

**ASHFIELD DISTRICT COUNCIL**



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

## **Agenda**

### **Audit Committee**

Date: **Thursday, 29th February, 2024**

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Time: **7.00 pm**

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

For any further information please contact:

**Lynn Cain**

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

01623 457317

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# Audit Committee

## Membership

**Chairman:** Councillor Will Bostock

**Councillors:**

Ian Briggs  
Sarah Lewsey  
Nicholas Parvin

Dawn Justice  
Sarah Madigan  
John Smallridge

## 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 1 February 2024. 5 - 6
4. **MAZARS: Audit Completion Report.** 7 - 44
5. **MAZARS: Auditor's Annual Report.** 45 - 74
6. **Audited Statement of Accounts 2022/23.** 75 - 78
7. **Audit Progress Report.** 79 - 98
8. **Corporate Governance Update.** 99 - 104

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## AUDIT COMMITTEE

Meeting held in the Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield,  
on Thursday, 1st February, 2024 at 7.00 pm

**Present:** Councillor Will Bostock in the Chair;

Councillors Ian Briggs, Dawn Justice,  
Sarah Lewsey, Nicholas Parvin and  
John Smallridge.

**Apology for Absence:** Councillor Sarah Madigan.

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

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

### **AC.20 Declarations of Disclosable Pecuniary or Personal Interests and/or Non-Registrable Interests**

No declarations of interest were made.

### **AC.21 Minutes**

RESOLVED

that the minutes of the meeting of the Committee held on 23 November 2023,  
be received and approved as a correct record.

### **AC.22 Capital Strategy 2024-2025**

The Corporate Resources Director and Section 151 Officer presented the  
report and the refreshed and updated Capital Strategy for 2024/25, requesting  
Members to note the content and recommend the same to Cabinet.

RESOLVED that

- a) the contents of the Capital Strategy for 2024/25 including Annexes 1-3, as  
presented, be received and noted;
- b) Cabinet be recommended to approve the following:
  - Capital Strategy
  - Commercial Property Investment Strategy
  - Commercial Property Indicators.

## **AC.23 Treasury Management Strategy 2024-2025**

The Corporate Resources Director and Section 151 Officer presented the report and asked Committee to consider the Treasury Management Strategy for 2024/25 which included changes to the Annual Investment Strategy.

The Strategy had been prepared in accordance with the requirements of the Public Services Code of Practice (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities (DLUHC) Local Government Investment Guidance.

RESOLVED that

- a) the contents of the Treasury Management Strategy for 2024/25, including the changes to the Annual Investment Strategy, as presented by received and noted:
- b) Cabinet be recommended to approve the Treasury Management Policy Statement incorporating:
  - Treasury Management Strategy Statement (TMSS)
  - Borrowing Strategy
  - Annual Investment Strategy
  - Minimum Revenue Provision (MRP) Policy
  - Prudential Indicators and Treasury Management Indicators including the Liability Benchmark Indicator
  - Treasury Management Practices: Risk Management which includes the Environmental, Social and Governance (ESG) update.

The meeting closed at 7.48 pm

Chairman.

# Audit Completion Report

Ashfield District Council– Year ended 31  
March 2023

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February 2024



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[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Independence](#)

[Appendix D: Other communications](#)

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





Audit Committee  
Ashfield District Council  
Urban Road  
Kirkby in Ashfield  
Nottinghamshire, NG17 8DA

Mazars LLP  
2 Chamberlain Square,  
Birmingham,  
B3 3AX

February 2024

Dear Committee Members

## Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. 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. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on [Mark.Surridge@mazars.co.uk](mailto:Mark.Surridge@mazars.co.uk).

Yours faithfully

Mark Surridge

Mazars LLP

# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 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, we 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 land and buildings.

## Misstatements and internal control recommendations

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

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023.

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

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



### Audit opinion

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



### Value for Money

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



### Whole of Government Accounts (WGA)

We have not yet received instructions from the National Audit Office over sampled components 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
Quality checks and review		Quality checks and review work are ongoing and will remain ongoing until the date of completion.
Completion		Completion work is underway and will be concluded on receipt of the final signed accounts and letter of representation.
Signed accounts and letter of representation		Our work on the final stages remains open until the point of signing the auditor's report and includes aspects such as final casting of the accounts, monitoring for any post balance sheet events and obtaining management representations.
Whole of Government Accounts		When we sign the audit opinion on the financial statements, we will submit the required assurance statement to the National Audit Office. The NAO may still require us to carry out audit procedures on the Council's Whole of Government Accounts submission, and until the NAO confirms no further work is required, we will not be able to issue our audit certificate formally closing the audit.

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-  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 and have not needed to change our approach.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £1.5m for the Council using a benchmark of 2% of gross expenditure at the cost of services level. Our final assessment of materiality used the same benchmarks and, based on the final financial statements and qualitative factors is:

Materiality Threshold	£'000
Overall Materiality	2,063
Performance Materiality	1,547
Trivial Threshold	62

## Reliance on internal audit

No reliance has been placed on internal audit for the 2022/23 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council.

## Use of experts

Information below was disclosed within our Audit Strategy Memorandum and there have been no changes from our plan.

Item of account	Management's expert	Our expert
Property Plant and Equipment and Investment properties valuations	<b>Internal Valuer</b> - Property, plant and equipment <b>External valuers</b> - Investment properties	None. We did not engage our internal valuation team to review Management's expert's valuation of specific assets.
Pensions	<b>Barnett Waddingham(LGPS)</b>	PWC (Consulting actuary appointed by the NAO).
Financial instrument disclosures	<b>Link Asset Management (LAM)</b> Treasury management advisors	None

# 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

<b>Management override of controls</b> Page 17	<b>Description of the risk</b> In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	<b>How we addressed this risk</b> We addressed this risk through performing audit work over: <ul style="list-style-type: none"> <li>• Accounting estimates impacting amounts included in the financial statements;</li> <li>• Consideration of identified significant transactions outside the normal course of business; and</li> <li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>
	<b>Audit conclusion</b> Based on the work completed, no issues have been identified that need to be brought to the attention of Members.
	<hr/>

# 4. Significant findings

<p><b>Pension schemes: Net defined benefit liability/asset valuation</b></p> <p>Relevant Account Balances (2022/23 draft financial statements):</p> <ul style="list-style-type: none"><li>• Net Pension Liability – LGPS: £26.8m</li></ul>	<p><b>Description of the risk</b></p> <p>The defined benefit liability/asset relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses actuaries to provide an annual valuation in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p> <hr/> <p><b>How we addressed this risk</b></p> <p>We addressed this risk by:</p> <ul style="list-style-type: none"><li>• critically assessing the competency, objectivity and independence of the actuary;</li><li>• 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;</li><li>• 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</li><li>• 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.</li></ul> <hr/> <p><b>Audit conclusion</b></p> <p>Based on the work completed, we identified an immaterial misstatement (See Section 6 for details) arising from information provided by the Pension Fund auditor that management have chosen not to adjust due to the immaterial value of this misstatement. (Less than 1%).</p> <p>Aside from this, our work obtained the assurances we sought with no other significant matters to raise.</p>
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## 4. Significant findings

### Valuation of land and buildings

This risk covers (figures have been taken from the draft 2022/23 financial statements):

- Land & Buildings (£368.7m)
- Investment Properties (£45.4m)
- Assets held for sale (£2.4m)

### Description of the risk

Land, Building and Property assets and investment properties are significant balances on the council's balance sheet. The valuation of these properties 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.

### How we addressed this risk

We addressed this risk by:

- critically assessing the Council's valuation expert's 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 2022/23 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

Our work in this area is complete, but not without facing considerable difficulty, including, but not limited to:

- Significant difficulties in obtaining information on asset valuations, where both timeliness and quality of information was poor.
- Numerous errors in asset valuations, large and small, which by chance happened to net to a trivial variance. These have not been adjusted for, but the Council are correcting these for 2023/24.
- A classification error, where an asset which was transferred to held for sale during 2022/23 but since it was not actively marketed for sale, the asset did not meet the accounting requirement for being classified as held for sale. The management subsequently agreed to reclassify the asset to surplus assets.
- Historical errors in failing to account for capital expenditure correctly, leading to a £1.05m adjustment in the financial statements

We have raised control recommendations on these matters in Section 5.

Notwithstanding the above, following adjustments as required, our work provided the assurances we required.

# 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

### Audit observations on policies and accounting practice: Housing Benefit Overpayments

As part of our testing of debtors, we identified £27,116.52 due to housing benefit overpayments dating back to February 2018. As at 31 March 2023, the individual had paid off £447.50 over 5 years and at this rate the debt will be cleared in approximately **302** years. We discussed this with the management who have reviewed the payment plan to £50/month resulting in the payback in 45 years. Members may wish to understand the Council's policy regarding benefit overpayments

### Audit observations on policies and accounting practice: Minimum Revenue Provision

In performing our work, we make the following observation on the Council's policy for setting its Minimum Revenue Provision:

The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework to ensure capital expenditure and borrowing can be repaid. It is an area, where local authorities have actively sought methods to reduce MRP to minimise the impact on revenue budgets. The Council's MRP policy is approved annually. We reviewed the policy for 2022/23 and the supporting calculations for the £2.3m MRP charge in the financial statements. Overall, our work showed the Council's approach is not materially inconsistent with the guidance, but with the following observations:

- The Council's MRP is 1.4% of the Capital Financing Requirement (the amount to repay), typically we would expect this to be 2% (c£3.3m), which is equivalent to writing down costs over a 50-year period.
- In 2019, the Council changed its approach to calculate MRP for expenditure incurred before 2008. The Treasury Management Policy states that its approach is more prudent. The Council's calculations show that changing to this method has led to significantly lower charges by using an annuity method over a 50-year period from 2019. This means that payments will continue until the year 2068 (had 40 years been used, this would have cost the Council an additional £286k to date) which start low and then increase over time.

As set out above, the Council's approach is not inconsistent with the current guidance. However, given the above, we would suggest the change in approach does not meet the definition of 'more prudent'. The Department for Levelling Up, Housing and Communities is implementing changes to MRP and we would expect

the Council's Audit Committee to receive a suitable briefing on what these changes are and on how and why it's MRP policy complies with the guidance. We also suggest the reference to the method being applied being more prudent is removed from its Policy

## Significant matters discussed with management

Throughout the year, we have met with management, where matters discussed include:

- The Council's financial position, including development of the medium-term financial plan: During the year, we have met with officers to discuss the Council's financial position and budget setting process and pressures to enable us to reflect on the Council's financial resilience and sustainability, and to conclude whether the going concern basis of accounting in the preparation of the financial statements is appropriate.
- IAS19 Pension Surpluses: Each year employers within the Local Government Pension Scheme receive an actuarial accounting report prepared in accordance with *IAS19 Employee Benefits*. The report sets out the movement in the employers' interest in the LGPS assets and liabilities during the year, and their share of assets and liabilities at the year end. At 31 March 2023 some employers have, for the first time in many years, a net IAS19 pension asset (surplus). When an employer has a net pension liability, the liability is included in the financial statements in full. Where there is a surplus, there are circumstances under which the surplus is not recognised in full in the financial statements. Where bodies can access the economic benefit arising from the asset in terms of reduced contributions or a refund, they should recognise the net defined benefit as an asset. The net defined benefit asset recognised should be the surplus, adjusted for the effect of any asset ceiling. We have discussed and considered the Council's accounting treatment for its share of the Local Government Pension Scheme and are satisfied the position is reasonable.
- ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. This has involved enhanced risk identification and assessment; greater emphasis on understanding IT; and increased focus on controls. We have needed to make additional enquires in these areas to enable us to meet these audit requirements.
- Towns Deal Fund. During our audit testing we challenged the basis of accounting for Towns Deal Fund monies, ultimately being satisfied that the Council's judgement that this should be included in the financial statements as principal was not unreasonable.

# 4. Significant findings

## Significant difficulties during the audit

During the course of audit, we encountered a number of significant difficulties with respect to asset valuations and supporting records in the fixed asset register, including:

- Incomplete valuation calculations,
- Unsupported judgements
- Inaccurate supporting records
- Failure to provide the valuation information in a timely manner.

Some of these issues date back to recommendations we raised in 2020/21 and remain unresolved. The consequence of these is additional audit costs to be borne by the Council of c£8,703.

## Under 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 2022/23 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

# 05

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

# 5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

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.

No significant findings or recommendations in relation to internal controls have been noted as at the date of this memorandum.

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

# 5. Internal control recommendations

## Significant deficiencies in internal control – Level 1

### Description of deficiency

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#### Valuation of property, plant and Equipment and supporting records

**Reported in 2020/21:** The Audit Team identified differences in the source records maintained by the Council 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.

Similar errors were identified in our 2022/23 audit.

**The deficiency is ongoing since 2020/21 and presents a significant concern over the preparedness of materially accurate financial statements in 2023/24**

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#### Potential effects

Inaccurate property records being maintained leading to incorrect valuation of assets.

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#### 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.

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#### Management response

*Agreed*

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## Significant deficiencies in internal control – Level 1

### Description of deficiency

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#### Financial reporting and accounting presentation

Our work identified a significant number of errors in accounting presentation and disclosure, including:

- Non-compliance with the Code of Practice on notes Presentation of Adjustment between accounting basis and funding basis under statute not in compliance with code.
  - Double disclosure of rental income from investment properties included in the disclosure for leases
  - Incorrectly classification of assets as held for sale despite note meeting the requirements of IFRS5, which ultimately was shown to require correction.
  - Incorrect classification of £10m land and buildings held at historic cost. These were required to be corrected.
  - Poor information on contingent liability disclosures leading to amendments
  - Over disclosure by including unnecessary accounting policies and notes with nil values (contrary to IAS1 which implies this approach obscures relevant information)
  - Several classification errors within the disclosures notes which required rectification. See section 6 for more details
- 

#### Potential effects

Financial statements become materially misstated due to failure to comply with statutory guidance.

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#### Recommendation

The Council needs to ensure its financial reporting timetable and supporting evidence is developed in line with the most recent accounting standards and ensure appropriate judgements are supported with sufficient and appropriate evidence to produce a good quality set of financial statements.

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#### Management response

*Agreed*

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# 5. Internal control recommendations

## Significant deficiencies in internal control – Level 2

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### Description of deficiency

#### Year-end Cut off

During our testing of capital expenditure testing, we identified errors with items of expenditure for 2021/22 incorrectly recognised in 2022/23: with capital expenditure of £1.05m in that was incurred in 2021/22 but not recognised until 2022/23

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#### Potential effects

Expenditure recorded in the financial statements is incorrect.

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#### Recommendation

The Council ensure appropriate measures are taken at year end to capture expenditure in the correct period.

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#### Management response

*Agreed*

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## Significant deficiencies in internal control – Level 2

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### Description of deficiency

#### Reclassification of assets under construction

We identified 2 assets which were completed in 2021/22 but were not transferred from “asset under construction” to operational “land and buildings” until 2022/23.

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#### Potential effects

The notes to the financial statements are misleading to readers of the accounts and the Council is not keeping its fixed asset register up to date.

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#### Recommendation

The Council needs to ensure appropriate measures are taken at year end to correctly classify, value and account for its fixed assets.

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#### Management response

*Agreed*

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# 5. Internal control recommendations

## Significant deficiencies in internal control – Level 2

**Description of deficiency**

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**Contingent Liabilities**

During our testing we identified that a contingent liability related to disrepair claims was settled post year end, however the amount of settlement was not estimated in the disclosure note, on audit enquiry the extent of engagement with other departments so as to provide an adequate level of disclosure of the potential liability was found to be less than effective. Information to provide the disclosure was available at the point of authorising the financial statements for issue.

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**Potential effects**

Possibility of unrecorded or undisclosed liabilities in the financial statements.

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**Recommendation**

The Council needs to ensure it engages effectively with other departments to present disclosure notes that are compliant with accounting standards.

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**Management response**

*Agreed*

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## Significant deficiencies in internal control – Level 3

**Description of deficiency**

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**Recoverability of expected credit losses**

During our testing, we identified that the Council does not review its policy of allowing for the expected credit losses against the actual recovered debts.

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**Potential effects**

Non compliance with accounting standards and inaccurate financial reporting for recording debt losses.

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**Recommendation**

The Council should review its accounting policy to comply with IFRS9, including an assessment of overdue debts and whether they should be provided for.

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**Management response**

*Agreed*

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# 5. Internal control recommendations

## Follow up on previous internal control points

<b>Matters arising</b>
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.
<b>Potential effects</b>
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.
<b>Recommendation</b>
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.
<b>2022/23 Update</b>
We have not encountered any similar issues in 2022/23. <b>CLOSED</b>

<b>Description of deficiency</b>
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.
<b>Potential effects</b>
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.
<b>Recommendation</b>
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.
<b>2022/23 Update</b>
Further issues were identified in 2022/23 year. During our testing we identified 1 asset that gave rise to a subsequent disposal but was not accounted for in the Council's Fixed asset register. <b>ONGOING</b>

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# 06

Section 06:

## Summary of misstatements

## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £62k for the Council. 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 audit.

### Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Net Pension Liability			258	
	CR Pension Reserve				258
Page 29 There were fund level misstatements of £12,512k identified, the council's share of this is 2.06% which equates to the £258k adjustment note above.					
	Allowance of credit loss- Teversal debtor				
	DR CIES	180			
	CR Allowance of Credit losses				180
The council has provided for an operating centre that makes a deficit and is not a debtor. And therefore, this balance of £180k should be a cumulative deficit on the centre.					
Total unadjusted misstatements		180	0	258	438

## 6. Summary of misstatements

### Adjustments to the main financial statements:

Accounts area	Draft accounts £000	Final accounts £000	Movement £000	Reason for the movement
Cost of services	36,121	37,794	1,673	This was due reclassification of assets held at historic cost
Capital adjustment account	(126,677)	(125,004)	1,673	See above explanation for "Cost of Services"
Property, plant and equipment	368,746	368,388	(358)	This was due to <ul style="list-style-type: none"> <li>• Reclassification of assets held at historic costs</li> <li>• Reclassification of asset held for sale to surplus asset</li> </ul>
Asset held for sale	2,499	1,179	(1,320)	This was due to reclassification of asset from held for sale to surplus asset
Surplus or deficit on revaluation of fixed assets	(32,714)	(32,709)	5	See above explanation for "Cost of Services"
Revaluation reserve	(124,678)	(124,673)	5	See above explanation for "Cost of Services"

## 6. Summary of misstatements

### Disclosure amendments

We identified a large number of disclosure amendments during our audit, all of which have been corrected. These include:

- Amendment of the debtors and creditors values in the Financial Instruments disclosure
- Amendment of financial liabilities and interest in the Financial Instruments disclosure.
- Amendment in loans and borrowings and Nature and Extent of Risks Arising from Financial Instruments note to ensure internal consistency
- Amendment to pensions disclosure to ensure consistent with actuary report
- Amendment of impairments disclosure in housing revenue account
- Amendment in Adjustment between accounting basis and funding basis under statute disclosure to ensure consistency with capital adjustment account
- Reclassification of asset transferred to asset held for sale back to surplus assets
- Reclassification of assets held at historic cost.
- Removal of audit fees payable to auditors other than the Council's appointed auditor, to ensure compliance with the Code requirements
- Reclassification of leisure centre element from equipment to land and buildings in note 11
- Amendment of surplus assets valuation date in note 13 Tangible Non-Current Asset Valuations
- Amendment of a casting error on prior year balance of collection fund statement
- Amendment of cash and cash equivalents note to ensure consistency with ledger
- Reclassification of Accumulated absences from provisions to Creditors
- Reclassification of NNDR provision from long term to short term provisions.
- Amendment of depreciation, amortisation and impairments amount in expenditure and income analysed by nature note to ensure internal consistency

In addition, there were some disclosures where we asked the Council to revise the narrative, in order to include valuer's information. This included the narrative in note 11 tangible non current assets, note 14 investment properties and note 36 Contingent assets and Liabilities

# 07

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



# 7. Value for Money

## Approach to Value for Money

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

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

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

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report by March 2024.

## Status of our work

Our work is substantially complete and, 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 will continue to undertake work on the Council's arrangements up to the point of completion.

Our draft audit report at Appendix B outlines that we have not completed our work in relation to the Council's arrangements.

As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.

# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

Mazars LLP

First floor, Two Chamberlain Square, Birmingham B3 3AX

Dear Mark

## **Ashfield District Council- audit for year ended 31 March 2023**

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 2023 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 2022/23 (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 s151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

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

### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the

accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

### **Accounting policies**

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

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

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

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

### **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.

# Appendix A: Draft management representation letter

## 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 s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

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

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

## Related party transactions

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

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

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the potential risk of RAAC on the Council's building assets. 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.

## 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.

## Current banking crisis

We confirm that we have assessed the impact on Ashfield District Council of the on-going Global Banking challenges, in particular whether there is any impact on the council's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure where applicable (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

# Appendix A: Draft management representation letter

**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.

**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

Section 151 Officer

# Appendix B: Draft audit report (subject to finalization)

## 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 2023, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement in Reserves Statement, 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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2023 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 2022/23 as amended by the Code Update.

#### 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 Director of Finance & 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, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, 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 Director of Finance & Section 151 officer with respect to going

concern are described in the relevant sections of this report.

#### 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. The Director of Finance & Section 151 officer is responsible for the other information. 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 Director of Finance Section 151 Officer for the financial statements

As explained more fully in the Statement of the Director of Finance & Section 151 Officer's Responsibilities, the Director of Finance & 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 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance & Section 151 officer is also responsible for such internal control as the Director of Finance & 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.

The Director of Finance & Section 151 officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update 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 Director of Finance & 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.

# Appendix B: Draft audit report (subject to finalization)

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

### 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their 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.

We evaluated the Director of Finance & 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 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 Director of Finance & 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 February 2023.

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

# Appendix B: Draft audit report (subject to finalization)

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

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

### Report on the Council's arrangements for securing economy, efficiency and effectiveness in the 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 2023.

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 January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

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 Accounting Officer

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's 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, and to report where we have not been able to satisfy ourselves that it has done so. 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 January 2023.

#### 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 for 2021/22 and 2022/23;
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources for 2022/23.

[Name] Key Audit Partner  
For and on behalf of Mazars LLP

Address

[Insert date]



# 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 have been separately engaged by the Council to carry out additional work Assurance services as set out in the table opposite. Before agreeing to undertake any additional work, we consider whether there are any actual, potential or perceived threats to our independence.

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

Issue	Perceived threats	Safeguards
Assurance services –Pooling of Housing Capital Receipts	Self-interest	The assurance engagement follows pre-determined procedures and the proposed fees for this work are significantly below the fee for the external audit.

# Appendix D: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. 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.
<b>External confirmations</b>	We did not experience any issues with respect to obtaining external confirmations.
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ol>
<b>Going concern</b>	<p>We have not identified any evidence to cause us to disagree with the s151 Officer that Ashfield District Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>
<b>Subsequent events</b>	<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>
<b>Matters related to fraud</b>	<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 Those Charged With Governance, confirming that</p> <ol style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:             <ol style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ol> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ol>

# Mark Surridge

## Mazars

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Birmingham

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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.

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# [Draft] Auditor's Annual Report

Ashfield District Council – year ended 31  
March 2023

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February 2024



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- 04 [Other reporting responsibilities](#)

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## [Appendix A: Further information on our audit of the financial statements](#)

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted 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

# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Ashfield District Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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### Opinion on the financial statements

Our audit report, to be issued in March 2024, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).



### Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



### Wider reporting responsibilities

At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for instructions from the National Audit Office



# 02

Section 02:

## **Audit of the financial statements**

## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

At Appendix A, we have set out the main financial statement risks addressed in our audit – detailed findings were presented to the Audit Committee, and in the table below, we set out the main audit outcomes for 2022/23.

Audit Area	Outcomes
Financial Statements	The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, to be issued in March 2024, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.
Qualitative aspects of the Council's accounting practices	We reviewed the Council's accounting policies and disclosures and, following some adjustments, concluded they complied with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.
Internal Control Recommendations	<p>As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. Our detailed findings and recommendations were included in the Audit Completion Report to the Council's Audit Committee, where we raised several recommendations in relation to:</p> <ul style="list-style-type: none"> <li>• Producing and maintaining an appropriate standard of working papers and supporting evidence in the valuation of assets</li> <li>• Ensuring accounting disclosures and accounting policies are in line with up-to-date guidance</li> <li>• Ensuring capital expenditure is recorded on a timely basis and in the correct financial year</li> <li>• Timely and correct classification of assets from being under construction to being operational</li> <li>• One incomplete action from a prior year.</li> </ul>
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.
Wider responsibilities	<p>Our powers and responsibilities under the 2014 Act are broad and include the ability to:</p> <ul style="list-style-type: none"> <li>• issue a report in the public interest;</li> <li>• make statutory recommendations that must be considered and responded to publicly;</li> <li>• apply to the court for a declaration that an item of account is contrary to law; and</li> <li>• issue an advisory notice under schedule 8 of the 2014 Act.</li> </ul> <p>We have not exercised any of these powers as part of our 2022/23 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.</p>

# 03

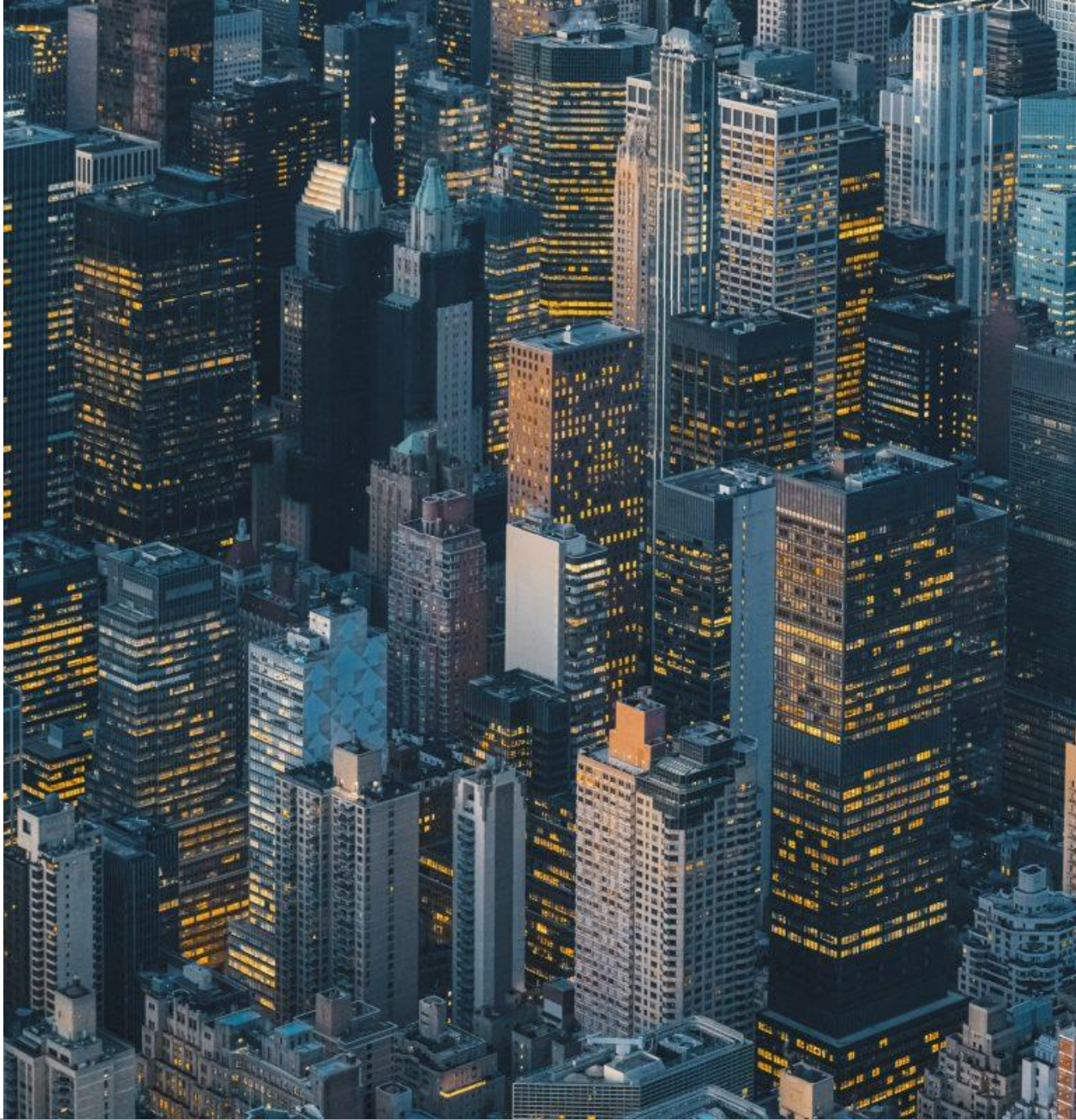
Section 03:

**Commentary on VFM arrangements**

# 3. Commentary on VFM arrangements

## Overall summary

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# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

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 there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	No	No	No
 <b>Governance</b>	15	No	No	Yes, in relation to financial reporting and risk management reporting to the audit committee. Page 23
 <b>Improving economy, efficiency and effectiveness</b>	19	No	No	No

# 3. Commentary on VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2021/22. The Council’s underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

### Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council’s service users.

### The Council’s financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council’s arrangements for budget monitoring remain appropriate, including reporting to Members.

### 2022/23 Budget Setting and the Medium-Term Financial Strategy

We have read committee reports covering budget setting for 2022/23 and the Medium-Term Financial Strategy. We also met regularly with Officers throughout the year. In our view, the Budget Report for 2022/23 adequately explains revenue and capital budgets with no indication of excessive use of capital flexibilities to support revenue expenditure. There is no indication that the Council’s Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

### 2022/23 Statement of Financial Position

The purpose of the Council’s general fund reserve is to meet costs arising from any unplanned or emergency

events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to ‘smooth’ expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes.

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council’s financial sustainability.

	2020/21	2021/22	2022/23
General fund (including earmarked reserves)	26,712	26,169	28,150
HRA (including earmarked reserves)	42,832	44,990	43,922
Capital receipts and grants	6,930	9,628	7,315
<b>Total useable reserves</b>	<b>76,474</b>	<b>80,787</b>	<b>79,387</b>

### 2022/23 Financial outturn

We reviewed cabinet minutes and reports including those in December 2022 and July 2023. Our review of reports shows an adequate level of detail covering financial performance to date, explanations for variances and also tracks planned efficiency savings. The financial outturn position, showing a small surplus on the general fund and HRA does not give cause to concern regarding the Council’s financial sustainability.



# VFM arrangements – Financial Sustainability

## Commercial investment property portfolio

We considered performance on commercial property investments as presented in notes 15 and 25 of audited the financial statements, and from our brought forward knowledge of the Council, we understand that the underlying arrangements for oversights of the Council's investment property portfolio are unchanged from prior years. The table below reconciles the £43m spent on investment properties since 2019/20 to the fair value at 31 March 2023 of £45m, with the main difference being a fall in value of £16m:

	£'000
<b>Opening Fair Value of investment properties 1 April 2019</b>	<b>19,228</b>
Expenditure incurred	42,396
Impairment of value	(16,176)
<b>Fair Value of investment properties 31 March 2023</b>	<b>45,448</b>
<hr/>	
<b>Net Rental Income From Investment Properties 2019/20 to 2022/23</b>	<b>15,555</b>

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The Council has set aside £4.2m into an earmarked investment reserve to mitigate the impact of rental void periods and mitigate fluctuations in the market. This is approximately 90% of the annual net revenue income received in 2022/23 (£4.5m) per Note 15 of the financial statements, and 25% of the cumulative fall in value since 2019/20. The net rental income does not include the c£1m annual Minimum Revenue Provision on investment properties.

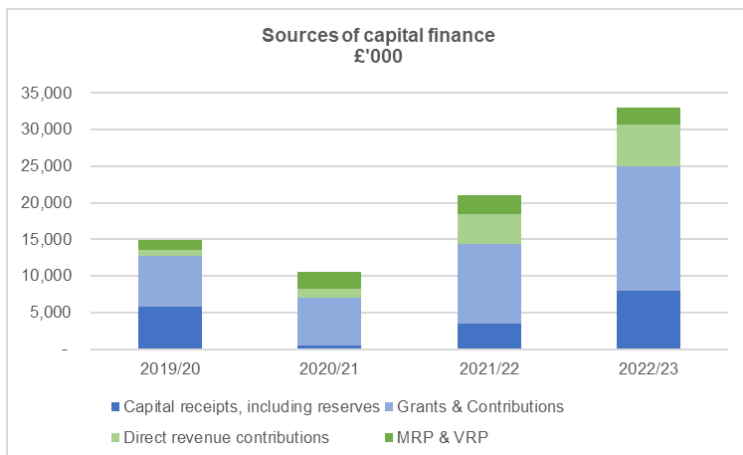
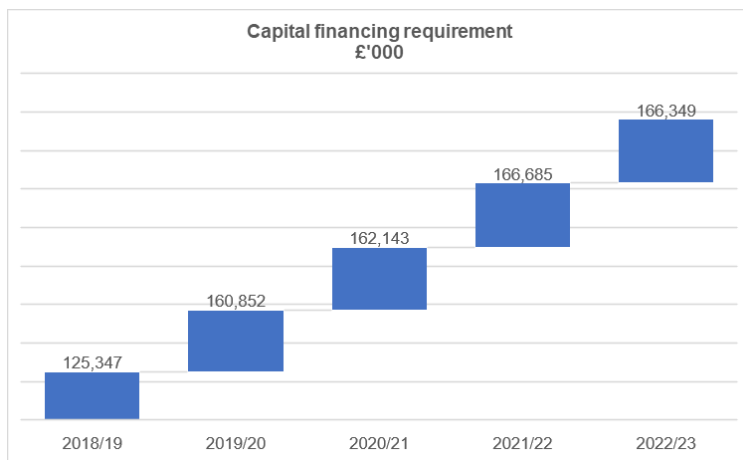
Our minute review confirms the Audit Committee receive regular briefings on the performance of the commercial property portfolio as evidence of ongoing monitoring of performance. It is an area for continued scrutiny, particularly with potential changes to the prudential framework under consultation. We say more on this on the following page.

# VFM arrangements – Financial Sustainability

## The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deem to be adequate. We considered the Council's capital financing requirement as set out in Note 31 of the financial statements, which has risen from £125m in 2018/19 to £166m in 2022/23, each increase representing the underlying need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past four years capital spend has been mainly financed through grants and contributions.

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In 2022/23, the Council spent £29m on capital additions and £4m of REFCUS (Revenue Expenditure Funded from Capital Under Statute). Our testing of these balances did not identify any material issues, but we did find recurring issues with the timely and accurate recording of capital expenditure.

As part of paying down the capital financing requirement, the Council charged £2.3m to the general fund as a "Minimum Revenue Provision". The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework to ensure capital expenditure and borrowing can be repaid. We reviewed the Council's Policy for 2022/23 and its supporting calculations as part of our work on the financial statements audit and have benchmarked the Council's charge against our database of other district councils:

Minimum Revenue Provision as a % of the Capital Financing Requirement	2021/22	2022/23
District councils: average	3.2 %	3.4 %
District councils: bottom quartile	1.0 %	1.2 %
Ashfield District Council	1.5 %	1.4 %

Whilst our work did not report any fundamental concerns over the lawfulness of its MRP, the Council's MRP is 1.4% of the Capital Financing Requirement, which is close to bottom quartile when compared to our database of other district councils (for comparison a figure of 2% is equivalent to paying down the balance over a 50-year period)

We are satisfied the Council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements, however, the importance and impact of the MRP is often poorly understood outside of finance teams and can lead to significant issues affecting the financial sustainability of a local authority.

We reported specific observations on the Council's MRP policy in our Audit Completion Report on the financial statements and are aware of ongoing consultations designed to strengthen the framework in setting the MRP, as a result, we expect that the Audit Committee will receive a briefing paper on the outcome of the consultation and an explanation of the consequences on the Council's current policy.

Notwithstanding the matters above, overall, we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

# 3. Commentary on VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from the previous year.

### The Authority’s governance structure

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit. Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

### 2022/23 Financial Reporting

Our Audit Completion Report for 2022/23, presented to the February 2024 meeting of the Audit Committee, set out that, although there were no material adjustments to the financial statements, there were difficulties arising in the audit, a large number of changes to disclosures and several recommendations, including one that remained unactioned from previous years.

As a result, we have raised a recommendation in relation to improving statutory financial reporting as part of this commentary.

### 2023/24 Budget Setting and the Medium-Term Financial Strategy (MTFS)

The Council’s budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. We read the report to Cabinet in February 2023 and then Council in March 2023, where a balanced budget was set. We are satisfied that the reports contain an adequate amount of detail regarding assumptions and that these are not unreasonable. The Council reflects on the limitations of medium-term

financial planning through the one-year local government finance settlements.

The table below reproduces the MTFS table.

	2023/24	2024/25	2025/26	2026/27
Estimated Expenditure	17,168	16,555	17,247	17,967
Estimated Income	(17,168)	(16,129)	(12,671)	(12,741)
Estimated Cumulative Funding Gap	-	426	4,577	4,800
Estimated Annual Funding Gap	-	426	4,151	649

The Council’s report refers to the limitations caused by potential local government funding reform as well as an assumption that no allowance for any inflationary increase in District Council Tax increase from 2024/25 was made. We also obtained the January 2024 Cabinet Report on the 2024/25 MTFS, where a Council tax increase was proposed, closing the funding gap previously reported:

	2024/25	2025/26	2026/27
Estimated Expenditure	17,652	19,057	20,757
Estimated Income	(17,652)	(17,557)	(13,793)
Estimated Cumulative Funding Gap	-	1,501	6,964
Estimated Annual Funding Gap	-	1,501	5,464

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### 2023/24 Budget Setting and the Medium-Term Financial Strategy (MTFS) (continued)

We considered reasonableness of the 2023/24 budget by reviewing the most recent report to Cabinet (January 2024) on financial performance. This sets out a potential £0.4m general fund budget variance, which we deem to not be significant and therefore does not raise concern over financial sustainability.

Notwithstanding the above, the MTFS highlights significant funding gaps mainly caused by its income assumptions (Council Tax). The Council is not dependent on reserves to balance its budget (although it has significant sums available) and planned savings are relatively inconsequential against the funding gap. In the 2023/24 MTFS (Cabinet, February 2023) the Council was seeking £211k recurrent savings and in adopting the 2024/25 MTFS (Cabinet, January 2024), this increased to £569k from 2024/25 onwards.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Risk management

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising.

We reviewed the Council's Constitution (latest update July 2023) noting that the Cabinet takes overall responsibility for the risk management strategy and effectiveness of arrangements, whilst the Audit Committee is responsible for providing assurance over the adequacy of the risk management framework and to monitor the effective development and operation of risk management and corporate governance in the Council.

We reviewed agendas of both Cabinet and Audit Committee for 2022/23 for evidence of regular reporting of risk, which showed:

Audit Committee meeting date	Risk Management Update?
Mar-22	Yes
Jul-22	No
Nov-22	No
Jan-23	No
Mar-23	No
Jul-23	No
Nov-23	Yes
Feb-24	No

Cabinet meeting date	Risk Management Update?
Mar-22	No
Jun-22	Yes
Jul-22	No
Sep-22	No
Nov-22	No
Dec-22	No
Jan-23	No
Feb-23	Yes
Jun-23	Yes
Jul-23	No

The Audit Committee does receive reports on Corporate Governance, which provides some evidence of arrangements to support governance and risk and the Head of Internal Audit Annual Opinion did not report any significant weaknesses, however, as per the table above nil reports were provided to the Audit Committee during 2022/23.

We are therefore satisfied that, on balance, there is no indication of a significant weakness in arrangements, however the Council must improve the frequency and transparency of risk reporting to the Audit Committee. A recommendation on this point has been raised.

### Audit Committee

The Council has an established Audit Committee. We have reviewed supporting documents and confirmed the Audit Committee meets regularly. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

### Internal Audit

We have reviewed Internal Audit's reports to the Audit Committee and attended Audit Committee to observe the performance of Internal Audit. We have read the head of internal audit's report for 2022/23 and are satisfied it does not highlight any significant weaknesses in arrangements. We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement. No issues arose from our review to indicate there is a significant weakness in the Council's arrangements for governance.

### Member Conduct

From our review of press articles and meetings with Officers, we are aware of criminal allegations against Members about potential wrongdoing, who's court date is set for February 2025. We will revisit this matter on conclusion of the trial.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2023.

### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year and the Council's arrangements are not significantly changed since the prior year.

### Corporate Plan and Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate. The Corporate Plan sits above a wider strategic context which includes the Corporate Project Management Framework, Corporate Performance Indicators and a range of strategic documents relating to the Council and its services, including the Strategic Direction. The performance framework incorporates balanced performance scorecards on place, corporate and service outcomes.

Our review of minutes and reports confirms the Cabinet receive regular reporting on the measures contained within the Council Plan. We reviewed the performance outturn for 2022/23 presented to the Cabinet as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements for scrutiny in assessing performance and identifying areas for improvement.

### Local Plan and Planning Performance

In December 2023, the Secretary of State for Levelling Up, Housing and Communities, gave the Council three months to agree a Local Plan or face government intervention. We reviewed minutes of the Cabinet from November 2023, confirming that arrangements were being made to consult on the Local Plan prior to adoption. We also reviewed the year end performance outturn and year end risk register reported to Cabinet, which recognises the Local Plan and the performance of the planning function is an area under scrutiny.

We compared outturn performance on major and minor planning application speed from that presented to

Members against nationally published data (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics>)

#### Table P151a: District planning authorities' performance - speed of major development decisions

	% within 13 weeks or within agreed time without penalty for missing data
--	--

England, October 2021 to September 2023	87 %
Ashfield in that data set	78 %
Ashfield 2022/23 outturn	88 %

#### Table P153: District planning authorities' performance - speed of non-major development decisions

	% within 8 weeks or within agreed time without penalty for missing data
--	---

England, October 2021 to September 2023	86 %
Ashfield in that data set	75 %
Ashfield 2022/23 outturn	70 %

The Council's performance report notes the performance on minor planning applications as an area of concern.

Overall, whilst there is indicator of performance challenges in planning, we judge this to not be an area of significant weakness for the year ending March 2023 as no formal interventions have yet occurred. We also noted that Internal Audit carried out a review of the planning function, not identifying any significant weaknesses.



# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### Towns Fund

In June 2021 a £63m Towns Fund deal for Ashfield was announced, with Ashfield District Council as the Accountable body. We have reviewed a variety of governance documents supporting the Towns Fund to confirm that the Discover Ashfield Board is the body that oversees the Towns Fund to ensure that there is involvement and engagement with a wide range of people and organisations. The Board also has oversight of the Shared Prosperity Fund. The Board membership includes local MPs, community representation and the Integrated Care Partnership. The Board serves an advisory function to the Council with regards to the Town Deal funding.

We obtained a copy of the Local Assurance Framework (LAF) to confirm one was in place. This sets out how Ashfield District Council and Discover Ashfield undertake their respective roles in relation to good governance and delivery of the projects being funded through the Towns Fund. The framework sets out the structure and roles that each organisation will undertake and the processes and policies that will apply to the decision making and oversight that are required in managing the Town Deal programme.

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Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

### 3. Commentary on VFM arrangements

#### Recommendations for improvement

We will review the progress against these recommendations as part of our 2023/24 audit and any failure to progress or improve will be reflected in our commentary, including whether any escalations are required

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# 3. VFM arrangements – Recommendations

## Summary of recommendations made

Reporting criteria	Page	Summary of issue raised	Recommendation
Governance	16	<p><b>Financial Reporting</b></p> <p>Our Audit Completion Report on the 2022/23 raised recommendations for improvement, which were presented to the February 2024 Audit Committee.</p>	<ol style="list-style-type: none"> <li>1. The Audit Committee should seek direct assurance that the recommendations have been actioned prior to the approval of the draft 2023/24 financial statements. Where actions cannot be implemented, Members need to understand what the impact may be.</li> </ol>
Governance	18	<p><b>Risk management</b></p> <p>The Audit Committee is responsible to ensure that the Authority’s risk identification, measurement and management processes are operating efficiently.</p> <p>No reports on the Corporate Risk Register were provided to the Audit Committee during 2022/23.</p>	<ol style="list-style-type: none"> <li>2. The Audit Committee must receive regular reports on the Corporate / Strategic risks facing the Authority, in sufficient detail to enable it to fulfil its responsibilities under the Constitution.</li> <li>3. The Audit Committee should consider whether it would benefit from having a forward plan, fully mapped to its terms of reference, is provided by Officers and reviewed at least bi-annually.</li> </ol>

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# 04

Section 04:

## **Other reporting responsibilities and our fees**

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# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the date of writing, final instructions have not yet been received.



# Appendix

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## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 Actual fees	2022/23 fees*	2023/24
PSAA's scale fee in respect of our work under the Code of Audit Practice	43,148	55,849	159,606
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties	9,940	N/A included in revised scale fee	-
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	3,590	3,587	-
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315 Risk Assessment)	-	5,009	-
Other additional testing - audit adjustments to resolve prior period errors	2,205	N/A – one off cost	-
Other additional testing - implications of pension fund surpluses under IAS19 and IFRIC 14	-	Nil – not required	-
Other additional testing – additional costs as a result of delayed, incomplete and poor quality information in testing property, plant & equipment, extent of adjustments, additional control recommendations and reporting	-	8,703	-
Additional fees in respect of the VFM Commentary	6,000	7,379	-
<b>Sub-total: variations</b>	<b>21,735</b>	<b>24,678</b>	<b>-</b>
<b>Total fees</b>	<b>64,883</b>	<b>80,527</b>	<b>159,606</b>

\*These costs are subject to PSAA review and approval. The Council received **£22,243** of grant funding to meet rising audit costs.

\*\*At the time of issuing this report, the additional fees for 2022/2023 have not been agreed with the Council.

### Fees for other work

In 2022/23, we were engaged to provide assurance related services on the Pooling of Housing Capital Receipts (fee estimate £4,000).

# Appendix A: Further information on our audit of the financial statements

## Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p><b>Significant risk:</b> an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to test accounting journals.</p>	<p>Based on the work completed, no issues have been identified that need to be brought to the attention of Members.</p>
<p><b>Valuation of the net pension liability</b></p> <p>The defined benefit liability/asset relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>critically assessing the competency, objectivity and independence of the actuary;</li> <li>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 valuation is complete and accurate;</li> <li>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, including comparing them to expected ranges using a consulting actuary;</li> <li>agreeing the data in the valuation report provided by the Fund Actuaries for accounting purposes to the financial statements; and</li> <li>considering whether the pension asset should be capped.</li> </ul>	<p>Based on the work completed, we identified an immaterial misstatement arising from information provided by the Pension Fund auditor that management chose not to adjust for.</p> <p>Aside from this, our work obtained the assurances we sought with no other significant matters to raise.</p>
<p><b>Valuation of land &amp; buildings and investment properties</b></p> <p>Land, Building and Property assets and investment properties are significant balances on the council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements.</p>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>critically assessing the Council's valuation expert's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li> <li>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;</li> <li>assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;</li> <li>critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and</li> <li>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.</li> </ul>	<p>We faced some difficulties in completing this work, but following adjustments to the financial statements we were satisfied with the assurances obtained.</p>



# Mark Surridge, 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.

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<b>Report To:</b>	<b>AUDIT COMMITTEE</b>
<b>Date:</b>	<b>29<sup>TH</sup> FEBRUARY 2024</b>
<b>Heading:</b>	<b>AUDITED STATEMENT OF ACCOUNTS 2022/23</b>
<b>Executive Lead Member:</b>	<b>EXECUTIVE LEAD MEMBER FOR FINANCE, REVENUES AND BENEFITS – CLLR RACHEL MADDEN</b>
<b>Ward/s:</b>	<b>N/A</b>
<b>Key Decision:</b>	<b>NO</b>
<b>Subject to Call-In:</b>	<b>NO</b>

### Purpose of Report

This report presents the Audit Committee with the Council's Statement of Accounts for 2022/23 and reports on the outcome of the external audit of the Council's Statement of Accounts 2022/23.

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)

Audit Committee is requested:

- (1) To approve the audited Statement of Accounts for 2022/23 subject to any outstanding items identified in the External Auditors Completion Report 2022/23.
- (2) To delegate authority for the final approval of the audited Statement of Accounts for 2022/23 to the Corporate Resources Director (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**

The deadline for completion and publication of the draft Statement of Accounts of 31 May was reset for 2022/23 by Government following extensions for 2020/21 and 2021/22 during the COVID19 pandemic. The deadline for the final audited Statement of Accounts was the 30 September. The Council's External Auditors were unable to commence their work until 9 October and their work is now substantially concluded as outlined in the Audit Completion Report.

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 a number of amendments to the draft Statements published in May 2023, which are outlined in the Audit Completion Report. The changes have had no impact on the balances reported in the Council's General Fund or Housing Revenue Account balances and are largely technical accounting items.

The Auditor's work on the accounts is substantially complete. Any outstanding matters are detailed in the Mazars Audit Completion Report (ISA 260). Any outstanding items will be fully and promptly resolved. 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 2023 will be published as soon as the audit is concluded, and the Independent Auditor's Report issued.

If any material 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. [RLD 14/02/2024]

### **Finance:** [PH 20/02/2024].

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	As per the Statement of Accounts.

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

### **Risk:**

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

### **Human Resources:**

No HR implications KB 14/02/2024

### **Environmental/Sustainability**

No implications

### **Equalities:**

No implications

### **Background Papers**

Draft Statement of Accounts 2022/23  
Mazars Audit Completion Report (ISA 260)

### **Report Author and Contact Officer**

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# Ashfield District Council – Audit Progress Report

Audit Committee: 29 February 2024



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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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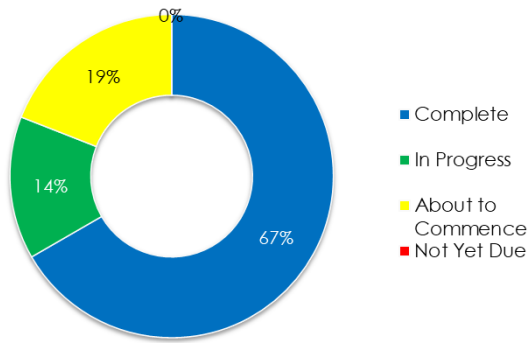




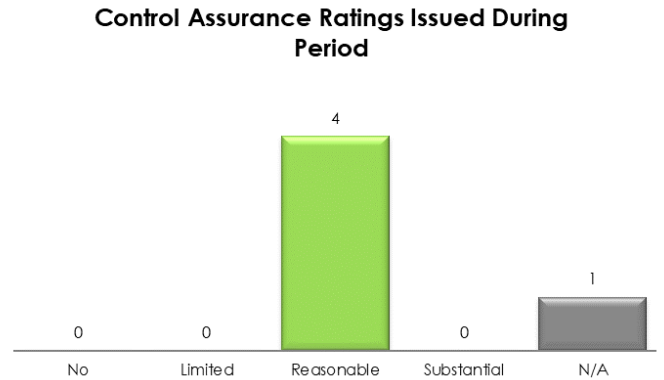
# Ashfield District Council – Audit Progress Report

## AUDIT DASHBOARD

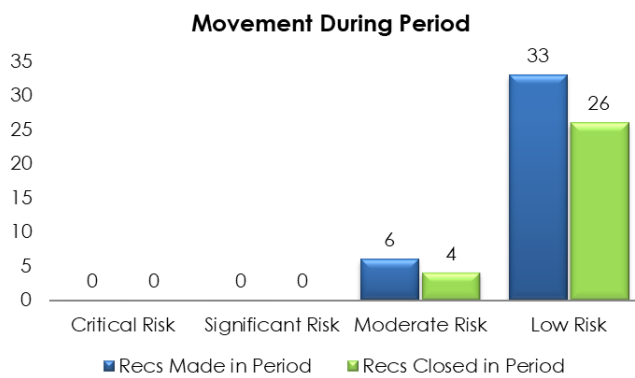
### Plan Progress



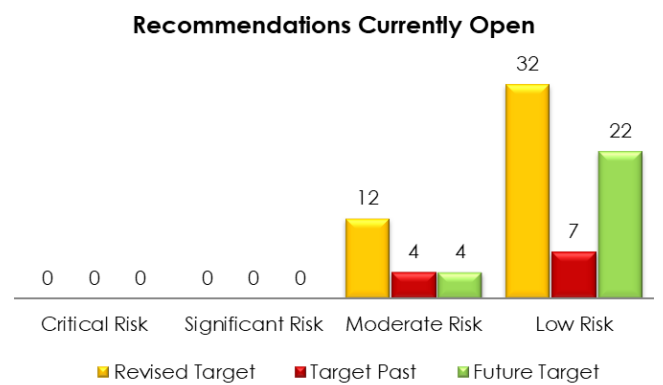
### Assurance Ratings



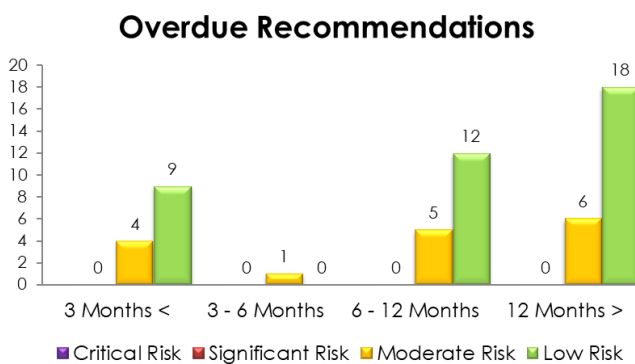
### Recommendations



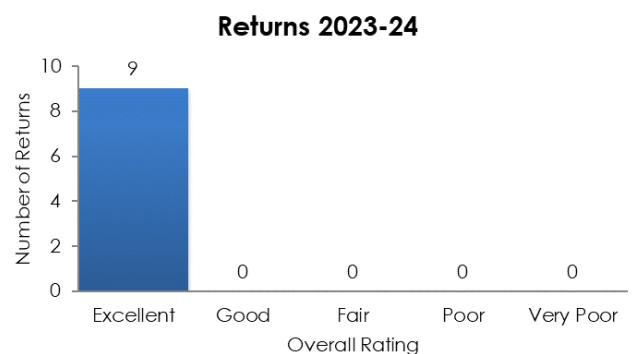
### Recommendations



### Recommendations



### Customer Satisfaction



# 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 14 February 2024.

2023-24 Jobs	Status	% Complete	Assurance Rating
Members Code of Conduct	Final Report	100%	Reasonable
Anti-Fraud & Corruption 2023-24	Final Report	100%	N/A
Information Governance 2023-24	Final Report	100%	Reasonable
Audit Committee Effectiveness	Final Report	100%	N/A
Finance System Implementation 2023-24	In Progress	50%	
Cyber Security & Entity Level Controls 2023-24	Allocated	15%	
Performance Management 2023-24	Allocated	5%	
Commercial Investment Property 2023-24	In Progress	70%	
Contract Procedure Rules 2023-24	Allocated	0%	
Revenues Systems 2023-24	Final Report	100%	Reasonable
Trade Waste 2023-24	In Progress	90%	
Pest Control 2023-24	Allocated	0%	
Markets 2023-24	Final Report	100%	Reasonable
Responsive Repairs 2023-24	Final Report	100%	Reasonable
Health & Safety - Lifts	Final Report	100%	Substantial
Outdoor Recreation - Equipment Safety 2023-24	Final Report	100%	Reasonable
B/Fwd Jobs	Status	% Complete	Assurance Rating
General Ledger - Data Analytics 2022-23	Final Report	100%	Reasonable
Estates 2022-23	Final Report	100%	Reasonable
Section 106 Agreements 2022-23	Final Report	100%	Substantial
Leisure Centre 2022-23	Final Report	100%	Reasonable
Future High Streets Fund 2022-23	Final Report	100%	Limited

### Audit Plan Changes

None to report.

# Ashfield District Council – Audit Progress Report

## AUDIT COVERAGE

### Completed Audit Assignments

Between 7 November 2023 and 14 February 2024, 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	
Markets 2023-24	Reasonable	0	0	2	7	56%
Revenues Systems 2023-24	Reasonable	0	0	1	11	92%
Members' Code of Conduct	Reasonable	0	0	1	10	0%
Anti-fraud & Corruption 2023-24	N/A	0	0	0	0	n/a
Responsive Repairs 2023-24	Reasonable	0	0	2	5	43%
<b>TOTALS</b>		<b>0</b>	<b>0</b>	<b>6</b>	<b>33</b>	<b>49%</b>

Markets 2023-24					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
All traders are charged for the stall occupied and rental charges are periodically reviewed.	5	1	3	1	
Arrears are frequently monitored, and attempts are made to recover any outstanding monies.	10	7	3	0	
Traders' compliance with market terms and conditions is monitored.	5	2	2	1	
<b>TOTALS</b>	<b>20</b>	<b>10</b>	<b>8</b>	<b>2</b>	
Summary of Weakness		Risk Rating	Agreed Action Date		
The Council did not have a clearly defined and approved charging policy for markets that documents fees chargeable and discounts allowed. This meant that not all fees and charges for markets had been subject to annual review and approval. We also noted a concession that had been agreed verbally. The scheme of delegation in place allowed a number of officers to individually review and amend, fees, charges, and licences for all markets, funfairs, and events where and when required.		Moderate Risk	31/01/2024		
There was no audit trail from the prepaid electric meter system for electricity issued to traders, to enable a reconciliation of payments received to issued electricity.		Low Risk	31/01/2024		

# Ashfield District Council – Audit Progress Report

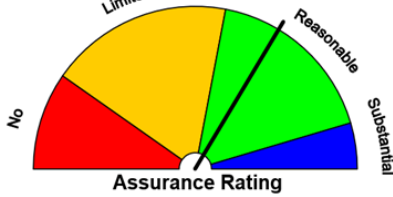
Although traders were required to provide the Markets Retail Manager with updates when their billing records changed, there were no checks in place or requests for annual updates to confirm that the details held were correct.	Low Risk	31/03/2024
A market trader had been allowed to accumulate £6.8k worth of debt before formal action was taken.	Low Risk	31/01/2024
There were no reports issued to senior management responsible for the Markets Service that detailed the debts relating to markets.	Low Risk	31/01/2024
The reconciliation of income for outdoor markets had not been reviewed by an independent officer and did not ensure all income had been correctly coded on the ledger in detail.	Low Risk	31/01/2024
The traders at Idlewells indoor market were trading without signed licences.	Low Risk	31/03/2024
Market application forms contained outdated information regarding the outdoor markets available.	Low Risk	Implemented
The Markets office did not have current copies of all the market trader’s public liability insurance documents to confirm that traders had an up-to-date policy in place, and for the correct value of insurance.	Moderate Risk	31/03/2024

<h2>Revenues System 2023-24</h2>	<p>Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Ensure that effective controls have been built into system transactions over the input of data in the Revenues system, to support data quality. Ensure supplementary exception reports have also been implemented to catch common data entry anomalies and errors.	12	2	0	10
Ensure the Revenues system and underlying server infrastructure have been configured in line with modern cyber security best practices.	14	6	0	8
<b>TOTALS</b>	<b>26</b>	<b>8</b>	<b>0</b>	<b>18</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
Several data quality issues were identified in a Council Tax data file provided, which may be indicative of flaws in up-front validation controls over the input of data in the Open Revenues systems front end.		Low Risk	Implemented	

# Ashfield District Council – Audit Progress Report

<p>The Open Revenues system did not have standard error/exception reports available to allow the systems administrators to easily find the issues identified in the data quality checks.</p>	<p>Low Risk</p>	<p>Implemented</p>
<p>A data analytics exercise found that Council Tax accounts relating to unique individuals had been linked under the same PIN (person reference number) in error.</p>	<p>Low Risk</p>	<p>Implemented</p>
<p>13 Open Revenues users had unrestricted access to update their own records, or records to which they had a personal interest in, leaving opportunities for fraud and misuse.</p>	<p>Low Risk</p>	<p>20/12/2023</p>
<p>File level security for Civica e-Pay interface files that fed payment data into the Open Revenues system had not been properly restricted from unauthorised modification or deletion.</p>	<p>Low Risk</p>	<p>Implemented</p>
<p>A data analytics and matching exercise identified a small number of cases whereby supporting evidence was not readily available to support the award of an ongoing Class N exemption (full time students).</p>	<p>Low Risk</p>	<p>Implemented</p>
<p>11 accounts in the CONTROL access group (administrator level permissions) were vulnerable to unauthorised access as they had been configured with weak corresponding passwords. Furthermore, the security configuration of the Open Revenues system did not currently enforce minimum password length or complexity composition.</p>	<p>Low Risk</p>	<p>Implemented</p>
<p>Internal IT and 3rd party technical support from the software support company were using shared generic administrator accounts, which breached cyber security best practice.</p>	<p>Low Risk</p>	<p>Implemented</p>
<p>A vulnerability scan of all server-side components of the Open Revenues system, highlighted outdated and unsupported software components in operation that could not be patched by the internal IT department without impacting the system.</p>	<p>Low Risk</p>	<p>Implemented</p>
<p>Permissions on a file share (ibsapp) on the Open Revenues application and file server, granted unauthorised access to personal and sensitive information to approximately 200 users who did not have corresponding accounts in the Open Revenues system, and therefore did not have a genuine business need to access the information.</p>	<p>Moderate Risk</p>	<p>Implemented</p>
<p>Not all access to the S:\Revenues directory could be justified, breaching data protection principles.</p>	<p>Low Risk</p>	<p>01/03/2024</p>
<p>Generic 3rd party support accounts with no recent login activity for years, were members of the domain admins group, and therefore had complete administrative control over all server-side components of the Open Revenues system.</p>	<p>Low Risk</p>	<p>Implemented</p>

# Ashfield District Council – Audit Progress Report

<h2>Members' Code of Conduct</h2>	 <p style="text-align: center;">Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Members' Code of Conduct is in line with best practice and understood by Members.	6	2	4	0
There is a robust process in operation for handling complaints against Members.	10	4	4	2
An effective Standards Committee is in operation.	5	2	2	1
<b>TOTALS</b>	<b>21</b>	<b>8</b>	<b>10</b>	<b>3</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
Some inconsistencies relating to disclosure of interests were identified in the Members' Code of Conduct, when compared with the Local Government Association's Model Code of Conduct.		Low Risk	31/12/2024	
The Member/Officer Protocol had not been reviewed since 2015 and arrangements in place for Members contacting officers to request information were not clearly defined.		Low Risk	31/12/2024	
Not all Members had completed mandatory induction training.		Low Risk	30/04/2024	
The gifts and hospitality register was not publicly available, and reports presented to the Standards and Personnel Appeals Committee did not indicate whether gifts and hospitality were accepted or declined.		Low Risk	31/03/2024	
Some aspects of the Member Complaints Process could be strengthened.		Low Risk	31/12/2024	
The Member Complaint form available on the Council's website required updating.		Low Risk	31/12/2024	
The progress of Member complaints was not adequately tracked or reported and there was an insufficient audit trail to confirm that the Member Complaints Process had been followed.		Moderate Risk	31/12/2024	
There was only one Independent Person in post, which could impede progress of the Member complaint process should they not be available.		Low Risk	31/03/2024	
Target timeframes for all stages of the Member Complaints Process were not set out.		Low Risk	31/12/2024	
Arrangements for instances where the Monitoring Officer has a conflict of interest were not fully documented in the Member Complaints Process.		Low Risk	31/12/2024	

# Ashfield District Council – Audit Progress Report

The Annual Ethical Governance Update to the Standards and Personnel Appeals Committee provided only limited information on Member complaints.	Low Risk 31/03/2024
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<h2>Anti-fraud &amp; Corruption 2023-24</h2>	Assurance Rating - Not Applicable
<p>The responsibility for the anti-fraud and corruption function has been realigned to the Corporate Resources Director. This realignment of function was designed to enable the Council to create greater operational resilience and improve capacity. The Council has recognised that it must continue to develop and embed its corporate approach to anti-fraud and corruption work.</p> <p>We undertook a consultancy review to provide the Council with a position statement on their outstanding recommendations in this area, and to identify further areas of best practice where the Council could improve its fraud risk management framework.</p>	
<p style="text-align: center;"><b>Summary of Weakness</b></p>	
<p>Anti-fraud, bribery and corruption training had not been delivered to all staff, and the Council did not have a plan for ensuring regular training would take place.</p>	
<p>The Council's counter fraud roles and responsibilities had not been defined in accordance with the Counter Fraud Functional Standard.</p>	
<p>The Council's Anti-Fraud and Corruption Strategy did not include all the key areas of best practice as set out within the Counter Fraud Functional Standard.</p>	
<p>The Council did not have trained fraud investigators with professional accreditation to review and investigate all areas of potential fraud.</p>	
<p>The Council's fraud risk assessments and therefore the fraud risk register was not broken down between high level risks and department/business unit risks, as advised by the Counter Fraud Functional Standard.</p>	
<p>The Council had not yet defined outcomes for fraud detection activity and did not have in place metrics to measure the targeted outcomes.</p>	
<p>The Council's Anti-Fraud and Corruption Strategy had not been reviewed in light of the additional fraud risks presented by the COVID-19 Pandemic, including changes in working practices.</p>	
<p>The Council's Anti-Fraud and Corruption Strategy did not include information on the Council's approach to fraud risk assessment.</p>	

# Ashfield District Council – Audit Progress Report

The Council had made some progress in joining anti-fraud networks however they were still in the process of registering with the National Anti-Fraud Network.
There were 5 service areas which had not identified any fraud risks.
The proformas used to record decisions made did not included the requirement to assess fraud risk.
The Council's use of the NFI and Data Matching exercises to identify fraud and error had been limited, the data matching subgroup had not met, and also the terms of reference and work plan for the subgroup were at draft stage.
The Council's fraud response plan had not been updated since 2020, or tested, and the copy on the Council's website was an old version.
Fraud cases were recorded in various service areas around the Council and there was no case management system in place to ensure all suspected fraud and investigations were completed.

<h2>Responsive Repairs 2023-24</h2>	<p>The Assurance Rating pie chart is divided into four segments: 'No' (red, approximately 15%), 'Limited' (yellow, approximately 35%), 'Reasonable' (green, approximately 35%), and 'Substantial' (blue, approximately 15%). A diagonal line is drawn across the chart from the top-left to the bottom-right.</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The system in place for processing requests and outcomes of works completed for responsive repairs is robust, including timescales of the appointments.	12	6	3	3
Customer satisfaction is adequately monitored and reported, including damp and mould complaints.	3	3	0	0
The process for computing jobs cost is robust.	4	3	1	0
<b>TOTALS</b>	<b>19</b>	<b>12</b>	<b>4</b>	<b>3</b>
Summary of Weakness	Risk Rating	Agreed Action Date		
The Council's website and tenant's handbook included out of date information regarding how to request a repair to a Council property.	Low Risk	01/04/2024		
Incomplete pre-inspection jobs were not being monitored to ensure they had been actioned, and closed when not required.	Low Risk	Implemented		



# Ashfield District Council – Audit Progress Report

Start and end times and dates of repairs in the Capita housing system were not always accurate and complete.	Moderate Risk	Implemented
In our data download taken of repairs jobs from 1 June 2023 to 18 October 2023, there were 187 jobs in the Capita housing system which had not been completed or closed and were over 2 months old.	Low Risk	31/03/2024
The Optimise system had not yet been fully implemented to produce and monitor timesheets for the operatives.	Low Risk	31/07/2024
The Council were not comparing the allotted time for a repair to take place with the actual time taken to complete the repair job.	Moderate Risk	31/07/2024
Testing noted occasions where the material costs had not been updated accurately in the Schedule of Rates.	Low Risk	Implemented

# Ashfield District Council – Audit Progress Report

## RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
14-Feb-19	Risk Registers	Reasonable	0	1	0
16-Aug-19	Fire Safety	Reasonable	0	1	0
31-Jan-20	Information Governance	Reasonable	0	1	0
21-Jun-21	Management of Fraud Risk	Limited	0	9	0
10-May-21	People Management	Reasonable	0	4	0
21-Jun-21	Delegated Decisions	Reasonable	0	1	0
05-Oct-21	PCI Compliance in Organisational Transformation	Reasonable	0	1	0
28-Feb-22	Outdoor Recreation - Sports Bookings	Limited	0	4	0
08-Apr-22	Accounting Systems 2021-22	Substantial	0	3	0
28-Jul-22	Housing - Data Quality 2022-23	No	0	5	0
25-Oct-22	Licensing 2022-23	Reasonable	0	3	0
23-Jan-23	Health & Safety 2022-23	Limited	0	1	0
17-Apr-23	Leisure Centre 2022-23	Reasonable	0	1	0
12-May-23	Estates	Reasonable	7	1	2
23-Jun-23	Future High Streets Fund & Towns Fund	Limited	1	0	1
06-Jul-23	General Ledger - Data Analytics	Reasonable	0	2	1
16-Oct-23	Information Governance 2023-24	Reasonable	1	3	1
19-Oct-23	Outdoor Recreation - Equipment Safety	Reasonable	2	0	4
21-Nov-23	Markets 2023-24	Reasonable	0	3	1
19-Dec-23	Revenues System 2023-24	Reasonable	0	0	1
16-Jan-24	Members Code of Conduct	Reasonable	0	0	11
26-Jan-24	Responsive Repairs 2023-24	Reasonable	0	0	4
		<b>TOTALS</b>	<b>11</b>	<b>44</b>	<b>26</b>

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

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

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

# Ashfield District Council – Audit Progress Report

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Risk Registers	0	0	0	0	0	1
Fire Safety	0	0	0	0	1	0
Information Governance	0	0	0	0	1	0
Management of Fraud Risk	0	0	0	0	2	7
People Management	0	0	0	0	0	4
Delegated Decisions	0	0	0	0	0	1
PCI Compliance in Organisational Transformation	0	0	0	0	0	1
Outdoor Recreation - Sports Bookings	0	0	0	0	0	4
Accounting Systems 2021-22	0	0	0	0	0	3
Housing - Data Quality 2022-23	0	0	0	0	5	0
Licensing 2022-23	0	0	0	0	0	3
Health & Safety 2022-23	0	0	0	0	0	1
Leisure Centre 2022-23	0	0	0	0	0	1
Estates	0	2	5	0	0	1
Future High Streets Fund & Towns Fund	0	1	0	0	0	0
General Ledger Data Analytics	0	0	0	0	2	0
Information Governance 2023-24	0	1	0	0	0	3
Outdoor recreation – Equipment Safety	0	0	2	0	0	0
Markets 2023-24	0	0	0	0	1	2
<b>TOTALS</b>	<b>0</b>	<b>4</b>	<b>7</b>	<b>0</b>	<b>12</b>	<b>32</b>

# Ashfield District Council – Audit Progress Report

## Highlighted Recommendations

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

## Being Implemented Recommendations

<b>Information Governance</b>	<b>Rec No. 4</b>
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>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>The IT Security Policy Framework is under review. As part of this review we will ensure it is updated to take account of GDPR requirements. Specifically, we will introduce the following measures to assist with ensuring access to data is suitably restricted to only those officers with a genuine business need to access such information:</p> <ul style="list-style-type: none"> <li>- Starters/Transfers/Leavers E-Form – to be completed by the Section Manager. This form will identify access rights of starters, amendments for staff transferring internally and identify when staff leave the Council. This will be used in conjunction/cross-references with the report received from HR on a quarterly basis.</li> <li>- E-Form for completion by Managers/Directors for folder access changes.</li> <li>- Introduction of new file structure guidelines and cascade through ELT/ALT, DMTs and MOD.</li> <li>- Provision of Group Access Permission lists on a quarterly basis to Service Managers for checking and confirmation/amendment. IT to meet with individual Managers to confirm, amend and clarify what is required of Managers as part of this new process.</li> </ul>	<p>30/06/2020</p>
Status Update Comments	Revised Date
<p>Actions have been taken to restrict folders and files.</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> <p>Security Policy went live with all GDPR recommendations included. The Service Desk ask Line Managers for an employee that access rights for a new user can be based on. If no employee is given the employee will only get access to normal channels (for example section data). As part of this, the Service Desk also asks who the line manager is to ensure the Organisation chart is up to date. Evidence requested 4th Oct 2023.</p>	<p>30/06/2022</p>

# Ashfield District Council – Audit Progress Report

<b>Fire Safety</b>	<b>Rec No. 5</b>
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>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>An assessment of all flat entrance doors has been completed and the results forwarded to the Assets &amp; 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>	<p>31/03/2020</p>
Status Update Comments	Revised Date
<p>Standard fire doors (majority); installations to commence 07/02/22.</p> <p>The works are not yet complete. We have continued to have difficulties in terms of supply to source doors which comply with the regulations and at a fair price and meet other requirements. We have also had difficulty with closing strengths of doors (which stopped us from fitting Sherwood Court doors previously).</p> <p>We are making progress in terms of sourcing suppliers and our Contractor, J Tomlinson are hoping to fit the remaining doors as follows:-</p> <ul style="list-style-type: none"> <li>• Leaseholder fire doors (Feb/March)</li> <li>• Sherwood Court doors (requiring additional works to the door heads and surrounds up to ceiling height (March/April)</li> <li>• Fire doors with sidelights (April/May).</li> </ul> <p>Nov 2023 Update - there have been numerous difficulties with implementing this recommendation, including issues with contractors. The Council should enter into a contract with a new contractor in the next couple of weeks, whose works will include completing the residual replacement fire doors. Circa 60 doors are still to be completed.</p>	<p>31/03/2024</p>

<b>Management of Fraud Risk</b>	<b>Rec No. 6</b>
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>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>The Council will consider how to access a suitably trained fraud investigator.</p>	<p>30/04/2022</p>
Status Update Comments	Revised Date
<p>Action still being progressed.</p>	<p>31/03/2023</p>

# Ashfield District Council – Audit Progress Report

<b>Management of Fraud Risk</b>	<b>Rec No. 10</b>
Summary of Weakness / Recommendation	Risk Rating
<p>The Council's fraud detection activities were limited, and they did not belong to any fraud groups nor were they a member of the National Anti-Fraud Network (NAFN).</p> <p>We recommend that the Council consider the use of fraud networking groups, such as NAFN, and arrange further regular activities to detect fraud in high risk areas.</p>	<p><b>Moderate Risk</b></p>
Management Response/Action Details	Action Date
<p>The Council will consider becoming a member of NAFN or other fraud networking groups.</p>	<p>31/10/2021</p>
Status Update Comments	Revised Date
<p>This is not yet complete. Application form was completed but a recent review of Anti-fraud practices has shown that the legal team were questioning the requirement to have this and have not completed the DPIA's, and had placed the application on hold.</p>	<p>30/06/2022</p>

<b>Housing Data Quality 2022-23</b>	<b>Rec No. 1</b>
Summary of Weakness / Recommendation	Risk Rating
<p>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.</p> <p>We recommend that all components are reviewed to ensure they show accurate data, and that the Council consider looking into an automated process so completed repairs and maintenance jobs directly update the component Masterfile within the Capita Housing System.</p>	<p><b>Moderate Risk</b></p>
Management Response/Action Details	Action Date
<p>Current component data to be extracted and cleansed.</p> <p>New Schedule of Rates (SOR) codes to be created to mirror components used.</p> <p>New Totalmobile (TM) forms to be created to enable direct/automatic upload from works completed on site into the Capita system.</p> <p>Creation of role to ensure Capita data is reconciled, accurate and relevant.</p>	<p>31/03/2023</p>
Status Update Comments	Revised Date
<p>Review and cleanse of Components and attribute data is complete and ongoing, as above.</p> <p>Surveyors now using Total Mobile to update components in OPEN while on site (stock condition surveys). Outside of this, Components should be updated by the repairs admin team – they have a process in place. Component Data has been reviewed and updated to ensure they are accurate.</p> <p>Some of this could be new functionality (automatically updating the component based on the SOW used) but the repairs team have been informed about how the system works and should be updating component data in OPEN.</p> <p>New career graded role has been created and added to establishment – now in recruitment.</p> <p>Additional external consultancy resource has been added until Jan 2024 to assist with the refinement and creation of internal reports to aid in the management of this data.</p>	<p>31/01/2024</p>

# Ashfield District Council – Audit Progress Report

Housing Data Quality 2022-23	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>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.</p> <p>We recommend that the Council put in place processes to ensure all planned maintenance works are updated accurately in the components on the Capita Housing System. The Council should consider developing an automated process so component data for completed planned maintenance works are directly updated within the Capita Housing System without the need for manual data entry.</p>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>Current component data to be extracted and cleansed.</p> <p>Work undertaken by Major Works contractors is currently in the process of being automated with direct input to capita via SOR's.</p> <p>Creation of role to ensure Capita data is reconciled, accurate and relevant.</p>	<p>31/03/2023</p>
Status Update Comments	Revised Date
<p>Works completed by the contractor are being updated as part of the current repairs interfaces, however components still have to be updated manually.</p> <p>We can automate this so that the SOR updates the components automatically, however the team have been working on other priorities (i.e. correcting the component data).</p> <p>We will speak to the repairs team to identify which component gets updated for each programme of works – then we can set the job (SOW) to update the component automatically on completion.</p> <p>Additional external consultancy resource has been added until Jan 2024 to assist with the refinement and creation of internal reports to aid in the management of this data.</p>	<p>31/01/2024</p>

Housing Data Quality 2022-23	Rec No. 9
Summary of Weakness / Recommendation	Risk Rating
<p>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.</p> <p>We recommend that the personal and sensitive data included in the Capita Housing System is reviewed to ensure it is accurate and up to date. Any personal and sensitive data not required should be deleted from the System.</p>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>Data characteristics to enable accurate profiling to be determined.</p> <p>Current data to be extracted and cleansed.</p> <p>Rolling programme of collection and deletion to be established.</p> <p>Creation of role to ensure Capita data is reconciled, accurate and relevant.</p>	<p>31/03/2023</p>
Status Update Comments	Revised Date
<p>An action plan has been developed and approved by the Social Housing Regulation Team. Work has commenced on completing actions in the plan - evidence has been seen of monthly meetings taken place to monitor action plan. Some actions have slipped therefore it is now forecasted that works will conclude before the end of Quarter 2 2024/25.</p>	<p>30/09/2024</p>

# Ashfield District Council – Audit Progress Report

Housing Data Quality 2022-23	Rec No. 10
Summary of Weakness / Recommendation	Risk Rating
<p>Access to the various Excel spreadsheets used to record component works such as checks, installations and replacements, had not been appropriately restricted.</p> <p>We recommend that management reviews the permissions on the folders storing the Excel spreadsheets that currently represent a master copy of component related works. Where possible, access to amend the data in the files should be significantly restricted, and other users where appropriate should only be given read only access permissions.</p>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>All housing folders to be reviewed for permissions/restrictions NB needs to be measured against the move to SharePoint /Windows 365 as to the appropriate time to enact.</p> <p>IT to restrict access to housing specific folders (file holding areas) to a list of identified users, preferably belonging, and controlled by departmentally assigned Active Directory group(s).</p>	<p>31/10/2022</p>
Status Update Comments	Revised Date
<p>ICT have restructured Active Directory for the Housing section into its new layout. Groups have been created:</p> <ul style="list-style-type: none"> <li>• Housing Operations</li> <li>• Assets and Investments</li> <li>• Strategic Housing and Lettings</li> <li>• Housing Management and Tenancy Services</li> </ul> <p>ICT are now working through the folders on S: to further tighten down the permissions to folders where feasible.</p>	<p>30/11/2023</p>

Housing Data Quality 2022-23	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>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.</p> <p>We recommend that the smoke detector components are updated to ensure they accurately reflect the status of each smoke detector and that a process is developed to ensure they continue to be updated. This process should ensure data quality checks are performed to ensure accuracy and completeness of smoke detector component data maintained within the Capita Housing System.</p>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>Current component data to be extracted and cleansed.</p> <p>System is already partly automated; however acceleration of the programme means that both in-house and contractors are installing alarms meaning the use of both TM for in-house and a data loader for contractor.</p> <p>Creation of role to ensure Capita data is reconciled, accurate and relevant.</p>	<p>30/11/2022</p>
Status Update Comments	Revised Date
<p>Additional external consultancy resource has been added until Jan 2024 to assist with the refinement and creation of internal reports to aid in the management of this data.</p>	<p>31/01/2024</p>



# Ashfield District Council – Audit Progress Report

## Action Due

<b>Future High Street Funds</b>	<b>Rec No. 9</b>
Summary of Weakness / Recommendation	Risk Rating
<p>Cabinet had not been informed of the risks to the Council should the projects and/or the programme fail.</p> <p>We recommend the Council re-examine the risks specifically to the Council associated with the programme/project arrangements and put mitigating actions in place. This information should be reported to the Cabinet.</p>	Moderate Risk
Management Response/Action Details	Action Date
Noted, the risk was flagged at SLT and was being managed within the delegated authority and funds available. Noted this should be reflected in a Cabinet update.	31/10/2023
Status Update Comments	Revised Date

<b>Estates</b>	<b>Rec No. 2</b>
Summary of Weakness / Recommendation	Risk Rating
<p>The use of an application form for commercial letting was not being enforced, and the form required updating as it referred to outdated data protection legislation.</p> <p>We recommend that the service area reviews and updates the application form to refer to the Data Protection Act 2018 and brings it back into use for all new tenancy applications.</p>	Moderate Risk
Management Response/Action Details	Action Date
Agreed.	30/06/2023
Status Update Comments	Revised Date

<b>Estates</b>	<b>Rec No. 3</b>
Summary of Weakness / Recommendation	Risk Rating
<p>Pre-tenancy checks did not include credit checks, identity checks or Companies House checks. Testing also noted 3 occasions where current pre-tenancy checks could not be evidenced.</p> <p>We recommend that pre-tenancy checks are improved, to include credit checks, identity checks and Companies House checks where possible. The same checks should be undertaken on all tenants and guarantors. All pre-tenancy checks should be evidenced.</p>	Moderate Risk
Management Response/Action Details	Action Date
Agreed.	30/06/2023
Status Update Comments	Revised Date

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<b>Report To:</b>	<b>AUDIT COMMITTEE</b>
<b>Date:</b>	<b>29 FEBRUARY 2024</b>
<b>Heading:</b>	<b>CORPORATE GOVERNANCE UPDATE</b>
<b>Executive Lead Member:</b>	<b>NOT APPLICABLE</b>
<b>Ward/s:</b>	<b>NOT APPLICABLE</b>
<b>Key Decision:</b>	<b>NO</b>
<b>Subject to Call-In:</b>	<b>NO</b>

### **Purpose of Report**

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.

The report sets out the arrangements for preparing the Annual Governance Statement for 2023/24.

The report also provides the Committee with an update in relation to how the Whistleblowing Policy has operated in the preceding 12 months.

### **Recommendation(s)**

**Committee is asked to note:**

- 1. The process for preparing the 2023/24 Annual Governance Statement;**
- 2. How the Whistleblowing Policy has operated during 2023/24.**

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

It is best practice for the Council to review its Corporate Governance arrangements annually as part of the preparation of the Annual Governance Statement and to compare this to the expectations set out in the Local Code of Corporate Governance.

To ensure the Committee is adequately informed to enable it to monitor the operation of the Whistleblowing Policy in accordance with the Committee's Terms of Reference as set out in the Constitution. To ensure the Whistleblowing Policy is reviewed regularly and kept up to date.

## **Alternative Options Considered**

As the report is for noting, there are no alternative options considered.

## **Detailed Information**

### **Corporate Governance**

#### 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. This includes various policies and procedures which set out the Council's approach to preventing, detecting and investigating fraud and corruption.

#### 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
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Local Code of Corporate Governance informs the Annual Governance Statement. 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 some minor changes were approved at the meeting of this Committee in November 2023. The Local Code of Corporate Governance will be reviewed and brought back to this Committee towards the end of this calendar year.

## Annual Governance Statement

The Annual Governance Statement (AGS) is prepared in order to publicly report on the extent to which the Council has complied with its Local Code of Corporate Governance. The AGS looks at how the effectiveness of the Council's governance arrangements have been monitored and evaluated during the year and looks at any planned changes. The AGS will be prepared in order to be presented as part of the draft Statement of Accounts which must be produced by 31 May 2024.

The preparation of the AGS will follow the process set out below:

- The initial review of the effectiveness of the Council's governance framework has been conducted by the Council's Executive Director - Governance (Monitoring Officer).
- To inform the process, the Strategic Leadership Team has carried out a Corporate Assurance Assessment and each Executive Director has provided a Statement of Assurance.
- The Constitution review, performance reporting and risk management arrangements will be taken into account.
- The results of all this review work will be set out in a draft Annual Governance Statement prepared by the Executive Director - Governance (Monitoring Officer).
- The Strategic Leadership Team will review the draft Statement and consider whether the improvements proposed represent an appropriate and proportionate response to any significant governance issues identified.
- The draft Governance Statement, modified to reflect the views of the Strategic Leadership Team, will be circulated to existing Members of the Council's Audit Committee.
- The Executive Director - Governance (Monitoring Officer) will finalise the Annual Governance Statement in readiness for the finalisation of the 2023/24 Statement of Accounts.
- The draft Annual Governance Statement will be informally presented to Audit Committee Members in advance of formal approval.
- The Audit Committee at its meeting in July 2024 will be asked to formally approve the draft Annual Governance Statement as part of the draft Statement of Accounts.

## **Whistleblowing Policy**

The Council has in place a Whistleblowing Policy which sets out a process for people to confidently report concerns, such as fraud. This policy makes it clear that people can report their concerns without fear of reprisals.

Paragraph 8.1 of the Whistleblowing Policy states that:

*“The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. This Officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report these to the Standards and Personnel Appeals Committee and the Audit Committee once a year. The Whistleblowing Policy will also be reviewed on a bi-annual basis.”*

A review of the policy has been undertaken and no changes are required at this time.

The Standards and Personnel Appeals Committee will receive a whistleblowing update report at its meeting on 19 March 2024.

## Application of Policy during the Preceding 12 Months

During the period starting April 2023 to the present, there have been **three** reports made under the whistleblowing policy drawn to the Monitoring Officer's attention.

Complaint 2023-01

The complaint was raised anonymously. The complaint related to the practices of a third party supported housing supplier. Following internal review of the allegations made, the matter was referred to the Regulator for Social Housing. There were no further actions recommended for the Council to undertake.

Complaint 2023-02

The complaint was raised by a member of the public who made allegations that a member of staff was involved in sending malicious correspondence. The Monitoring Officer carried out an investigation into the allegation and found no evidence of the involvement in such activity by a member of staff. The Monitoring Officer liaised with the police in relation to the allegations. There were no further actions recommended.

Complaint 2023-03

The complaint was raised by a member of public relating to the processes for disposing of the Council's old fleet vehicles. The Monitoring Officer looked into the allegations made. The Council's practices relating to the sale of no longer fit for purpose vehicles had been considered as part of an internal audit review during 2021/22. The internal audit review concluded that there was substantial assurance and made recommendations on how to improve controls further included the procurement process for engaging auction houses for the disposal of old vehicles. The procurement of this service was underway at the time the matter was investigated. As such, satisfactory assurance is in place regarding the sale of old fleet vehicles and therefore no further action was recommended.

Previous Application of Policy

The following table sets out the application of the Whistleblowing Policy for the past 9 years to the present date:

<b>YEAR</b>	<b>TOTAL NUMBER OF COMPLAINTS</b>	<b>NO FURTHER ACTION</b>	<b>MANAGEMENT RECOMMENDATIONS</b>	<b>DISCIPLINARY/ GRIEVANCE INVESTIGATION</b>
2015	2	1	1	0
2016	2	0	1	1
2017	3	1	1	1
2018	3	1	0	2
2019	4	3	1	0
2020	1	0	1	0
2021	0	0	0	0
2022	1	1	0	0
2023	3	3	0	0
2024 to date	0	0	0	0

**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

## Legal:

The Whistleblowing Policy has been written to take account of the Public Interest Disclosure Act 1998 which protects workers making disclosures in good faith. [RLD 19/02/2024]

**Finance:** No direct financial implications arising from this report. [PH 20/02/2024].

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 maintain integrity and confidence in the Whistleblowing Policy and its applications.	Annual reporting to the Audit Committee and Standards and Personnel Appeals Committee. Annual update on the application of the policy. Update reporting in accordance with the policy to the Whistleblower (if identified). Identification of trends in disclosure to inform Management. The review ensures compliance with the governance framework and assists with the annual governance review.

## Human Resources:

Regular review, maintenance and consistent application of the Whistleblowing Policy infers good employment practices. As such it is important to maintain the integrity of the policy. There are no other Human Resource issues identified in the report. [KB 19/02/2024]

## 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.

## **Reason(s) for Urgency**

Not applicable.

## **Reason(s) for Exemption**

Not applicable.

## **Background Papers**

Not applicable.

## **Report Author and Contact Officer**

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