

ASHFIELD DISTRICT COUNCIL



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

Agenda

Audit Committee

Date: **Monday, 25th July, 2022**

Time: **7.00 pm**

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

For any further information please contact:

Lynn Cain

lynn.cain@ashfield.gov.uk

01623 457317

Audit Committee

Membership

Chairman: Councillor Will Bostock

Councillors:

John Baird

Christian Chapman

Dave Shaw

Jim Blagden

Kevin Rostance

David Walters

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 28 March 2022.** 5 - 10
4. **Internal Audit Annual Report 2021-22.** 11 - 28
5. **Audit Progress Report.** 29 - 44
6. **Mazars: Audit Strategy Memorandum.** 45 - 76
7. **Annual Governance Statement 2021/22.** 77 - 110
8. **Council's Treasury Management and Borrowing Activities 2021/22.** 111 - 120
9. **Section 100A of the Local Government Act 1972: Exclusion of the Press and Public.**

A Member of the Committee is asked to move:-

"That in accordance with the provisions of Section 100A of the Local Government Act 1972, the press and public be now excluded from the meeting during the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act and in respect of which the Proper Officer considers the public interest in maintaining the exemption outweighs the public interest in disclosing the information."
10. **Investment Property Performance 2021/22.** 121 - 140

This page is intentionally left blank

AUDIT COMMITTEE

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

on Monday, 28th March, 2022 at 7.00 pm

Present: Councillor Christian Chapman in the Chair;

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

Apologies for Absence: Councillor David Walters.
Pete Hudson.

Officers Present: Bev Bull, Lynn Cain, Ruth Dennis,
Joanne Froggatt, Andy Slate and
Phil Warrington.

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

AC.27 Appointment of Chairman

RESOLVED

that Councillor Christian Chapman be appointed as Chairman for the duration of the meeting.

AC.28 Declarations of Disclosable Pecuniary or Personal Interests and/or Non-Registrable Interests

No declarations of interest were made.

AC.29 Minutes

RESOLVED that

- a) that the minutes of the meeting of the Committee held on 31 January 2022, be received and approved as a correct record;
- b) Mazars finalised Auditor's Annual Report for 2020/21, as presented and including the Value for Money (VFM) commentary and conclusions (Minute No. AC.20 refers), be received and noted.

AC.30 ICT Inventory Review

Andy Slate, the Council's Service Manager for ICT, gave a verbal update in relation to the ICT Inventory Audit Review.

Members were advised that ICT had engaged with an additional resource to undertake work to resolve the issues with the ICT Inventory which included the following:

- collecting old equipment particularly from former offices at Brook Street, Sutton and Watnall Road, Hucknall
- sorting useful equipment from old equipment
- selecting a company to collect and dispose of the old equipment to the correct WEEE standards and to ensure any data held on hard drives etc. was securely destroyed
- investigating whether other equipment had any value in particular the old Cisco telephone handsets that were out of support (they were ultimately disposed of as they were not of any value)
- tidying up of all the ICT storage locations (Hucknall Room, ICT Storeroom and Build Room), which had become cluttered with equipment returned from the former offices at Brook Street and Watnall Road
- setting up a software solution to record all ICT equipment and provide a method for ICT to easily record equipment allocations and returns.

In relation to the software solution and after investigating options of both paid for and free software, a solution called Snipe-IT was selected which was an Open-Source solution that provided full cataloguing of all types of equipment, recording asset numbers, purchase dates and allocations. Once installed, it was configured and populated with the current hardware in use across the Authority. The ICT Team were then given training in its use and maintenance.

Further work had also been undertaken to track down missing equipment and work had also been undertaken to record all mobile devices in use and to migrate devices on old tariffs to the main Council account. All phones had been contacted and the registered users checked and recorded in Snipe-IT. Some devices had been ceased and others have been scheduled for replacement of the handset and migration to the Council's Daisy account and it was intended that all the mobile phone work would be completed by the end of April.

RESOLVED

that progress in relation to the ICT Inventory Audit Review be received, noted and welcomed.

AC.31 Homes England Compliance Audit Report 2021/22

Phil Warrington, the Council's Service Manager for Strategic Housing & Lettings presented the report and updated Members regarding the findings of the Compliance Audit Report – 2021/22 which was conducted on the Council's first affordable housing development scheme in Sutton in Ashfield due to an identified breach.

The Council had embarked on a £10m affordable development programme, aimed at delivering 100 new homes over a 5-year period with financial support from Homes England funding around 25 - 30% of the build costs. In January 2021 the Council began its first development of 4 bungalows on former community centre sites at The Poplars and The Beeches and 5 family homes on a former car park on Stoney Street.

In June 2021 the Council were advised by Homes England that an independent audit of the Sutton scheme was required, and arrangements were made for Central Midlands Audit Partnership (CMAP) to conduct the audit in accordance with Homes England requirements.

In January 2022 the Council received the Homes England's Compliance Audit Report – 2021/22 which concluded that the Council had failed to meet requirements with one high level breach having been identified. The breach was in relation to initial funding being drawn down (via a computer portal) prior to any formal build contract being in place.

The Council accepted the findings of the audit and had confirmed that appropriate steps were being taken to address the breach. The Director of Housing and Assets had also met with the Lead Regulator to assist and ensure that all the Council's future dealings with Homes England would be in full compliance of all due requirements.

RESOLVED that

- a) the findings from the Homes England Compliance Audit Report – 2021/22, as presented, be received and noted;
- b) the steps taken to address the breach identified in the Audit Report and the processes now in place to reduce the risk of any future audit failure, be approved.

AC.32 Corporate Risk Update

The Assistant Director, Corporate Services and Transformation presented the Corporate Risk Register and advised that 100% of corporate risks had been effectively managed without any increase in risk assessment rating over the preceding 12 months with 30% of the risks also successfully receiving a reduction in risk assessment rating.

Members were advised of the 9 significant corporate risks as follows:

- Sustainability of HRA business plan to invest in current and new stock
- Having an adopted Local Plan
- Planning Appeal Decisions
- Ability to meet statutory obligation process timescales (e.g. gas servicing)
- Ability to comply with the regulatory regime set out by the Regulator of Social Housing

- Workforce Planning – inability to recruit and/or retain to critical posts
- Potential impact on resource levels and capacity due to Covid
- Temporary Accommodation (TA) – sufficient units to meet demand
- Legal Services – Lack of staffing resources and disruption caused by exiting Shared Service.

With regard to the newly added Legal Services risk, the Director of Legal and Governance informed the Committee that a recent recruitment exercise for 4 vacant roles within the new structure had been particularly successful and it was hoped that the new team would be fully staffed and in situ by 1 July 2022.

To conclude, Members acknowledged that the Central Midlands Audit Partnership (CMAP) review in relation to risk management had concluded in December 2021 with 15 recommendations being made to management. The Risk Strategy had since been amended to take into account the audit recommendations and was appended to the report for information.

RESOLVED that

- a) the current significant items on the Corporate Risk Register, as presented, be received and duly noted;
- b) the recent audit recommendations and proposed updates to the Corporate Risk Strategy, as outlined in the report, be received and endorsed.

AC.33 Accounting Policies for 2021/22 and other Statement of Accounts Matters

The Council's Chief Accountant presented the report and requested Committee Members to consider the accounting policies that the Council were proposing to adopt for the current financial year in the preparation of the Statement of Accounts for 2021/22.

RESOLVED that

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

AC.34 Pension Assumptions for the 2021/22 Statement of Accounts

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

RESOLVED

that having considered the Actuary's briefing note attached as Appendix A and the proposed IAS 19 assumptions detailed within it, the assumptions be agreed as the basis for the calculation of the pension figures required for the 2021/22 Statement of Accounts.

AC.35 Audit Progress Report

Hannah McDonald, CMAP's Group Auditor, presented the report and summarised audit progress as at 15 March 2022.

Four pieces of work had been finalised during that time and a synopsis of each of the completed reviews were presented regarding the following:

Housing Health & Safety Statutory Compliance
Outdoor Recreation – Sports bookings
Payroll 2021-22
Risk Management 2021-22.

There were no planned changes to the Audit Plan at the present time.

With regard to outstanding recommendation tracking, Members were advised that revised completion dates of 30 April 2022 had now been set for the Fire Safety review recommendations. Concerns were raised in relation to the Outdoor Recreation – Sports Bookings Report findings and Committee requested an update be given to the July meeting of the Committee.

RESOLVED that

- a) audit assignment progress as at 15 March 2022, as presented to Committee, be received and noted;
- b) an update be presented at the next meeting of the Committee to advise Members on progress regarding the Outdoor Recreation – Sports Bookings Report recommendations.

AC.36 Internal Audit Plan 2022-23 and Audit Charter

Mandy Marples, CMAP Audit Manager, presented the Audit Plan for 2022/23 and the Audit Charter and explained the process for selecting audit reviews, based upon consultation with the Council's Leadership Team (CLT), utilising the Council's risk registers and CMAP's bespoke risk assessment model.

Members were advised as to the audits to be undertaken in 2022/23 and these included the People Management and ICT Inventory reviews that had been carried over from the previous year.

RESOLVED

that the content of the Audit Plan for 2022/23 and Audit Charter, as presented, be received and approved.

AC.37 Corporate Governance and Anti-Fraud Update

The Director of Legal and Governance (and Monitoring Officer) presented the report which outlined how the Council manages its governance arrangements.

A framework of policies and procedures were currently in place which underpinned good governance within the Authority and Members were asked to consider each document and their updates for the forthcoming municipal year.

Committee acknowledged that work on the Annual Governance Statement was currently on track and once the draft was completed it would be presented to Audit Members via a virtual meeting for consideration.

Some of the anti-fraud work was underway but some policies were still being reviewed and updated and these would be presented for approval as soon as they became available. In relation to the Fraud Risk Register, a corporate decision had been made to redesign the format in line with the Council's Corporate Risk Register and this work had commenced accordingly.

To conclude, Members were also asked to note that the Whistleblowing Policy had been slightly amended for 2022/23 and no incidences of whistleblowing had been received for investigation during the last 12 months.

RESOLVED

that the following be received, noted and approved by the Committee:

- a) the amendments to the Local Code of Corporate Governance as shown at Appendix 1;
- b) the process for preparing the 2021/22 Annual Governance Statement;
- c) the minor changes to the Prosecution Policy as shown at Appendix 2;
- d) the minor changes to the Anti-Money Laundering Policy Statement and Procedure as shown at Appendix 3;
- e) the minor changes to the Anti-Bribery Policy as shown at Appendix 4;
- f) the minor changes to the Whistleblowing Policy in accordance with the draft attached to the report at Appendix 5;
- g) how the Whistleblowing Policy has operated during 2021/22.

The meeting closed at 8.14 pm

Chairman.



Ashfield District Council – Internal Audit Annual Report 2021-22

Audit Committee: 25 July 2022

Report Produced: 07 June 2022



Contents	Page
Introduction	3
Quality Assurance and Improvement Programme	5
Audit Opinion 2021-22	7
Audit Coverage	9
Performance Measures	17
QAIP – Improvement Plan	18

Our Vision

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

Contacts

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

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

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

Providing Excellent Audit Services in the Public Sector

Introduction

Why an Audit Opinion is required

The Public Sector Internal Audit Standards (PSIAS) states:

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

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

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

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

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

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

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

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

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

The annual report should also include:

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

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

How an Audit Opinion is Formed

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



Possible Overall Opinions

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

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

Quality Assurance and Improvement Programme

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

Public Sector Internal Audit Standards state:

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

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

Public Sector Internal Audit Standard 1312 also requires that:

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

Assessments are based on the following 3 ratings:

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

Our last external quality assessment on our overall conformance with the Standards was undertaken in 2017 and it was determined that we generally conformed with each standard. Accordingly, another external quality assessment is due in 2022 and CMAP management is currently in the process of procuring a firm to undertake the review.

In November 2021, the CMAP management team undertook a self-assessment against the Standards and produced a revised QAIP which is appended at page 18 of this report. Following consultation with all members of the Audit Team, this QAIP was reported to the Partnership Board on 2 March 2022 for approval. We are committed to undertaking another self-assessment against the Standards in preparation for the forthcoming External Quality Assessment.

We have determined that CMAP **Generally Conforms** ' to the Standards. 'Generally Conforms' means the evaluator has concluded that the relevant

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

Audit Opinion 2021-22

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

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

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

- The level of coverage provided by Internal Audit was considered adequate.
- Reliance is placed on other assurance providers who contribute to the overall assurance framework. For example, the Local Government Association undertook a Finance Health check on the Council in December 2021. It concluded that the Council was well managed financially.
- Work has been planned and performed to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the organisation's control environment is operating effectively.
- The insight gained from our interactions with Senior Management and the Audit Committee.
- The degree to which recommended actions have been implemented to address our concerns over risk and control weaknesses within the Council.
- The changing risk environment within the Council has been taken into account during the 2021-22 financial year. Key features included;

Strategic Leadership – The Interim Chief Executive continued in post until July 2021, when the former Director of Place and Communities was appointed as permanent Chief Executive. The internal appointment to Chief Executive gave stability in strategic leadership and continuity of local knowledge at a time when the Council was still dealing with the effects of the pandemic. An Interim Director of Place and Communities has been in place since August 2021, with a permanent appointment due to take up the role in July 2022.

Anti-Fraud - There has been limited progress during the year in developing a corporate approach to anti-fraud and the need remains for greater operational resilience and improved capacity in identifying and dealing with suspected fraudulent activity. The Management of Fraud Risk audit made a number of recommendations to strengthen the Council's anti-fraud arrangements.

IT - The Council continues to support agile working, with colleagues working both at home and in the office. Remote access to the Council's systems is therefore business critical and this was reviewed in the Teleworking Security audit. This audit identified a number of key control weaknesses that management are in the process of addressing.

The increased global cyber security risks from the invasion of Ukraine have required the Council to ensure that it has robust online defences. The National Cyber Security Centre recommended that all organisations in the UK review and bolster their online defences. With this heightened risk in mind, we reviewed IT Key Controls specific to network security. Again, the audit identified a number of key control weaknesses that management are in the process of addressing.

Initially the Audit Plan for 2021-22 included an audit of the Council's IT Asset Inventory as Internal Audit had understood that a comprehensive inventory was now in place. However, management requested that the audit was deferred to 2022/23 as there was a body of work required to bring the Inventory up to date, including tasks to support hybrid and remote working. This work should be completed promptly as the IT Asset Inventory is a key control.

- No adverse implications for the organisation's Annual Governance Statement have been identified from any of the work that Internal Audit has undertaken in 2021-22.
- The internal audit work we have carried out during the year has demonstrated that in general there is a sound governance framework in place, risks are being managed and the controls put in place to mitigate those risks are working in practice. Where weaknesses have been identified, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

This opinion is provided with the following caveats:

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

Audit Coverage

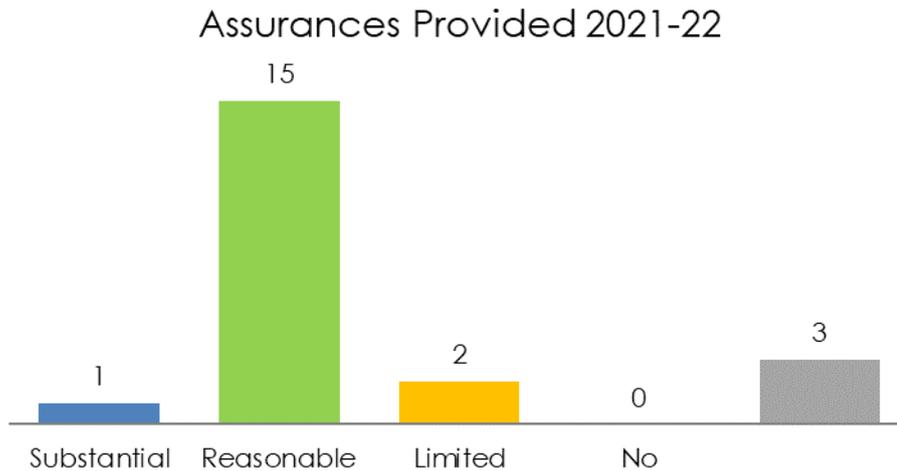
The original 2021-22 Internal Audit Plan, approved by the Audit Committee on 29 March 2021, was informed by Internal Audit's own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to the organisation's key risks and objectives. The Plan was amended during the year and the following audits were removed from the original approved plan; ICT Asset Inventory, People Management and the COVID contingency. Audits of IT Key Controls and Homes England Grant Certification were added.

The following tables summarise the 2021-22 Audit Plan assignments and their outcomes as well as those assignments from the 2020-21 Audit Plan which were still ongoing in 2021-22.

2021-22 Jobs	Status	% Complete	Assurance Rating
Accounting Systems 2021-22	Final Report	100%	Substantial
Corporate Credit Cards 2021-22	Final Report	100%	Reasonable
Debtors 2021-22	Final Report	100%	Reasonable
Payroll 2021-22	Final Report	100%	Reasonable
Planning	Draft Report	95%	Reasonable*
Outdoor Recreation - Sports Bookings	Final Report	100%	Limited
Selective Licensing	Final Report	100%	Reasonable
Housing Health & Safety Statutory Compliance	Final Report	100%	Reasonable
Scrutiny	Final Report	100%	Reasonable
PCI Compliance in Organisational Transformation	Final Report	100%	Reasonable
Risk Management 2021-22	Final Report	100%	Reasonable
Environmental Health	Final Report	100%	Reasonable
IT Consultancy - Office 365	Final Report	100%	N/A
IT Key Controls 2021-22	Final Report	100%	Reasonable
Anti-Fraud & Corruption	Final Report	100%	N/A
Homes England Grant Compliance	Final Report	100%	N/A

B/Fwd Jobs	Status	% Complete	Assurance Rating
Management of Fraud Risk	Final Report	100%	Limited
Delegated Decisions	Final Report	100%	Reasonable
Teleworking Security	Final Report	100%	Reasonable
People Management	Final Report	100%	Reasonable
Financial Health & Resilience	Final Report	100%	Reasonable

* Provisional assurance rating as report is yet to be finalised



Of the substantially completed assignments, 1 attracted a Substantial assurance rating; 15 attracted a Reasonable assurance rating; 2 attracted a Limited assurance rating and there were 3 where an assurance rating was not applicable due to the nature of the review. 1 assignment that has been substantially completed and included above, provisionally attracted a Reasonable assurance rating but hasn't yet been finalised.

Assurance Ratings Explained

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

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

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

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

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

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

Ashfield District Council – Internal Audit Annual Report 2021-22

The following table seeks to summarise the extent of audit coverage provided to the Council during 2021-22 and the assurance ratings associated with each audit type of assignment.

Summary of Audit Plan 2021-22 Results (incl. Jobs B/Fwd)	Type of Review						Totals
	Key Financial System	System/Risk	Governance/Ethics	IT Audit	Anti-Fraud	Procurement/Contract	
Not Yet Complete							
Substantial	1						1
Reasonable	4	4	5	2			15
Limited		1			1		2
No							
N/A				1	1	1	3
	5	5	5	3	2	1	21

Key Financial System audits

An important area of Internal Audit's assurance work is the review of the risks and controls associated with the Council's main financial systems. There were 5 Key Financial System audits in 2021-22 with Accounting Systems receiving a Substantial assurance rating and the other 4 receiving Reasonable assurance ratings.

System/Risk audits

One of our main roles is to review the internal control systems developed by management to mitigate operational risks and report upon the adequacy of those controls. We undertook 5 systems/risk audits in 2021-22, and the Planning audit has yet to be finalised. This has a provisional assurance rating of Reasonable. Audits of Selective Licensing, Housing Health & Safety Statutory Compliance and People Management also received a Reasonable Assurance Rating. An audit of Outdoor Recreation – Sports Bookings identified a number of weaknesses in the processes and procedures in place for the control and administration of outdoor recreation and attracted a Limited assurance rating.

Governance/ Ethics audits

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled. Internal Audit reviews specific areas of the governance framework each year. In 2021-22 we finalised 5 Governance/ethics audits with all attracting a Reasonable assurance rating. One of these audits was Risk Management, which we review regularly as it is a vital part of the Council's control framework. We focused on the Risk Management structure and accountability framework, to ensure that it complies with good practice, and on risk registers.

IT Audits

One key area of work each year is our IT audit coverage. This work is important as it provides assurance around the Council's mitigating actions to reduce the threat of cyber-attacks and keep data secure. We have continued our practice of notifying IT Management of any data security issues as they arise rather than delaying until the formal reporting stage. This has added value to the audit process in that potential

data security issues can be mitigated in a timely manner. We then follow the mitigations through to the implementation stage.

During the year we have finalised IT audits of Teleworking Security, IT Key Controls and provided consultancy advice on Office 365. Both the Teleworking Security audit and the IT Key Controls audit highlighted several key weaknesses and both received a Reasonable assurance rating. The Teleworking Security audit focused on the security configuration and management of the Council's remote access systems, which became business critical to support home working requirements enforced due to national lockdown measures.

The IT Key Controls audit focused on key controls specific to network security. It also included a follow up review of control weaknesses identified and reported in previous IT Audits for the Council. The weaknesses identified included concerns that sensitive data was available on all user accessible file shares.

We will continue to focus on IT as we are still identifying oversights that could lead to data breach or privacy violations.

Anti-Fraud Work

Internal Audit has an important role to play in ensuring that management has effective systems in place to manage the risk of fraud within the Council. Internal audit's role includes promoting counter-fraud best practice, testing and monitoring systems through probity work and advising on change where it is needed. Internal Audit also may be involved in the investigation of suspected internal fraud, theft or major irregularity.

During 2021-22 we finalised the Management of Fraud Risk audit which reviewed how the Council's risk of fraud was managed. This piece of work attracted a Limited assurance rating and recognised the Council's lack of capacity to deter and detect fraud.

Internal Audit contributed to the development of the Council's anti-fraud and corruption capabilities by providing advice to the Council's Anti-Fraud working group.

Procurement/Contract

Internal Audit were requested to carry out a compliance audit of the capital grant from Homes England. We undertook the role of independent auditor and carried out the audit of the Stoney Street Affordable Homes scheme submitting findings to Homes England. An assurance rating was not applicable due to the nature of the review. Homes England notified the Council of the weaknesses identified and these were reported to Audit Committee on 28 March 2022.

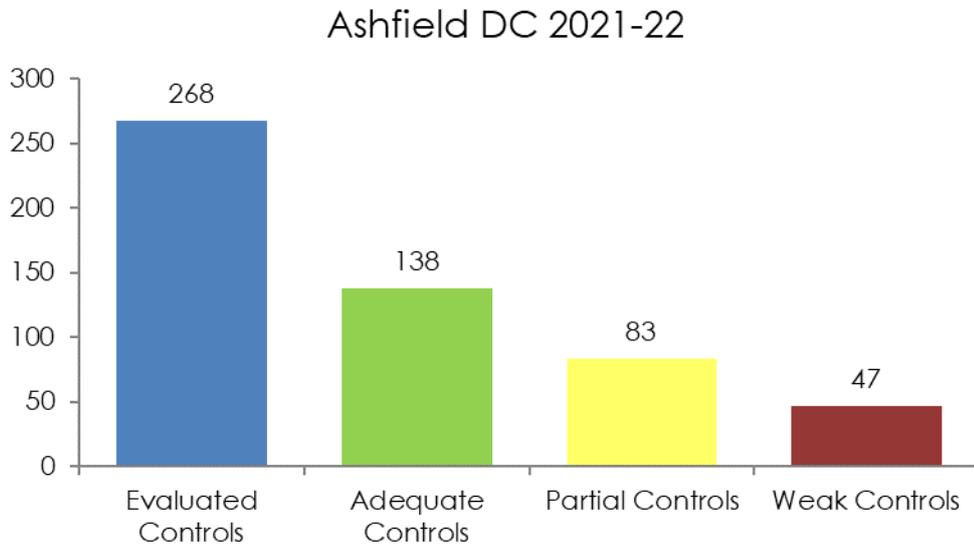
Audit Assignments 2021-22

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Accounting Systems 2021-22	Substantial				3	0%
Corporate Credit Cards 2021-22	Reasonable				5	0%
Debtors 2021-22	Reasonable			1	4	80%
Payroll 2021-22	Reasonable			3	5	88%
Financial Health and Resilience	Reasonable			1	3	100%
Planning	Reasonable*					n/a
Outdoor Recreation - Sports Bookings	Limited			3	8	18%
Selective Licensing	Reasonable			3	3	33%
Housing Health & Safety Statutory Compliance	Reasonable			4	1	60%
People Management	Reasonable				9	33%
Scrutiny	Reasonable			1	3	0%
PCI Compliance in Organisational Transformation	Reasonable			2	3	60%
Risk Management 2021-22	Reasonable			2	10	75%
Environmental Health	Reasonable			1	5	50%
Delegated Decisions	Reasonable			1	5	50%
IT Consultancy - Office 365	N/A					n/a
IT Key Controls 2021-22	Reasonable			3	5	13%
Teleworking Security	Reasonable			2	5	43%
Anti-Fraud & Corruption	N/A					n/a
Management of Fraud Risk	Limited			2	12	14%
Homes England Grant Compliance	N/A					n/a
TOTALS				29	89	42%

* Provisional assurance rating as report is yet to be finalised

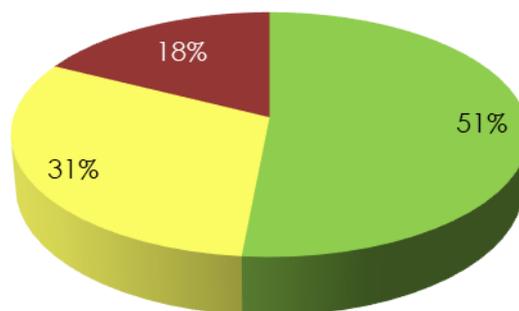
Internal Controls Examined

For those audits finalised during 2021-22, we established the following information about the controls examined:



Ashfield DC

- Adequate Controls
- Partial Controls
- Weak Controls



Recommendations Made

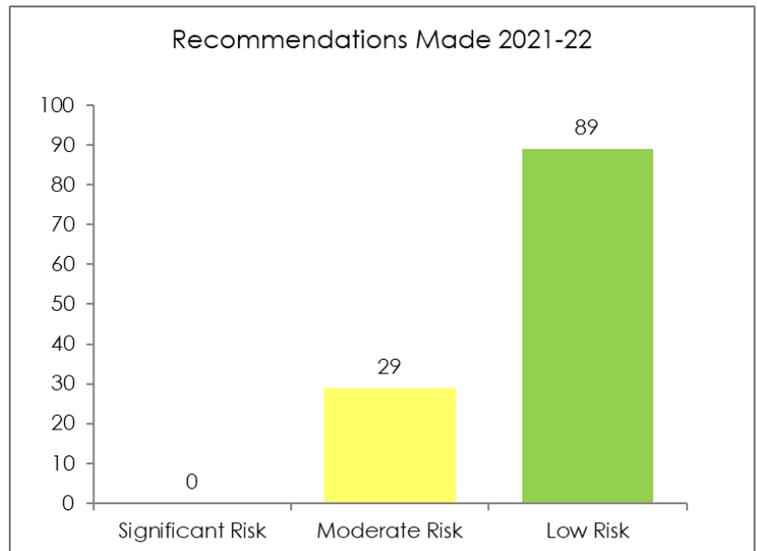
The control weaknesses identified above resulted in 118 recommendations which suggested actions for control improvements. The following table and charts show where the recommendations came from, and the current status of all recommendations made for 2021-22 audits:

Audit Assignments Completed in Period	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
Accounting Systems 2021-22	Key Financial System				3
Corporate Credit Cards 2021-22	Key Financial System		1		4
Debtors 2021-22	Key Financial System	4	1		
Payroll 2021-22	Key Financial System	7			1
Financial Health and Resilience	Key Financial System	4			
Planning *	System/Risk				
Outdoor Recreation - Sports Bookings	System/Risk	2			9
Selective Licensing	System/Risk	2		4	
Housing Health & Safety Statutory Compliance	System/Risk	3	1		1
People Management	System/Risk	3		6	
Scrutiny	Governance/Ethics		1		3
PCI Compliance in Organisational Transformation	Governance/Ethics	3		2	
Risk Management 2021-22	Governance/Ethics	9		2	1
Environmental Health	Governance/Ethics	3	1	1	1
Delegated Decisions	Governance/Ethics	3	1	2	
IT Consultancy - Office 365	IT Audit				
IT Key Controls 2021-22	IT Audit	1	4		3
Teleworking Security	IT Audit	3		4	
Anti-Fraud & Corruption	Anti-Fraud				
Management of Fraud Risk	Anti-Fraud	2		12	
Homes England Grant Compliance	Procurement/Contract				
TOTALS		49	10	33	26

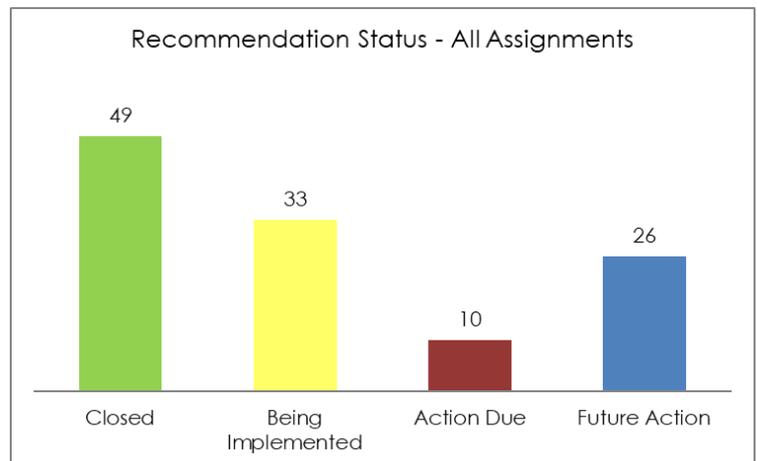
* This assignment is not yet complete, therefore recommendations have yet to be made.

Recommendations Summary

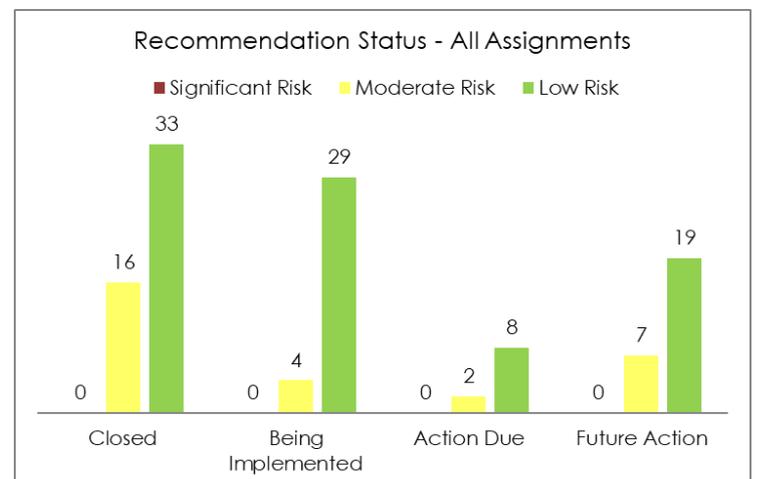
These 118 recommendations have resulted from the 20 audit assignments finalised either during 2021-22 or finalised in the time following the year-end. Approximately 75% of all recommendations made were considered to present a low risk, 25% a moderate risk and 0% a significant risk.



Of the 118 recommendations made, 42% have been closed, 28% have passed their original action date and a revised target has been set, 8% have passed their original action date but we have not yet received information regarding the status of management's action. The remaining 22% have an agreed original action date set in the future.



16 of the moderate risk recommendations raised have been addressed to our satisfaction, as have 33 of the low risk recommendations. We will continue to monitor all recommendations not yet addressed and will bring those moderate risk recommendations that remain outstanding to the attention of the Audit Committee throughout the coming year.

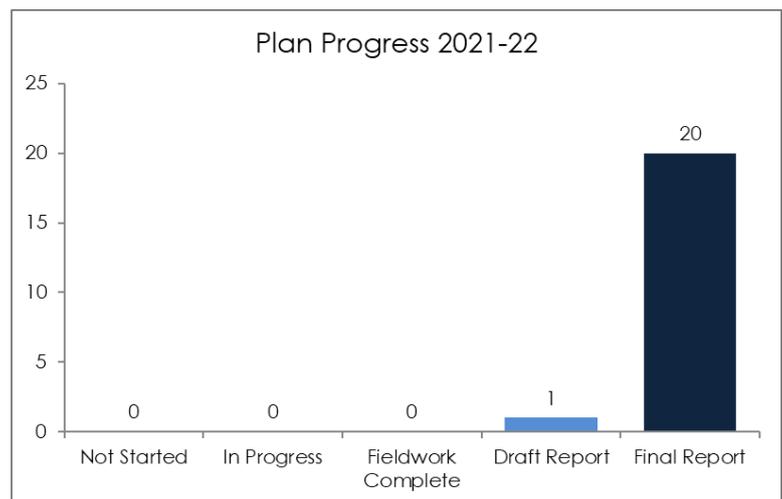


Performance Measures

11 customer satisfaction surveys have been returned. Surveys contain 11 questions regarding the audit service provided and asked managers to score each on a scale of 1-5 (1=Very Poor, 2=Poor, 3=Fair, 4=Good, 5=Excellent). From the 11 customer satisfaction returns received, the overall average score out of 55 was 51.



As at 31 March 2022 we estimate that we had completed 94% of the revised Audit Plan against a target of 90%. The chart shows the current progress on 2021-22 audits as at the date of this report.



QAIP – Improvement Plan

ACTIONS
1. We should continue to heighten our profile by building on the relationship management already established with each partner organisation. i.e. Regular meetings with Senior Management combined with a regular on-site presence. Note under the current circumstances (Covid pandemic) this needs to be through regular contact via virtual meetings.
2. We should map competency levels of staff over the various audit disciplines (e.g. contract, IT, probity, investigations etc.) that we can link to audit engagements to demonstrate that the staff assigned are appropriate. We should continue to promote a culture of continuous improvement which considers the needs of individuals by: <ul style="list-style-type: none"> • staff completing the AMS in respect of any training received, • undertaking GPCs in accordance with the hosts requirements and • producing a Training & Development Plan.
3. We should ask staff to complete a Personal Development Plan and then produce a Training & Development Plan for the Team.
4. We should aim to increase our knowledge around the use of data analytics and other CAATs and identify the benefits it could bring to the audit processes. <ul style="list-style-type: none"> • To ensure that audit engagements are supported by appropriate tools, we need to develop a strategy for the use of data analytics.
5. To demonstrate stakeholder engagement with the process, we should ensure that the QAIP Action Plan is a standard agenda item on both the CMAP Operational Group and at Audit Section meetings.
6. To demonstrate each work programme has been appropriately approved, we should seek earlier formal sign off of the control evaluation so we can better demonstrate scrutiny and approval of coverage by audit management.
7. CMAP needs to explore potential external assessors that can deliver the appropriate level of validation required and that understand the partnership ethos/approach.
8. We should continue to develop the process for incorporating other assurance information into our overall risk assessment process and our overall opinion and how the other assurance provider information we gather can be used to demonstrate an audit assurance framework for each organisation.
9. We should ensure that our Audit Manual is complete, up-to-date, readily available and used by all audit staff.
10. To support the improvement of the organisation's governance framework, we should undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations.
11. We should consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.
12. To review all CMAP reports to assess compliance with the Web Content Accessibility Guidelines (WCAG).



Ashfield District Council – Audit Progress Report

Audit Committee: 25 July 2022



Contents

Page

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

Our Vision

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

Contacts

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

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

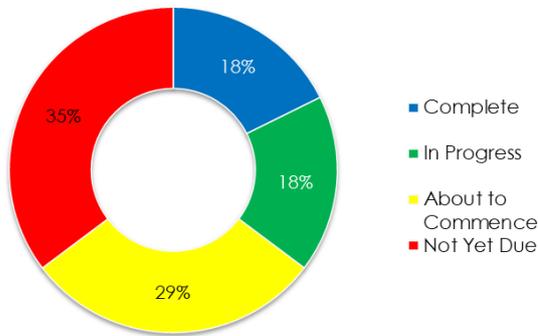
Mandy Marples CPFA, CCIP
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643282
mandy.marples@centralmidlandsaudit.co.uk



Ashfield District Council – Audit Progress Report

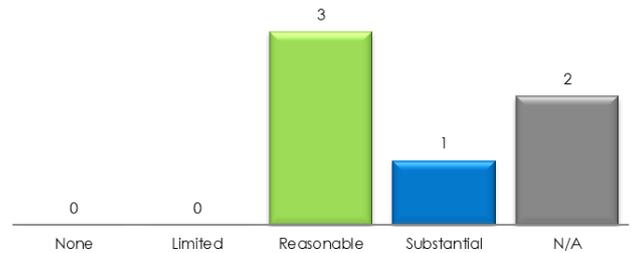
AUDIT DASHBOARD

Plan Progress



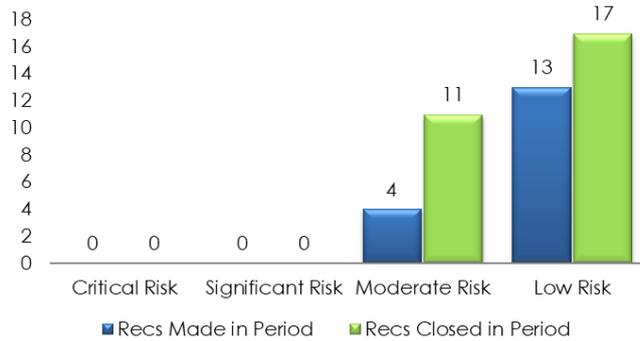
Assurance Ratings

Control Assurance Ratings Issued During Period



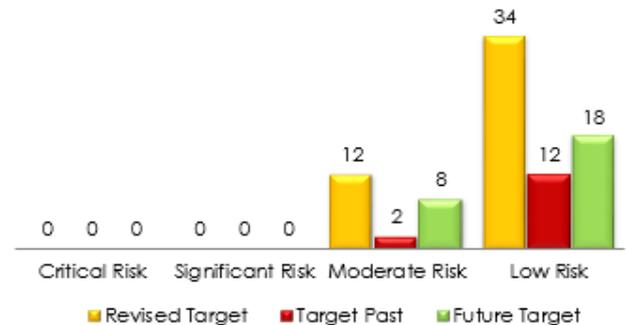
Recommendations

Movement During Period



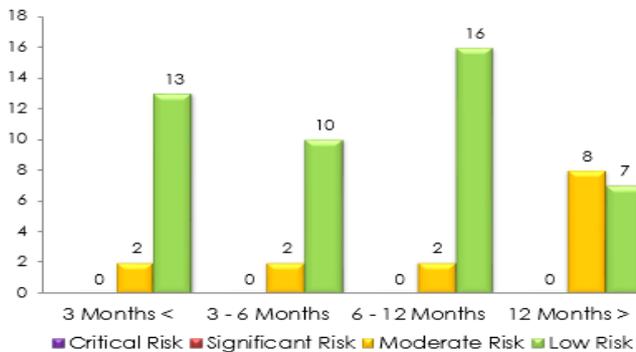
Recommendations

Recommendations Currently Open



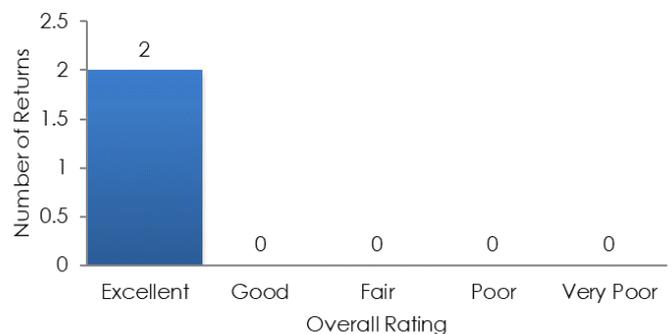
Recommendations

Overdue Recommendations



Customer Satisfaction

Returns Apr 2022 - July 2022



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 11 July 2022.

2022-23 Jobs	Status	% Complete	Assurance Rating
Anti-Fraud & Corruption 2022-23	In Progress	15%	
Organisational Culture and Ethics 2022-23	Not Allocated		
General Ledger – Data Analytics 2022-23	Not Allocated		
Treasury Management 2022-23	Allocated		
ICT Asset Inventory 2022-23	Allocated	5%	
Estates 2022-23	Allocated		
Licencing 2022-23	Awaiting Review	80%	
Section 106 2022-23	Not Allocated		
Leisure Centre 2022-23	Not Allocated		
Future High Streets Fund 2022-23	Not Allocated		
Housing – Data Quality 2022-23	Draft Report	95%	
Climate Change & Sustainability 2022-23	Allocated		
Housing Health & Safety 2022-23	Not Allocated		
Homes England Grant	Allocated		
B/Fwd Jobs	Status	% Complete	Assurance Rating
Accounting Systems	Final Report	100%	Substantial
Corporate Credit Cards 2021-22	Final Report	100%	Reasonable
Planning	Final Report	100%	Reasonable

Audit Plan Changes

The Council has been selected for a further audit under the Homes England Compliance Audit Programme following the audit that was conducted last year. Management have requested that CMAP undertake the Independent Auditor role. We have therefore agreed with the Director of Legal & Governance to include the Homes England Grant Compliance Audit in the 2022-23 Internal Audit Plan. In order to deliver this work, we have agreed to remove the time allocated to the People Management Audit.

Ashfield District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

Between 16 March 2022 and 11 July 2022, 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	
IT Consultancy – Office 365	N/A	0	0	0	0	n/a
Scrutiny	Reasonable	0	0	1	3	0%
Anti-Fraud and Corruption 2021-22	N/A	0	0	0	0	n/a
Accounting Systems 2021-22	Substantial	0	0	0	3	0%
Corporate Credit Cards 2021-22	Reasonable	0	0	0	5	0%
Planning	Reasonable	0	0	3	2	40%
TOTALS		0	0	4	13	12%

IT Consultancy – Office 365	Assurance Rating - Not Applicable
<p>CMAF provided the IT Manager with some best practice articles and guidance for migrating data to Office 365 applications, such as SharePoint and OneDrive (file storage and collaboration), and Exchange Online (email). CMAF also provided advice on recommended security settings to protect Office 365 from unauthorised access or compromise and advice for other recently widely adopted 365 business communication applications, such as Microsoft Teams. Other emerging risks with Office 365 applications were also noted. As a consultancy piece of work, an assurance rating was not applicable.</p>	

Scrutiny	<p>The Assurance Rating pie chart is divided into four segments: 'No' (red, approximately 15%), 'Limited' (yellow, approximately 30%), 'Reasonable' (green, approximately 45%), and 'Substantial' (blue, approximately 10%). A pointer indicates the 'Reasonable' segment.</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Overview & Scrutiny Committee provides effective, constructive "critical friend" challenge.	8	5	2	1
The Overview & Scrutiny Committee is effective in amplifying the voices and concerns of the public.	3	2	1	0

Ashfield District Council – Audit Progress Report

The Council's Overview & Scrutiny function is led by independent people who take responsibility for their role.	9	7	1	1
The Overview & Scrutiny Committee is effective in driving improvement in public services.	3	3	0	0
TOTALS	23	17	4	2
Summary of Weakness		Risk Rating	Agreed Action Date	
Scrutiny recommendations made to Cabinet were not tracked and did not include implementation deadlines.		Moderate Risk	31/05/2022	
The decision on whether to use co-opted members had not been formally considered within the current Administration.		Low Risk	30/06/2022	
The dedicated area on the Council's website for overview and scrutiny was not up to date and accurate.		Low Risk	30/06/2022	
Three out of the four Chairs of the Overview and Scrutiny Committee and Panels were inexperienced at their time of appointment.		Low Risk	31/07/2022	

Anti-Fraud & Corruption	Assurance Rating - Not Applicable
<p>Time was agreed in the 2021-22 Internal Audit Plan to support the Council in the management and development of their response to anti-fraud and corruption matters. Officers from CMAP worked with the Council to advise them on the development and implementation of a sound control environment with a view to ensuring the Council's approach to anti-fraud and corruption matters continued to be developed and improved. Our work largely focused on attendance at the Anti-Fraud and Corruption Group meetings and consultation on associated agenda items, reports and policies, as well as feedback and advice on the Council's Fraud Risk Register.</p>	

Accounting Systems 2021-22	<p>The Assurance Rating pie chart is divided into four segments: 'No' (red, approximately 15%), 'Limited' (yellow, approximately 35%), 'Reasonable' (green, approximately 40%), and 'Substantial' (blue, approximately 10%).</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Disposal of assets are recorded and undertaken in line with the Council's Constitution, with a comprehensive plan in place for future disposals.	7	7	0	0

Ashfield District Council – Audit Progress Report

The process of auctioning assets is clear, documented and monitored throughout.	5	2	1	2
Assets disposed of were accounted for with the budget monitored accordingly.	5	5	0	0
TOTALS	17	14	1	2
Summary of Weakness		Risk Rating	Agreed Action Date	
There was no documentation to demonstrate why the auction house used to carry out the sale of vehicles was selected.		Low Risk	31/10/2022	
There was no documented agreement with the auction house used to carry out the sale of vehicles.		Low Risk	31/10/2022	
The requirement for the auction house to inform the Council when an offer was made below market value was not documented.		Low Risk	31/10/2022	

<h2>Corporate Credit Cards 2021-22</h2>	<p>The Assurance Rating pie chart is divided into four segments: 'No' (red, approximately 15%), 'Limited' (yellow, approximately 35%), 'Reasonable' (green, approximately 40%), and 'Substantial' (blue, approximately 10%).</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Council has learnt from the issues noted in the Depot investigation during 2018/19, and taken action to ensure that the issues identified regarding the Corporate Credit Cards will not recur.	3	2	1	0
Controls are in place and are effective for the approval, monitoring, usage and payment of Corporate Credit Cards.	10	5	2	3
TOTALS	13	7	3	3
Summary of Weakness		Risk Rating	Agreed Action Date	
The ordering and invoicing service provided by Amazon was not used by cardholders; instead, there were numerous individual Council Amazon accounts in use throughout the Council which were not centrally linked. In addition, Amazon Prime membership had been purchased on one of the individual Council Amazon accounts.		Low Risk	31/07/2022	
The Council had not provided cardholders with advice on how to store their credit cards and ensure they are aware of what is considered acceptable storage.		Low Risk	01/06/2022	
Finance had not requested that the credit cardholders sign and return the new Credit Card Policy to demonstrate that they have read, understand and will abide by the requirements of the Policy.		Low Risk	30/06/2022	

Ashfield District Council – Audit Progress Report

There were only 5 out of the 11 credit cardholders tested, where their application form had been retained as evidence of authorisation to obtain a credit card. Also, the application form template required updating for job title changes.	Low Risk	31/07/2022
There was no consistency with ensuring that cardholders would evidence with a signature, date and time when they had taken possession of the credit card.	Low Risk	31/03/2023

<h2 style="margin: 0;">Planning</h2>	<p style="margin: 0;">Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
There are effective consultative processes in place for the master and local plans, including project management of forward planning.	4	2	2	0
Processes for the administration of development management continue to work effectively.	5	2	3	0
TOTALS	9	4	5	0
Summary of Weakness		Risk Rating	Agreed Action Date	
There was a lack of audit trail regarding changes made to the Local Plan Work Programme and the status of tasks completed.		Moderate Risk	31/10/2022	
There were no processes in place that enabled management to monitor progress against tasks detailed on the Local Plan Work Programme.		Moderate Risk	31/07/2022	
The Council were not calculating the Quality of Decision performance indicator in accordance with the Ministry of Housing, Communities and Local Governments Improving Planning Performance: Criteria for Designation (updated 2020).		Moderate Risk	Implemented	
Testing noted 2 occasions where the VAT on pre-planning application advice had not been appropriately and separately coded in the accounts.		Low Risk	Implemented	
The warning notice that names and addresses will be displayed on the Council's website was not clearly visible if the representee chose to make an online comment directly from the application documentation.		Low Risk	30/09/2022	

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	1	0
24-Apr-18	ICT Performance Management	Reasonable	0	2	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
09-Jul-20	Digital Transformation	Reasonable	0	3	0
21-Jun-21	Management of Fraud Risk	Limited	0	12	0
10-May-21	People Management	Reasonable	0	6	0
21-Jun-21	Delegated Decisions	Reasonable	1	2	0
16-Aug-21	Teleworking Security	Reasonable	0	4	0
01-Oct-21	Environmental Health	Reasonable	1	1	1
05-Oct-21	PCI Compliance in Organisational Transformation	Reasonable	0	2	0
06-Dec-21	Debtors 2021-22	Reasonable	1	0	0
06-Dec-21	Selective Licensing	Reasonable	0	4	0
14-Jan-22	IT Key Controls 2021-22	Reasonable	4	0	3
16-Feb-22	Housing Health & Safety Statutory Compliance	Reasonable	1	0	0
28-Feb-22	Outdoor Recreation - Sports Bookings	Limited	0	0	9
03-Mar-22	Payroll 2021-22	Reasonable	0	0	1
03-Mar-22	Risk Management 2021-22	Reasonable	0	1	2
29-Mar-22	Scrutiny	Reasonable	3	0	1
08-Apr-22	Accounting Systems 2021-22	Substantial	0	0	3
30-May-22	Corporate Credit Cards 2021-22	Reasonable	2	0	3
11-Jul-22	Planning	Reasonable	0	0	3
		TOTALS	14	46	26

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	1	0
ICT Performance Management	0	0	0	0	2	0
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
Digital Transformation	0	0	0	0	2	1
Management of Fraud Risk	0	0	0	0	2	10
People Management	0	0	0	0	0	6
Delegated Decisions	0	0	1	0	0	2
Teleworking Security	0	0	0	0	1	3
Environmental Health	0	0	1	0	0	1
PCI Compliance in Organisational Transformation	0	0	0	0	0	2
Debtors 2021-22	0	0	1	0	0	0
Selective Licensing	0	0	0	0	1	3
IT Key Controls 2021-22	0	0	4	0	0	0
Housing Health & Safety Statutory Compliance	0	1	0	0	0	0
Risk Management 2021-22	0	0	0	0	0	1
Scrutiny	0	1	2	0	0	0
Corporate Credit Cards 2021-22	0	0	2	0	0	0
TOTALS	0	2	12	0	12	34

Ashfield District Council – Audit Progress Report

Highlighted Recommendations

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

Being Implemented Recommendations

Data Quality & Performance Management	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>The Data Quality Strategy required updating and had not been formally approved by the Council.</p> <p>We recommend that the Data Quality Strategy is reviewed to ensure it is up to date specifically with current processes and organisational structure. The updated strategy should be approved in accordance with the Council's Constitution.</p>	Moderate Risk
Management Response/Action Details	Action Date
The strategy will be reviewed and presented for approval.	30/04/2020
Status Update Comments	Revised Date
<p>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> <p>Interim commenced Dec 2021 and this task will be completed by mid-May.</p>	31/05/2022

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>	Moderate Risk
Management Response/Action Details	Action Date
<p>The IT Security Policy Framework is under review. As part of this review we will ensure it is updated to take account of GDPR requirements. Specifically, we will introduce the following measures to assist with ensuring access to data is suitably restricted to only those officers with a genuine business need to access such information:</p> <ul style="list-style-type: none"> - Starters/Transfers/Leavers E-Form – to be completed by the Section Manager. This form will identify access rights of starters, amendments for staff transferring internally and identify when staff leave the Council. This will be used in conjunction/cross-references with the report received from HR on a quarterly basis. - E-Form for completion by Managers/Directors for folder access changes. - Introduction of new file structure guidelines and cascade through ELT/ALT, DMTs and MOD. - Provision of Group Access Permission lists on a quarterly basis to Service Managers for checking and confirmation/amendment. IT to meet with individual Managers to confirm, amend and clarify what is required of Managers as part of this new process. 	30/06/2020

Ashfield District Council – Audit Progress Report

Status Update Comments	Revised Date
<p>Actions have been taken to restrict folders and files. Internal Audit will be reviewing these actions as part of the ICT Key Controls audit.</p> <p>We are currently in the process of migrating documents to Sharepoint/Teams which will introduce private channels. This will make it easier for managers to check who has access to the data held in them.</p>	30/06/2022

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
<p>There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.</p>		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> <p>The Service Manager for ICT has requested a further extension whilst the newly appointed service desk team leader investigates the implementation of the recommendation.</p>		31/05/2022

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
<p>There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.</p>		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>		31/05/2022

Ashfield District Council – Audit Progress Report

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.

The Service Manager for ICT has requested a further extension whilst the newly appointed service desk team leader investigates the implementation of the recommendation.

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

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
<p>Solution architecture review to be completed across the portfolio.</p>	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 have reviewed all of the major applications and will be reviewing the rest by April 22.</p>	30/04/2022

Ashfield District Council – Audit Progress Report

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> <p>Reviewed all of the major applications and will be reviewing the rest by April 22. All the entries on the software register have been reviewed by Solutions Manager and Procurement Officer, to get details of those known and applicable, including contract end dates and dates to review renewals.</p>	30/04/2022

Teleworking Security	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>Accounts with Remote Desktop Gateway access permissions were not always being disabled in a timely manner for leavers, creating data protection risks.</p> <p>We recommend that management defines, documents and implements a more comprehensive approach to disabling network access for former employees or 3rd parties. This could include populating the account expiration date in advance, once a leavers date has been agreed with the employee to reduce the risk of administrative error.</p>	Moderate Risk
Management Response/Action Details	Action Date
We will review the process. We do have quite comprehensive processes in place but it is still possible to miss people leaving in the short term (they should get detected later due to another process). We will review each part of the process to ensure they are being carried out properly and look at implementing the "expiration date" where possible.	01/10/2021
Status Update Comments	Revised Date
Process is to be documented and added to Service Desk guidelines. 3rd party accounts are not left active when not in use. It will be raised that we need a proper process in place once HR comes back into the Council.	30/09/2022

Ashfield District Council – Audit Progress Report

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
<p>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.</p>	31/03/2020
Status Update Comments	Revised Date
<p>Standard fire doors (majority); installations to commence 07/02/22 – all to be complete by contract max end date 31/03/22.</p> <p>Leaseholder fire doors: Legal to expedite the process. Subject to access, the hope is for the project to be completed by as close to the end of April 2022 as possible.</p>	30/04/2022

Management of Fraud Risk	Rec No. 10
Summary of Weakness / Recommendation	Risk Rating
<p>The Council's fraud detection activities were limited, and they did not belong to any fraud groups nor were they a member of the National Anti-Fraud Network (NAFN).</p> <p>We recommend that the Council consider the use of fraud networking groups, such as NAFN, and arrange further regular activities to detect fraud in high-risk areas.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>The Council will consider becoming a member of NAFN or other fraud networking groups.</p>	31/10/2021
Status Update Comments	Revised Date
<p>This is not yet complete. The Anti-Fraud Officer Working Group has discussed membership of NAFN and some further work is being undertaken regarding the membership.</p>	30/06/2022

Ashfield District Council – Audit Progress Report

Selective Licencing	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>The Data Protection statement on the application form for selective licencing referred to the Data Protection Act (1988).</p> <p>We recommend that the selective licencing application form is amended to refer to the General Data Protection Regulation.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Original paper form has been replaced by an on-line form. Form not currently being used as at end of the scheme. Once renewal of scheme is approved on-line application form will be reviewed as part of the scheme implementation.</p>	31/03/2022
Status Update Comments	Revised Date
<p>Following approval in April we are in the process of reviewing the online selective licencing app form to ensure it operates effectively. This will include a review of the privacy statement / GDPR info.</p>	31/07/2022

Action Due

Housing Health & Safety Statutory Compliance	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The Council had not yet decided who will be the senior named person with responsibility for ensuring compliance with the Health and Safety obligations set out in the Social Housing White Paper.</p> <p>We recommend that the Council review the responsibilities in order to determine which officer will be responsible for the Health and Safety requirements in preparation for legislative changes in accordance with the Social Housing White Paper.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>To identify responsible officer.</p>	01/04/2022
Status Update Comments	Revised Date

Audit Strategy Memorandum

Ashfield District Council

Page 45
Year ended 31 March 2022



Agenda Item 6

Contents

- 01 Engagement and responsibilities summary
- 02 Your audit engagement team
- 03 Audit scope, approach and timeline
- 04 Significant risks and other key judgement areas
- 05 Value for money
- 06 Fees for audit and other services
- 07 Our commitment to independence
- 08 Materiality and misstatements
- Appendix – Key communication points

Page 46

This document is to be regarded as confidential to Ashfield District Council. It has been prepared for the sole use of Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

5 July 2022

Dear Committee Members,

Audit Strategy Memorandum – Year ended 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Ashfield District Council for the year ended 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Ashfield District Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0115 964 4744.

Yours faithfully



David Hoose

Mazars LLP

Mazars LLP – {Park View House, 58 The Ropewalk, Nottingham, NG1 5DW}

Tel: {0115 964 4744 } – Fax: {0115 964 4755} – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Ashfield District Council (the Council) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Page 49

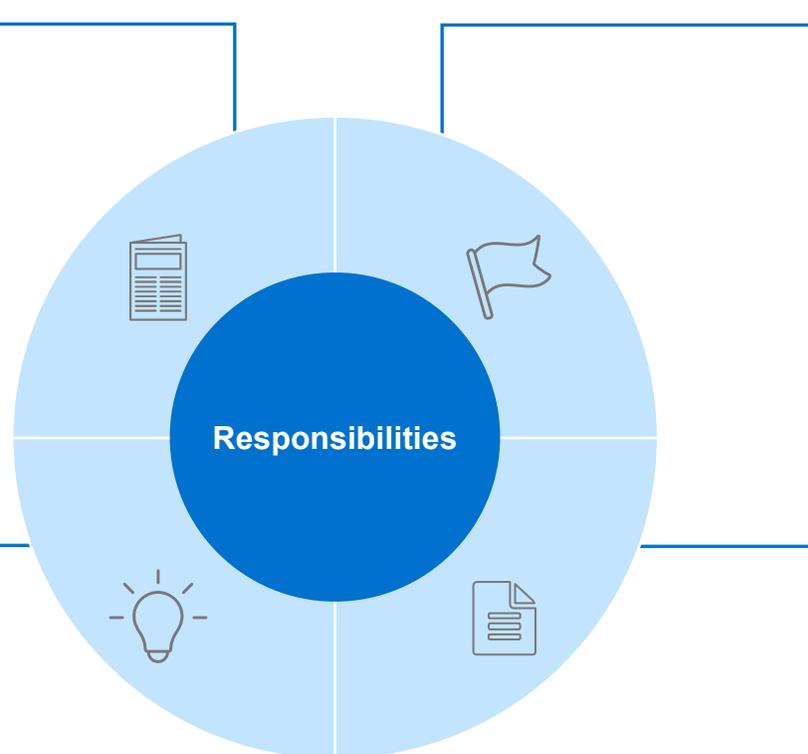
Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or Audit Committee, as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding and conclude on; a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Fraud

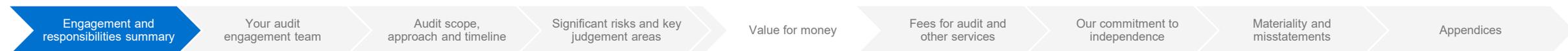
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

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 consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



02

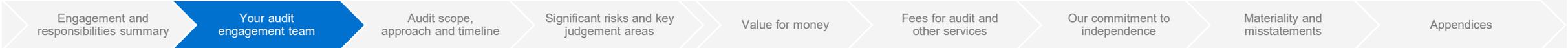
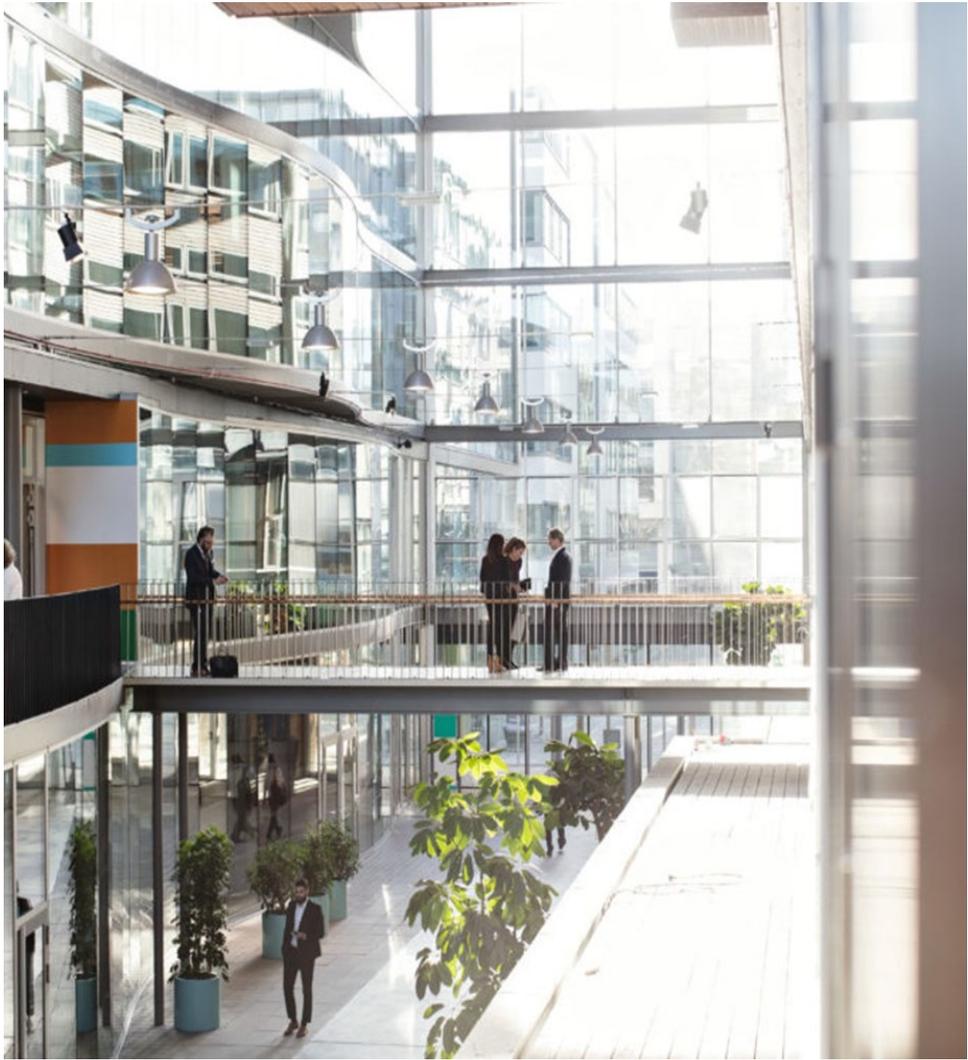
Section 02:

Your audit engagement team

2. Your audit engagement team

Individual	Role	Contact details
David Hoose	Engagement Lead, Partner	David.Hoose@mazars.co.uk
Michael Butler	Senior Audit Manager	Michael.Butler@mazars.co.uk
Garima Garg	Audit Assistant Manager	Garima.Garg@mazars.co.uk

Page 51



03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

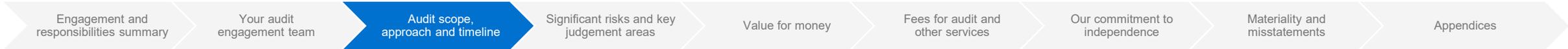
Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

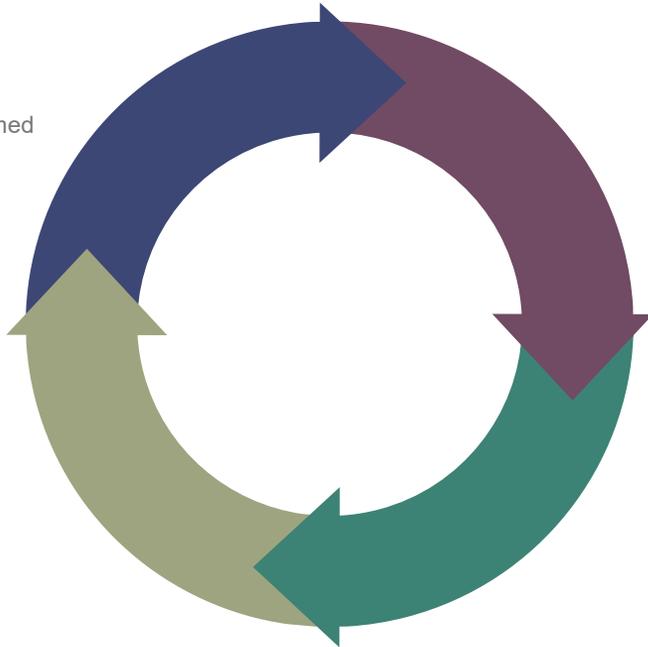
Page 54

Planning (January 2022)

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion (By November 2022)

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's report

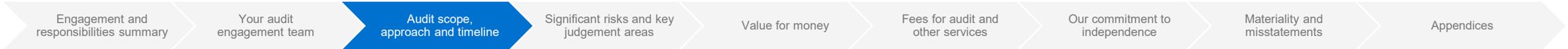


Interim (March- April 2022)

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork (September 2022)

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Reliance on internal audit

We will liaise with Internal Audit to discuss the progress and findings of their work and to inform our continual risk assessment.

Management’s and our experts

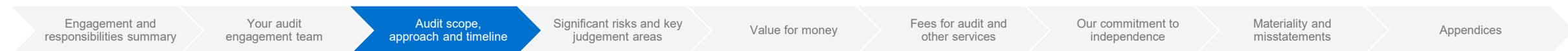
Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Page 55 Property, Plant and Equipment and Investment property	Internal Valuer Mr M Kirk – Estates Manager	None. Third party evidence provided via the NAO to support our challenge of valuation assumptions.
	External Valuer/s Covers Other PPE and Investment Properties	We may engage the Mazars internal valuations team to support our work on property valuations.
Pensions	Barnett Waddingham Actuary for Nottinghamshire Pension Fund	PWC (Consulting actuary appointed by the NAO)
Financial Instrument disclosures	Link Asset Management (LAM) Treasury management advisors	None. We expect to use information supplied by LAM to support our challenge and assumptions to management.

Service organisations

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. The table below summarises the service organisations used by the Council and our planned audit approach.

We have not identified any service organisations for 2021/22.



04

Section 04:

Significant risks and other key judgement areas

Page 56

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

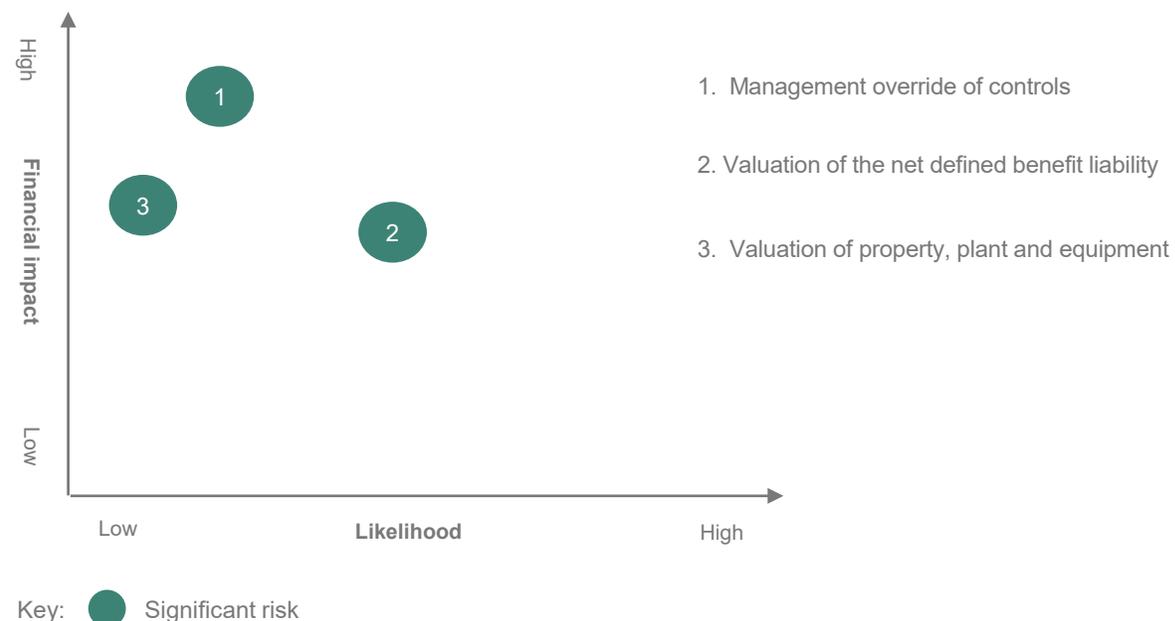
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



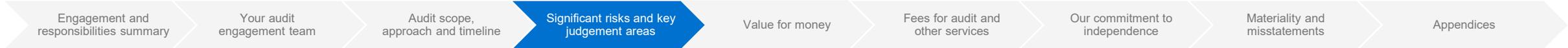
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Audit Committee.

Significant risks

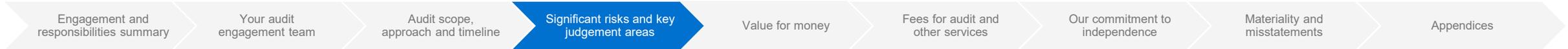
	Description	Fraud	Error	Judgement	Planned response
1 Page 58	<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position 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.</p>	●	○	○	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
Page 59	<p>2 Net defined benefit liability valuation</p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p> <p>Relevant Account Balances (taken from the 2020/21 audited financial statements):</p> <ul style="list-style-type: none"> Pension liability = £124,085k 	○	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary; liaise 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; review 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 agree 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

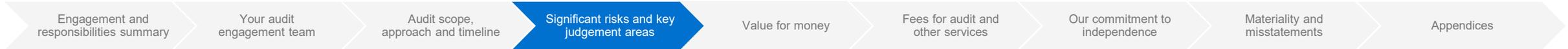


4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Valuation of property, plant and equipment</p> <p>Property related assets 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.</p> <p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p> <p>At the planning stage of the audit, this risk covers (figures have been taken from the audited 2020/21 financial statements):</p> <ul style="list-style-type: none"> • HRA Council Dwellings = £231,708k • Land and Buildings = £57,229k • Investment Properties = £52,793k 	○	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • critically assess the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • consider 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; • assess 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 assess 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 • considering engaging our own valuation expert to support our work.

Page 60



05

Section 05: **Value for money**

5. Value for money

The framework for Value for Money work

We are required to form a view as to 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 in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

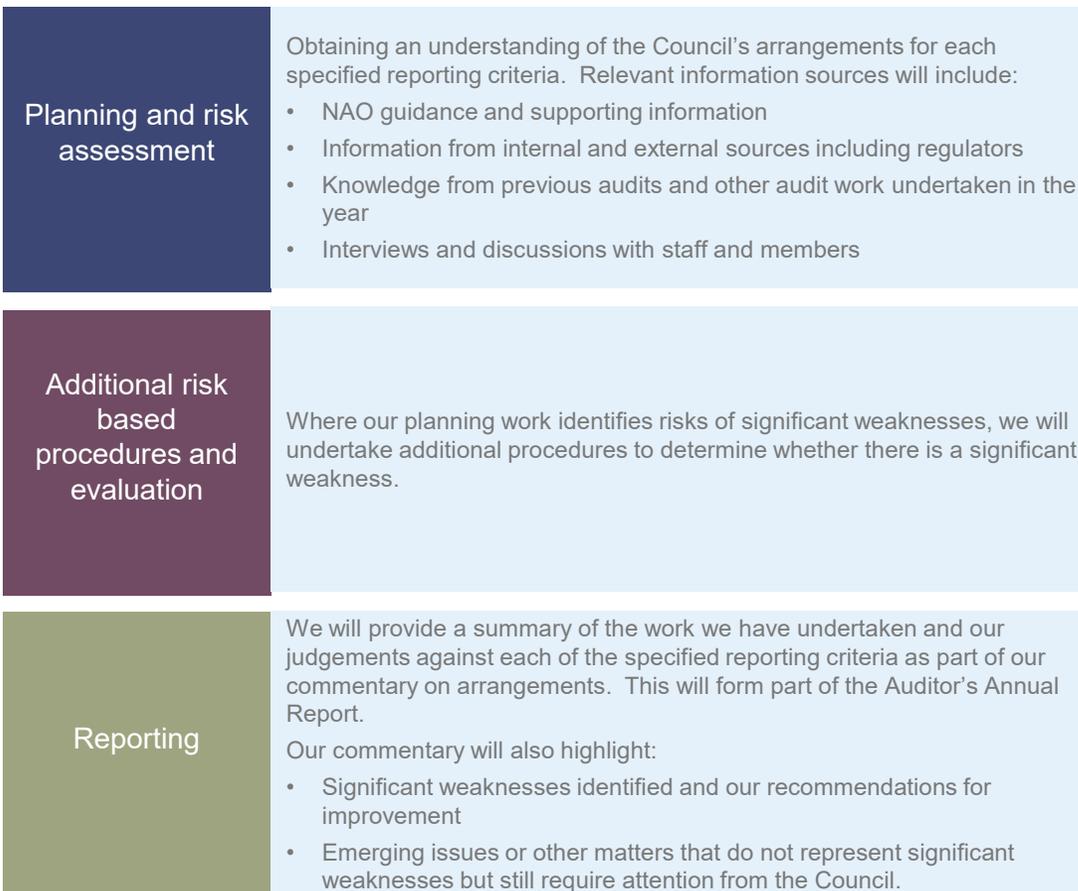
The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **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

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist. Our VFM planning and risk assessment work is an ongoing process and to date, no risk of significant weaknesses in arrangements have been identified. We will report any further identified risks to the Audit Committee on completion of our planning and risk identification work.



06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

Details of the 2020/21 Actual and indicative 2021/22 Audit fees in line with PSAA and other reporting mechanisms are set out below:

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Scale audit fee	£43,148	£43,148
Fee variations:		
Additional work in relation to responding to increased regulatory challenge in auditing the IAS19 pension figures contained within the financial statements.	£3,200 ¹	£2,998
Additional work in relation to responding to increased regulatory challenge in auditing the PPE figures contained within the financial statements.	£5,000 ¹	£4,954
ISA540 - additional work in relation to auditing accounting estimates and related disclosure	£2,900 ²	£2,892
Other – additional work in respect of Covid-19 grant income and expenditure	-	£1,188
Sub-total	£54,248	£55,180
Work undertaken in relation to VFM commentary	£9,000 ³	£9,293
Grand Total	£63,248 ⁴	£64,473 *

* Costs were reported to management within our 2020/21 fee letter, dated 12 April 2022. These costs are still subject to discussion and PSAA consultation.

We continue to liaise with PSAA regarding fee variations and sector-wide adjustments to the scale fee.

¹ As previously reported to you, the scale fee has been adjusted to take into account the additional work required as a result of increased regulatory expectations in these areas.

² New auditing standards have been introduced which will lead to additional audit work not reflected in the scale fee.

³ As explained in section 5, the revised Code of Audit Practice has led to a substantial amount of additional audit work to support the new value for money conclusion and the changes in reporting requirements. The final fee will take into account the extent and complexity of any significant weaknesses in arrangements we identify.

⁴ This is a proposed fee for 2021/22 at the point of the issue of our ASM. This figure is subject to change and additional costs will be discussed with management.



6. Fees for audit and other services

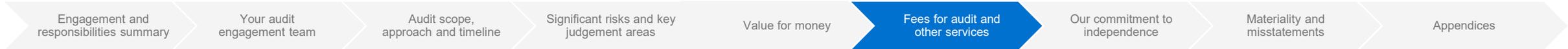
Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Assurance services – Pooling of capital housing receipts	TBC *	£3,350

* engaged by the Council for 2021/22, the figure will be subject to CPI inflation

Page 65



07

Section 07:

Our commitment to independence

Page 66

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

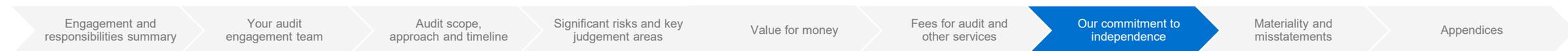
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with David Hoose in the first instance.

Prior to the provision of any non-audit services David Hoose will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

No threats to our independence have been identified.



08

Section 08: **Materiality and misstatements**

8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	1,760
Performance materiality	1,320
Trivial threshold for errors to be reported to Audit Committee	53
Specific materiality:	
Senior Officers Remuneration	5*
Termination Payments	18
Member's allowance	60

Page 69

* Represents movement between bandings within the note

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

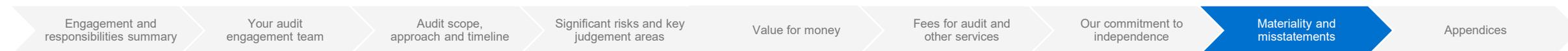
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to Audit Committee.

We consider that the gross revenue expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 2% of gross revenue expenditure. Based on prior year audited financial statements we anticipate the overall materiality for the year ended 31 March 2022 to be in the region of £1,760k.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

Misstatements

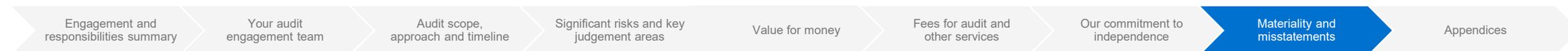
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £53k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with David Hoose.

Reporting to Audit Committee

The following three types of audit differences above the trivial threshold will be presented to Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

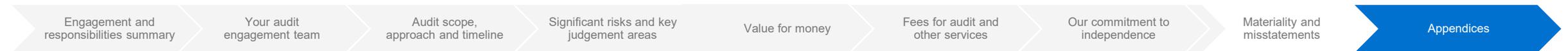
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

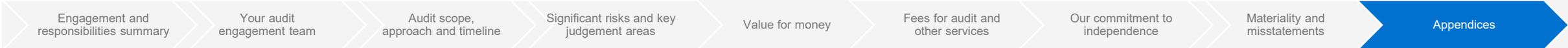
- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix: Key communication points

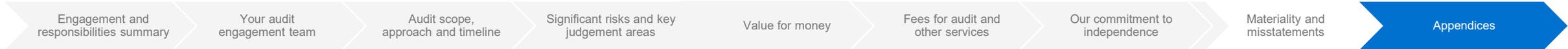
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
Page 73 With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit Committee, Audit planning and clearance meetings



Appendix: Key communication points

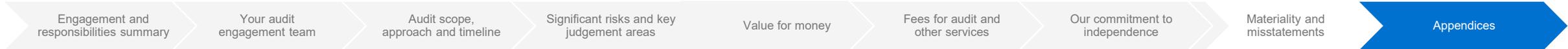
Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <p>our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</p> <p>significant difficulties, if any, encountered during the audit;</p> <p>significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</p> <ul style="list-style-type: none"> • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Audit Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and the adequacy of related disclosures in the financial statements.	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

Page 75



David Hoose

Mazars
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

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.



**ANNUAL GOVERNANCE
STATEMENT 2021/22**



CONTENTS

Introduction.....	3
What is Corporate Governance?	3
The Principles of Good Governance	4
How the Council Works	4
The Role of the Chief Financial Officer in Ashfield District Council.....	6
The Role of the Monitoring Officer in Ashfield District Council.....	9
How does the Council review the effectiveness of its Governance Framework?.....	10
How do we know our arrangements are working?.....	11
Reflecting on Governance and the challenges of the COVID-19 Pandemic	12
Progress Regarding Improvement Actions Identified in 2021/2022.....	17
Progress Regarding Significant Issues Identified in 2021/2022	19
Improvement Actions	23
Significant Governance Issues	24
Appendix 1 – The Governance Framework and Review of Effectiveness	27



INTRODUCTION

Ashfield District Council is responsible for ensuring that its business is conducted in accordance with the law and proper accounting standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

As part of the arrangements for preparing the Annual Statement of Accounts, the Council is required by law to undertake

an annual review of the effectiveness of its system of internal control and produce an Annual Governance Statement. Good practice requires that such a statement should extend beyond a narrow focus on financial controls to cover the way in which the Council determines what its local community wants and needs; decides how those requirements are to be met; and ensures that it delivers what is required without wasting public money.

WHAT IS CORPORATE GOVERNANCE?

Corporate governance is part of the overall control framework and contributes to the Council's robust governance arrangements.

Good corporate governance ensures organisations are doing the right things in the correct manner in an open, honest, inclusive and accountable way. Good governance leads to good management, performance and outcomes. It ensures the Council delivers the visions and priorities set out in its Corporate Plan.

Ashfield District Council is committed to good corporate governance. The Council has a framework of policies and procedures in place which collectively make up its governance arrangements.

The Council has adopted a Local Code of Corporate Governance which sets out the Council's arrangements and is based on the guidance "Delivering Good Governance in Local Government" published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in 2016. The CIPFA/SOLACE guidance identifies seven core principles and various sub principles. The seven core principles are detailed on page 4 and are also used as the framework for assessing the effectiveness of the Council's governance arrangements.

The Council's governance framework aims to ensure that in conducting its business it:

- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money is safeguarded, properly accounted for and used efficiently, effectively and economically
- Has effective arrangements for the management of risks
- Secures continuous improvements in the way that it operates.

The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

A key part of the governance framework is the system of internal control: this is designed to manage the risk of failure to achieve policies, aims and objectives to a level which the Council has determined as acceptable. The effectiveness of internal control is subject to regular review by both external and internal audit and the Annual Report of Internal Audit for 2021/22 provides an opinion on the effectiveness of the internal control system over the year ending 31st March 2022.



THE PRINCIPLES OF GOOD GOVERNANCE

The Council aims to achieve good standards of governance by:

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

HOW THE COUNCIL WORKS

The Council consists of 35 elected Councillors. The way the Council operates is prescribed by its Constitution which sets out the roles and responsibilities of the Council, Cabinet, Committees, Panels and other Groups and specifies the powers and duties that are delegated to those bodies and to individual Councillors and Officers. The Constitution is subject to regular review and is updated to ensure compliance with legal and regulatory requirements and conformance to recognised good practice.

The Council has determined that a Cabinet made up of the Leader and Executive Lead Members should have the power to discharge all Executive functions. The role of the Council and its Regulatory Committees (such as Planning and Licensing Committees) is set out in the Constitution. The Council has also established an Overview and Scrutiny Committee and Scrutiny Panels with the power to review decisions made. The Audit Committee provides assurance as to the adequacy of the Council's risk management framework and control environment and scrutinises the Council's financial performance and reporting.

The Standards and Personnel Appeals Committee has been established to promote and maintain high standards of conduct by Members and Officers.

During 2021/2022 the management of the Council was the responsibility of the Chief Executive (Head of Paid Service) supported by the Corporate Leadership Team (CLT). CLT comprises four Directors (Legal & Governance (Monitoring Officer), Housing & Assets, Resources & Business Transformation and Place & Communities) each reporting directly to the Chief Executive. An interim Chief Executive (Head of Paid Service) was in post between September 2019 and July 2021. The recruitment for a new, permanent Chief Executive (Head of Paid Service) had been delayed due to the impact of COVID with the process being put on hold during 2020/21. The Interim Chief Executive remained in place to ensure consistency and stability during the COVID response and recovery processes. The appointment of a new permanent Chief Executive was formally ratified at the Council meeting on 29 July 2021. The permanent Chief Executive took up post on 1 August 2021.



The Director of Housing & Assets also carries out the role of Deputy Chief Executive acting in the absence of the Chief Executive. The Corporate Finance Manager is the appointed Chief Financial Officer (Section 151 Officer) and is also a member of the CLT. Interim arrangements for the vacant post of Director of Place and Communities have been in place since August 2021. The new permanent Director of Place and Communities commenced his role on 4 July 2022.

The Council's vision and ambition for the District are clearly identified in a set of Corporate Priorities which are presented in the Corporate Plan which supports the development of annual service plans for all individual services. A new Corporate Plan was adopted in 2019 and was revised in July 2020 to take account of the pandemic. The Corporate Plan was refreshed and approved at Cabinet on 29 June 2021 and also on 21 June 2022. A robust project management approach is in place to ensure successful delivery of the Corporate Plan through programme and project management. 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. Service Performance is monitored regularly by the Chief Executive at Performance Boards. Employees receive an annual Personal Development Review linked to a competency framework.

A Budget and Policy Framework has been established to ensure that budget and policy decisions are taken in an appropriate manner and the Medium Term Financial Strategy (MTFS) – supported by robust budgeting and budgetary control arrangements – ensures that the Council's financial position is sustainable and that a balanced budget is set each year.

The Council's Risk Strategy sets out the way in which risks are identified, evaluated and managed. Risk Registers are maintained and reviewed by CLT, Cabinet and Audit Committee to ensure that appropriate and timely action is taken to deal with the risks that have been identified. The Corporate Risk Register was updated in July 2020 to take account of the Pandemic; the Corporate Risk Strategy, Risk Register and Risk Appetite Framework were approved at Audit Committee and Cabinet in March 2022 and a further update was reported to Cabinet in June 2022. The Central Midlands Audit Partnership (CMAP), on behalf of the Council, carries out a programme of audits annually to provide assurance about the effectiveness of risk management, control and governance processes. A Fraud Risk Register is in place to identify and mitigate against potential fraudulent activities the Council may be the victim of and has been extensively reviewed and updated during 2021/22 following the COVID pandemic.



THE ROLE OF THE CHIEF FINANCIAL OFFICER IN ASHFIELD DISTRICT COUNCIL

CIPFA published a Statement in 2010 on the 'Role of the Chief Financial Officer in Local Government'. It identifies the five key principles that define the core activities and behaviours of the role and the

organisational arrangements to support them. The table below explains how the Council's arrangements comply with the statement.

Key Principle	Council's Arrangements
<p>The CFO in a public service organisation 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.</p>	<ul style="list-style-type: none"> • The Roles and Responsibilities of the Corporate Leadership Team (CLT) are set out in job descriptions. These were updated as part of the management restructure in May 2017. At that time a new job description was put in place for the Corporate Finance Manager and Section 151 Officer (CFM) role and remains current. • The CFM reports to the Director of Resources and Business Transformation, and is also a member of the Corporate Leadership Team. Monthly meetings also take place between the Chief Executive and CFM. • An up to date scheme of delegation exists; for financial year 2021/22 this was confirmed by Annual Council in May 2021 and for 2022/23 at the Annual Council in May 2022. • 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 and External Audit. • The CFM manages the Finance Team (which also includes Treasury Management, Creditors, Rent Accounting and Insurance functions). It is considered that such responsibilities still enable the role to have a clear focus on financial management particularly since the introduction of the Chief Accountant post in March 2018. • CLT receive regular updates on the MTFs, budget monitoring and year end outturn. The CFM ensures that their knowledge and awareness of financial issues is up to date through regular briefings. Three of the four Principal Accountants have each been allocated a Directorate in order to provide direct support and challenge when necessary. One Principal Accountant has responsibility for Capital and Treasury Management. The four Principal Accountants report directly to the Chief Accountant. • By having the above measures in place, the CFM is able to contribute to the effective leadership and corporate management of the Council. The CFM leads the development of the MTFs and annual budget process to ensure financial sustainability.



Key Principle	Council's Arrangements
<p>The CFO in a public service organisation must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy.</p>	<ul style="list-style-type: none"> • 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. • Professional advice on decisions which have financial implications is provided by the Finance Team and is included in every report. In addition, accountants work with budget holders in advance of major decisions to ensure that the financial implications are accurate and well understood. • The CFM assesses the adequacy of reserves and a reserves policy was introduced as part of the Financial Regulations update in May 2018. The latest review informed the assurance given in the 2022/23 Annual Budget and Council Tax Setting report to Council on 3 March 2022. • Timely, accurate and impartial information is provided to decision makers, which helps to ensure effective stewardship of public money and that the Council achieves the objectives it has set out in its Corporate Plan. • The Council maintains a prudential financial framework which is reported on three times each year, to ensure that its commitments remain within its available resources. • An appropriate accounting system is in place, and through this system regular financial monitoring reports are produced for Officers and Members. The Council will be testing the market for its future core financial system in July 2022.

Key Principle	Council's Arrangements
<p>The CFO in a public service organisation 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.</p>	<ul style="list-style-type: none"> • The CFM is responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records, and for maintaining an effective system of financial control. • Systems and processes for financial administration, financial control and protection of the Council's resources are well designed. Such arrangements are subject to independent risk based auditing by Internal Audit. The Council's Internal Audit arrangements are provided by Central Midlands Audit Partnership. The Monitoring Officer is responsible for ensuring an effective Internal Audit function is in place. • The Annual Governance Statement includes all the Council's significant governance issues. • Annual accounts are published on a timely basis and are presented by the CFM to Cabinet, Audit Committee and senior officers. • The Council has an Audit Committee. Comprehensive Member training took place following the May 2019 District Council elections. Treasury Management training was provided by Link Asset (Treasury Management Advisors) in January 2022 and in June 2021 some of the Audit Committee Members attended virtual Audit Committee training provided by Mazars, the Council's External Auditors. • The Council has received positive Value for Money conclusions/reports since 2009/10. • Financial competencies are embedded in person specifications and staff appraisals. • The Finance Team lead initiatives to improve non-financial managers' understanding of finance. • Financial training is provided for elected Members as required. Financial Management training was rolled out to Members and relevant Officers after the May 2019 elections. Key financial updates have been provided to Members linked to the setting of the 2022/23 Budget. <p>A Financial Health Check was carried out by the Local Government Associations (LGA) in 2021/22 which concluded that the Council <i>"is well managed financially."</i></p>

Key Principle	Council's Arrangements
<p>The CFO must lead and direct a finance function that is resourced to be fit for purpose.</p>	<ul style="list-style-type: none"> • The Finance function has the resources, expertise and systems to perform its role effectively. Once a decision has been taken about the future Core Finance system to be used by the Council from 2023/24 a review of staffing requirements will also take place. Ensuring the required expertise is in place will also require constant review in light of the innovative projects which are being explored. • All the Finance staff within the Council report via the Chief Accountant to the CFM.
<p>The CFO must be professionally qualified and suitably experienced.</p>	<ul style="list-style-type: none"> • The CFM is a CIMA qualified accountant (2002) with over 20 years post-qualification Local Government experience who has previously undertaken the role of Deputy Section 151 Officer at this Council. The CFM has been S151 Officer at this Council for 4 years. • He has wide ranging senior local government finance experience, gained from employment at two other authorities, including the role of Director of Service Finance for a period of 5 years and Chief Finance Manager for a period of 6 years. • His role is well understood by Members and Officers throughout the Council.

THE ROLE OF THE MONITORING OFFICER IN ASHFIELD DISTRICT COUNCIL

The Council is required to ensure it has in place effective arrangements for the discharge of the statutory Monitoring Officer Function.

The Constitution sets out the statutory role and functions of the Monitoring Officer and recognises that the Council must ensure the Monitoring Officer has access to sufficient resources in order to undertake the role.

The Director of Legal and Governance is appointed by Council to be the Monitoring Officer. The Director of Legal and Governance has 13 years experience of acting as the Monitoring Officer for the Council and is a qualified Solicitor with 23 years post-qualification experience in Local Government. The Monitoring Officer is a member of CLT and is directly line managed by the Chief Executive.

The Director of Legal and Governance has sufficient resources available including suitable Deputy Monitoring Officer provision. The Monitoring Officer and Deputy attend appropriate training each year.

The Monitoring Officer is responsible for ensuring an effective Internal Audit function is in place and is lead Chief Officer for both the Audit Committee and Standards and Personnel Appeals Committee.



HOW DOES THE COUNCIL REVIEW THE EFFECTIVENESS OF ITS GOVERNANCE FRAMEWORK?

The initial review of the effectiveness of the Council's governance framework was conducted by the Council's Director of Legal and Governance (Monitoring Officer) supported by the Assistant Director, Corporate Services and Transformation.

To inform the initial review process:

- The Corporate Leadership Team carried out a Corporate Assurance Assessment
- Each Director provided a Statement of Assurance
- The Council's Chief Financial Officer (S151 Officer) was consulted
- The Constitution review, performance reporting and risk management arrangements were taken into account
- The findings reported by External Audit and other external review bodies were considered
- The work of Internal Audit and other internal assurance providers were also considered.

The results of the review work were formulated into a draft Governance Statement during May and June 2022. The Corporate Leadership Team reviewed the draft Governance Statement and considered whether the improvements proposed represented an appropriate and proportionate response to the significant governance issues identified.

The draft Governance Statement, modified to reflect the views of the Corporate Leadership Team, was then considered by Members of the Council's Audit Committee. The Director of Legal and Governance (Monitoring Officer) then finalised the Annual Governance Statement in readiness for the close of accounts and the Statement will be considered for formal approval by the Council's Audit Committee at its meeting in September 2022.



HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?

Review of Effectiveness 2021/22

- The Council has assessed itself against the key criteria for good corporate governance by undertaking a Corporate Assurance Assessment. A score of 93%, or “good” was recorded. The Council will continue to work on identified areas to ensure further improvements are made. Ongoing improvements and significant issues are recorded later in this statement.
- Key changes, developments and achievements during 2021/2022 have been reviewed against our Corporate Plan and Local Code of Corporate Governance to assess compliance and a brief summary is set out in Appendix 1.
- The current Local Code of Corporate Governance was reviewed and approved by Audit Committee in March 2022 and will be further reviewed later in the year.
- The Council has assessed whether the key areas identified in the 2021/2022 Annual Governance Statement have been delivered and an update is set out on pages 17–22.
- The CIPFA Financial Management Code requires the Council to carry out a self-assessment against the requirements of this Code. An introductory report was presented to the Audit Committee in July 2021 and the self-assessment was presented to the Audit Committee in October 2021. The self-assessment demonstrated that the Council has processes in place to comply with each of the 6 Principles (Organisational Leadership, Accountability, Transparency, Standards, Assurance, Sustainability). An action plan was put in place to strengthen the compliance position further. The self-assessment and action plan will be reviewed and reported to Audit Committee on 7 November 2022.
- As a result of the review work undertaken the Council’s governance arrangements are deemed to be good and are fit for purpose.
- During the COVID-19 response and recovery phases the Council’s governance arrangements have largely remained unaffected and unchanged and have been effective and fit for purpose. The impacts of COVID-19 are detailed on pages 12–16.

INTERNAL AUDIT OPINION 2021/22

Central Midlands Audit Partnership (CMAP), who provide internal audit services to the Council, has provided its opinion for 2021/22. Based on the work undertaken during the year, CMAP is able to give an opinion that the Council has a “satisfactory system of governance, risk and internal control” (the highest level of assurance opinion which can be given).

Their full report will be presented to the Council’s Audit Committee on 25 July 2022. During 2017 CMAP underwent a review by a qualified external assessor to assess the partnership’s conformance with the Public Sector Internal Audit Standards (PSIAS). CMAP currently conforms to the PSIAS. An external assessment of conformance will



REFLECTING ON GOVERNANCE AND THE CHALLENGES OF THE COVID-19 PANDEMIC

Response

Ashfield District Council is a statutory Category One Responder under the Civil Contingencies Act 2004 and works with multi agency partners through the Nottingham and Nottinghamshire Local Resilience Forum (LRF) when dealing with Major Incidents. The COVID-19 Pandemic was declared a Major Incident on 20 March 2020 by the LRF.

The LRF's Strategic Coordinating Group (SCG) ensured the effective co-ordination of the multi-agency response and recovery to the COVID-19 outbreak. The Director of Legal and Governance (Monitoring Officer) has attended the SCG meetings for the Council.

As a consequence of the complexity of the COVID-19 Pandemic, an extensive LRF structure was put in place underneath the SCG to manage and monitor the crisis across the County and City. The operational structure beneath the SCG was made up of numerous groups covering health, humanitarian support, economy, finance, communications and a dedicated Local Authority Group was also established; a number of these groups had sub-groups to deal with specific issues. As an early action, the SCG agreed a list of Tier 1, Tier 2 and support services which Members confirmed were the minimum essential for delivery by all Local Authorities. At a local level, CLT had weekly discussions as part of its usual meeting structure with interim information and updates being cascaded on a regular basis through ad-hoc meetings, telephone calls, e-mails, all staff messages and blogs.

The Leadership Group (the Leader and Deputy Leaders of the Council) has received regular updates and Members have received regular briefings. Various internal COVID-19 Incident Management Teams (IMT's) were established to monitor operational delivery and impacts at different times throughout the year. Information has been provided to the public on a regular basis across social media and the Council's website.

Council employees have worked tirelessly throughout the past 2 years during the pandemic. Ashfield District Council has delivered all essential Council services in full without interruption during that 2 year period, along with other priority services and the additional COVID-19 responsibilities placed upon it by government such as undertaking thousands of welfare calls and visits to vulnerable people, advising businesses on social distancing requirements, paying grant monies to businesses, assisting with COVID-19 testing sites. The Authority has worked effectively together as One Council, re-deploying employees into critical roles outside of their normal duties to ensure continuance of service, whilst also delivering humanitarian services across the District to support our vulnerable residents.

A Corporate Plan Refresh and year end performance report was presented to Cabinet on 29 June 2021. The appendix to that report detailed the Council's response to COVID-19 and the continuation of services during 2021/22.



Recovery

As the country approached the end of the first national lockdown in June 2020, the Council produced initial plans to transition into the recovery phase of this Major Incident, and reflected on how it had responded to the crisis up to that point.

Cabinet approved the Council's Recovery Strategy in June 2020 and in July 2020 approved a revised Corporate Plan which reflected that Recovery Strategy. The Corporate Risk Register was also reviewed and accepted by Cabinet in July 2020 to take into account the impacts of COVID-19. Due to the longevity of the pandemic the Corporate Plan and Corporate Risk Register have again been reviewed and updated taking into account COVID-19 during June 2020, March, July and December 2021 and finally March 2022.

The Council's recovery covers two main strands and has been incorporated into the Council's Service Plans, Corporate Plan and Five Year Strategic Direction:

- **Ashfield as a Place – Community and Economic Recovery**
Supporting the community and businesses in achieving stability and a new normality following COVID-19, assisting in rebuilding, restoring and rehabilitating the community's emotional, social, economic and physical wellbeing; and
- **The Council – Organisational Recovery**
Assessing the impact of COVID-19 on Council services, finances and employees and planning for its future financial resilience and how it will need to operate differently.

The Council established a COVID-19 Response and Recovery Scrutiny Panel in July 2020 to ensure a dedicated, robust and focused approach to reviewing the Council's approach to COVID-19. At the Council Annual General Meeting on 20 May 2021, the COVID Scrutiny Panel was established for a further municipal year focussing on the Recovery stage.

The work of this Scrutiny Panel has been wide ranging and has involved both Officers and stakeholders in order to develop the best possible forward plans, including our employees, residents, businesses and the voluntary sector. A final COVID Recovery Scrutiny Panel report was submitted to Cabinet in June 2022.

The COVID-19 pandemic has had a significant impact nationally and across the District over a longer timescale than anyone expected. The Council's recovery plans for the District ran in parallel to the response during the past two years. Due to the Council's incredible ability to deliver all essential Council services in full without interruption was well placed to ensure recovery of the District has been successful to date and timely.

The Local Resilience Forum infrastructure has been stood down since March 2022. The COVID panel met for the last time on 21 April 2022 and presented its final report to Cabinet in June 2022.

During the Pandemic, the Council submitted an astoundingly successful Towns Fund bid which has seen the Council be awarded over £62 million to fund projects across Kirkby-in-Ashfield and Sutton-in-Ashfield. This funding will significantly assist in the regeneration and recovery of the District. Projects cover the themes of Business and Education, Health and Wellbeing, Boost Visitor Economy and Make Ashfield Greener. Sutton-in-Ashfield had already been awarded £6.27 million from the Future High Streets Fund.

During April 2022, the Council was allocated £3.1 million of UK Shared Prosperity Funding for the period 2022-25 and is currently working on its Investment Plan for submission to Government. The Council is also preparing a bid for Levelling Up funding for Hucknall which, if successful, will ensure significant funding to assist with Recovery and make a real difference across the whole of the District to benefit generations to come.



Governance Arrangements During COVID-19

During the COVID-19 response and recovery phases the Council's governance arrangements have largely remained unaffected and unchanged and have been effective and fit for purpose.

The legal requirements for good governance and decision-making did not change as a result of COVID-19. Normal delegations to Committees, Portfolio Holders and Officers remained in place:

The Leader of the Council could exercise ALL Executive powers.

- The Leader of the Council has delegated ALL Executive Functions to the Chief Executive.
- In circumstances where an emergency threatens to take critical systems or services off-line or out of action, the Chief Executive can exercise all necessary powers to ensure the continuity of operations and core Council business.

During the initial stages of the pandemic when the pace of Government direction was rapid and ever changing, decisions were often taken urgently (utilising these delegated powers) and with immediate effect as a direct consequence of this Government direction / legislation. These decisions were taken by the Leader or the Chief Executive or by the relevant Chief Officer under the direction of the Chief Executive pursuant to their delegated powers. While Portfolio Holders were unable to visit the offices, discussions relating to decision making were made electronically / over the phone and electronic signatures / e-mail confirmation to decisions has been utilised. The signing and sealing of legal documents continued in a COVID-19 safe working environment.

COVID-19 legislation made it possible to hold virtual Council, Cabinet and Committee meetings from April 2020 until May 2021.

The Council made full use of these interim rules and held its first virtual meeting (the AGM) on 23 April 2020. The Council's virtual meetings were streamed live on its YouTube channel and the public were able to participate in planning meetings. From June 2020 onwards, the Council ran a full Cabinet, Council and Committee meeting schedule. The normal rules relating to the publication of an agenda 5 clear days in advance of the meeting were complied with and the public was able to see or hear the meeting taking place live. The rules relating to publication of key decisions and the call in procedures for Executive decisions remained in place as did the ability to take and implement urgent decisions under the Access to Information Procedure Rules 15 and 16 and Overview and Scrutiny Procedure Rule 13. The Council actively used these provisions to ensure its governance arrangements were maintained and as a result, there was an increase in the use of these urgency rules during the pandemic. From May 2021, the Council reverted to face to face meetings in accordance with legislation and COVID-19 safe guidance.

The pandemic required the Council to put in place new control measures in some situations, for example:

- COVID-19 grant payments were paid in accordance with the published schemes and due diligence checks were undertaken before payments were made to ensure entitlement and prevent fraudulent claims
- COVID-19 Response and Recovery Scrutiny Panel
- Clear communications to the public and businesses via: Social media messages; Covid information officers; Business support directory; Environmental Health Officers and Public Health England regarding guidance to businesses



Throughout the last year of the pandemic the Council has continued to comply with the Principles of Managing Public Money. The impact of the pandemic on the Council in terms of additional costs and lost income have been included in financial monitoring reports and information to CLT, Cabinet, Audit Committee and the Covid Scrutiny Panel. The Council has completed the various weekly, monthly and quarterly Government returns, with some of this information (grant payments to businesses) being reported publicly on the Gov.UK website. In early 2022 the Council devised and implemented a new Additional Restrictions Grant scheme (Discretionary Grant Scheme) for the final round of Additional Restrictions Grant funding and this was published on the Council's website and applications were assessed against the transparent criteria within the Scheme. Similarly, the local scheme developed for applicants for the discretionary £500 covid test and trace payments continued throughout 2021/22 and was transparent, with applications being assessed against the identified criteria.

Risks as a Result of COVID-19

There was a substantial review of the Council's Corporate Risks in April 2020 to reflect the organisational impact of the COVID-19 pandemic and these risks were kept under review during 2021/22.

Throughout 2021/22 the following COVID-19 related risks were monitored:

- Potential impact on resource levels and capacity due to the impact of COVID-19 – this risk has now become a Corporate Risk and will be monitored as part of the workforce planning and retention risk.

- Ability to maintain service delivery due to absence related to COVID-19 – The Council was able to maintain service delivery throughout the past 2 years and staff absence due to COVID-19 is not part of the Corporate Risk relating to staff absence levels.
- Effective strategic leadership of a robust coronavirus recovery plan – the Council took part in a Local Government Association Recovery and Renewal Panel during March 2022 (this is detailed further below). The significant strength of the Council's leadership during COVID was acknowledged. The Council's recovery plans are integrated into existing mechanisms and work programmes.

Performance During the Pandemic

Ashfield District Council has delivered all essential Council services in full without interruption, along with other priority services and the additional COVID-19 responsibilities placed upon it by government.

Despite the pandemic during 2021/22:

- The organisation has also delivered additional services, above and beyond standard service levels, continuing to support residents and businesses in Ashfield.
- 85% of performance measures achieved or exceeded target, or were within 10% variance of target.
- 65% of measures indicated an improved position compared to the same period in the previous year, or were within 5% of the previous year's performance levels.

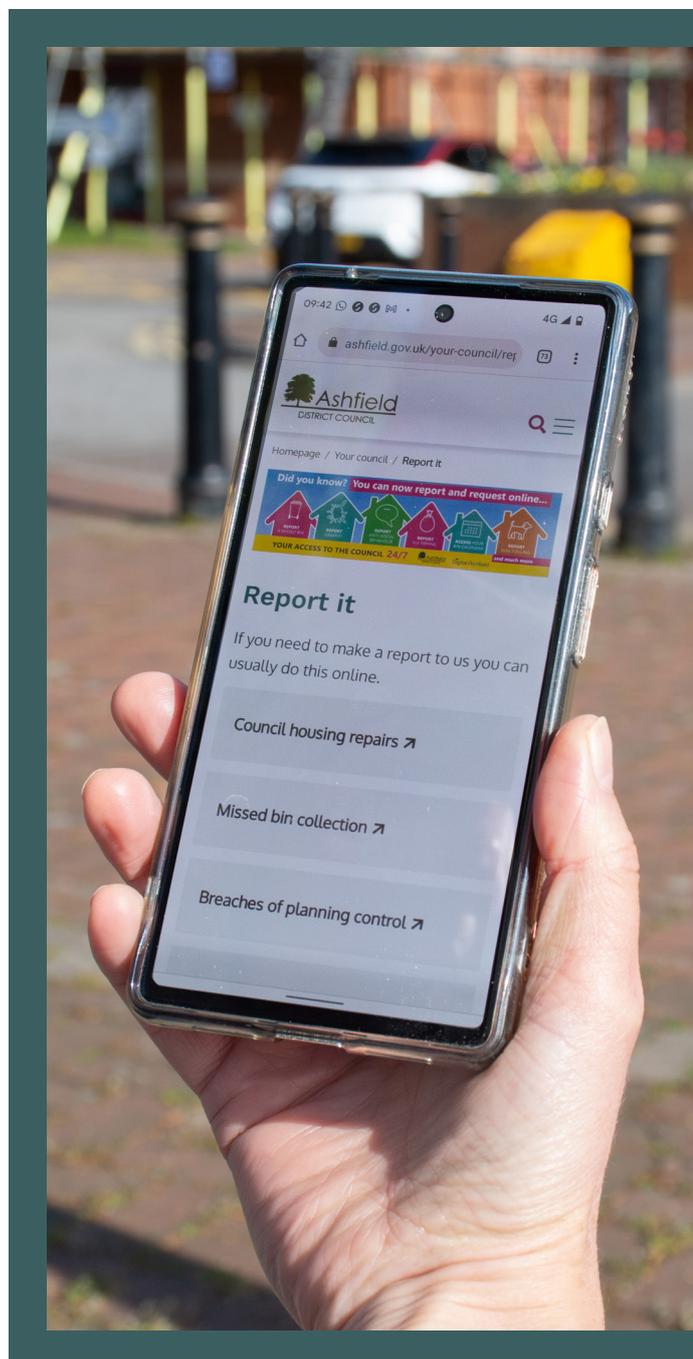


LGA Recovery and Renewal Panel

On 23 March 2022, Ashfield District Council (ADC) hosted an LGA Recovery and Renewal Panel. The Panel focused on the Council's current approach and potential future direction of travel as it seeks to best support its residents and businesses post the COVID-19 Pandemic.

The LGA Panel findings and Key Reflections report was presented to Cabinet on 21 June 2022. In summary, the report:

- Acknowledges and recognises the significant strength of leadership demonstrated by the Council throughout the Pandemic including internally and externally via partnerships and as a Leader of Place.
- Applauds the Council for accelerating its pace of change and delivery of its priorities and aspirations through the Pandemic including fast tracking its Digital and Services Transformation Programme, the Leisure Transformation Programme and successes in obtaining external funding via the Towns Fund and Future High Streets Fund.
- Makes a number of Key Reflections and actions which have been integrated into existing strategic and operational plans and existing work programmes. Progress against these will be monitored by CLT and Cabinet. The Council has made a conscious effort to integrate its COVID-19 response and recovery tasks into existing mechanisms such as ADC's Corporate Plan and Risk Management arrangements, whilst linking this into its delivery of its Medium-Term Financial Strategy (MTFS). There has been a keen and deliberate focus on integrating the response to COVID-19 into a 'Business as Usual' approach as far as is possible.



PROGRESS REGARDING IMPROVEMENT ACTIONS IDENTIFIED IN 2021/2022

Improvement Actions 2021/22	Progress Made During 2021/22
<p>Digital Transformation Programme</p>	<p>ONGOING</p> <p>Circa £2m cashable savings/opportunity cost savings delivered to date.</p> <p>Within 21/22 following key implementation:</p> <ul style="list-style-type: none"> • Customer Portal launch (Ashfield 24/7) • Expansion of online forms and channel shift e.g. revenues/waste and environment enabling enhanced customer self-service and service requests direct to front line operatives. 20% reduction in waste and environment calls • Expansion of online e-payments to 160 different types of service transactions. Reduced volume and costs of pay point and post office transactions • Embedding of infrastructure and devices for hybrid working and enabling office rationalisation at Brook Street & Watnall Road • IT infrastructure upgrades enabling quicker log ins, transactional operations • Digitalisation of case files enabling online retrieval and reduction in physical storage e.g. housing • Website accessibility standards achieved • Website - increase in finding information at first contact. 53% reduction in use of "contact us" pages. • Telephony enhancements - introduced queue buster functionality • Digital enhancements integrated into service reviews -enabling increased efficiencies, productivity and streamlined structures. • Continued move to cloud-based solutions supporting 24/7 remote access and enhanced business continuity.
<p>Review and refinement of Corporate Complaints Strategy and Procedure</p>	<p>COMPLETED</p>



Improvement Actions 2021/22	Progress Made During 2021/22
Standards and Personnel Appeals Committee – consider how to implement the best practice recommendations of the Committee on Standards in Public Life (CSPL) and the LGA’s Draft Model Code of Conduct – ongoing	<p>COMPLETED</p> <p>New Members’ Code of Conduct approved at the AGM in May 2021.</p> <p>The Standards and Personnel Appeals Committee will continue to monitor the progress of the CSPL’s recommendations as part of its ongoing work.</p>
Revised Member Development Strategy and Updated Training Programme	<p>COMPLETED</p>
Climate Change Strategy and Action Plan	<p>COMPLETED</p>
Review and Refresh the People Strategy including new ways of working embedded as a result of COVID-19	<p>ONGOING</p> <ul style="list-style-type: none"> • Further embedded hybrid working cross-Council • Continued effective management of pandemic impacts including monitoring of employee absence, updated HR advice/ FAQs, temporary amending of HR policies. • Enhanced communications to employees on impacts and Health and Wellbeing support • External fit for purpose sense check of pay and grading structure undertaken to assess against Living Wage pressures and equality impacts • Commenced changes to narrative within adverts to accentuate flexible working, wellbeing support recognising change in employee motivations • Streamlined Job Evaluation process recognising spike in number of posts being advertised and capacity drain on managers, HR and unions
Data Quality Strategy Refresh	<p>COMPLETED</p> <p>Revised strategy approved at CLT on 16 May 2022.</p>



PROGRESS REGARDING SIGNIFICANT ISSUES IDENTIFIED IN 2021/2022

Significant Issues 2021/2022	Progress Made During 2021/22
<p>Financial Sustainability</p> <p>There remains significant uncertainty about the level of Central Government funding from 2021/22 linked to the implementation of the Fair Funding Review, potential changes to retained business rates levels, the proposed business rates reset, New Homes Bonus funding and post COVID-19 financial recovery. Every Local Authority faces this uncertainty.</p> <p>The MTFS update approved by Council in March 2021 reflects the priorities as set out in the Corporate Plan and both may require refinement once the future financial landscape becomes clearer.</p> <p>A new MTFS will be produced in the Autumn and will reflect the Autumn 2021 Spending Round announcement.</p> <p>The Council does have robust reserves which will assist in transitioning to revised levels of central government funding whilst at the same time identifying and implementing 'Options for Change' to assist with addressing the Council's future financial challenges. The Council's General Reserve on 31st March 2021 was £7.877 million; £6.527 million above the minimum required balance as set out in the Council's Constitution.</p>	<p>As a consequence of the Covid pandemic the planned Spending Round for 2021/22 did not take place and a one-year settlement for 2022/23 was implemented by Government with an intention for a full Spending Round to take place in Autumn 2022.</p> <p>The funding uncertainty in respect of the Fair Funding Review, potential changes to the business rates system and New Homes Bonus funding remain. As does the uncertainty about the future of the residual Revenue Support Grant (RSG) and Lower Tier Services Grant funding. Every Local Authority faces this uncertainty.</p> <p>A detailed Medium Term Financial Strategy was produced and approved by Council in March 2022, however, an update to this will be required once greater clarity about the future level of Central Government funding becomes clearer.</p> <p>The Council has robust reserves which will assist in transitioning to revised levels of central government funding whilst at the same time identifying and implementing 'Options for Change' to assist with addressing the Council's future financial challenges.</p> <p>The Council's General Reserve on 31st March 2022 was £9.004 million; £1.103 million greater than in 2020/21.</p>



Significant Issues 2021/2022	Progress Made During 2021/22
<p>Investment in Commercial Properties Following the outcome of the Public Works Loans Board (PWLB) consultation a decision was taken by the Council to cease its Investment Property acquisition strategy to ensure access to the PWLB as a key source of borrowing could be maintained.</p> <p>The Council lost one of its Investment Property Tenants (Shearings Ltd) at the start of the pandemic. The Council quickly sourced a new tenant, Vine Hotels, and put in place a financial recovery arrangement in light of the adverse impact on this business sector by the pandemic.</p> <p>Tenants of all of the Council's other Investment Properties have continued to pay their rents throughout the last year. However, due to the pandemic still ongoing, this remains a significant governance issue. Regular update reports are taken to the Commercial Investment Working Group, CLT and the Audit Committee.</p>	<p>The Council no longer has a Strategy to acquire further Investment Properties outside of the District. The last Investment Property acquisition was April 2020. The Council has a financial recovery arrangement with Vine Hotels in light of the adverse impact on business by the pandemic. This is due for review in December 2022 with an expectation that full annual rent will become payable from April 2023.</p> <p>Tenants of all of the Council's other Investment Properties have continued to pay their rents throughout the last year.</p>



Significant Issues 2021/2022	Progress Made During 2021/22
<p>Data Matching and National Fraud Initiative</p> <p>The Council must continue to develop and embed its corporate approach to anti-fraud (including data matching) which has suffered due to the pandemic as anti-fraud activity focussed largely on the COVID-19 Business Grants instead of further improvement work.</p> <p>As part of an internal audit, during 2020/21, the Council's Management of Fraud Risk was compared to the Government's Functional Standard (GovS 013: Counter Fraud) and an action plan has been developed to implement the audit recommendations in order for the Council to better meet the functional standard. The action plan will be implemented and monitored by the Anti-Fraud Officer Working Group and reported to Audit Committee as relevant.</p> <p>It will be important to consider how the Council can create greater operational resilience and improve capacity to identify and deal with suspected fraudulent activity.</p>	<p>Progress in relation to this work stream continued to suffer due to the increased burdens of COVID-19.</p> <p>A number of fraud related policies were reviewed during the year and approved at Audit Committee in March 2022. The Fraud Risk Register has been completely reviewed and refreshed. The outstanding actions will carry forward in to 2022/23.</p>



Significant Issues 2021/2022	Progress Made During 2021/22
<p>Local Plan</p> <p>There is now expected to be a delay to the delivery of the Local Plan. This has been caused by some slippage in commissioning during the pandemic from jointly commissioned work. The work undertaken by Ashfield has been delivered to timescales.</p> <p>However, given the overhaul of the planning system proposed and the step change proposed to housing numbers through consultation changes to the housing methodology, it became clear that the Plan being delivered would not meet the targets the Government appears to be indicating. The Government has since re-assessed and figures are now confirmed.</p> <p>Options for delivery have been revisited.</p> <p>A new Local Development Scheme is being developed.</p>	<p>Although the work undertaken by Ashfield has been delivered to timescales, the Council has, following consultation on the draft local plan during 2021/22, sought further clarification from the Government as to emerging policy and guidance. Given the intended overhaul of the planning system identified in the Levelling Up and Regeneration Bill and the continuing lack of clarity in relation to the green belt and approach to housing numbers, it is clear that some further understanding of policy intention is required.</p> <p>A new Local Plan Timetable will be developed once further clarity is received.</p>
<p>COVID-19</p> <p>To assess the impacts of COVID-19 on the District and the Council and continue to respond to the ongoing Pandemic and implement the Council's Recovery Strategy.</p>	<p>Details relating to the Council's response and recovery in relation to the Pandemic are set out earlier in this Statement.</p> <p>The LGA's Response and Recovery Panel report was very positive in relation to how the Council dealt with the challenges brought about by the pandemic. The report was presented and endorsed by Cabinet in June 2022.</p> <p>The Key Reflections will be integrated into existing strategic and operational strategies and work programmes as outlined in the LGA Recovery and Renewal Panel Key Reflections: Integration Plan. Progress will be monitored by Cabinet.</p>



IMPROVEMENT ACTIONS

As part of the Council's drive to continuously improve its existing governance framework to meet changing

conditions, the following actions have been identified to take place during 2022/2023:

Improvement Action for 2022/2023	Lead Officer(s)	Target Date
<p>Digital Transformation Programme</p>	<p>Director of Resources & Business Transformation & Assistant Director, Corporate Services and Transformation</p>	<p>Ongoing</p>
<p>Review and Refresh the People Strategy including new ways of working embedded as a result of COVID-19, including:</p> <ul style="list-style-type: none"> • External fundamental review of Council's approach to recruitment and retention to increase employer of choice offer and increase pool of potential candidates e.g. seek to encourage increased number of applications from disability/ neurodiversity and promote/embed flexible working. • 2022 employee survey with focus on COVID-19 impacts, different ways of working and priority reasons for staying with the Council. 	<p>Director of Resources & Business Transformation</p>	<p>March 2023</p>
<p>Review and refresh the Council's statements on Equalities Framework and Objectives</p>	<p>Director of Resources & Business Transformation & Service Manager Customer Services</p>	<p>2022/23</p>
<p>Social Housing White Paper As part of the Social Housing White Paper proposals, reports on such matters as risk and health and safety will go to Housing DMT monthly, CLT quarterly and Cabinet bi-annually, in order to provide clear oversight of risks and safety within the Social Housing function.</p>	<p>Director of Housing and Assets</p>	<p>2022/23</p>
<p>Customer / Resident surveys A task and finish group has been established to review requirements across the organisation for both transactional and perception-based surveying and satisfaction measurement. We will also consider transactional satisfaction measurement from a corporately, customer driven perspective, looking at appropriate technology to assist us with this.</p>	<p>Director of Resources & Business Transformation & Assistant Director, Corporate Services and Transformation</p>	<p>2022/23</p>



SIGNIFICANT GOVERNANCE ISSUES

While the effectiveness review and other developments during the year demonstrate that corporate governance arrangements and the internal control framework are fit for purpose and effective,

as part of continuing efforts to improve governance arrangements the following significant governance issues have been identified for improvement.

Key Improvement Area for 2022/2023	Lead Officer(s)	Target Date
<p>Financial Sustainability</p> <p>There remains significant uncertainty about the level of Central Government funding from 2022/23 linked to the implementation of the Fair Funding Review, potential changes to the Business Rates, and New Homes Bonus funding. Every Local Authority faces this uncertainty.</p> <p>The MTFs approved by Council in March 2022 reflects the priorities as set out in the Corporate Plan and both may require refinement once the future financial landscape becomes clearer.</p> <p>An MTFs update will be produced in the Autumn and will reflect the Autumn 2022 Spending Round announcement.</p> <p>The Council does have robust reserves which will assist in transitioning to revised levels of central government funding whilst at the same time identifying and implementing 'Options for Change' to assist with addressing the Council's future financial challenges. The Council's General Reserve on 31st March 2022 was £9.004 million; £7.654 million above the minimum required balance as set out in the Council's Constitution.</p>	<p>Corporate Finance Manager & Section 151 Officer</p>	<p>Ongoing</p>



Key Improvement Area for 2022/2023	Lead Officer(s)	Target Date
<p>Anti-Fraud and Data Matching and National Fraud Initiative</p> <p>The Council must continue to develop and embed its corporate approach to anti-fraud (including data matching).</p> <p>The Anti-Fraud Officer Working Group will continue to deliver the action plan which was developed to better meet the Government's functional standard. The Council will consider how it can create greater operational resilience and improve capacity to identify and deal with suspected fraudulent activity.</p>	<p>Director of Legal and Governance (Monitoring Officer)</p>	<p>Ongoing</p>
<p>Local Plan</p> <p>Although the work undertaken by Ashfield has been delivered to timescales, the Council has, following consultation on the draft local plan during 2021/22, sought further clarification from the Government as to emerging policy and guidance. Given the intended overhaul of the planning system identified in the Levelling Up and Regeneration Bill and the continuing lack of clarity in relation to the green belt and approach to housing numbers, it is clear that some further understanding of policy intention is required.</p> <p>A new Local Plan Timetable will be developed once further clarity is received.</p>	<p>Director of Place and Communities and Assistant Director, Planning and Regulatory Services</p>	<p>Ongoing</p>
<p>Planning Appeals</p> <p>Following Internal Audit work during the year a risk was identified relating to the planning appeal overturn level which will continue to be monitored during 2022/23. The appeal overturn rate was 8.16% in May 2022. Department for Levelling Up, Housing and Communities requirements specifies that at 10% a Council's Planning process may be placed in special measures. A process has been agreed to provide quarterly updates to the Leadership Team when the percentage is over 8%. Member training is being provided as an ongoing process.</p>	<p>Director of Place and Communities and Assistant Director, Planning and Regulatory Services</p>	<p>Ongoing</p>

Key Improvement Area for 2022/2023	Lead Officer(s)	Target Date
<p>Towns Fund</p> <p>The £3.6 billion Towns Fund is part of the Government’s plan for levelling up the UK economy. Towns across England are working with the Government to address growth constraints and to ensure there is a course of recovery from the impact of the COVID-19 Pandemic. The overarching aims of the Towns Fund are to drive the sustainable economic regeneration of towns to deliver long term economic and productivity growth.</p> <p>To access the funding, towns were invited to develop and submit a Town Investment Plan detailing how and where they would spend Towns Fund money, and the impacts that this would have on the local economy, for local people and local businesses. Kirkby in Ashfield and Sutton in Ashfield were both invited to be part of the Town Deal. In June 2021, the Government announced that £62.6 million has been awarded to the two towns, as part of the Government’s Towns Fund.</p> <p>The next step in the process was to develop robust business cases for the suite of projects making up the Kirkby in Ashfield and Sutton in Ashfield Town Investment Plan followed by delivery of projects over the next 5 years.</p> <p>Governance processes are in place as part of the Business Case Development stage which will then transition into the delivery stage over the length of the programme.</p>	<p>Director of Place and Communities and Service Manager, Place and Wellbeing</p>	<p>Ongoing</p>

The review of the Council’s governance arrangements demonstrates that these are fit for purpose but to ensure continuous improvement areas have been identified which require further work.

We propose over the coming year as set out above to further enhance the Council’s governance arrangements and will monitor their implementation as part of our annual review.



Theresa Hodgkinson,
Chief Executive



Councillor Jason Zadrozny,
Leader of the Council

APPENDIX 1 – THE GOVERNANCE FRAMEWORK AND REVIEW OF EFFECTIVENESS

PUTTING THE PRINCIPLES INTO EFFECT

PRINCIPLE A- BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

How Does the Council Achieve This?

The Council set out its Purpose in the Corporate Plan 2019–2023 which are:

- The Council exists to serve the communities and residents of Ashfield
- We will provide good quality, value for money services
- We will act strategically and plan for the future, working with others to bring about sustainable improvements in people's lives

The Council's values, as set out in the new Corporate Plan are:

- People Focussed
- Honest
- Proud
- Ambitious

The Council has identified the following priorities:

- Health and Happiness
- Homes and Housing
- Economic Growth and Place
- Cleaner and Greener
- Safer and Stronger
- Innovate and Improve

The Key Projects, Programmes and Initiatives set out in the Corporate Plan reflect these values and priorities and the Council's Budget and Performance frameworks monitor how the Council performs against them. The Corporate Plan has been reviewed to take into account the impacts of COVID-19 and the Council's Recovery Strategy.

Councillors and Officers are both guided by codes of conduct which have been agreed by Council. The Officer Code was updated in 2017 and has been well communicated and understood throughout the organisation.

The Members' Code of Conduct was reviewed during 2020/21 by the Standards and Personnel Appeals Committee. The revised Code was adopted at the Council AGM in May 2021. The new Code incorporates elements of the Local Government Association's Model Code. The Council's Standards and Personnel Appeals Committee takes an active lead role in upholding standards and investigating any complaints made against Members. A number of complaints have been received during the year. The Committee continues to consider the Committee on Standards in Public Life report with a view to implement the best practice recommendations; this work is ongoing and forms part of the Committee's Work Plan for 2022/23.

Members and Officers are required to complete Register of Interests forms and to disclose gifts and hospitality. Members and Officers are reminded about this requirement at least annually. The Members' Gifts and Hospitality Register is published and refreshed guidance was issued following a review by the Standards and Personnel Appeals Committee. The Committee also receives an update regarding any declarations of gifts and hospitality quarterly.

The Chief Executive, the Corporate Leadership Team, and senior officers continually lead by example and promote the Council's priorities and values.



The Chief Executive personally addresses colleagues on key matters such as budgets and key organisational change issues. The Chief Executive speaks to senior and middle managers as part of the Extended Leadership Team / Aspiring Leadership Team, allowing two-way dialogue on all key issues.

The Employee Survey was carried out in late 2019 and supplemented by a COVID-19 Impact Employee Survey in May 2020. Both surveys had extremely positive outcomes with further increases in employee satisfaction across a range of measures including 'employer of choice', 'pride', leadership, development opportunities, quality of management, support with employee health and wellbeing, communications and engagement, flexible working, support with remote working. Outcomes from the Employee Survey, Culture Survey and Workforce Report have been integrated into Recruitment and Retention Strategies and key work programmes such as Digital Service Transformation, agile working, HR and physical and mental health and wellbeing support. A new Employee Survey is planned for 2022/23.

The Constitution is regularly updated and a review is carried out annually.

A suite of Anti-Fraud and Corruption Policies and Procedures are in place which were reviewed in February 2020 and March 2022 by the Audit Committee. A "Governance" hub is available on the intranet and the Council's website which contains links to these policies and a wider range of governance documents, such as the Constitution.

The Anti-Fraud and Corruption Officer Working Group with clear terms of reference meets quarterly to oversee the Council's approach to fraud and corruption and reports to CLT and Audit Committee. The Fraud Risk Register was reviewed and updated during 2021/22. The Council's Whistleblowing Policy is reviewed annually and the Audit Committee and the Standards and Personnel Appeals Committee receive reports regarding the way complaints received under the policy have been dealt with.

The Council has adopted a Modern Slavery and Human Trafficking Transparency Statement and Policy Statement which are reviewed annually. At its meeting in November 2019, the Council agreed to adopt the Co-operative Party's Charter against Modern Slavery ensuring that the Council's procurement practices do not support slavery.

A number of Council services are provided externally and these are reviewed with strong partner engagement and contract management.

Each of the statutory officers is able to operate with the appropriate independence; the organisational culture respects and supports their integrity and provides the staffing arrangements to support their work.

A Member/Officer Protocol informs the relationship between Officers and Members.



PRINCIPLE B- ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

How Does the Council Achieve This?

The Council operates in an open and transparent way, and takes the vast majority of its key decisions in public meetings at Council, Cabinet and Committees. The Constitution encourages debate around key decisions and Council meetings include the scope for questions from Councillors and members of the public. Arrangements were in place for urgent decision-making during the COVID-19 pandemic. The COVID Response and Recovery Scrutiny Panel continued to meet during 2021/22 and actively invited stakeholders to attend meetings.

The Council consults widely with internal and external stakeholders on key policy changes in accordance with its agreed policies. The Cabinet approved the Community Engagement Strategy in July 2020.

The Council has a well-developed approach to working with partners to achieve Corporate Plan outcomes. Co-location with the DWP and police partners has provided a positive impact leading to better ways of dealing with complex cases. Officers and the police hold bi-weekly Neighbourhood Tasking meetings.

A wide variety of communication methods are used to seek the views of different stakeholders. The Council's magazine "Ashfield Matters" is produced four times a year, and regular Citizens' Panel meetings (before the pandemic restricted the holding of these meetings) which allows residents to discuss key policy issues with senior Council managers. The Council continues to develop its use of social media channels such as Facebook, Twitter and YouTube, to promote Council campaigns, provide information to residents and businesses, deal with customer enquiries

and engage with local communities; this has been used very effectively during the pandemic. The Council's new, accessible Website was launched in Autumn 2020. Ashfield 24/7, the digital platform for residents to access the Council, was launched in February 2022.

Senior Managers continue to meet with the Trade Unions on a regular basis to actively engage and consult on employee related issues.

The Place Enhancement Programme continues to develop ways to improve the public perception of the District and promote the area. As part of this Programme, the Ashfield Place Board, which is independently chaired by a local business leader, meets regularly. The Board was responsible for creating and launching the "Discover Ashfield" brand.

Considerable engagement and consultation has taken place with partners and stakeholders in relation to the development of the proposed schemes for the Future High Streets Fund and the Towns Fund. Discover Ashfield acts as the Town Deal Board and provides oversight of the project programme including the sign off of business cases before submission to Government for approval of funding.

The public was extensively consulted during 2021 regarding the draft Local Plan. Regeneration officers have created a Business Support Directory.



PRINCIPLE C- DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

How Does the Council Achieve This?

The Corporate Plan sets out clearly the outcomes to which the Council is committed. It continually checks the deliverability of these outcomes against the available resources and for this purpose both the Corporate Plan and the Medium Term Financial Plan are reviewed.

The Council's performance indicators and its Corporate Scorecard and Place Scorecard are considered regularly by senior management, Overview and Scrutiny Committee and Cabinet.

Comprehensive and regular dialogue, on priorities, performance and financial planning take place between the Cabinet and the (CLT), with the result that the Council is able to shape its ambitions around the resources available to it, and its partners. Long-term impacts of decisions are forecast using the Council's Weighted Benefit Model for individual projects, and the Medium Term Financial Strategy for the whole of the Council's services; the MTFS was updated and approved by Council in March 2022. The Treasury Management Strategy and Related Policy Statements were approved at Audit Committee and Cabinet in February 2022. The Council's updated Capital Strategy, Commercial Property and Investment Strategy and Commercial Property Indicators were approved at Audit Committee and Cabinet in February 2022 before approval at Council in March 2022. The LGA carried out an independent financial health check during December 2021 which was very positive and demonstrated the Council has robust policies and processes in place; the report was published as part of a report to Cabinet in February 2022 and Council in March 2022.

The Council's Corporate and Fraud Risks are identified and recorded in registers and regularly monitored through CLT, Cabinet and Audit Committee. The Council's Corporate Risk Register was updated in light of COVID-19. The Corporate Risk Strategy, Risk Register and Risk Appetite Framework were approved at Audit Committee and Cabinet in March 2022. The Council's Risk Management processes received a reasonable assurance during a recent internal audit review.

In accordance with the Council's Social Value Policy, to date, from January 2021, in our first year alone, the committed social value for all of the 7 contracts subjected to this route is £1,451,290.

During 2020/21 the Council also adopted the Ashfield Health and Wellbeing Partnership Strategy 2021-25 and the Environmental Charter.



PRINCIPLE D- DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

How Does the Council Achieve This?

The Council's interventions which aim to achieve its Corporate Plan objectives are planned through a number of Programme Boards or are monitored as a regular agenda item at directorate management team meetings. The current programme boards are:-

- Regeneration
- Commercial Investment Working Group
- Digital and Service Transformation
- Discover Ashfield
- Health and Well Being
- Efficiency (assets, procurement and restructures)
- Social Housing Regulatory Board

Where relevant, Project Boards sit underneath these boards, working specifically on key projects.

The programme boards consider the merits of a range of projects for achieving the aims of the Corporate Plan. They employ the Council's Weighted Benefit Model to assess the impact against key priorities, and the affordability of the intervention.

The Corporate Leadership Team considers the priority order for new projects, and their affordability in the context of the Medium Term Financial Strategy.



PRINCIPLE E- DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

How Does the Council Achieve This?

The Leader and Chief Executive have clearly defined roles. Regular meetings between senior managers and Executive Lead Members allow for timely discussion of emerging policies and issues, and overviews of strategic developments such as the budget and MTFs.

Comprehensive training programmes are in place for officers and Members; this Learning and Development programme is shared between Ashfield and Mansfield as part of the Human Resources Shared Service. Working between the two organisations gives valuable insights into different approaches to organisational management and development.

The Members' Development Strategy was revised by the Standards and Personnel Appeals Committee in December 2021. Mandatory training has been identified and incorporated into the Code of Conduct. A comprehensive Member Induction programme to ensure new and returning Members are well equipped for their roles as Councillors will be developed by the Standards and Personnel Appeals Committee for implementation in May 2023.

The Council has a People Strategy in place and is actively working to develop officers as part of the Leadership Competency Framework (integrated into PDRs and recruitment). A recent internal audit review of People Management arrangements reported a reasonable level of assurance. The digital and service transformation (DST) programme retains an iterative, strategic and operational approach, realigning priority projects to the changing and developing needs of the Council and its residents and is being integrated into the ongoing service review, hybrid working and asset rationalisation programmes underpinned by enhanced customer experience and driving efficiencies through use of technology. 24/7 access to services has been enhanced by the launch of the customer portal and rapid expansion of online payments and 2-way engagement with services. By March 2022, the DST programme had enabled £2 million of efficiencies directly supporting a sustainable medium term financial strategy.



PRINCIPLE F- MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

How Does the Council Achieve This?

The Council's Corporate Risk Register is regularly updated and considered by Cabinet and the Audit Committee. The Anti-Fraud and Corruption Working Group monitors the Fraud Risk Register quarterly and reports to the Audit Committee annually.

Risk Management informs service planning and project planning and is a specific consideration when new capital projects are being developed. The Corporate Risk Register is aligned to the Corporate Plan and its priorities and was updated to take account of COVID-19.

The Council has well-developed Emergency Planning processes and procedures and contributes to regional training events and Local Resilience Forum Sub-Groups. Each service has a Business Continuity Plan and a Critical Function Plan (if appropriate). The Council's Business Continuity and Emergency Planning procedures have been successfully implemented and improved during the pandemic and the Council has taken an active role in the LRF's Response and Recovery Structures as well as implementing its own internal structures.

The Council has a mature performance management system and reporting, developed over a number of years and reflecting all of the Council's key performance areas. This is summarised in a Corporate Scorecard which is scrutinised quarterly. Data accuracy is regularly audited. A revised Data Quality Strategy was approved in May 2022.

The Council has a good track record of setting robust budgets and spending within the approved budget. The Council's finances have been guided by a well-developed and communicated MTFs for several years. This MTFs is informed by

regional and national expertise and the latest iteration is informed by resource modelling from Local Government Futures (LG Futures). By setting and implementing annual savings plans, the Council has been able to consistently reduce its net budget. The Council has achieved unqualified accounts and a positive Value For Money assessment throughout this period. The LGA's Financial Health check provided assurance regarding the Council's financial arrangements. Financial Health and Resilience and Payment Card internal audits confirmed a reasonable level of assurance.

The Commercial Investment Plan and Capital Strategy which includes due diligence and risk mitigation processes was updated and approved at Cabinet and Council in February and March 2022 respectively.

Internal Control is achieved by a wide range of processes working successfully, and CMAP's assessment of internal control can be found earlier in this document. The Council's Data Management arrangements are updated regularly in line with Government guidelines and best practice and these are subject to regular detailed audits. Implementation of GDPR was successfully managed through the Project Management Framework and continues to be developed in line with new guidance and advice from the Information Commissioner.

In line with the Social Housing White Paper an action plan was devised and reported to Cabinet twice within the year. The report outlined progress and requirements to ensure that risks and performance were enhanced and presented for regular scrutiny by the 'responsible body' of the Council. A composite 'compliance' risk was also added to the Corporate Risk Register. The social housing function was also benchmarked against other providers on a national basis by Housemark, comparing performance and cost. Housemark provided a benchmarking report and presented it to CLT and Housing DMT.



PRINCIPLE G- IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

How Does the Council Achieve This?

The Council's decision making is transparent; the Forward Plan of Key Decisions is accessible and is reviewed on a weekly basis by CLT. Decisions are readily available through the Council's website on the user-friendly "modern.gov" system. A recent audit report looking at delegated decision making gave assurance that the Council's processes and procedures are sound.

The budget and performance are subject to reports at least quarterly.

The Council's Pay Policy Statement and Gender Pay Gap have been published.

The Annual Governance Statement and Corporate Assurance Checklist are updated annually.

In line with the Regulator of Social Housing's expectation of tenant 'co-regulation' of the Housing Services, the social housing service produced a tenant annual report which provided benchmarked performance and cost data to tenants. Data and policy reviews were also presented, discussed and refreshed with various tenant groups. The department also produced a self-assessment against the Social Housing Ombudsman code which was approved by Cabinet and published on the Council's website.

Audit recommendations are owned by management and are largely acted upon in a timely manner. There are a number of processes in place for monitoring recommendations including through CMAP reminders, reports through CLT and Performance Boards; some recommendations are also monitored via the Council's performance management system (Pentana).

The Council's Corporate Complaints Strategy and Procedures were reviewed and updated during 2021/22.



Report To:	AUDIT COMMITTEE
Date:	25TH JULY 2022
Heading:	COUNCIL'S TREASURY MANAGEMENT AND BORROWING ACTIVITIES 2021/22
Executive Lead Member:	EXECUTIVE LEAD MEMBER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN
Ward/s:	N/A
Key Decision:	NO
Subject to Call-In:	NO

Purpose of Report

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

It sets out the performance in 2021/22 against the prudential indicators, which were previously approved by Full Council on the 4th March 2021, as part of the Treasury Management Strategy. This ensures that borrowing and lending are controlled within reasonable limits, in line with good practice.

Recommendation(s)

Members are requested to note the performance including the compliant prudential indicators, as outlined in the report.

Reasons for Recommendation(s)

In accordance with the requirements of the Council's Financial Regulations (C.31), the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

In accordance with the requirements of the Council's Financial Regulations (C.30), Cabinet will receive and an annual Treasury Management Performance Report.

In accordance with CIPFA Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”), Members should approve the annual report for Treasury Management activity in 2021/22 which forms part of this document.

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

Alternative Options Considered

None.

Detailed Information

TREASURY MANAGEMENT - ANNUAL REPORT 2021/22

1. Introduction

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

2. The Financial Markets During 2021/22

2.1 Over the last two years, the coronavirus outbreak has resulted in 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 the Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

2.2 The UK economy has endured several interruptions through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the Gross Domestic Product (GDP) numbers have been robust and sufficient for the Monetary Policy Committee (MPC) to focus on tackling the second-round effects of inflation, now that the Consumer Price Index (CPI) measure has already risen to 9.1% for May 2022 and is expected to rise above 11% in Q4 2022.

3. Borrowing

3.1 The table below shows there has been no borrowing activities undertaken during the year:

Table 1 – Borrowing Activities 2021/22

Type of Loan	Amount Outstanding 01/04/21 £'000	Borrowed £'000	Repaid £'000	Amount Outstanding 31/03/22 £'000
Long Term Loans				
- PWLB	62,536	0	(0)	62,536
- Mortgage Loan	34,500	0	(0)	34,500
Total External Debt	97,036	0	(0)	97,036

3.3 The table represents the actual transactions and therefore will differ to those shown in the statement of accounts due to the statement of accounts including accruals for interest payable.

4. Prudential Borrowing Limits

4.1 One of the requirements of the CIPFA Prudential Code is to report performance against a range of indicators to Members. Underpinning the Prudential system for borrowing is the fundamental objective that any investment in assets needs to be both affordable and remain within sustainable limits. The Council sets its own targets, boundaries or limits against which it monitors actual performance. For 2021/22 these were approved by Council on 4th March 2021. The comparison of out-turn to those targets is set out in Appendix 1 to this report.

5. Loan Interest Payments

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

Table 2 – Loan Interest Payments

	Forecast	Actual	Variance
	£'000	£'000	£'000
PWLB	1,946	1,946	0
Mortgage Loans	1,574	1,574	0
Total	3,520	3,520	0

6. Investments

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

Table 3 - Investments

	Temporary Advances
	£000
Balance at 01/04/21	17,716
New Investments	208,324
Repayments	181,983
Balance at 31/03/22	44,057
Annual Return	0.09%

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

Table 4 – Investment Income

Forecast £000	Actual £000	Variance £000
13	31	+18

6.3 The above figures demonstrate that investments are an important element of the Council's budget. Relatively small movements in interest rates can have a significant impact on the income received. The main reasons for the better than expected investment income was due to the effects of the two increases in the Bank of England base rate in Q4 2021/22.

6.4 During 2021/22, the base rate started at 0.10% and ended the year at 0.75%.

Implications

Corporate Plan:

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

Legal:

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

Finance:

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

Risk:

Risk	Mitigation
None Identified	N/A

Human Resources:

No adverse Human Resources implications identified.

Environmental/Sustainability

No Environmental/Sustainability implications.

Equalities:

No adverse Equality implications.

Other Implications:

None.

Reason(s) for Urgency

N/A

Reason(s) for Exemption

N/A

Background Papers

Treasury Management Strategy Report
Mid-Year Treasury Management Report

Report Author and Contact Officer

Colin Heap
Principal Accountant – Capital and Treasury
01623 457215

Sponsoring Director

Craig Bonar
Director-Resources and Business Transformation
Tel: 01623 457203
Email: Craig.Bonar@ashfield.gov.uk

APPENDIX 1 PRUDENTIAL INDICATORS OUTTURN 2021/22

1. Prudential Indicators of Affordability

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

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

2021/22	Target %	Actual %
Housing Revenue Account	14.60	14.30
General Fund	20.32	15.44

The variance to target; on the Housing Revenue is due to an increase in interest receivable following the base rate increases during 2021/22 and on the General Fund is due to NDR and Government Grants being higher than previously expected.

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

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

2021/22	Target £	Actual £
Housing Revenue Account (52 Weeks)	0.00	0.00
General Fund (Band D)	25.33	9.01

The target indicators were approved by Council 4th March 2021. The main reasons for the General Fund being lower than target are the borrowing for the capital funding on the new leisure centre was lower than budgeted by £5m due to spend reprofiling, moving spend into the following year and the funding for Towns Fund and Future High Street Fund (FHSF) has been switched with borrowing as directed by Central Government meaning the borrowing requirement has been reduced in 2021/22 by £4.5m. This borrowing requirement will be carried forward to future years.

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

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

31 st March 2022	Target £m	Actual £m
-----------------------------	-----------	-----------

Housing Revenue Account	80	80
General Fund	102	87

The main reasons for the General Fund being lower than target are due to reduced borrowing in year as outlined above.

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

2021/22	Target £m	Revised Capital Programme £m	Actual £m
Housing Revenue Account	15.4	10.7	8.5
General Fund	22.6	29.4	17.0

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

- i) HRA – Variance to revised capital programme largely due to delivery of Decent Homes Work and Green Homes Grants being impacted on by material and labour shortages.
- ii) GF – Underspends on Kirkby Leisure Centre, Towns Fund Projects and Future High Street Fund projects, again due to material, labour and consultant shortages.

e) **Authorised Limit of external debt**

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

2021/22	Authorised Limit £m	Actual Borrowing £m
Borrowing	205	97

f) **Operational Boundary**

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

2021/22	Operational Boundary £m	Actual Borrowing £m
Borrowing	186	97

2. Prudential Indicators for Prudence

a) **Interest rate exposure**

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

Principal Outstanding 2021/22	Target £'000	Actual £'000
At Fixed Rates	206,000	77,536
At Variable rates	82,400	19,500

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

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

Maturity	Lower Limit £'000	Upper Limit £'000	Actual 31 st March 2022 £'000
Less than 12 months	0	20,000	6,500
12 months to 24 months	0	20,000	4,227
24 months to 5 years	0	25,000	3,963
5 years to 10 years	0	50,000	9,046
10 year and over	10	100,000	73,300

Principal sums invested for more than 364 days

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

2021/22	Limit £m	Actual £m
Upper Limit	5	0

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank