>31/01/2022</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>	<b>Moderate Risk</b>
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

### Superseded Recommendations

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 &amp; 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>	<b>Moderate Risk</b>
Management Response/Action Details	Action Date
<p>Data-matching Sub-Group Meetings will resume and will report on its actions to the main Anti-Fraud Officer Working Group.</p>	31/03/2020
Status Update Comments	Revised Date
<p>Action on hold due to COVID-19.</p>	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 &amp; 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 &amp; 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>	<b>Moderate Risk</b>
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

The two Anti-Fraud recommendations identified have been superseded by alternative management actions. The Director of Legal and Governance provided the following update, '*Unfortunately, due to the pressures and changed priorities for the Council caused by the COVID-19 Pandemic during 2020/21, particularly on the Director of Legal and Governance (Monitoring Officer) and the Service Manager, Revenues and Benefits, further development of a corporate approach to anti-fraud (including data matching) and delivery of the Council's anti-fraud activity was limited during the past 12 months. As a result, CLT has approved a corporate review of the Council's approach to Anti-Fraud (including data matching) and the Project Initiation Document for this project is currently being developed. The review is intended to identify how the Council can deliver sustainable and effective anti-fraud activity (including data matching) going forward. A revised significant issue is included in the 2020/21 AGS relating to the Council's anti-fraud arrangements.*

We will continue to monitor the Council's development of a corporate approach to anti-fraud and how it is embedded within the Council.