

ASHFIELD DISTRICT COUNCIL



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

Agenda

Audit Committee

Date: **Monday, 28th November, 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

Jamie Bell

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 25 July 2022.** 5 - 8
4. **Outdoor Recreation - Sports Bookings Audit Assignment: Verbal Update.**
5. **MAZARS: Audit Completion Report.** 9 - 48
6. **Audited Statement of Accounts 2021/22.** 49 - 52
7. **Treasury Management Mid Year Report 2022-23.** 53 - 68
8. **Review of Local Code of Corporate Governance.** 69 - 82
9. **Central Midlands Audit Partnership - External Quality Assessment.** 83 - 88
10. **Audit Progress Report.** 89 - 106
11. **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.”

12.	Investment Property Performance 2022/23 as at 30th September 2022.	107 - 120
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Agenda Item 3

AUDIT COMMITTEE

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

on Monday, 25th July, 2022 at 7.00 pm

Present: Councillor Dave Shaw in the Chair;

Councillors John Baird, Warren Nuttall (as substitute for Jim Blagden), David Walters and Caroline Wilkinson (as substitute for Will Bostock).

**Apologies for
Absence:** Councillors Jim Blagden, Will Bostock,
Christian Chapman and Kevin Rostance.

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

In Attendance: David Hoose (Mazars) and Hannah McDonald (CMAP).

AC.1 Appointment of Chairman

RESOLVED

that Councillor Dave Shaw be appointed as Chairman for the duration of the meeting.

AC.2 Declarations of Disclosable Pecuniary or Personal Interests and/or Non-Registrable Interests

No declarations of interest were made.

AC.3 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 28 March 2022, be received and approved as a correct record.

Committee were asked to note that the requested update to advise Members on progress regarding the Outdoor Recreation (Sports Bookings) Report recommendations would now be submitted to the September 2022 meeting of the Audit Committee (Minute No. AC.35(c) refers).

AC.4 Internal Audit Annual Report 2021-22

Hannah McDonald, CMAP's Group Auditor, presented the Internal Audit Annual Report for 2021/22 on behalf of CMAP's Audit Manager, Mandy Marples, who was not in attendance at the meeting.

The Audit Manager had reached the overall conclusion/opinion that there was currently a Satisfactory System of Governance, Risk and Internal Control at the Council. Findings had indicated that on the whole, arrangements were satisfactory, and management had been supportive towards implementation of the suggested enhancements outlined in the action plan for improvement as presented.

RESOLVED

that the Internal Audit Annual Report for 2021/22 including the supporting Internal Audit Opinion, be received and noted.

AC.5 Audit Progress Report

Hannah McDonald, CMAP's Group Auditor, presented the report and summarised audit progress as at 11 July 2022.

There had been one change to the Audit Plan as the Council had been selected for a further audit under the Homes England Compliance Audit Programme, following an audit conducted the previous year. Management had requested that CMAP undertake the Independent Auditor role so to accommodate the audit within the 2022/23 Internal Audit Plan, the time allocated to the People Management Audit had been removed.

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

IT Consultancy – Office 365
Scrutiny
Anti-Fraud & Corruption
Accounting Systems 2021-22
Corporate Credit Cards
Planning.

There were 14 recommendations that were due for implementation where management updates had not been secured, and a further 46 recommendations where management confirmed that these actions were being implemented.

RESOLVED

that audit assignment progress as at 11 July 2022, as presented to Committee, be received and noted.

AC.6 Mazars: Audit Strategy Memorandum

David Hoose presented the Audit Strategy Memorandum for the year ending 31 March 2022 to Committee which gave an overview of the audit's scope and responsibilities, timelines and methodology for the coming financial year.

Three significant audit risks in relation to Management override of controls, Valuation of the net defined benefit liability and Valuation of property, plant and equipment had been identified and outlined in the report. Members were

asked to note that these were fairly standard risks across the board nationally and were not isolated risks, specific to the Council.

Committee acknowledged the proposed audit fees, as outlined in the report, and noted that some fees from the previous year were still currently under investigation.

RESOLVED

that the Audit Strategy Memorandum for 2021/22, as presented to Committee, be received and noted.

AC.7 Annual Governance Statement 2021/22

The Director of Legal and Governance (and Monitoring Officer) presented the proposed Annual Governance Statement for 2021/22. Production of the Statement is a requirement of law and forms part of the Council's Annual Statement of Accounts submission.

The Statement provides an overview of the Council's effectiveness of its systems of internal control and in addition, how the Council determines what its local community wants and needs, how those requirements are to be met and how it ensures that it delivers what is required without wasting public money.

Members also considered progress against improvement actions for 2021/22, as outlined in the document, including new identified improvement actions set out for 2022/23. The impact of delivering the Towns Fund Programme was acknowledged by the Panel and the need to ensure that all necessary resources were firmly in place to achieve the desired outcomes.

RESOLVED

that the Annual Governance Statement for 2021/22, as presented, be received and approved.

AC.8 Council's Treasury Management and Borrowing Activities 2021/22

The Council's Chief Accountant presented the report providing information on the Council's treasury management activities over the previous year. Members considered performance during 2021/22 against the prudential indicators approved by Council on 4 March 2021, as part of the Treasury Management Strategy.

RESOLVED

that the Treasury Management performance against prudential indicators, as outlined in the report, be received and noted.

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

RESOLVED

that in accordance with the provisions of Section 100A of the Local Government Act 1972, the press and public be now excluded from the meeting during the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and in respect of which the Proper Officer considers the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**AC.10 Investment Property Performance 2021/22:
(exempt by virtue of paragraph 3)**

The Council's Chief Accountant gave Members an update regarding performance and monitoring of the Council's Commercial and Investment Property Portfolio for 2021/22.

RESOLVED

that performance in relation to the Council's Commercial and Investment Property Portfolio for 2021/22, as presented, be received and noted.

The meeting closed at 7.52 pm

Chairman.

Audit Completion Report

Ashfield District Council – Year ended 31
March 2022

Pages
9 November 2022



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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

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

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17 November 2022

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated 5 July 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

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

Yours faithfully



David Hoose, Key Audit Partner

Mazars LLP

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01

Section 01:
Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Management override of controls;
- Net defined benefit liability valuation; and
- Valuation of property, plant and equipment.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £1,060k. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report, there are matters outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

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



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B. This is subject to the work outstanding, identified in section 2 of this report.



Value for Money

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



Whole of Government Accounts (WGA)

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



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.











02

Section 02: **Status of the audit**

2. Status of the audit

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

Audit area	Status	Description of the outstanding matters
S106 Capital Grants Unapplied		The Council have identified a material adjustment to the financial statements in respect of S106 Capital Grants Unapplied being incorrectly classified on the Balance Sheet. The Council have determined that these monies should be classified as Grants Received in Advance. Value is approximately £2m. As this transaction is material, it therefore, constitutes a prior period adjustment also for the 2020/21 balances. There is a net nil impact on the Council's balance sheet and reserves, and discussions are being held amongst the audit team and management to what needs to be included within the revised set of financial statements. This has been identified as 'Red' given the material sums attached to the amendment.
Investment Property and Property, Plant and Equipment Valuations		We are awaiting a response in respect of a few queries that were sent to the Council's valuer.
Loans and Borrowings		We are currently awaiting one external third party confirmation.
Related Parties		We are currently awaiting 1 updated interest form.
Information Technology General Control (ITGC) document		We are still awaiting a completed ITGC document from the Council.
IAS19 Defined benefit liability valuation		We received a formal response from the Nottinghamshire Pension Fund Auditors on 14 November 2022. We are currently processing the information supplied to establish the impact this may have on our financial audit. An unadjusted misstatement has been identified, refer to section 6 for additional information.
Whole of Government Accounts		We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received. This covers both 2020/21 and 2021/22.
Completion procedures		Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.



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



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



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

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £1,760k using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £1,546k using the same benchmark

Reliance on internal audit

No reliance has been placed on internal audit for the 2021/22 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council.

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.

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

Use of experts

Item of account	Management's expert	Our expert
Property, Plant and Equipment and Investment property	<u>Internal Valuer</u> Mr M Kirk – Estates Manager <u>External Valuer/s</u> Covers Other PPE and Investment Properties	None. We have used third party evidence provided via the NAO to support our challenge of valuation assumptions.
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 have used information supplied by LAM to support our challenge and assumptions to management.



04

Section 04: **Significant findings**

4. Significant findings

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

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 14 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and

Significant risks

Management override of controls	Description of the risk
Page 19	<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>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit observations</p> <p>Our considerations of estimates is set out on page 16. We did not identify any significant transactions outside the normal course of business. We applied a combination of audit judgement and computer aided audit tools to analyse and perform tests over journal entries.</p>
	<p>Audit conclusion</p> <p>No issues have been identified, subject to clearance of matters set out in section 2 of this report that need to be brought to the attention of members.</p>



4. Significant findings

Defined benefit liability valuation	Description of the risk
(Local Government Pension Scheme)	<p>The defined benefit liability relating to the Local Government Pension Scheme represents significant balances on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk of misstatement in this area.</p>
	<p>Relevant Account Balances (taken from the 2021/22 draft financial statements):</p>
	<ul style="list-style-type: none"> £110,625k – Balance Sheet and Note 35b (Net pension liability)
	<p>How we addressed this risk</p>
	<p>We addressed this risk by:</p>
	<ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the Pension Funds' Actuary; liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This 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; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing 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.
	<p>Audit Observations</p>
	<p>The Council's share of the LGPS pension fund net liability (being a deficit position) of £110,625k has decreased from £124,085k in the prior year as shown in Note 35b of the financial statements. The main movements being an increase in the value of pension assets from £125,618k to £135,013k; and a decrease in the value of pension liabilities from £245,564k to £241,751k.</p>
	<p>A non-material £540k misstatement has been identified in relation to the movement on Local Government Pension Fund assets. Further details are in part 6 of this report.</p>
	<p>Audit conclusion</p>
	<p>Aside from the unadjusted misstatement identified above and clearance of matters set out in section 2 of this report, there are no further issues noted from our testing that need to be brought to the attention of Members.</p>

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4. Significant findings

Valuation of land & buildings and investment properties

Description of the risk

Land, Building and Investment Property assets are significant balances on the council's balance sheet. The valuation of these assets is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.

At the planning stage of the audit, this risk covers (figures have been taken from the draft 2021/22 financial statements):

- HRA Council Dwellings (£247,181k – Note 11)
- Land & Buildings (£58,279k - Note 11)
- Investment Properties (£50,670k – Note 14)

How we addressed this risk

We addressed this risk by:

- critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- considering 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;
- assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;
- critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and
- testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied.

Audit conclusion

In line with section 2 of this report, some queries remain outstanding so we are yet to finalise and confirm our findings, but no significant issues have been identified to date.

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 29 July 2022 and were of a good quality.

Going Concern

The Council's financial statements are prepared on the assumptions that it is a going concern and will continue its operations for the foreseeable future. International Auditing Standard ISA (UK) 570, requires auditors to 'obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern'.

Following the issue of Supplementary Guidance Note 1 (SGN1) by the National Audit Office, we have adopted a sector-specific approach to our work on going concern, which follows the principles of Practice Note 10 (PN10) and the guidance provided in SGN1. The SGN1 and PN10 make it clear that the auditor's focus for non-trading public sector bodies should be on the extent to which there are any indications that the services provided by an entity will cease or transfer outside of the public sector (termed the Continued Provision of Service approach ('CPoS')).

Significant difficulties during the audit

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

One difficulty we did encounter throughout the audit, that was out of our control and the Council's was in respect of the formal response from the Pension Fund Auditors of Nottinghamshire Pension fund. Initial contact was made on 10 May 2022, with a supplementary letter dated 05 October 2022. The letter stipulated a 31st October deadline, to allow for our timely review of workings in line with reporting requirements.

Acknowledgement was made, however; formal response was not received until 14 November 2022. As detailed in section 2 of this report, we are now in the process of working through our work program for the financial audit in respect of the information received. An unadjusted misstatement has been identified which is detailed in section 6 of this report.

Significant matters discussed with management

Significant matters discussed with management during our audit, and which had implications for our audit testing and reporting included:

- The on-going impact of Covid-19 on the Council's business, including any potential impact on risks of material misstatement;
- How the current financial market, has impacted the Council's budget setting process, and assumptions made within the financial statements, alongside the impact of future funding.
- Earlier this year, the Government became aware of an issue relating to the reporting of infrastructure assets, which has led to delays in local authority audits. In response, CIPFA LASAAC Code Board agreed to try to assist in the resolution of the issue through changes to the Code of Practice on Local Authority Accounting (the Code). An accounting solution has not been found and a proposal has been made for an accounting statutory override under the Local Government Act 2003. Consultation via the Department for Levelling Up, Housing and Communities website closes on 7 November 2022. Infrastructure assets as at 31 March 2022 for the Council was £56k, therefore, does not represent a material concern for the 2021/22 financial audit.

Audit fees

As set out in our Audit Strategy Memorandum, we identified the need for a variation to the published scale fee to take account of several matters. Our current estimate is set out below;

- Additional work in relation to responding to increased regulatory challenge in auditing the IAS19 pension figures contained within the financial statements; - **£3,200**
- Additional work in relation to responding to increased regulatory challenge in auditing the PPE figures contained within the financial statements; - **£5,000**
- ISA540 - additional work in relation to auditing accounting estimates and related disclosure; and - **£2,900**
- Work undertaken in relation to VFM commentary. - **£9,000**

We will agree the final fee, and any further variations, with management prior to reporting to Committee.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money

Appendices

4. Significant findings

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2021/22 audit.

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

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4. Significant findings

Accounting estimates

We specifically considered the following areas of accounting estimates;

Estimate	HRA Council Dwellings	Land & Building Valuations	Investment Property Valuations	Net Pensions Liability	Depreciation	Accruals	Financial Instruments	Provisions
Note(s)	11	11	14	35b	11	22	17	23
Value in 2021/22	The net book value of HRA Council Dwellings at 31 March 2022 was £247,181k.	The net book value of land, buildings at 31 March 2022 was £58,279k.	The net book value of investment properties at 31 March 2022 was £50,670k.	Local Government Pension Scheme - £110,625k.	Depreciation provided in the year was £6,319k.	The carrying value of accruals (both short and long term), is approximately £5,668k at 31 st March 2022.	The Council have a number of long and short term assets and liabilities.	The carrying value of provisions is £3,295k.
Audit Risk	Significant	Significant	Significant	Significant	Standard	Standard	Standard	Standard
Comments	Property valuation estimates (covering HRA Council Dwellings, Land & Buildings and Investment Properties) are derived using the professional opinion of the Council's external valuer/s. We have not identified to date any issues that need reporting.			An unadjusted misstatement has been identified due to a change within the Local Government Pension Fund Assets included on the Council's balance sheet. Refer to section 6 of this report for additional information.	Depreciation is calculated using the straight-line method based on useful asset lives. The method used is appropriate and the accounting policy for depreciation (Note 17 of the Council's accounting policies) is in line with the financial reporting framework. We have no significant issues to report.	Our sample testing of accruals to date has not identified any significant issues to report.	Our review and agreement of the disclosures in the financial statements have not identified any issues in relation to the estimate.	We have not identified any issues to report in respect of the Council's provisions included on the balance sheet.

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05

Section 05: **Internal control recommendations**

5. Internal control recommendations

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

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

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

In addition to the number of internal control recommendations identified in the current financial year (2021/22), we have considered the internal control recommendations from the prior year. There was a total of 3 recommendations identified in 2020/21. These were reported within our Audit Completion Report and Audit Follow Up letter.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0



5. Internal control recommendations

Other deficiencies in internal control – Level 2

Matters arising

As part of our Related Parties testing and consistency check, we identified two instances where declarations made by Councillors were not consistent with the information held at Companies House.

Description of deficiency

Declaration forms are not being completed appropriately in line with the Council's processes.

Potential effects

Disclosures within the financial statements could be incomplete and not correctly reflect said interests because there is a risk that the Council are not aware of transactions between the two parties.

Recommendation

The Council need to ensure that all declarations are consistent and cross checked back to Companies House and where an undisclosed interest arises, the forms are updated alongside the financial statements.

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Other deficiencies in internal control – Level 2

Matters arising

As part of our Capital Additions testing, we identified two assets that gave rise to a subsequent disposal and should have been accounted for as such. The assets in question, related to the Vehicle asset category included on the Council's balance sheet. No such adjustment was made to the Council's fixed asset register. No additional concerns were identified through our testing that would suggest the financial statements are materially misstated.

Description of deficiency

There is a risk that the Council are not undertaking timely monitoring of the fixed asset register.

Potential effects

The Council's fixed asset register is not being monitored and updated to accurately reflect disposals. There is a risk that Property, Plant and Equipment, in particular vehicle related assets is overstated in the financial statements as the Council no longer has legal ownership of the asset.

Recommendation

The Council need to ensure that their processes are reviewed and updated to ensure that such disposals are being identified and deleted from the fixed asset register.



5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

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

Potential effects

The Council is open to disputes over unregistered land.

Recommendation

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

Management update 2021/22

A field hold alternative evidence to support that the Council owns the asset in question.

There was a national project being pursued by the land registry to try and get all older land that is unregistered on their system which we were and are still participating with.

Audit team update 2021/22

No issues have been identified to date in respect of our substantive testing, and we are satisfied that adequate arrangements have been made by the Council to rectify the issue detailed above. This recommendation is therefore, **CLOSED**.

Description of deficiency

The Local Audit Team have identified a difference between the source records maintained by the Council and the Valuer relating to floor areas that has led to a misstatement (unadjusted) in the carrying value of land and buildings. Although the misstatement is below our trivial threshold, there were some large individual variances; representing both upward and downward movements.

Potential effects

Inaccurate property records being maintained.

Recommendation

The Council needs to ensure that accurate records are maintained for all assets and undertake an annual reconciliation between base data and information provided/ used by the valuer.

Management update 2021/22

In respect of the recommendation regarding accurate records being maintained for all assets.

It has been agreed that for each asset a floor area map will be maintained by the Valuer derived from the GIS system. It is to include the site area, the building area; the asset name, valuation method, the relevant measurement(s), and how this interlinks with the valuation report

This has been included in the instructions to the valuer for 21/22 and going forward where relevant, so for 21/22 this was for Surplus Assets and Non-Current Assets Held for Sale.

Audit team update 2021/22

No issues have been identified to date in respect of our substantive testing, and we are satisfied that adequate arrangements have been made by the Council to rectify the issue detailed above. This recommendation is therefore, **CLOSED**.

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5. Internal control recommendations

Follow up on previous internal control points (continued)

Description of deficiency

The Local Audit Team have identified a few instances, where there was no clear audit trail in regard to the source evidence and calculations used within the Property Beacon valuation approach.

Potential effects

The Local Audit Team may be unable to substantiate source evidence for queries surrounding the valuation process.

Recommendation

The Council needs to ensure that working papers are kept up to date and that there is a clear audit trail that allows the Local Audit Team to efficiently re-perform.

Management update 2021/22

In respect of a clear audit trail to support the beacon property valuations a spreadsheet/log has been devised and is being used by the valuer. This includes a list of all the Beacon properties , 3 columns for up to 3 comparable to be given for each beacon (not all 3 columns will be used for each beacon), the comparable columns should detail the address and sales price and why the comparable has been used, plus a link/screen shot to Zoopla to show the evidence to support the sale price, there is also an adjustment column to detail what adjustments have been made to the sale prices of the comparable(s) and why.

The following has been added to the valuer instructions:

In support of the valuation please can you provide a spreadsheet listing the beacon and the comparable(s) used for each beacon and include a screenshot (e.g., from Zoopla), give details of why that property has been used as a comparable and an explanation for any difference between the value of the comparable property and the valuation.

The log has been used this year to support the beacon valuations.

Audit team update 2021/22

No issues have been identified to date in respect of our substantive testing, and we are satisfied that adequate arrangements have been made by the Council to rectify the issue detailed above. This recommendation is therefore, **CLOSED**.



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £46k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

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

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Prepayments			520	
	Cr: Cost of Services - Expenditure		520		
<p>As part of our Expenditure Cut off testing, we identified a total of 2 transactions (total factual error is £27k), that had been paid by the Council in the current financial year, however, the goods/ services related to the 2022/23 financial year. The Council had not treated these as a prepayment and therefore, this represents an error in the Council's accounts. This meant that expenditure for 2021/22 is overstated and Prepayments are understated. Because we apply a sampling methodology, where we cannot confirm the error is isolated we must extrapolate the impact of the error across the remainder of the population. This has led to an extrapolated error of £520k.</p>					
2	Dr: LGPS Net Defined Pension Liability			540	
	Cr: LGPS Pension Reserve				540
<p>Mazars advised management of a matter brought to their attention by the Nottinghamshire Pension Fund auditors. The Pension Fund auditors had identified a 0.40% difference (increase) between the estimated 2021/22 Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2021/22 Fund financial statements being audited.</p> <p>As disclosed in Note 35b to the Council's financial statements the value of the Council's share of the Fund's estimated pension scheme assets at 31/3/2022 was £135,013k. The extrapolated 0.40% difference is £540k.</p> <p>Management chose not, on the grounds of materiality, to obtain an updated IAS19 valuation report or amend the accounts for the specific extrapolated differences above, which represent a £540k increase in both Total Net Assets and Total Reserves.</p>					
Total unadjusted misstatements				1,060	540

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6. Summary of misstatements

Adjusted misstatements

No adjusted misstatements have been identified for the 2021/22 financial audit.

Disclosure amendments

One disclosure amendment have been made to the 20201/22 financial statements; this is;

- Lease disclosures have been updated to reflect the correct split between the minimum future lease payment required.



07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

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

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

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

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in [insert date].

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

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

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Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

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

Dear Sirs

Ashfield District Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Ashfield District Council (the Council) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

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

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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



Appendix A: Draft management representation letter

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

Contingencies

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

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and

the amount of the loss can be reasonably estimated.

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

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

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- All knowledge of fraud or suspected fraud affecting the Council involving:

- management and those charged with governance;
- employees who have significant roles in internal control; and

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

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

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Appendix A: Draft management representation letter

Related party transactions

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

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

Impairment review

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

Charges on assets

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

Future commitments

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

Subsequent events

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

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

Covid-19

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

Brexit

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

Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.



Appendix A: Draft management representation letter

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

Annual Governance Statement

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

Narrative report

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

Unadjusted misstatements and internal control recommendations

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

Yours faithfully

Corporate Finance Manager (& Section 151 Officer)



Appendix A: Draft management representation letter

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Prepayments			520	
	Cr: Cost of Services - Expenditure		520		
<p>As part of our Expenditure Cut off testing, we identified a total of 2 transactions, that had been paid by the Council in the current financial year, however, the goods/ services related to the 2022/23 financial year. The Council had not accrued for these as a prepayment and therefore, this represents an error in the Council's accounts. This meant that expenditure for 2021/22 is overstated and Prepayments are understated. Because we apply a sampling methodology, where we cannot confirm the error is isolated we must extrapolate the impact of the error across the remainder of the population. This has led to an extrapolated error of £520k.</p>					
2	Dr: LGPS Net Defined Pension Liability			540	
	Cr: LGPS Pension Reserve				540
<p>Mazars advised management of a matter brought to their attention by the Nottinghamshire Pension Fund auditors. The Pension Fund auditors had identified a 0.40% difference (increase) between the estimated 2021/22 Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2021/22 Fund financial statements being audited.</p> <p>As disclosed in Note 35b to the Council's financial statements the value of the Council's share of the Fund's estimated pension scheme assets at 31/3/2022 was £135,013k. The extrapolated 0.40% difference is £540k.</p> <p>Management chose not, on the grounds of materiality, to obtain an updated IAS19 valuation report or amend the accounts for the specific extrapolated differences above, which represent a £540k increase in both Total Net Assets and Total Reserves.</p>					
Total unadjusted misstatements			520	1,060	540

Appendix A: Draft management representation letter

Other deficiencies in internal control – Level 2

Matters arising

As part of our Related Parties testing and consistency check, we identified two instances where declarations made by Councillors were not consistent with the information held at Companies House.

Description of deficiency

Declaration forms are not being completed appropriately in line with the Council's processes.

Potential effects

Disclosures within the financial statements could be incomplete and not correctly reflect said interests because there is a risk that the Council are not aware of transactions between the two parties.

Recommendation

The Council need to ensure that all declarations are consistent and cross checked back to Companies House and where an undisclosed interest arises, the forms are updated alongside the financial statements.

Other deficiencies in internal control – Level 2

Matters arising

As part of our Capital Additions testing, we identified two assets that gave rise to a subsequent disposal and should have been accounted for as such. The assets in question, related to the Vehicle asset category included on the Council's balance sheet. No such adjustment was made to the Council's fixed asset register. No additional concerns were identified through our testing that would suggest the financial statements are materially misstated.

Description of deficiency

There is a risk that the Council are not undertaking timely monitoring of the fixed asset register.

Potential effects

The Council's fixed asset register is not being monitored and updated to accurately reflect disposals. There is a risk that Property, Plant and Equipment, in particular vehicle related assets is overstated in the financial statements as the Council no longer has legal ownership of the asset.

Recommendation

The Council need to ensure that their processes are reviewed and updated to ensure that such disposals are being identified and deleted from the fixed asset register.

Appendix B: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Ashfield District Council ("the Council") for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account – Income and Expenditure Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Finance Manager (& Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Finance Manager (& Section 151 Officer) with respect to going concern are described in the relevant sections of this report.

Other information

The Corporate Finance Manager (& Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Corporate Finance Manager (& Section 151 Officer) for the financial statements

As explained more fully in the Statement of the Corporate Finance Manager (& Section 151 Officer)'s Responsibilities, the Corporate Finance Manager (& Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Corporate Finance Manager (& Section 151 Officer) is also responsible for such internal control as the Corporate Finance Manager (& Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Appendix B: Draft audit report

The Corporate Finance Manager (& Section 151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Corporate Finance Manager (& Section 151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

We evaluated the Corporate Finance Manager (& Section 151 Officer)'s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

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

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;

communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and

considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

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

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

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

We are also required to conclude on whether the Corporate Finance Manager (& Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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



Appendix B: Draft audit report

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

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

Responsibilities of the Council

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

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

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

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

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

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

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

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

We have nothing to report in these respects.

Use of the audit report

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

Delay in certification of completion of the audit

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

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

David Hoose, Key Audit Partner
For and on behalf of Mazars LLP
Park View House,
58 The Ropewalk,
Nottingham,
NG1 5DW

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Appendix C: Independence

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

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

Fees for non-PSAA work

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. None have been identified.

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Insurance services – Pooling of Housing Capital Receipts	£3,650	£3,350

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Appendix D: Other communications

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

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Appendix D: Other communications

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

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David Hoose, Key Audit Partner

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

*where permitted under applicable country laws.



Report To:	AUDIT COMMITTEE
Date:	28th NOVEMBER 2022
Heading:	AUDITED STATEMENT OF ACCOUNTS 2021/22
Portfolio Holder:	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 presents the Audit Committee with the Council's Statement of Accounts for 2021/22 and reports on the outcome of the external audit of the Council's Statement of Accounts 2021/22.

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

Recommendation(s)

To approve the audited Statement of Accounts for 2021/22 subject to the outstanding items identified in the External Auditors Completion Report 2021/22 .

To delegate authority for the final approval of the audited Statement of Accounts for 2021/22 to the Corporate Finance Manager (Section 151 Officer) subject to a satisfactory outcome of outstanding items and to report back to Audit Committee details of any changes, if required.

Reasons for Recommendation(s)

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

Alternative Options Considered

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

Detailed Information

Prior to the Covid-19 pandemic, the deadline for completion and publication of the draft Statement of Accounts was 31 May and the deadline for the final audited Statement of Accounts was the 31 July. These statutory deadlines were amended by the Accounts and Audit (Amendment) Regulations 2021 and 2022. The deadlines for the publication of the draft accounts were extended to the 31 July and the deadline for the publication of final audited accounts was extended to 30 November for the financial year beginning 2021.

The link to the draft statement of accounts is:

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

The audit has resulted in the following amendment to a disclosure note between the draft and final audited Statement of Accounts:

- The lease note has been updated to reflect the correct split between the minimum future lease payment required.

An adjustment was identified by the Council Finance officers in relation to S106 contributions that are time limited, they have been recognised as capital contributions unapplied, and they should be recognised as capital contributions RIA, as the time restriction is a condition.

The adjustment will change where the contributions appear on the balance sheet but will not change the overall position. It should also be noted it does not impact on our ability to access and spend the money. The changes required between the draft and final audited Statement of Accounts are currently being discussed and agreed by the Council Finance officers and the Auditors.

The Auditors work on the accounts is substantially complete, the outstanding matters are detailed in the Mazars Audit Completion Report (ISA 260). Due to the need to finalise these remaining few outstanding items, it is not expected the deadline for the publishing of the audited final accounts of the 30th November 2022 will be achieved. It is expected these last few items will be fully and promptly resolved, limiting the delay in publication. Delay in publication is allowed for by Regulation. The regulations require, in these circumstances that the Council publishes a notice on the website, which has been completed. The notice explains the final audited Statement of Accounts for the year ended 31 March 2022 will be published as soon as the audit is concluded, and the Independent Auditor's Report issued.

If any issues arise from the completion of the Auditors remaining work, they will be reported to the next Audit Committee.

Implications

Corporate Plan:

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

Legal:

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

Finance:

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

Risk:

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

Human Resources:

None

Environmental/Sustainability:

None

Equalities:

None

Background Papers

Statement of Accounts 2021/22

Mazars Audit Completion Report (ISA 260)

Report Author and Contact Officer

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Report To:	AUDIT COMMITTEE
Date:	28TH NOVEMBER 2022
Heading:	TREASURY MANAGEMENT MID YEAR REPORT 2022-23
Executive Lead Member:	EXECUTIVE LEAD MEMBER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN
Ward/s:	ALL
Key Decision:	NO
Subject to Call-In:	NO

Purpose of Report

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

- An economic update for the 2022/23 financial year as at 30 September 2022;
- The Council's capital position (including prudential indicators);
- The Council's investment portfolio for 2022/23;
- The Council's borrowing position for 2022/23.

Recommendation(s)

- 1) To note and recommend to Cabinet changes to the 2022/23 Prudential Indicators following in year changes to the 2022/23 Capital Programme; and,
- 2) To note the contents of the report.

Reasons for Recommendation(s)

In accordance with Financial Regulation C.31. The Audit Committee is responsible for providing effective scrutiny of the Treasury Management Strategy and policies.

In accordance with Financial Regulation C.30 Cabinet are responsible for the implementation and regular monitoring of Treasury Management policies and practices and are to receive, as a minimum, each year reports setting out the Annual Treasury Management Strategy and Plan for the coming year; a mid-year review and an annual Treasury Management Performance Report.

Alternative Options Considered

No other options have been considered as it is a requirement of Council's Financial Regulations that Treasury Management Performance is reported.

Detailed Information

1 Background

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

2 Economics and interest rates to date and the outlook for 2022/23

- 2.1 The second quarter of 2022/23 saw:
 - Gross Domestic Product (GDP) revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being. Q2 2022/23 GDP growth has recently been released which indicates a fall of 0.2%.
 - Signs of economic activity losing momentum as production fell due to rising energy prices;
 - CPI inflation eased to 9.9% y/y in August from 10.1% in July, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
 - The unemployment rate fell to a 48-year low of 3.6% due to a large shortfall in labour supply;
 - Bank Rate rise by 100bps over the quarter, taking the Bank Rate to 2.25%. On November 3rd the Bank of England raised base rates by 0.75% to 3.00% with further rises still expected;
 - Gilt yields which is the interest paid on Government debt has surged and sterling has fallen following the "fiscal event" of the new Prime Minister and Chancellor on 23rd September. The Council's main source of borrowing is the Public Works Loan Board (PWL); PWLB interest rates are set at a rate of 0.80% above gilt yield. Therefore, any increase in gilt yields represents an increase in future borrowing costs to the Authority, should there be a need to borrow.
- 2.2 There are signs of higher energy prices creating more persistent downward effects in economic activity.

- 2.3 The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand.

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

Prudential Indicators

3.1 Capital Programme

- 3.1.1 Table 1 below shows the revised estimates for capital expenditure considering the changes since the Capital Programme was agreed by Council on 29th September 2022.

Table 1 – Capital Programme 2022/23

Capital Expenditure by Service	2022/23 Original Estimate £m	2022/23 Revised Estimate £m
General Fund	20.313	29.038
Area Schemes	0.054	0.501
HRA - Decent Homes	12.580	13.189
HRA – Other	11.814	12.013
Total capital expenditure	44.761	54.741

- 3.1.2 The main reasons for the increase in the General Fund capital expenditure is due to the addition of slippage of £11.85m on the 2021/22 Capital Programme, slippage of £2m of Future High Street Schemes from 2022/23 to 2023/24 and a £0.7m reduction in Green Homes Grants. The change in the HRA - Decent Homes Schemes and HRA - Other is mainly due to 2022/23 slippage. The increase in Area Schemes is due to slippage from 2021/22.
- 3.1.3 Table 2 below draws together the main treasury management strategic elements of the capital expenditure plans (above), highlighting the original and the revised estimated financing arrangements of this capital expenditure.

Table 2 – Capital Expenditure Funding

Capital Expenditure	2022/23 Original Estimate £m	2022/23 Revised Estimate £m
Total capital expenditure	44.761	54.741
Financed by:		
Capital receipts	3.616	4.263
Capital grants	8.468	9.248
Capital reserves	19.645	18.870
Total financing	31.729	32.381
Borrowing requirement	13.032	22.360

3.1.4 The borrowing requirement for 2022/23 has increased largely because of the expenditure slippage from 2021/22, which was largely funded by borrowing.

3.2 Capital Financing Requirement, Operational Boundary and Authorised Limit

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

Table 3 – Capital Financing Requirement (CFR)

	2022/23 Original Estimate £m	2022/23 Revised Estimate (Adjusted for Slippage) £m
Prudential Indicator – Capital Financing Requirement		
CFR Non-Housing	105.303	106.657
CFR – Housing	80.061	80.061
Total CFR	185.364	186.718
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	188.000	188.000
Other Long Term Liabilities	0.000	0.000
Total debt 31st March	188.000	188.000
Prudential Indicator – the Authorised Limit for external debt		
Borrowing	217.000	217.000
Other Long Term Liabilities	0.000	0.000
Total debt 31st March	217.000	217.000

3.2.2 The 2022/23 Capital Financing Requirement has increased due to the inclusion of in District regeneration schemes on to the CFR.

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

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

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

	Original 2022/23 Estimate %	Revised 2022/23 Estimate %
Housing Revenue Account	13.92	11.58
Non HRA (General Fund)	21.49	22.48

3.3.2 The Housing Revenue Account's revised estimates is lower due to interest receivable being higher than originally forecast. The Non HRA (General Fund) has increased slightly due to interest payments on fund balances being higher than previously anticipated.

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

3.4.1 These indicators have been prepared using the revised Capital Programme, approved by Council on the 29th of September 2022. For the General Fund this is calculated by dividing the estimated capital financing costs by the estimated Council Tax Band D equivalents. There is no borrowing planned for the Housing Revenue Account (HRA) therefore these ratios are nil. If in future years, there was to be HRA borrowing, the ratio would be calculated by dividing the estimated capital financing costs by the estimated number of council dwellings.

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

	Original 2022-23 Estimate £	Revised 2022-23 Estimate £
General Fund (Band D)	19.88	24.51
HRA (52 Weeks)	0	0

3.4.2 The incremental impact of capital investment on the General Fund is higher due to slippage on the 2021/22 Capital Programme into 2022/23.

4. **Prudential Indicators for Treasury Management**

4.1 **Interest rate exposure**

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

4.1.2 Depending on the level of interest rates and their expected movement in the year, the Council may take up all of its new borrowings in the form of either fixed or variable rate debt. The figures in Table 6 compares the Actual level of debt to the operational boundary which is the prudent limit for debt, this is split between exposure to fixed and variable interest rates.

Table 6 - Interest Rate Exposure

Principal Outstanding	2022/2023 30th September 2022 Actual	2022/2023 Original
	£m	£m
Fixed Rates	97.0	188.0
Variable Rates (No more than 40% of the operational boundary).	15.0	75.2

4.2 Maturity Structure of borrowing

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

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

Table 7 - Maturity Structure of Debt

Maturity Structure of Fixed Rate Borrowing	Actual Position for 30/09/2022	Lower Limit %	Upper Limit %
Under 12 Months	7.73%	0%	5%
Under 24 Months	11.05%	0%	10%
Under 5 years	15.14%	0%	20%
Under 10 Years	24.46%	0%	25%
Under 20 Years	37.86%	0%	40%
Under 30 Years	43.01%	0%	50%
Under 40 Years	77.02%	0%	80%
Under 50 Years	100.00%	0%	100%
50 Years and Above	0.00%	0%	0%

4.2.3 Whilst the mid-year position is showing the upper limits have been exceeded for under 12 months and under 24 months, this will be addressed by the end of the year. There are currently two loans totalling £6.5m maturing at the end of the financial year; there will not be a requirement to re-finance these loans during the 2022/23 financial year, therefore the ratio for loans under 12 months on 31st March 2023 will reduce to 1.10% and the ratio for loans under 24 months will reduce to 4.67%.

4.3 Principal sums invested for more than 364 days

4.3.1 Where a local authority invests or plans to invest for periods of more than 364 days it must set an upper limit for each year for the maturity of such investments. The purpose of setting this

limit is to contain any exposure to losses, which might arise in the event of having to seek early repayment of the investment and / or adverse movements in shorter-term interest rates.

4.3.2 The strategy for 2022/23 set a limit of a maximum of £5m in each of the next three years to be placed in longer-term investments. The Authority currently does not have any long-term investments.

5. Investment Portfolio 2022/23

5.1 In accordance with the Code, it is the Council's priority to ensure security of capital, liquidity and to obtain an appropriate level of return, which is consistent with the Council's risk appetite. Table 8 provides a summary of the Council's total investments as of 30th September 2022.

Table 8 – Summary of Investments

Borrower	Balance at 30/09/22 £000's
Call Accounts	1,664
Money Market Funds	20,000
Notice Account	0
Fixed Term Deposits	19,000
Total	40,664

5.2 Call Accounts

5.2.1 In total, the Council held £1.664m of call account investments (see table 9 below) as of 30 September 2022 (£5.1m on 31 March 2022) and the average investment portfolio yield for all investments in the first six months of the year is 0.42%.

Table 9 – Call Accounts

Borrower	Balance at 30/09/22 £000's
Barclays Bank	1,564
Handelsbanken	100
Total	1,664

5.3 Notice Accounts

5.3.1 The Council currently has nil balances in notice accounts (£5m on 31st March 2022). The balance in the Santander 35 Day Notice Account was withdrawn 30th August 2022. The average interest rate received from this account during 2022/23 whilst it was open was 0.71%.

Table 10 – Notice Accounts

Borrower	Balance at 30/09/22 £000's
Santander 35 Day Notice Account	0

5.4 Money Market Funds

5.4.1 The Council currently has four Low Volatility Net Asset Value (LVNAV) Money Market Funds. This means that the value of the shares that the Council holds in these funds may go down as well as up. However, it is unlikely that there will be a change in the price of the Money Market Fund shares between the prices paid and monies received when the shares are sold. In accordance with the Council's approved Strategy no more than £5m is placed with any one institution.

Table 11 – Money Market Funds

Borrower	Balance at 30/09/22 £000's
Aberdeen Standard Liquidity	5,000
Insight Investments	5,000
Federated Hermes	5,000
Aviva	5,000
Total	20,000

The average interest rate for Money Market Funds (MMFs) is 1.15% which has generated MMF interest of £103k for the first half of the financial year.

5.5 Fixed Term Deposits

5.5.1 At the end of September 2022, the Council had £19m in fixed term deposits with Nationwide Building Society, Clydesdale Bank, Landesbank, Skipton Building Society and UK Government Debt Management Office (DMO). This compares to £16.0m as at the 31st March 2022. There have been multiple term deposits with Nationwide Building Society and the DMO, for various periods between 1st April and 30th September 2022, represented by the level of new investments and repayments in the table below.

Table 12 – Fixed Term Deposits

Opening Balance £000's	New Investments £000's	Repayments £000's	Closing Balance £000's
16,000	45,000	42,000	19,000

5.5.2 The comparison below shows the performance of these fixed term deposit investments against the current Sterling Overnight Index Average (SONIA) rate.

Table 13 – Fixed Term Deposits Comparison to Bank of England base rate

SONIA Rate as of 30th September	Average SONIA rate 1st April 2022 to 30th September 2022	Council Performance	Investment Interest Earned £000's

2.19%	1.24%	1.04%	£88k
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5.6 Interest Receivable Budget

5.6.1 The Council's budgeted investment return for 2022/23 is £5k and performance for the half year to 30 September 2022 is £215k, which comprises £88k from term deposits, £103k from Money Market Funds, £15k from Notice Accounts and £9k from call deposits. The estimated full year outturn is expected to be approximately £600k. The main reasons for the increase are the budget was estimated for 2022/23 when the Bank of England Base Rate was only 0.25% it has now increased to 2.25% and investment balances are higher partly due to capital programme slippage and greater working capital.

6 Borrowing

6.1 There have been no borrowing activities undertaken during the year to 30 September 2022 as summarised below:

Table 14 – Council's borrowing activities to 30th September 2022

Type of Loan	As at 31 March 2022 £'000	Borrowed £'000	Repaid £'000	As at 30 Sept 2022 £'000
Fixed PWLB	62,536	0	0	62,536
Private Placement Loans – LOBO	19,500	0	0	19,500
Private Placement Loans – Fixed	15,000	0	0	15,000
Total External Debt	97,036	0	0	97,036

7 Investment Properties

7.1 As of the 1st of April 2022 the Council had spent £61.810m on investment properties funded by prudential borrowing. These investment properties are expected to generate £4.548m gross rental income per annum which is a gross yield of 7.4%. The impact of investing in investment properties funded by prudential borrowing is that CFR increases by the cost of the investment properties, this cost is then charged to the revenue account over the asset life through MRP charges. Further information on investment property performance is included in the investment property performance report.

Glossary of Terms

bps

Basis points - 1 basis point equals 1/100 of 1% or 0.01%.

Call Accounts

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

Consumer Price Index (CPI)

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

Federal Reserve (Fed)

The central banking system of the United States of America.

Gross Domestic Product (GDP)

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

Gilts

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

LIBID

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

Monetary Policy Committee (MPC)

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

Public Works Loan Board (PWLB)

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

q/q

The change from previous the previous quarter.

Quantitative Easing (QE)

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

SONIA

SONIA (Sterling Overnight Index Average) is the effective overnight interest rate for unsecured transactions in the British sterling market.

y/y

The change from previous year.

Implications

Corporate Plan:

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

Legal:

Requirement to adhere to the CIPFA Prudential Code. Ensures compliance with Financial Regulations. [RLD 15/11/2022]

Finance: [PH 16/11/2022].

Budget Area	Implication
General Fund – Revenue Budget	No significant implications
General Fund – Capital Programme	No significant implications
Housing Revenue Account – Revenue Budget	No significant implications
Housing Revenue Account – Capital Programme	No significant implications

Risk:

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

Human Resources:

No implications.

Environmental/Sustainability

No implications.

Equalities:

No implications.

Other Implications:

No implications.

Reason(s) for Urgency

Not Applicable

Reason(s) for Exemption

Not Applicable.

Background Papers

Link Asset Services – Treasury Management Strategy Statement and Annual Investment Strategy
Mid-Year Review Report 2022/23

Report Author and Contact Officer

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Economics and interest rates

1.1 Economics update

- The second quarter of 2022/23 saw:
 - GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
 - Signs of economic activity losing momentum as production fell due to rising energy prices;
 - CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
 - The unemployment rate fell to a 48-year low of 3.6% due to a large shortfall in labour supply;
 - Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
 - Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23rd September.
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households’ bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from

43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.

- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.
- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6th November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.
- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3rd November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23rd November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US

in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14th October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.

- Since the Bank's announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- There is a possibility that the Bank continues with QE at the long end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

1.2 Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 27th September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10



Report To:	AUDIT COMMITTEE
Date:	28 NOVEMBER 2022
Heading:	REVIEW OF LOCAL CODE OF CORPORATE GOVERNANCE
Executive Lead Member:	NOT APPLICABLE
Ward/s:	NOT APPLICABLE
Key Decision:	NO
Subject to Call-In:	NO

Purpose of Report

To review and amend the Local Code of Corporate Governance.

Recommendation(s)

To approve the minor amendments to the Local Code of Corporate Governance highlighted in Appendix 1 and detailed in the report.

Reasons for Recommendation(s)

It is best practice for the Local Code of Corporate Governance to be reviewed annually to inform the Governance Framework for the following year.

Alternative Options Considered

The Committee may consider alternative changes to the Local Code of Corporate Governance.

Detailed Information

Introduction

Robust 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. The Council has a framework of policies and procedures in place which collectively make up its governance arrangements.

Local Code of Corporate Governance

The Local Code of Corporate Governance 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 recommended Local Code of Corporate Governance is based on these seven core principles. The seven principles are:

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

The Code sets out the documents, systems, processes and actions the Council undertakes to fulfil its commitment to and compliance with this Code. The Code supports the Council's review of the effectiveness of its system of internal control and informs the Annual Governance Statement which accompanies the Annual Statement of Accounts.

The Local Code of Corporate Governance is subject to annual review to inform the governance framework for the following year. The Code was reviewed and amended in March 2022, however, it is more timely to review the Code at this time of year to better inform the Annual Governance Statement preparation. The Audit Committee is responsible for approving the Code. The Chief Executive and the Monitoring Officer are responsible for ensuring the Code is kept up to date and reviewed annually.

Some additions to the Code are recommended as shown highlighted in yellow in the document attached as Appendix 1. The changes reflect new or revised documents or policies which evidence and underpin the Council's governance arrangements.

The Climate Change Strategy, Climate Change Action Plan, Carbon Management Plan have been added to section C following their approval at Cabinet in June 2022.

The Workforce Profile Statement and the Gender Pay Gap Statement have also been added following the identification of these documents as part of the Annual Governance Statement processes earlier this year.

Committee is asked to approve these additions to the Local Code of Corporate Governance.

Implications

Corporate Plan:

To ensure we deliver high-quality public services we have adopted a set of corporate values which underpin the successful delivery of our priorities. How we work is as important as what we do. The Council's values are:

- People Focussed
- Honest
- Proud
- Ambitious

It is important that the Council has the most effective infrastructure and support to enable:

- The delivery of the Corporate Plan
- Financial sustainability to continue to deliver key services
- A productive workforce that delivers services well

Legal:

There are no legal issues identified in the report. It is best practice to keep the Local Code of Corporate Governance under review. [RLD 15/11/2022]

Finance: There are no financial implications arising from this report. [PH 16/11/2022].

Budget Area	Implication
General Fund – Revenue Budget	N/A
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	N/A
Housing Revenue Account – Capital Programme	N/A

Risk:

Risk	Mitigation
Failure to review the Local Code of Corporate Governance would mean the governance framework is not complied with and would impact on the Annual Governance Statement process.	The review ensures compliance with the governance framework and assists with the annual governance review.

Human Resources:

Environmental/Sustainability

There are no Environmental/Sustainability issues identified in the report or the policies reviewed.

Equalities:

There are no equalities issues identified as a direct result of the report. Equalities issues would be considered as part of any whistleblowing investigation

Other Implications:

None.

Background Papers

None.

Report Author and Contact Officer

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Ashfield

DISTRICT COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE

Director of Legal and Governance
(Monitoring Officer)

APPROVED:
Audit Committee – **28 November 2022**

REVIEW:
November 2023

Version Control

Version Number	Date Issued
Original	November 2017
V2	December 2018
Revised v3	February 2020
Reviewed (no changes)	March 2021
Revised v4	March 2022
Revised v5	November 2022

Introduction

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.

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

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. This Local Code of Corporate Governance 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 Guidance assumes that each Council will develop its own approach to governance, ensuring its resources are directed to its individual priorities and in accordance with its own policies.

The fundamental principles of corporate governance are openness, inclusivity, integrity and accountability. The CIPFA/SOLACE guidance identifies seven core principles and various sub principles; the Council's Local Code of Corporate Governance is based on these seven core principles.

The seven principles are:

- 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 Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Code sets out the documents, systems, processes and actions the Council undertakes to fulfil its commitment to and compliance with this Code. The Code supports the Council's review of the effectiveness of its system of internal control and informs the Annual Governance Statement which accompanies the Annual Statement of Accounts.

The Audit Committee is responsible for approving the Code. The Chief Executive and the Monitoring Officer are responsible for ensuring the Code is kept up to date and reviewed annually.

The Principles

The Council aims to achieve good standards of governance by:

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

Putting principles into effect

	Principle	This will be achieved by
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> • Corporate Plan • Strategic Direction • The Constitution • Member's Code of Conduct • Employees' Code of Conduct • Anti-Fraud and Corruption Policy & Strategy • Equalities policies • Whistleblowing Policy • Anti-Bribery Policy Statement and Procedures • Anti-Money Laundering Policy Statement and Procedures • Member/Officer Protocol • Registers of Interests – Members and officers • Registers of Gifts and Hospitality – Members and Officers • Officer and Member development strategies • Corporate Complaints procedures • Modern Slavery and Human Trafficking Transparency Statement • Modern Slavery and Human Trafficking Policy Statement • Member Complaints Process • Annual Governance Statement • Financial Regulations • Contract Procedure Rules • Social Media Policy – Members and officers • Standards and Personnel Appeals Committee • Overview and Scrutiny function • Audit Committee • Licensing Committee • Planning Committee • Report template for decision-making which incorporates financial, legal, HR, equalities and risk appraisal. • Social Media Policies • Equalities Policies • Ashfield 24/7 – resident portal <p>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.</p>
B	Ensuring openness and comprehensive	<ul style="list-style-type: none"> • The Constitution • Corporate Plan

	<p>stakeholder engagement</p>	<ul style="list-style-type: none"> • Community Engagement and Consultation Strategy • Forward Plan • Council Website – includes meeting agendas and minutes of current and archived meetings and decisions • Public Questions at Council • Public speaking at Planning Committee • Petition Scheme • Publications Scheme • Overview and Scrutiny functions • Council Social Media • Social Media Policies • Citizens’ Panel • Ashfield Community Partnership • Co-location with DWP and Police • Partnership Protocols • Formal shared service arrangements • External audit assessment of Value for Money • Satisfaction Surveys • Budget consultation/engagement • The Council’s booklet “<i>Ashfield Matters</i>” • Ashfield 24/7 – resident portal • People Strategy
<p>C</p>	<p>Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<ul style="list-style-type: none"> • Corporate Plan • Strategic Direction • Forward Plan • Corporate report templates including legal, financial, Human Resource, equalities and risk appraisal • Corporate Risk Management framework • Audit Committee review of risks • MTFS • Capital Programme including Capital Gateway assessment process • Project Management Framework • Business Case development • Weighted Benefit Model • Service Plans • Performance management processes • Contract Procedure Rules

		<ul style="list-style-type: none"> • Procurement Strategy • Social Value Policy • Ashfield Health and Wellbeing Partnership • Climate Change Strategy, Climate Change Action Plan, Carbon Management Plan
D	Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • The achievement of its Corporate Plan objectives are planned through a number of Programme Boards, which encompass: <ul style="list-style-type: none"> ○ Regeneration ○ Commercial Investment Working Group ○ Digital and Service Transformation Board ○ Health and Well Being ○ Discover Ashfield ○ Efficiency • Business cases • Project framework • Weighted Benefit Mode • MTFS, capital programme • Budget setting and monitoring processes • Corporate report templates including legal, financial, human resource and risk appraisal • Council's website • Overview and Scrutiny functions • Consultation arrangements • Service Plans • Weekly Corporate Leadership Team meetings • Regular Senior Leadership Team Meetings • Directorate Management Team meetings • 1-2-1 meetings • Performance framework and reporting • Value for Money assessment by external auditor
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> • Corporate Plan • The Constitution (including Scheme of Delegation) • Members' Code of Conduct • Employees' Code of Conduct • Equalities policies • Officer and Member development strategies • Personal Development Reviews • Officer Competency framework • Clearly defined roles – job descriptions, person specifications • Recruitment and selection procedures • Staff surveys

		<ul style="list-style-type: none"> • Workforce Profile Statement • Gender Pay Gap Statement • Cross Party Update Group • Peer Challenge
F	Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> • Corporate Risk Register is regularly updated and considered by the Audit Committee • Directorate risk registers • Performance monitoring and reporting • Corporate report templates including legal, financial, human resource, equalities and risk appraisal • Overview and Scrutiny function • MTFs • Capital Programme • Financial Regulations • Budget reporting and monitoring • Anti-Fraud and Corruption Policy & Strategy • Equalities policies • Whistle-blowing Policy • Anti-Bribery Policy Statement and Procedures • Anti-Money Laundering Policy Statement and Procedures • Emergency Planning and procedures and Business Continuity Plans • Information management policies and procedures including implementation of GDPR • Publication Scheme • Procurement Strategy • Contract Procedure Rules • Assessment of Value for Money by external auditors • Health and Safety Policies and Procedures • Fraud Risk Register
G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability	<ul style="list-style-type: none"> • Council's website and social media channels • Council Website – includes meeting agendas and minutes of current and archived meetings and decisions • Community Engagement and Consultation Strategy • Pay Policy published • Publication Scheme • Local Code of Corporate Governance – updated annually

		<ul style="list-style-type: none">• Annual Governance Statement and Corporate Assurance Checklist are updated annually• Reporting of performance• Publication of Annual Report and Statement of Accounts• External auditors annual audit letter is published• Audit Committee• Peer Challenge
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Report To:	AUDIT COMMITTEE
Date:	28 NOVEMBER 2022
Heading:	CENTRAL MIDLANDS AUDIT PARTNERSHIP – EXTERNAL QUALITY ASSESSMENT
Executive Lead Member:	NOT APPLICABLE
Ward/s:	NOT APPLICABLE
Key Decision:	NO
Subject to Call-In:	NO

Purpose of Report

To receive the outcome/findings from the External Quality Assessment (EQA) undertaken by Business Risk Solutions in September 2022 which assessed the Central Midlands Audit Partnership's (CMAP) conformance with the Public Sector Internal Audit Standards (PSIAS).

Recommendation(s)

To note the findings of the external quality assessment.

Reasons for Recommendation(s)

Significant non-compliance with the Public Sector Internal Audit Standards could undermine the value of the assurances provided by CMAP. Internal Audit is a key assurance provider to each Partner Organisation and must apply professional audit standards to their approach and activity to ensure that assurance is credible and reliable.

Alternative Options Considered

None, the report is for noting.

Detailed Information

Background to the External Quality Assessment (EQA)

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). In local government, the way internal audit services operate is more flexible than in other parts of the public sector where there is a large degree of central control. To ensure local authority internal audit services apply the PSIAS in a uniform way, CIPFA has produced the local government application note (LGAN) which provides additional detail for each of the individual standards. The LGAN is mandatory for local authority internal audit.

All public sector internal audit services are required to assess their performance on conformance to the standards and this can be achieved by undertaking periodic self-assessments, or external quality assessments, or a combination of both methods. CMAP undertakes a regular self-assessment of its conformance with the PSIAS.

However, the Public Sector Internal Audit Standard 1312 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"*. This can be in the form of a full assessment or the validation of the internal audit service's own self-assessment.

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.

CMAP was previously externally quality assessed in 2017 and it was determined that it generally conformed with each standard.

The 2022 External Quality Assessment (EQA)

Business Risk Solutions (BRS) undertook the EQA in September 2022. The final report was presented to the CMAP Operational Board (which is attended by the Director of Legal and Governance) on 9 November 2022.

The overall assessment is that CMAP ***"Generally Conforms with the Public Sector Internal Audit Standards"***. The report also states that **CMAP compare favourably with peer groups in both local government and the private sector**. CMAP came out as **"best in class"** position in terms of all the EQA reviews that BRS has done. **Feedback to the CMAP Operational Group was that CMAP was an established team that was well regarded by clients.**

The good practice identified during the review was:

- An Internal Audit Charter setting out the role and responsibilities of Internal Audit guides delivery and establishes the basis upon which the Head of Internal Audit's Annual Opinion will be based.

- The service has developed a documented internal audit methodology and supporting templates that delivers a consistent service.
- Consistent supervisory processes ensure that a standard approach delivers a robust assurance report.
- Routine reporting informs clients and the Audit Committee regarding progress regarding completion of the internal audit plan, findings and the follow up of recommendations.
- Self-assessment identifies areas in which future development will be beneficial and is based upon the development of job descriptions, performance appraisals, the establishment of a training matrix and client feedback.

The areas for consideration from the review were:

- Increasing integration of the use by internal audit of risk-based techniques with the risk appetite of each client particularly in terms of planning at a strategic and engagement level would be mutually beneficial, the degree to which this is possible is hampered by the variable maturity of client risk management processes.
- Developing a clear alignment through the working papers for each assignment to focus on agreed management objectives and the associated significant risks and relevant key controls will assist in the provision of a transparent assurance opinion in the final audit report.
- Consideration should be given to the revision of the basis for expressing internal audit recommendations and opinions in line with risk impact definitions recognised by each client within its Risk Management Policy rather than rely on those of a generic nature.
- Formalise Quality Assurance Improvement Programme processes.

The CMAP Leadership team are in the process of evaluating the points for consideration that BRS made. A further report will be presented to the CMAP Operational Board regarding actions CMAP intends to take as a result of the points for consideration raised in the review.

Implications

Corporate Plan:

To ensure we deliver high-quality public services we have adopted a set of corporate values which underpin the successful delivery of our priorities. How we work is as important as what we do. The Council's values are:

- People Focussed
- Honest
- Proud
- Ambitious

It is important that the Council has the most effective infrastructure and support to enable:

- The delivery of the Corporate Plan
- Financial sustainability to continue to deliver key services
- A productive workforce that delivers services well

Legal:

There are no legal issues identified in the report. [RLD 15/11/2022]

Finance: There are no financial implications arising from this report. [PH 16/11/2022].

Budget Area	Implication
General Fund – Revenue Budget	N/A
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	N/A
Housing Revenue Account – Capital Programme	N/A

Risk:

Risk	Mitigation
There are no risks identified in relation to the report or the recommendation.	

Human Resources:

Environmental/Sustainability

There are no environmental/sustainability issues identified in the report.

Equalities:

There are no equalities issues identified in the report.

Other Implications:

None.

Background Papers

None.

Report Author and Contact Officer

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Ashfield District Council – Audit Progress Report

Audit Committee: 28 November 2022



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Our Vision

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

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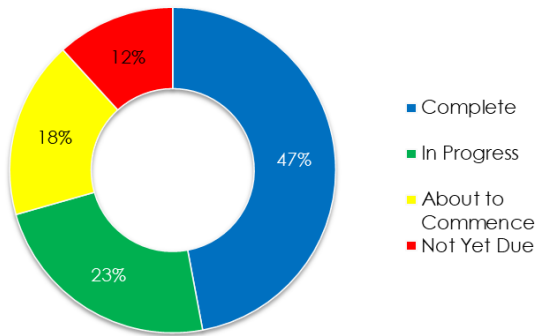
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Ashfield District Council – Audit Progress Report

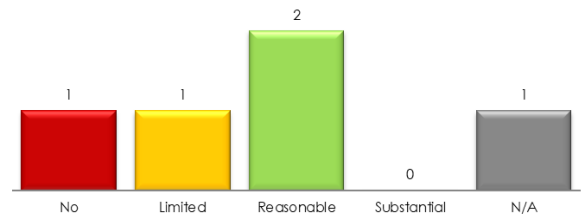
AUDIT DASHBOARD

Plan Progress



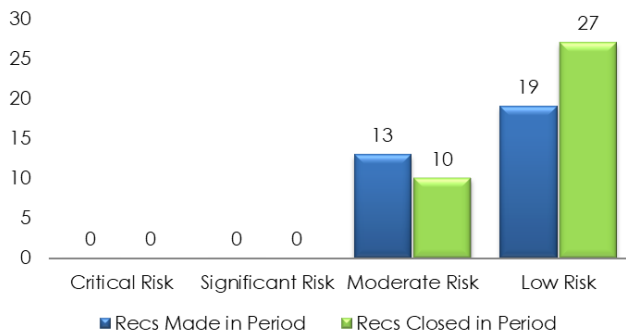
Assurance Ratings

Control Assurance Ratings Issued During Period



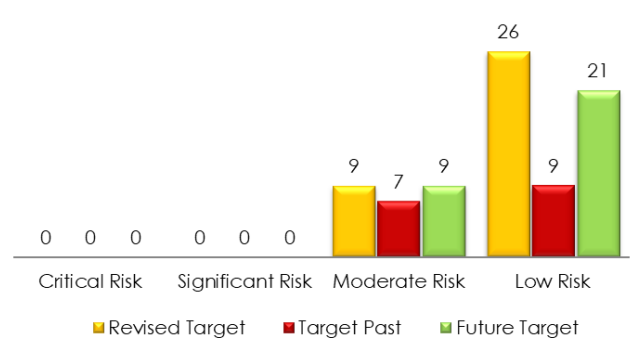
Recommendations

Movement During Period



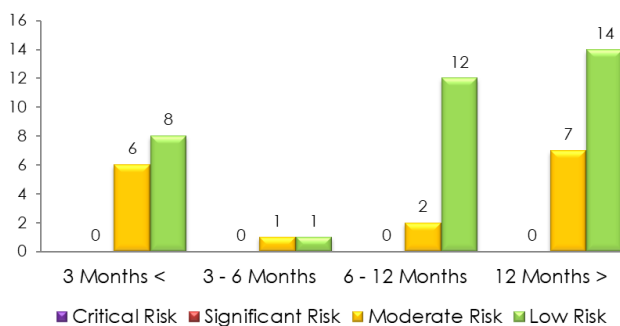
Recommendations

Recommendations Currently Open



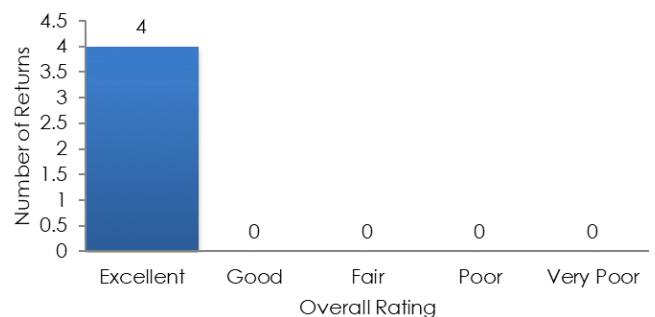
Recommendations

Overdue Recommendations



Customer Satisfaction

Returns Apr 2022 - Nov 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 15 November 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	Allocated		
Treasury Management 2022-23	Final Report	100%	Reasonable
IT Asset Inventory 2022-23	Final Report	100%	Limited
Estates 2022-23	Allocated	5%	
Licencing 2022-23	Final Report	100%	Reasonable
Section 106 2022-23	In Progress	45%	
Leisure Centre 2022-23	Allocated	5%	
Future High Streets Fund 2022-23	Not Allocated		
Housing – Data Quality 2022-23	Final Report	100%	No
Climate Change & Sustainability 2022-23	Draft Report	95%	
Health & Safety 2022-23	In Progress	60%	
Homes England Grant	Complete	100%	N/A
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

None to report.

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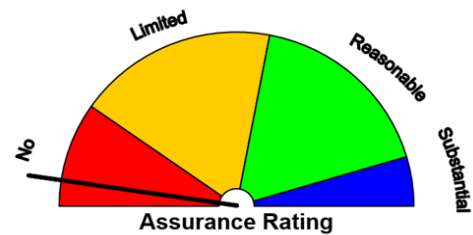
AUDIT COVERAGE

Completed Audit Assignments

Between 12 July 2022 and 15 November 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	
Housing Data Quality 2022-23	No	0	0	9	2	9%
Homes England Grant 2022-23	N/A	0	0	0	0	n/a
Treasury Management 2022-23	Reasonable	0	0	1	2	67%
Licensing 2022-23	Reasonable	0	0	1	5	33%
IT Asset Inventory 2022-23	Limited	0	0	2	10	0%
TOTALS		0	0	13	19	16%

Control Objectives Examined	Assurance Rating			
	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The property components and attributes are up to date and accurate, when compared to other records in repairs and planned maintenance.	8	0	2	6
The Council has the tenant profiling data available, and this can be extracted.	3	0	0	3
TOTALS	11	0	2	9
Summary of Weakness		Risk Rating	Agreed Action Date	
Components were not automatically updated in the Capita Housing System following repairs and maintenance work tickets being completed. The manual process had led to instances of inaccuracy and inconsistency in the data sets maintained in the System.		Moderate Risk	31/03/2023	
Testing identified that windows component data was not always being updated, or updated completely and accurately, in the Capita Housing System following completion of routine planned maintenance works.		Moderate Risk	31/03/2023	
The data in the component fields within the Capita Housing System did not accurately reflect the details of the Gas Servicing Certificates. The spreadsheets used as an		Moderate Risk	30/11/2022	

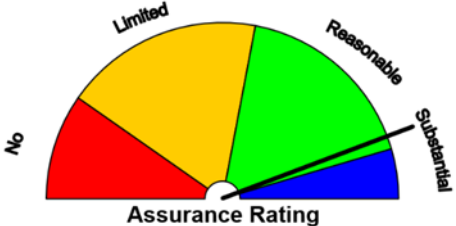


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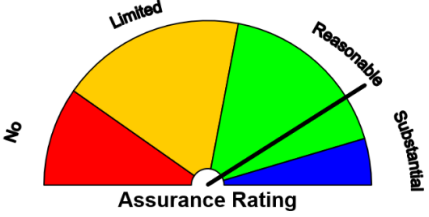
alternative to the System contained blank fields and therefore were not a reliable audit trail for the gas servicing process.		
There were three different components for electrical testing within the Capita Housing System, all containing inconsistent information and possible errors.	Moderate Risk	31/10/2022
Data Matching and testing identified that the smoke detector component fields within the Capita Housing System do not accurately reflect the true status of the smoke detectors in Council properties.	Moderate Risk	30/11/2022
The three components in the Capita Housing System relating to boilers and flue types contained information that was inconsistent for the majority of the Council's properties.	Moderate Risk	30/11/2022
There were sets of data stored outside of the Capita Housing System which were required to ensure the Council could provide complete and accurate property status reports.	Low Risk	31/03/2023
Address data was not held in an appropriate format in the Capita Housing System; records were inconsistent, not all property had a Unique Property Reference Number and data had been overwritten.	Low Risk	31/12/2022
The personal and sensitive data stored in the Capita Housing System, may be out of date as it was obtained at the point of tenancy application and not refreshed thereafter.	Moderate Risk	31/03/2023
Access to the various Excel spreadsheets used to record component works such as checks, installations and replacements, had not been appropriately restricted.	Moderate Risk	31/10/2022
Access to confidential database reports containing personal and sensitive data (including special category data) on Council tenants had not been appropriately restricted.	Moderate Risk	Implemented

<h2>Homes England Grant Certification 2022-23</h2>	<p>Assurance Rating - Not Applicable</p>
<p><i>The Council was required to appoint an independent auditor to carry out compliance audits for two capital grants. The first scheme was to demolish the Poplars Community Centre and build affordable housing on the site. This was a follow-on from an audit carried out in 2021/22. The second scheme was to demolish garages at Chatsworth Drive and erect a block of four flats.</i></p> <p><i>CMAAP were asked to undertake the role of independent auditor and carry out the audit of the Poplars and Chatsworth Drive Affordable Homes schemes and submit our findings in line with Homes England requirements. Audit findings are not permitted to be shared with the Council, only Homes England. Homes England will report to the Council prior to 31 March 2023 and the findings will be shared with the Audit Committee.</i></p>	

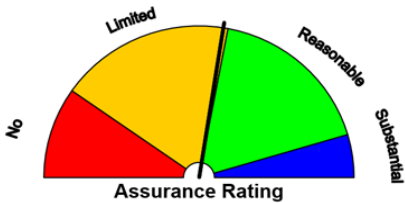
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Treasury Management 2022-23	 <p style="text-align: center;">Assurance Rating</p>				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
There are appropriate and approved treasury management strategy, policy and procedures in place which are regularly reviewed and maintained.	6	6	0	0	
Treasury Measurement transactions are authorised and promptly recorded, and controls are in place to ensure that interest is received/recovered or paid/repaid in a timely manner.	8	7	1	0	
Effective forecasting and monitoring systems have been established to ensure that movements of cash are appropriately managed and cash-flow statements are produced to support treasury management decisions.	5	3	2	0	
There are measures in place to maintain the appropriate levels of data security.	4	3	0	1	
TOTALS	23	19	3	1	
Summary of Weakness		Risk Rating	Agreed Action Date		
The Council's calculations of interest did not equal the amount of interest paid for 3 of 18 interest payments tested and there was no evidence that the differences had been investigated.		Low Risk	Implemented		
Long-term cashflow projections were not being calculated, potentially inhibiting the ability to make long-term investment decisions.		Moderate Risk	31/03/2023		
Access to the various Excel spreadsheets used to record and control Treasury Management activities had not been appropriately restricted.		Low Risk	31/10/2022		

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Licensing 2022-23				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Licensing service area are using processes that are effective and efficient at ensuring regulations are adhered to.	6	1	4	1
The income generated from licensing fees is accounted for appropriately.	5	4	1	0
TOTALS	11	5	5	1
Summary of Weakness		Risk Rating	Agreed Action Date	
The acupuncture, ear piercing, tattooing and electrolysis licences were not being recorded on the Civica App system. Therefore, this was not consistent with the recording of all other licences.		Low Risk	30/4/2023	
There was no evidence that the Licensing service area had made the required notifications historically and advertised the premises licence applications on the Council's website for the consultation process.		Low Risk	Implemented	
Controls over the delivery of safeguarding and driver knowledge tests were not sufficient to detect instances where an imposter could take the tests on behalf of the licensing applicant. There were also instances where current drivers had not completed the delayed testing process and had received a number of reminders.		Low Risk	01/04/2023	
There was a lack of robust controls regarding the receipt of documents and document verification checks for licensing applications.		Low Risk	30/04/2023	
Access to supporting documentation containing personal and sensitive data on licensing applicants had not been appropriately restricted.		Moderate Risk	Implemented	
There was some confusion over what communications had taken place between the Licensing Manager and Finance section regarding the movement of monies, to ensure that income is ring-fenced to the service.		Low Risk	31/10/2022	

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IT Asset Inventory 2022-23				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Review and evaluate policies and procedures for controlling the procurement and movement of IT hardware including desktops and laptops.	16	4	0	12
TOTALS	16	4	0	12
Summary of Weakness		Risk Rating	Agreed Action Date	
There was no dedicated ICT asset management policy, and other policies did not address all requirements of an effective asset management process.		Low Risk	31/12/2022	
Evidence of management approval could not be provided for 3 applications for new laptops submitted by non-managerial personnel.		Low Risk	31/12/2022	
Important information such as device location, warranty status, and overall lifecycle (that is, when equipment was no longer eligible for supplier support) was not being recorded for all assets in the inventory.		Moderate Risk	31/12/2022	
A visual inspection of desktops reported to be in 3 office locations as per the Councils asset management inventory records, highlighted that the inventory was inaccurate in 30% of cases sampled.		Low Risk	31/01/2023	
There was no standard operating procedure or policy requirement that defined how often stock checks should take place, and by who.		Low Risk	31/12/2022	
The process for retrieving, re-imaging and redistributing devices used by former employees was not comprehensive.		Low Risk	31/01/2023	
The process for investigating inactive and disconnected computer devices was ad-hoc and not comprehensive.		Moderate Risk	31/01/2023	
Current device transfer and upgrade procedures were not comprehensive, leading to officers holding onto unused duplicate equipment.		Low Risk	28/02/2023	
Evidence of data erasure and wiping process completion (both internal and external) was not being attached to the asset record in Snipe-IT.		Low Risk	28/02/2023	
Minor vulnerabilities and opportunities for improvement were noted with generic Paxton access cards, and with the current process for protecting physical keys that granted access to ICT storage and communications rooms.		Low Risk	28/02/2023	

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Paxton access cards had not always been deactivated for a sample of recent leavers.	Low Risk	28/02/2023
A network discovery scan found devices in active use that had not been recorded as deployed assets in the asset management database.	Low Risk	28/02/2023

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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
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	1	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	9	0
10-May-21	People Management	Reasonable	0	6	0
21-Jun-21	Delegated Decisions	Reasonable	0	1	0
16-Aug-21	Teleworking Security	Reasonable	0	3	0
01-Oct-21	Environmental Health	Reasonable	1	1	1
05-Oct-21	PCI Compliance in Organisational Transformation	Reasonable	0	2	0
16-Feb-22	Housing Health & Safety Statutory Compliance	Reasonable	0	1	0
28-Feb-22	Outdoor Recreation - Sports Bookings	Limited	6	0	3
03-Mar-22	Payroll 2021-22	Reasonable	1	0	0
03-Mar-22	Risk Management 2021-22	Reasonable	0	0	1
29-Mar-22	Scrutiny	Reasonable	0	1	0
08-Apr-22	Accounting Systems 2021-22	Substantial	2	1	0
11-Jul-22	Planning	Reasonable	3	0	0
28-Jul-22	Housing - Data Quality 2022-23	No	2	0	8
24-Oct-22	Treasury Management 2022/23	Reasonable	0	0	1
25-Oct-22	Licensing 2022-23	Reasonable	0	0	4
10-Nov-22	IT Asset Inventory 2022-23	Limited	0	0	12
		TOTALS	16	35	30

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.

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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
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	0	1
Information Governance	0	0	0	0	1	1
Digital Transformation	0	0	0	0	2	1
Management of Fraud Risk	0	0	0	0	1	8
People Management	0	0	0	0	0	6
Delegated Decisions	0	0	0	0	0	1
Teleworking Security	0	0	0	0	1	2
Environmental Health	0	0	1	0	0	1
PCI Compliance in Organisational Transformation	0	0	0	0	0	2
Housing Health & Safety Statutory Compliance	0	0	0	0	1	0
Outdoor Recreation – Sports Bookings	0	3	3	0	0	0
Payroll 2021-22	0	0	1	0	0	0
Scrutiny	0	0	0	0	0	1
Accounting Systems 2021-22	0	0	2	0	0	1
Planning	0	2	1	0	0	0
Housing – Data Quality 2022-23	0	2	0	0	0	0
TOTALS	0	7	9	0	9	26

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Highlighted Recommendations

The following recommendations, that have not yet been implemented, are detailed for Committee's scrutiny.

Being Implemented Recommendations

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

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Management Response/Action Details	Action Date
There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.	01/09/2018
Status Update Comments	Revised Date
<p>The Service Manager for ICT has updated audit that a prerequisite for this recommendation is the implementation of a new helpdesk system which will have appropriate reporting capabilities.</p> <p>The first version of the ICT Service Desk software is now in place but ICT still need to review its reporting capabilities. The post of Service Desk Team Leader is currently being advertised.</p> <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> <p>To be resolved with the implementation of the House on the Hill service desk application.</p>	30/11/2022

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
There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.	01/09/2018
Status Update Comments	Revised Date
<p>The Service Manager for ICT has updated audit that a prerequisite for this recommendation is the implementation of a new helpdesk system which will have appropriate reporting capabilities.</p> <p>The first version of the ICT Service Desk software is now in place but ICT still need to review its reporting capabilities. The post of Service Desk Team Leader is currently being advertised.</p> <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> <p>To be resolved with the implementation of the House on the Hill service desk application.</p>	30/11/2022

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Digital Transformation	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>The Council did not have signed, up to date and adequate contracts in place for some of the applications tested.</p> <p>We recommend that a review is undertaken to ensure that the Council has a signed, up to date and adequate contract in place for all Council applications. Where contracts are not in place, the Council should take action to formalise the provision and maintenance of applications in use.</p>	Moderate Risk
Management Response/Action Details	Action Date
Solution architecture review to be completed across the portfolio.	31/10/2020
Status Update Comments	Revised Date
<p>This review has now commenced by the Innovations and Solutions Manager and Procurement and Projects Officer.</p> <p>We need to look at each contract and make sure that on renewal contracts are detailed and in place for each application.</p> <p>We have reviewed all of the major applications. The review is now being finalised by the new interim solutions manager and will be completed by the end of August 2022.</p>	31/08/2022

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. The review is now being finalised by the new interim solutions manager and will be complete by the end of August 2022.</p>	31/08/2022

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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
<p>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.</p>	01/10/2021
Status Update Comments	Revised Date
<p>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.</p>	30/09/2022

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

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Management of Fraud Risk	Rec No. 6
Summary of Weakness / Recommendation	Risk Rating
<p>The Council did not have trained fraud investigators with professional accreditation to review and investigate all areas of potential fraud.</p> <p>We recommend that the Council ensure they have access to fully trained fraud investigators, who can be called upon to investigate any areas of suspected fraudulent activity.</p>	Moderate Risk
Management Response/Action Details	Action Date
The Council will consider how to access a suitably trained fraud investigator.	30/04/2022
Status Update Comments	Revised Date
Action still being progressed.	31/03/2023

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
To identify responsible officer.	01/04/2022
Status Update Comments	Revised Date
We begin formal consultation on the DMA restructure at the end of this week so we are close to resolution. Would suggest action date is changed to 31/12/22.	31/12/2022

Action Due

Planning	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>There were no processes in place that enabled management to monitor progress against tasks detailed on the Local Plan Work Programme.</p> <p>We recommend that management is provided with performance information, linking to the Local Plan Work Programme, from the Forward Planning Team on a regular basis.</p>	Moderate Risk
Management Response/Action Details	Action Date
The team will be asked to provide a monthly report to the Assistant Director on a monthly basis.	31/07/2022
Status Update Comments	Revised Date

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Risk Register	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>There was no evidence to confirm that Members had been suitably trained to fulfil their responsibilities in respect of risk management.</p> <p>We recommend, in accordance with the ALARM best practice guidance, that all Council Members should receive training on risk management. Given that all Elected Members, Council Cabinet and Audit Committee have specific responsibilities in respect of the Councils risk management framework, it is important that Members are appropriately trained such that they are able to actively support the Council in its management of risks and also challenge and scrutinise the Council's risk position. Evidence of the training given to Members should be retained.</p>	Low Risk
Management Response/Action Details	Action Date
To be reviewed as part of member induction training package following local elections.	31/07/2019
Status Update Comments	Revised Date

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

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