



22 March 2021

## AUDIT AND ETHICS COMMITTEE – 30 MARCH 2021

A meeting of Audit and Ethics Committee will be held at 5.30pm on Tuesday 30 March 2021 via Microsoft Teams.

*Due to the current COVID19 pandemic, members of the public may view the meeting via the livestream available on the Council's website.*

Mannie Ketley  
Executive Director

## A G E N D A

### PART 1 – PUBLIC BUSINESS

1. Minutes

To confirm the minutes of the meeting held on 26 January 2021.

2. Apologies

To receive apologies for absence from the meeting.

3. Declarations of Interest

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

***Note: Members are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Member must withdraw from the room unless one of the exceptions applies.***

***Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.***

4. External Audit Progress Report and Sector Update 2020/21
5. General Fund Medium Term Financial Plan 2021-25 Update
6. Accounting Policies Update
7. Treasury Management Practices Update 2020/21 (report to follow)
8. 2020/21 Internal Audit Plan - Progress Update
9. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

## **PART 2 – EXEMPT INFORMATION**

1. Whistle Blowing Incidents – Standing Item – to receive any updates.
2. Fraud and Corruption Issues – Standing Item – to receive any updates.

***Any additional papers for this meeting can be accessed via the website.***

The Reports of Officers are attached.

**Membership of the Committee:** Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Cranham, McQueen, Mistry and Pacey-Day

**Named Substitutes:** Councillors Butlin, Mrs O'Rourke, Roodhouse and vacancy

*If you have any general queries with regard to this agenda please contact Veronika Beckova, Democratic Services Officer (01788 533591 or e-mail [veronika.beckova@rugby.gov.uk](mailto:veronika.beckova@rugby.gov.uk)). Any specific queries concerning reports should be directed to the listed contact officer.*

**AGENDA MANAGEMENT SHEET**

**Report Title:** External Audit Progress Report and Sector Update 2020/21

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 30 March 2021

**Report Director:** Interim Chief Financial Officer

**Portfolio:** Corporate Resources

**Ward Relevance:** All

**Prior Consultation:** None

**Contact Officer:** Jon Illingworth, Financial Services Manager and Interim Chief Financial Officer  
01788 533410, jon.illingworth@rugby.gov.uk

**Public or Private:** Public

**Report Subject to Call-In:** No

**Report En-Bloc:** No

**Forward Plan:** No

**Corporate Priorities:** This report relates to the following priority(ies):

**(CR) Corporate Resources**  To provide excellent, value for money services and sustainable growth

**(CH) Communities and Homes**  Achieve financial self-sufficiency by 2020

**(EPR) Environment and Public Realm**  Enable our residents to live healthy, independent lives

**(GI) Growth and Investment**  Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

**Statutory/Policy Background:** The Local Audit and Accountability Act 2014  
Accounts and Audit Regulations 2015  
The Code of Audit Practise

**Summary:** This is a progress from Grant Thornton on progress in delivering their responsibilities as external auditors to Rugby Borough Council.

**Financial Implications:** There are no financial implications as a direct result of this report.

**Risk Management Implications:** There are no risk management implications for this report.

**Environmental Implications:** There are no environmental implications for this report.

**Legal Implications:** There are no legal implications for this report.

**Equality and Diversity:** There are no equality and diversity implications for this report.

**Options:** None

**Recommendation:** The 2020/21 external audit interim progress report and sector update be noted.

**Reasons for Recommendation:** Not applicable

**Audit and Ethics Committee - 30 March 2021**

**External Audit Progress Report and Sector Update 2020/21**

**Public Report of the Interim Chief Financial Officer**

**Recommendation**

The 2020/21 external audit interim progress report and sector update be noted.

**Background**

Grant Thornton, the Council's appointed external auditor, has submitted their interim progress report for the 2020/21 annual audit.

The report provides the Committee with Grant Thornton's progress in delivering their responsibilities as the Council's external auditors.

This report is appended for the Committee's consideration. A representative from Grant Thornton will attend the meeting to present the report.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 30 March 2021

**Subject Matter:** External Audit Progress Report and Sector Update  
2020/21

**Originating Department:** Corporate Resources

**DO ANY BACKGROUND PAPERS APPLY**  YES  NO

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>

# Audit Progress Report

Rugby Borough Council  
Year ending 31 March 2021

30 March 2021



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# Introduction



Avtar Sohal

Engagement Lead

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Engagement Manager

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This paper provides the Audit and Ethics Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit and Ethics Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk)

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at March 2021

## Working with you

### Changes in the Engagement Team

Grant Patterson has served as engagement lead for the Council for the last five years and therefore in line with ethical standards will be stepping down as the Council's Engagement Lead (EL). Avtar Sohal will be picking up those responsibilities from him. Avtar has previously worked with the Council as an audit manager. Avtar has extensive experience in the sector and looks forward to working with the Council and forging strong working relationships with management and those charged with governance as the Council continue to navigate challenging times. See page 7 for a brief CV of Avtar's experience.

### Meetings

Avtar has had introductory meetings with the finance team in March 2021. We also met with Finance Officers as part of audit planning for 2020/21. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

Our annual chief accountant workshops have recently taken place. Delivered virtually this year, we offered break-out areas to provide opportunities for your finance officers to speak to peers across the sector in addition to gaining an understanding of the key changes impacting this year's accounts.

### Working Arrangements

We envisage having to continue to work completely remotely for a longer period. Working with the Council we managed this well at the last audit and we will seek to be in regular contact with your finance team in respect of the logistics of these arrangements, recognising that staff and patient welfare during and the pandemic will be your priorities.

## 2019/20

### Certification of claims and returns

Following on from the meeting of the Audit and Ethics Committee on 26 January 2021 we have now certified the Council's Pooling of Housing Capital Receipts Return in accordance with agreed procedures. The certification work for the 2019/20 claim was completed in line with the 31 January deadline.

We are currently undertaking our audit procedures in relation to the 2019/20 Housing Benefits Assurance Process (HBAP). The Council have agreed an extension to the deadline for certification of 31 March 2021 and we will report any findings from our work at the next meeting of the Audit and Ethics Committee.

## 2020/21

### Financial statements

Our formal planning work commenced during March. We have summarised our considerations at this time on page 5. In addition to this we will:

- continue to have regular discussions with management to inform our risk assessment for the 2020/21 financial and value for money audits
- review board papers and latest financial and operational performance reports
- consider any reports from regulators regarding your operational effectiveness.

Our planning work has started later than last year as a result of the pandemic and we expect to be in a position to be able to issue our audit plan summarising our approach to the significant audit risks at the next meeting of the Committee.

Due to the unprecedented circumstances presented by the COVID-19 pandemic, we will be reviewing our establishment of significant risks to ensure these correspond to the arrangements which have been in place in the sector in 2020/21.

We hope to conduct early substantive testing of key areas including all revenue streams, operating expenditure, payroll costs and capital.

We will report any findings from our interim audit in these progress reports received at each meeting of the Audit and Ethics Committee.

# Financial Statements Audit 2020/21

## Significant risks

Although we have started our planning work we are not at a stage where we can formally confirm the significant risks that we will be auditing. However, the sections below indicate likely areas that we will expect our work to focus on.

### Presumed significant risks

ISA (UK) 240 includes two presumed risks as follows:

- Revenue recognition may be misstated due to the improper recognition of revenue. This is a rebuttable risk if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We will consider the risk factors set out in ISA240 and the nature of the revenue streams at the Council to determine whether there is a risk of fraud from revenue recognition. We are cognisant that the Council has been in receipt of additional revenue streams this year and we will be documenting the business processes of these and existing streams as part of our planning procedures to help inform our consideration of the revenue recognition risk.
- The risk of management over-ride of controls is present in all entities. The need to achieve a particular financial outturn could potentially place management under undue pressure in terms of how they report performance.

### Other potential significant risks at time of writing

**Valuation of land and buildings** - The Council revalues its land and buildings on a rolling five year basis to ensure the carrying value in the Council financial statements is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the value involved and the sensitivity of this estimate to changes in key assumptions. It is expected that the valuation of land and buildings will continue to be identified as a significant risk.

**Valuation of net pension liability** - The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved in the Council's balance sheet and the sensitivity of the estimate to changes in key assumptions. It is expected that the net pension liability will continue to be identified as a significant risk.

### Other expected areas of focus

- We set out in our previous progress report details pertaining to the new accounting standard on Estimates, ISA 540. This raises the bar in terms of what both we and management are required to do. Therefore while in the past, we have focussed on the valuation of property plant and equipment, the net pension liability as well level 3 investments for the pension fund, on the grounds that they are large and complex estimates in the accounts, this will occur to an even greater extent in 2020/21. This will also apply to any other material estimates made by management.
- *Practice Note 10: The application of auditing standards for public sector audits* was updated in November 2020. Revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. We are awaiting further NAO guidance but whilst our consideration of material going concern uncertainties will continue we do not anticipate this being a significant risk in 2020/21.
- Accounting for Covid-19 Measures, Several covid-19 measures such as business support grants, local restrictions support grants, non ring-fenced grants (eg covid-19 emergency funding for local government), council tax hardship funding, S31 grant for business rate holidays, will need consideration in order to determine whether there is income and expenditure to be recognised in the CIES in 2020/21. Our audit work will focus on confirming the funding arrangement, whether there are any specific conditions attached to the grant, and whether it is a specific or non specific grant.

# Audit Deliverables

2020/21 Deliverables	Planned Date*	Status
<p><b>Fee Letter</b></p> <p>Outlining the proposed audit fee for 2020-21.</p>	June 2021	Not yet due
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit and Ethics Committee setting out our proposed approach in order to give an opinion on the Council's 2020-21 financial statements and a Conclusion on the Council's Value for Money arrangements.</p>	June 2021	Not yet due
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit and Ethics Committee.</p>	September 2021	Not yet due
<p><b>Auditor's Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	September 2021	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This letter communicates the key issues arising from our work. The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). The AAR will be published at the same time as the Auditor's Report</p>	September 2021	Not yet due

\*Due to the unprecedented circumstances presented by the COVID-19 pandemic, these timings may be subject to change.

# Your new Engagement Lead



## Engagement Lead – Avtar Sohal, Director (BSc, MSc, CPFA)

Avtar has over 13 years of Public Sector Audit Experience. He is currently the engagement lead on a number of district councils, fire authorities and NHS bodies in the Midlands region and also leads the grant certification work for a redbrick University. His experience in Public Sector Audits has stemmed from working at the Audit Commission, Grant Thornton UK LLP and Ernst and Young LLP. He will bring his experience in to leading the delivery of the external audit at the Council. He will look to regularly meet with the Council officers and members of the audit and ethics committee to give progress on the audit and provide insights on emerging issues as required.

He is also the regional technical lead for Grant Thornton's Public Sector Team in the West Midlands and helps to co-ordinate and delivery client facing workshops on technical issues as they arise. He will bring this knowledge and expertise to help with the audit of the Council.

His overall experience in local government has included him working on a number of Unitary Authorities, County Councils, District Councils, Police Authorities, Fire Authorities and LGPS Pension Funds across the Midlands, delivering both the financial statements audit and VFM conclusions in a timely manner and ensuring that audit quality standards are met.

Avtar is also an experienced local government grant auditor and has lead the delivery on a number of Housing Benefit, Pooling of Capital Receipts, Teachers Pension and Innovate UK audit certifications.



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**AGENDA MANAGEMENT SHEET**

**Report Title:** General Fund Medium Term Financial Plan  
2021-25 Update

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 30 March 2021

**Report Director:** Interim Chief Financial Officer

**Portfolio:** Corporate Resources

**Ward Relevance:** All

**Prior Consultation:** None

**Contact Officer:** Jon Illingworth, Financial Services Manager and  
Interim Chief Financial Officer  
01788 533410, jon.illingworth@rugby.gov.uk

**Public or Private:** Public

**Report Subject to Call-In:** No

**Report En-Bloc:** No

**Forward Plan:** No

**Corporate Priorities:** This report relates to the following priority(ies):

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- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

<b>Statutory/Policy Background:</b>	N/A
<b>Summary:</b>	This is an update on the latest medium term financial plan.
<b>Financial Implications:</b>	There are no financial implications as a direct result of this report.
<b>Risk Management Implications:</b>	There are no risk management implications for this report.
<b>Environmental Implications:</b>	There are no environmental implications for this report.
<b>Legal Implications:</b>	There are no legal implications for this report.
<b>Equality and Diversity:</b>	There are no equality and diversity implications for this report.
<b>Options:</b>	None
<b>Recommendation:</b>	The update on the General Fund Medium Term Financial Plan 2021-25 be noted.
<b>Reasons for Recommendation:</b>	Not applicable



**Audit and Ethics Committee - 30 March 2021**

**General Fund Medium Term Financial Plan 2021-25 Update**

**Public Report of the Interim Chief Financial Officer**

**Recommendation**

The update on the General Fund Medium-Term Financial Plan 2021-25 be noted.

**1. Introduction**

- 1.1. On 23 February Council approved the Council tax rates and the budget for the 2021/22 financial year. The balanced budget for 2021/22 includes;
- £1.100m – introduction of COVID-19 recovery fund to support the recovery from the pandemic
  - £0.636m – growth and inflation across operational services
  - £0.204m – anticipated pay award whilst awaiting on pay negotiations to conclude
  - (£0.756m) – saving and new income generating proposals
  - £0.148m – key decision to defer the Housing Acquisition saving proposal
  - £0.100m – key decision to continue free evening and weekend parking
  - (£0.353m) – key decision to reduce the revenue contribution to Capital Outlay
  - (£1.231m) – use of reserves to part fund the COVID-19 recovery fund and also mitigate against the reduction in new homes bonus funding due to the phasing out of the scheme
  - A council tax increase of £5 – the maximum permitted before a referendum is required
- 1.2. Council was also presented with a medium term financial plan (MTFP) covering the period 2021/22-2024/25. Based on the current information available to officers, there is a saving target of £2.854m to be delivered for the 2022/23 financial year and a total of £2.870m across the life of the MTFP.
- 1.3. Attached at Appendix A is a presentation for the committee on the budget setting process and the MTFP.

**2. The Financial Resilience Index**

- 2.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) maintains an index of financial resilience for English councils which assesses each authority against a number of indicators, including levels of reserves, external debt and auditors' judgements, in order to illustrate each council's financial

position relative to that of comparator authorities. CIPFA acknowledges that the index should not however be viewed in isolation and its interpretation will depend to a large degree on the local context specific to each authority.

- 2.2. The index is based largely on outturn figures reported through government returns, which means that there is a lag between spending decisions being made and the effect being visible in the index. This is particularly pertinent this year as the index is largely based on 2019/20 data, yet the context within which councils are operating has changed significantly since then.
- 2.3. When compared to a pre-defined neighbours list, the index has categorised the Authority as at the higher risk of financial stress in relation to interest payable/Net revenue expenditure, gross external debt and growth above baseline. This assessment is not unexpected, and officers have presented similar assessments to Members through:
  - Treasury Management Strategy incorporating the Annual Investment Strategy. This strategy includes analysis of the percentage of the programme which is funded through borrowing.
  - Medium Term Financial Strategy 2018-23 (with the approved policy of any additional business rates growth above the sustainable baseline level has been transferred to the Business Rates Equalisation Reserve)
  - The annual budget setting process/MTFP
- 2.4. The index also indicates that the authority is at the lower end of financial stress in relation to reserves sustainability and a change in reserves and this has been evident with this budget setting process as the proposals include the use of reserves in order to mitigate against the impact of the pandemic recovery and the loss of funding through the phasing out of the New Homes Bonus Scheme.
- 2.5. Details of the index are included within Appendix A.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 30 March 2021

**Subject Matter:** General Fund Medium Term Financial Plan 2021-25 Update

**Originating Department:** Corporate Resources

**DO ANY BACKGROUND PAPERS APPLY**  YES  NO

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>

# **Update on 2020/21 General Fund Financial Position and the Medium Term Financial Plan 2021/22-2024/25**

# I) 2020/21 Quarter 3 position



# Revenue Monitoring Q3

	Current		Total	Total	
	Net		Variance	Variance	
	Budget	Forecast	(Q3)	(Q2)	Movement
	£000s	£000s	£000s	£000s	£000s
Growth & Investment	3,060	3,274	214	230	(16)
Environment & Public Realm	7,563	7,683	119	215	(96)
Communities & Homes	2,026	2,885	859	769	90
Executive Directors Office	2,087	2,219	132	143	(11)
Corporate Resources	1,129	1,116	(12)	56	(68)
Corporate Items	1,571	494	(1,077)	(891)	(186)
<b>Grand Total</b>	<b>17,435</b>	<b>17,670</b>	<b>235</b>	<b>522</b>	<b>(287)</b>

## The Key pressures include:

- **£0.967m** - Pressure seen within Homelessness;
- **£0.600m** - Car Parking/Trade Waste loss of income;
- **£0.507m** – centrally held COVID pressures
- **£0.380m** - Anticipated non delivery of Corporate Savings Target;

## Part Mitigated by:

- **(£1.498m)** - Covid19 support grant;
- **(£0.212m)** - Government Grants to support service pressures e.g. Next Steps Accommodation Programme for homelessness;
- **(£0.793m)** - Estimated Sales, Fees & Charges (SFC) income from government;
- **(£0.431m)** - Estimated savings within Corporate Budgets relating to delays in the capital programme/treasury management.

*Note - There continues to be significant risks with income recovery and additional costs which is continuing to be reviewed and currently estimated to be in the region of £0.500m*

## Revenue Monitoring Q3

- **What next....**
  - Review of expenditure, are there any reductions in expected costs?
  - Review of income, are there increases that could be factored in?
  - Pressure will be funded from reserve balances.
- **Carry forwards**
  - If there is an overspend at year end there will be no budget carry forwards taken into 2021/22.

## Capital Monitoring Q3

Portfolio	Current Budget	Full year forecast 2020/21	Pending Supplementary Budget / Virement	Total Variance
	£000s	£000s	£000s	£000s
Growth & Investment	250	250	0	0
Environment & Public Realm	4,534	3,819	770	54
Communities & Homes	1,224	1,203	(18)	(38)
Executive Directors	0	0	0	0
Corporate Resources	1,974	911	749	(314)
<b>Overall Total</b>	<b>7,982</b>	<b>6,183</b>	<b>1,501</b>	<b>(298)</b>

Supplementary budget requests are used to transfer budgets into 2021/22 where schemes have been delayed – (largely as a result of COVID-19)



## 2) Budget setting 2021/22



## Why do we set a balanced budget?

- Under the Local Government Act, an authority must set a council tax and balanced budget, giving 14 days' notice of the council tax level prior to the date of billing.
- The Council must set a budget before 11 March of each year.
- Approved on the 23 February

# How do we set the budget?

## Review:

- **Government funding**
  - Comprehensive spending review (sets expenditure limits) (Historically covers 3 years, has been single year in 2020/21/2021/22)
  - Provisional settlement – the determination to local government (always December)
- **Council tax base**
  - Includes expected growth and potential increase in Local Tax Support Scheme (reduces the base)
- **Expected business rates**
  - Impact of changes in the rating list/appeals on valuations etc – reported to government 31 January – impact of COVID!
- **Work with officers/SMT to review operational budgets**
- **3 (public) cabinet update reports have been presented (September/January/February)**
- **This year has been incredibly challenging due to the impact of COVID-19 and the government only announcing a one year settlement for 2021/22...has been 3 years in the past**

# A) 3 Year Capital Programme

# Proposed Capital Programme 2021/22 – 2023/24

## Portfolio

**Growth & Investment**

**Communities & Homes**

**Environment & Public Realm**

**Corporate Resources**

**Total Draft General Fund Capital Programme**

<b>Gross Expenditure</b>			
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>1</b>	<b>2</b>	<b>3</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Growth &amp; Investment</b>	101	0	0
<b>Communities &amp; Homes</b>	972	930	930
<b>Environment &amp; Public Realm</b>	5,727	1,223	1,223
<b>Corporate Resources</b>	32	0	0
<b>Total Draft General Fund Capital Programme</b>	<b>6,832</b>	<b>2,153</b>	<b>2,153</b>

## **B) Revenue**



# Summary of medium term financial plan

	2021/22	2022/23	2023/24	2024/25
	£ 000's	£ 000's	£ 000's	£ 000's
<b>BASE BUDGET</b> bf including Corporate Adj.	17,071	11,170	13,393	13,320
Growth Requirements	834	363	486	338
Other Corporate Adjustments	70	234	(370)	170
Savings and Income	(757)	(9)	(85)	0
<b>Key Decisions</b>	(336)	655	(275)	(124)
<b>Savings to be Found</b>	<b>0</b>	<b>(2,854)</b>	<b>(16)</b>	<b>0</b>
Movement in Reserves	(5,884)	3,835	187	380
<b>Revised Budget Requirement</b>	<b>10,999</b>	<b>13,393</b>	<b>13,320</b>	<b>14,085</b>
<b>Financed by:</b>				
Government Funding	(2,864)	(1,032)	(374)	(351)
Council Tax	(8,633)	(9,023)	(9,421)	(9,829)
Collection Fund Surplus/Deficit CT	27	14	14	0
Business Rates including Damping	(6,114)	(3,695)	(3,882)	(3,905)
Collection Fund Surplus/Deficit BRR	6,586	343	343	0
<b>Total Funding Requirement</b>	<b>(10,998)</b>	<b>(13,393)</b>	<b>(13,320)</b>	<b>(14,085)</b>
<b>Net Variance</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>

Increased costs to deliver services

Includes items such as inflation, staff increments, cost of borrowing for capital schemes

Includes (£1.2m) use of reserves and £1.1m Covid-19 recovery fund

Based on maximum increase of £5 for average band D property

Future savings in order to balance future years budget

Impact of business rates reset



# Summary of medium term financial plan

- Positive news - 2021/22 budget is balanced.
- But to achieve this.....
  - There is a requirement to use £1.231m from reserves.
    - This includes approx. £0.600m COVID recovery funding.
    - This is one off funding which is reversed in 2022/23 (creating a savings target in following year).
  - We are expected grant funding of £0.800m for 2021/22 – one year only.
    - This is also reversed in 2022/23 (creates a saving target in following year).
- Benefits from areas such as the housing development company /commercialisation are not included at this stage but will have a positive impact



## What next

- Wait for government announcements on future funding reforms, such as the fair funding review, business rates retention and replacement New Homes Bonus Scheme (expected to go live from 1 April 2022)
- Work together to identify and review areas to generate income/reduce costs
- Discussions on budget setting for 2022/23 will begin with SMT in March to maximise time available to achieve aims
- Understand current and future risks and opportunities

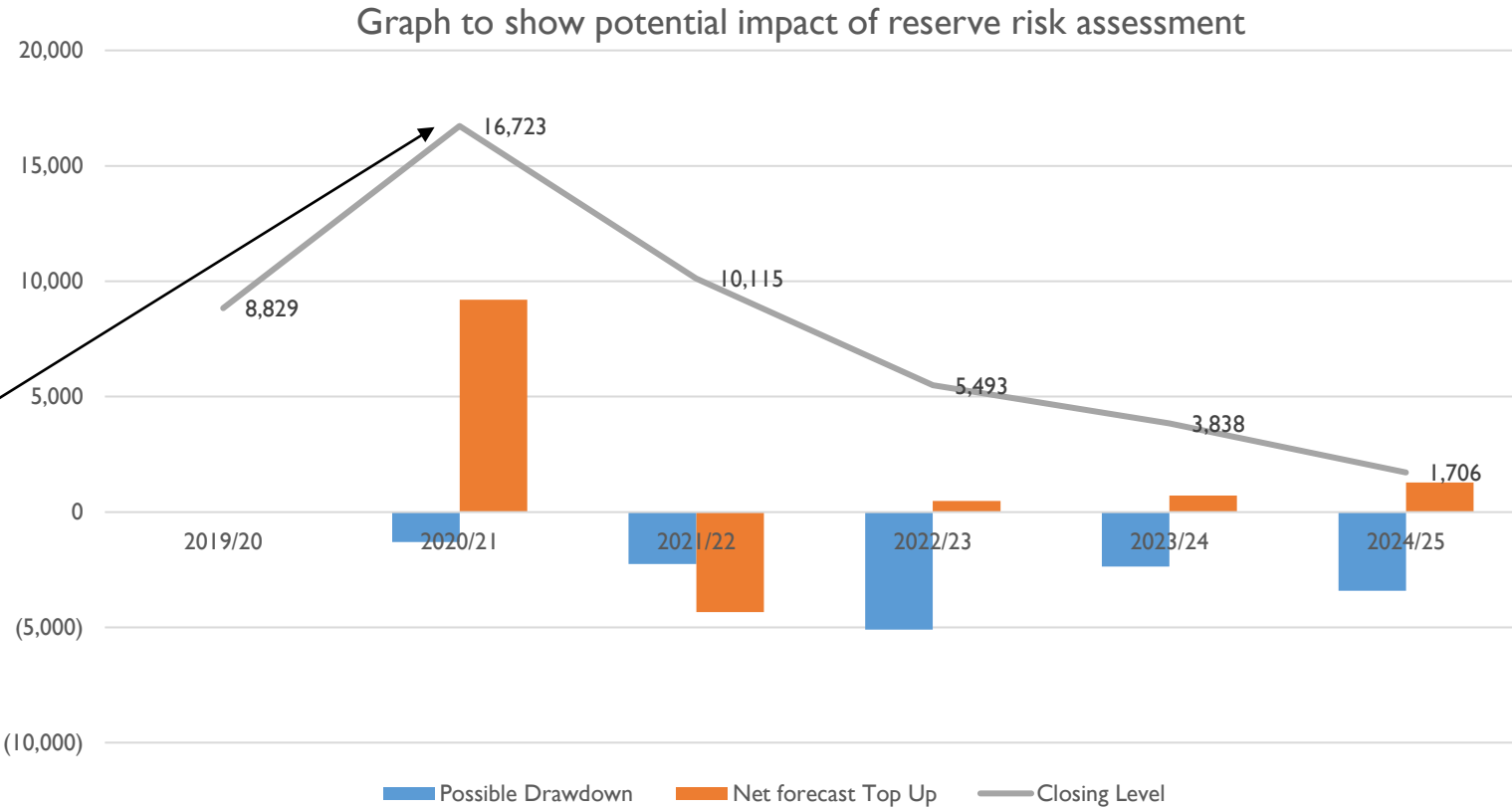
# C) Reserves



# Impact of reserves

- Reserves risk assessment
  - To understand the potential financial risks that could face the authority
  - It is considered prudent to hold sufficient reserves and balances to give the Council the ability to smooth out peaks and troughs
  - Gives the council time to plan
  - The chart on next slide includes 4 reserves
    - **General fund balances** It is generally accepted that Local Authorities' hold funds for unexpected, urgent or critical events which could not be funded any other way.
    - **Budget stability** - assists the mitigation of such volatility by allowing the Council to call upon it in years where budget overspends occur and conversely replenish it in years where favourable variances arise.
    - **Business Rates equalisation** – to mitigate against the business rates reset – we will have the benefit of 2 years more growth than originally expected
    - **Welfare support** – used by CAST to deal with ongoing costs
    - **Climate change emergency** - £0.500m as agreed by Council February 2020

# Impact of reserve risk assessment over MTFP



£6m Linked to support packages and timing S31 COVID-19 – surplus in 2020/21, deficit in 2021/22



# CIPFA Financial Resilience Index

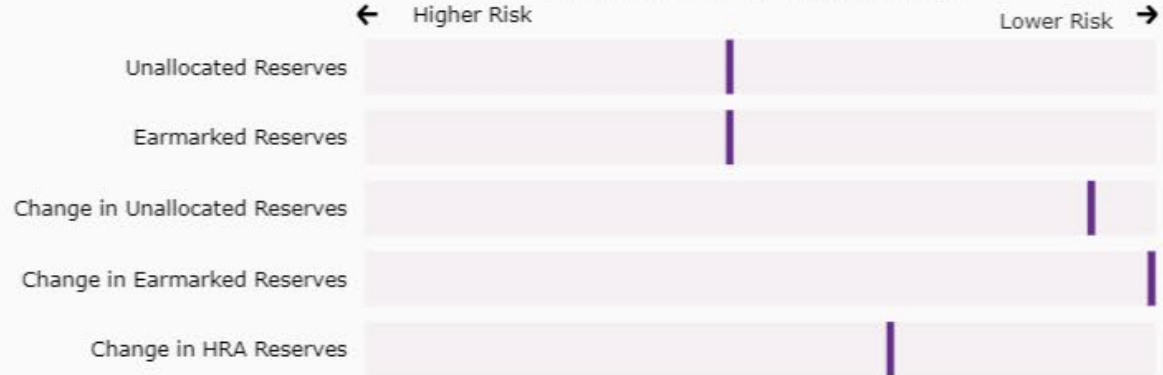
## Results Breakdown



# CIPFA Financial Resilience Index

## Results Breakdown

Indicators of Financial Stress



Indicator	Min	Indicator Value	Max
Unallocated Reserves	8.73%	17.35%	187.30%
Earmarked Reserves	31.58%	75.20%	300.00%
Change in Unallocated Reserves	-20.97%	176.75%	238.02%
Change in Earmarked Reserves	-52.12%	522.40%	522.40%
Change in HRA Reserves	-47.79%	-33.49%	-12.75%



**Any questions?**



**AGENDA MANAGEMENT SHEET**

**Report Title:** Accounting Policies Update 2020/21

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 30 March 2021

**Report Director:** Interim Chief Financial Officer

**Portfolio:** Corporate Resources

**Ward Relevance:** All

**Prior Consultation:** N/A

**Contact Officer:** Jon Illingworth, Financial Services Manager and Interim Chief Financial Officer  
jon.illingworth@rugby.gov.uk  
01788 533410

**Public or Private:** Public

**Report Subject to Call-In:** No

**Report En-Bloc:** No

**Forward Plan:** No

**Corporate Priorities:** This report relates to the following priority(ies):

**(CR) Corporate Resources**  To provide excellent, value for money services and sustainable growth

**(CH) Communities and Homes**  Achieve financial self-sufficiency by 2020.

**(EPR) Environment and Public Realm**  Enable our residents to live healthy, independent lives.

**(GI) Growth and Investment**  Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)



- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

<b>Statutory/Policy Background:</b>	<p>The Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015.</p> <p>The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.</p> <p>This report provides the context within which the 2020/21 Statement of Accounts are being produced.</p>
<b>Summary:</b>	Approval is sought for the Council's accounting policies for 2020/21.
<b>Financial Implications:</b>	There are no financial implications for this report.
<b>Risk Management Implications:</b>	There are no risk management implications for this report.
<b>Environmental Implications:</b>	There are no environmental implications for this report.
<b>Legal Implications:</b>	There are no legal implications for this report.
<b>Equality and Diversity:</b>	There are no equality and diversity implications for this report.
<b>Options:</b>	N/A
<b>Recommendation:</b>	The accounting policies for the completion of the 2020/21 Statement of Accounts be approved.
<b>Reasons for Recommendation:</b>	Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements. The Committee is responsible for approving the financial statements and therefore required to understand the basis on which they have been prepared.

# **Audit and Ethics Committee - 30 March 2021**

## **Accounting Policies Update 2020/21**

### **Public Report of the Interim Chief Financial Officer**

#### **Recommendation**

The accounting policies for the completion of the 2020/21 Statement of Accounts be approved.

#### **1. Introduction**

- 1.1. This report provides the Committee with some context within which the 2020/21 Statement of Accounts (the Accounts) are being produced.
- 1.2. Approval is sought for the Council's accounting policies for 2020/21.

#### **2. Statement of Accounts Approval and Publication**

- 2.1. At the end of each financial year, we are required by the Accounts and Audit Regulations 2015 to publish a Statement of Accounts setting out the financial position of the council and the transactions that have been made during the year. Since 2019/20, the above regulations have been amended by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.
- 2.2. After being approved by the council's Chief Financial Officer as a true and fair view, draft accounts for the year are published, along with the council's annual governance statement. The accounts are then made available for public inspection, along with the supporting accounting records and associated documents, for 10 days. A consultation response has been submitted on the amendment to the Accounts and Audit Regulations 2015 which could lead to the inspection period for 2020/21 to not have a fixed period, but a deadline of the first 10 days of August. During this period, local electors can ask the external auditors questions about the draft accounts or raise objections to them.
- 2.3. A recent consultation on Amendments to the Accounts and Audit Regulations 2015 has concluded and following this the dates publishing the accounts have been confirmed as 31 July for pre audit accounts and the final, audited, accounts the 30 September for all local authority bodies. In addition to this, the public inspection period no longer has a fixed period which will allow authorities and audit firms more flexibility to schedule their audits in line with the later publication deadline but, will not prevent them from being signed off earlier.

### **3. Local Authority Accounting Framework**

- 3.1. For the completion of the 2020/21 Statement of Accounts there are no material updates to the CIPFA code of practice from 2019/20 that the Committee needs to be aware of.
- 3.2. Up-coming accounting changes that will impact on the production of future Statement of Accounts include:

**IFRS 16 – Leases** will affect how organisations account for the assets that they lease from other organisations. This new standard was due to become operational from 1 April 2020. The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) agreed to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021.

**CIPFA Financial Management Code:** as reported to the Committee on 28 January 2020, Local authorities are required to apply the requirements of the FM Code with effect from 1 April 2020. However, 2020/21 will be categorised as a shadow year with full implementation being required from 1 April 2021.

- 3.3. Updates on these issues will be reported to the committee in further detail throughout the 2021/22 financial year.

### **4. Accounting Policies**

- 4.1. Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements and is detailed within Appendix A.
- 4.2. The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices and, in preparing those Accounts, is responsible for selecting suitable accounting policies and applying them consistently.
- 4.3. The Audit and Ethics Committee is responsible for approving the Statement of Accounts and should therefore be aware of and understand the basis on which those Accounts have been prepared.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 30 March 2021

**Subject Matter:** Accounting Policies Update 2020/21

**Originating Department:** Corporate Resources

**DO ANY BACKGROUND PAPERS APPLY**  YES  NO

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>

## **Draft Accounting Policies 2020/21**

### **1. General Principles**

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

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

### **2. Accruals of Income and Expenditure**

The Council's revenue and capital activity is accounted for in the year that it takes place, by including sums due to or from the Council in the year, not simply when cash payments are made or received.

Where material income and expenditure amounts have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts).

This concept is not applied to electricity and gas supplies and other routine on-going business expenses. However, the Accounts do reflect twelve months' supply in each year and this does not have a material effect on the Accounts.

### **3. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than one month from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

## **5. Employee Benefits**

### **Benefits payable during employment**

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

### **Termination Benefits**

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

### **Pension Costs**

#### Pension Benefits

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that the employees earn their future entitlement.

The pension scheme is operated under the framework of the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Investment sub-committee of Warwickshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

Statutory provisions require the General Fund and Housing Revenue Account balances to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arise on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Recognition and Measurement

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of xx.x% (broadly equivalent to the yield available on high quality corporate bonds with duration, consistent with the term of the liabilities).
- The fair value of the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Market quoted investments – current bid price on the final day of the accounting period
  - Fixed interest securities – net market value based on their current yields
  - Unquoted investments – professional estimate

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

- **Service Cost** - comprising:
  - Current year service cost – the increase in the liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increases in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined liability – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- **Remeasurements** - comprising:
  - The return on plan assets – excluding amounts including in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the pension fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

## 6. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of 2020/21 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2021 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

## 7. Financial Instruments

### Financial Liabilities

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

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.



The reconciliation of amounts charged to the CIES to the net charge required against the General Fund and Housing Revenue Account Balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### Expected Credit Loss Model

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

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

### Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 8. Income

### Grants

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

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

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

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

Revenue from contracts with customers

Where revenue is charged or received for goods or services provided to customers there will be an assessment of this income following the following 5 step approach.

- 1) Identify contract - agreement that creates enforceable rights and obligations
- 2) Identify performance obligations in the contract
- 3) Determine transaction price
- 4) Allocate transaction price to performance obligations
- 5) Recognise revenue when or as an entity satisfies performance obligations

The outcome of this evaluation will determine how this will be accounted for within the statement of accounts.

## 9. Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. They are a distinct class of asset which is reported separately from Property, Plant, and Equipment. Previously the majority of these assets had been held as Community Assets with the exception of one or two which were held in Infrastructure Assets or Other Land and Buildings. The heritage assets held by the Council have been categorised as follows:

- Art & Social History Collections
- Monuments & Statues
- Historic sites / buildings
- Civic Regalia

The Code requires councils to recognise heritage assets where the Council has information on the cost or value of the asset. However, the unique nature of many heritage assets makes reliable valuation complex. Where it is not practical to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the financial statements) and cost information is available, the asset will be carried at historical cost (less any accumulated depreciation, amortisation and impairment losses) as permitted by the Code.

Valuations may be made by any method that is appropriate and relevant to the heritage asset: this includes insurance valuations for museum collections, monuments & statues, historic sites, and civic regalia. It is not a requirement of the Code for valuations to be carried out or verified by external valuers. Although there is no prescribed minimum period between full valuations, the Council considers it appropriate to seek a full valuation every five years.

Impairment reviews will only take place where there is physical deterioration or new doubts as to the authenticity of the heritage asset. Any impairment recognised will be treated in accordance with the Council's policy on impairments.

## 10. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance are identifiable and controlled by the Council is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Normal examples are those of software or software licences, which are initially

recognised at cost and which have a useful life , of 3 –10 years and the depreciable amount is therefore written down over that useful life.

### **11. Inventories and Long-term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

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

### **12. Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### **13. Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including any held jointly
- Its liabilities, including any share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its expenses, including its share of any expenses incurred jointly
- The Council has a 50% interest in the Rainsbrook Crematorium Joint Committee with the other 50% relating to Daventry District Council. The decision making and operational arrangements of the Joint Committee fulfil the features associated with a jointly controlled operation in that:
  - Each operator incurs its own expenses and liabilities and raises its own finance, which represent its own obligations; and

- The joint operation agreement provides a means by which the revenue from the service and any expenses incurred in common are shared among the operators.

Therefore, in line with the contractual arrangements set out in the joint agreement, the Council recognises its share of the operational assets and liabilities of the Joint Committee on its Balance Sheet and also debits and credits the Comprehensive Income and Expenditure Statement with 50% of the expenditure and income of the Joint Committee. This is also recognised in the Movement in Reserves Statement and the Cash Flow Statement as appropriate. Further detail on this Joint Operation is also provided in Note xx Related Party Transactions.

#### **14. Leases**

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

Where a lease covers both land and buildings, the land and building elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. This definition includes rental agreements, contract hire and licences.

#### **15. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

#### **16. Property Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

##### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as a revenue expense when it is incurred. The Council has established a de-minimis level of £10,000. Expenditure on assets under this level is not capitalised within the Accounts and the assets are fully depreciated within the year.

##### Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have any commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. This includes assets such as the Queen's Diamond Jubilee Leisure Centre, Benn Hall and the John Barford Car Park.

Where non-property assets have short useful lives and/or low values, for example, vehicles and IT equipment, they are measured at depreciated historical cost as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and building assets under £10,000 are not revalued with the exception of investment properties. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains or may be credited to the Comprehensive Income & Expenditure Statement to reverse a previous downward revaluation.

Where decreases in value are identified, they are accounted for:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income & Expenditure Statement.

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

### Impairment

Assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and,

where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as per decreases in value noted above.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Impairment Losses

No impairments were recognised in the year following a review of asset compliance with our componentisation policy.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where depreciation is provided for, assets are depreciated using the straight-line method over the following periods:

- Dwellings and other buildings – 5-60 yrs.
- Vehicles, plant and equipment – 3-25 yrs.
- Infrastructure – 7-40 yrs.

Depreciation is charged on council dwellings in the year of disposal.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Componentisation

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £500,000 for determining whether an asset needs to be componentised and an individual asset cost of more than 25% to determine whether an asset is considered as a component.

The carrying amount of a replaced or restored part of an asset (component) is derecognised, with the carrying amount of the new component being recognised subject to the principles set out in Recognition and Measurement above. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

### Subsequent Expenditure on Property Plant and Equipment

Subsequent costs incurred on an asset previously recognised as Property, Plant and Equipment will only be capitalised if they result in items with physical substance and meet the recognition principle that

- It is probable that future economic benefits or service potential associated with the item will flow to the Council; and

- The cost of the item can be measured reliably.

Exceptions to the general approach of comparing the outcome of expenditure compared to previously assessed levels of performance:

- Where subsequent expenditure will actually increase the level of performance of an asset in generating economic benefits or providing service potential but does not increase the level of performance previously assessed by the Council for that asset, then the assessment can be updated (through a revaluation adjustment) and the new expenditure capitalised
- Where subsequent expenditure represents the replacement of a component of an existing asset provided that the old component can be written out of the Balance Sheet

### Disposals

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

Amounts received for a disposal of £10,000 or more are categorised as capital receipts, whereas amounts below £10,000 are classed as revenue income. A proportion of receipts relating to Right-to-Buy housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund or HRA Balance in the Movement in Reserves Statement.

The writing off of the remaining net book value of assets which are disposed of is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and its fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or



revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision to sell.

## **17. Provisions, Contingent Liabilities & Contingent Assets**

### Provisions

Provisions represent amounts set aside to meet future liabilities which are likely or certain to be incurred but where it is not possible to determine exactly the amounts or timing of such events.

Provisions in respect of bad and doubtful debts are maintained, including amounts relating to rent, council tax and business rate arrears, which have been estimated in accordance with recommended practice and past experience and are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement. When payments are eventually made these are charged to the provision carried in the Balance Sheet.

### Contingent Liabilities

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

### Contingent Assets

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

## **18. Value Added Tax (VAT)**

VAT is included in service revenue or capital income and expenditure accounts only when it is not recoverable.

**AGENDA MANAGEMENT SHEET**

**Report Title:** 2020/21 Internal Audit Plan - Progress Update

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 30 March 2021

**Report Director:** Executive Director

**Portfolio:** Corporate Resources

**Ward Relevance:** None

**Prior Consultation:** Executive Director, Interim Chief Finance Officer

**Contact Officer:** Chris Green, Corporate Assurance and Improvement Manager, Tel: 01788 533451

**Public or Private:** Public

**Report Subject to Call-In:** No

**Report En-Bloc:** No

**Forward Plan:** No

**Corporate Priorities:** This report relates to the following priority(ies):

**(CR) Corporate Resources**  To provide excellent, value for money services and sustainable growth

**(CH) Communities and Homes**  Achieve financial self-sufficiency by 2020

**(EPR) Environment and Public Realm**  Enable our residents to live healthy, independent lives

**(GI) Growth and Investment**  Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

Continue to improve the efficiency of our waste and recycling services (EPR)

Protect the public (EPR)

- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)

<b>Statutory/Policy Background:</b>	Public Sector Internal Audit Standards (PSIAS)
<b>Summary:</b>	The report sets out progress against delivery of the Internal Audit Plan for 2020/21.
<b>Financial Implications:</b>	No direct implications
<b>Risk Management Implications:</b>	Non delivery of an adequate internal audit plan would have an adverse impact on the level of assurance provided in the Annual Governance Statement.
<b>Environmental Implications:</b>	No direct implications
<b>Legal Implications:</b>	No direct implications
<b>Equality and Diversity:</b>	No direct implications
<b>Options:</b>	None
<b>Recommendation:</b>	<ol style="list-style-type: none"><li>1. The report be considered and noted.</li><li>2. The proposed amendments to the internal audit plan be approved.</li></ol>
<b>Reasons for Recommendation:</b>	To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

**Audit and Ethics Committee - 30 March 2021**

**2020/21 Internal Audit Plan - Progress Update**

**Public Report of the Executive Director**

**Recommendation**

1. The report be considered and noted.
2. The proposed amendments to the internal audit plan be approved.

**1. Introduction**

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2020/21.

The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- The Council's assets and interests are safeguarded;
- Reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- Services are delivered in an efficient, effective and economic manner.

This work is normally referred to as Section 151 work.

**2. Summary of Audit Work**

- 2.1 The Internal Audit plan for 2020/21 was approved by the Audit and Ethics Committee on 9 June 2020. Progress against delivery of that plan is set out at Appendix A.

**3. Revisions to the 2020/21 Audit Plan**

- 3.1 The Committee's role as gatekeeper requires it to approve any significant changes to the internal audit plan, in accordance with the Public Sector Internal Audit Standards. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation.

3.2 There are two proposed amendments to the internal audit plan. Details of the proposed changes, and the rationale, are set out in the table below:

<b><u>Assignment</u></b>	<b><u>Objectives</u></b>	<b><u>Proposed Change</u></b>	<b><u>Rationale</u></b>
Land Charges	Review of maintenance and update of the land charges register. Assurance that search requests are completed in an efficient and timely manner. Assurance that land charge search income is accurate and complete.	Cancel the audit.	The rationale for including this audit was that a new system was being implemented.  However, discussions with management confirm this is no longer the case, and the Council has been advised that responsibility is to be transferred back to the Land Registry.
Housing Management Data Pass	Assurance during the new system testing phase that data sets are accurately and completely transferred.	Defer the review to the next Quarter.	The project hasn't yet reached the stage where this testing can be carried out.

**Name of Meeting:** Audit and Ethics Committee  
**Date of Meeting:** 30 March 2021  
**Subject Matter:** 2020/21 Internal Audit Plan - Progress Update  
**Originating Department:** Corporate Resources

**DO ANY BACKGROUND PAPERS APPLY**  **YES**  **NO**

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>
Appendix A	Internal Audit Plan – Progress Update

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>



**INTERNAL AUDIT PROGRESS UPDATE  
MARCH 2021**

**Date: 30 March 2021**

## ***Introduction***

- 1.1** The Public Sector Internal Audit Standards (the Standards) require the Audit and Ethics Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

## ***Performance***

### **2.1 Will the Internal Audit Plan be delivered?**

The expected position by the date of the Committee meeting is as follows:

- 9 final reports have been issued;
- 6 draft reports have been issued;
- 6 assignments are at the fieldwork completion stage; and
- 3 assignments are in progress (1 is being completed by TIAA and 1 relates to an ongoing investigation)

As reported at the last Committee meeting, delivery of internal audit work is continuing as far as possible remotely through COVID 19 pandemic response. If there are any areas which cannot practically be covered in any audits, these will be highlighted in the reports and any significant implications will be reported to the Committee. Where there are any gaps in assurance, it may be possible to revisit those areas at a later date.

The internal audit plan for 2020/21 is substantially complete. As previously indicated to the Committee, and consistent with previous years, a small amount of time will be required after the year end to complete fieldwork for those 3 assignments which remain in progress, and to finalise and agree the remaining outstanding reports. Consistent with previous years, this won't have an adverse impact on the ability to deliver an adequate internal audit plan for 2021/22. The Annual Report of the Corporate Assurance and Improvement Manager will be presented to the next meeting as planned. The proposed internal audit plan will also be presented to the next meeting, as agreed by members at the meeting on 29<sup>th</sup> January 2021.

Progress on individual assignments is shown at pages 7 to 10 of this report.

### **2.2 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control Framework.



### **2.3 Are clients progressing audit recommendations with appropriate urgency?**

At the date of reporting, a combined **74% of management actions have been implemented by the agreed implementation date, with a further 18% implemented late, giving an overall implementation rate of 92%**. There has been a slight decrease in the overall implementation rate compared with 94% in September. Considering the impact of the COVID 19 pandemic on the workload of officers, performance is better than expected. A summary analysis of progress on implementation of audit recommendations is shown at pages 11 to 12. **At the time of reporting there are 17 agreed management actions for which implementation is overdue, 7 of which are regarded as High Risk and 7 of which are regarded as Medium risk.** The details of the actions related to High or Medium risks, along with a summary of the latest position, are set out at pages 13 to 17 of this report. Implementation of the actions will continue to be monitored by the Corporate Assurance and Improvement Team and reported to each Committee meeting.

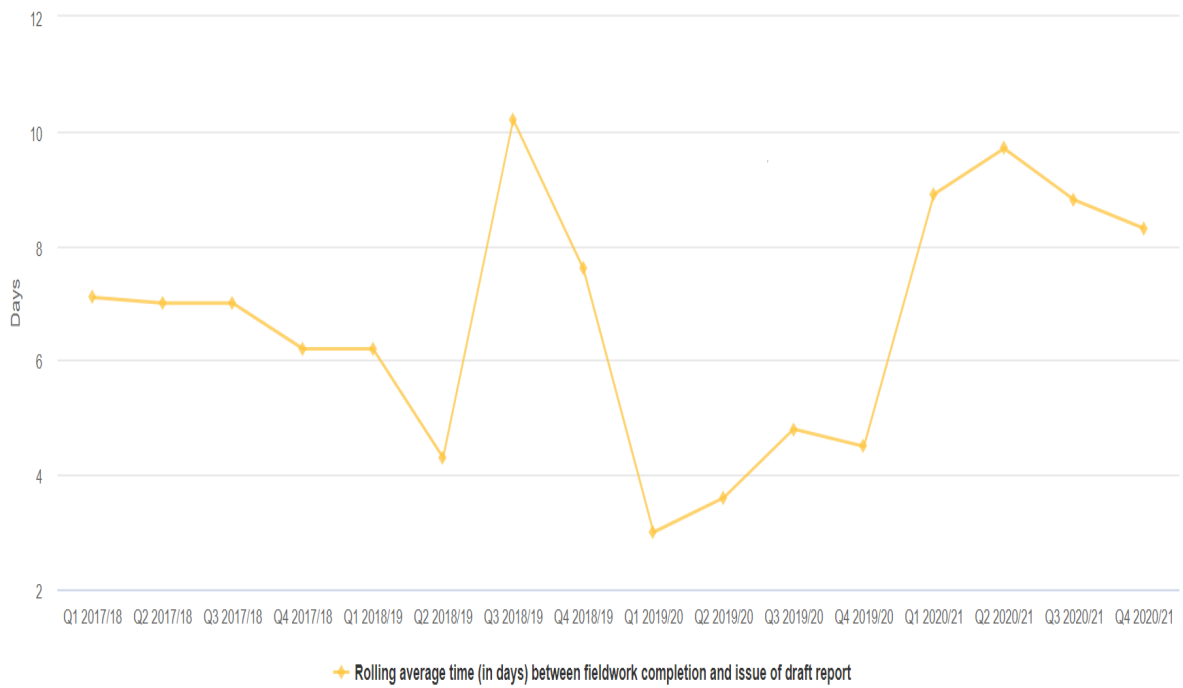
## 2.4 Internal Audit Performance Indicators

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit and Ethics Committee:

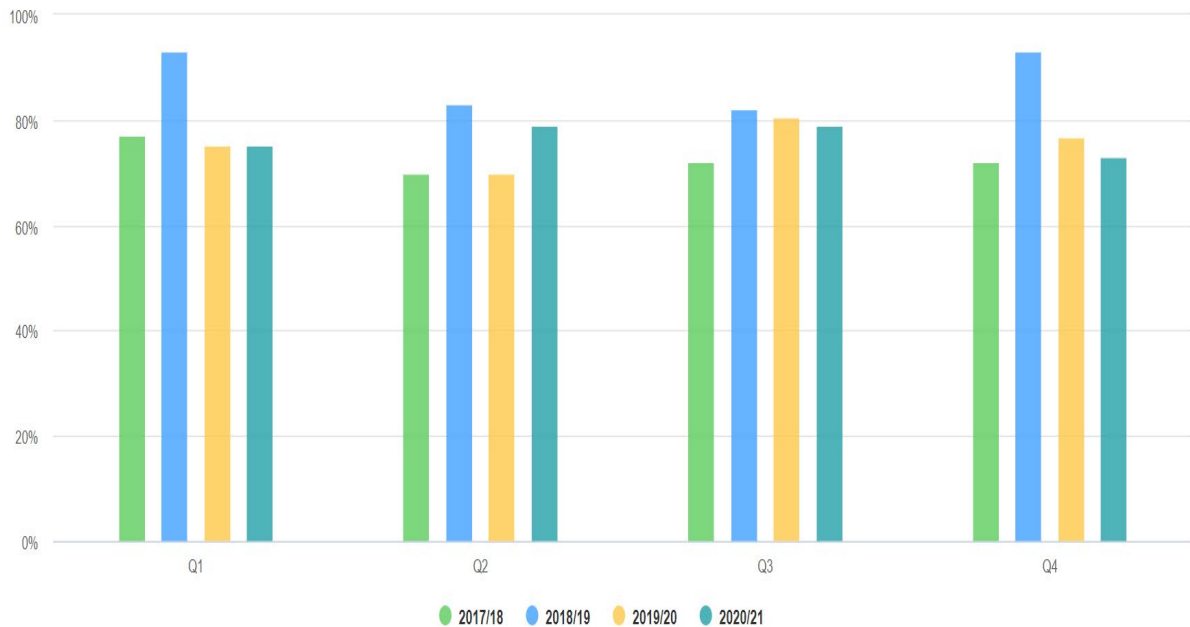
<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	Average end to end time for audits (number of days)	<p>Q4 2020/21 Result: 88 days</p> <p>Q3 2020/21 Result: 87 days</p> <p>Q4 2019/20 Result: 110 days</p> <p>Q2 2019/20 Result: 177 days</p> <p>There has been a substantial reduction in the average end to end time over the last 18 months, following the adoption of a new approach for clearing audit reports with management.</p>
Adding Value	Customer Satisfaction – Average Rating	Reported as an annual measure.
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	<p>8.3 days</p> <p>Slight improvement compared with 8.8 days in Q3 and 9.7 days in Q2.</p>
Effectiveness	Implementation of Agreed Actions – Percentage implemented on time	74% - at the time of reporting there are 17 recommendations which are past their agreed implementation date, 7 of which are regarded as High risk and 7 as Medium risk. Refer to pages 13 to 17 for detail.

## 2.5 Internal Audit Performance Trend Graphs

Internal Audit Fieldwork Performance Trend-



Percentage of agreed audit actions fully implemented on time-



## ***Limitations and Responsibilities***

### ***Limitations inherent to the Internal Auditor's work***

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and Ethics Committee subject to the limitations outlined below.

### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit and Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

### ***Internal Control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and unforeseeable circumstances.

### ***Future Periods***

The assessment of each audit area is relevant to the time at which the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

### ***Responsibilities of Management and Internal Auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

**Progressing the Annual Internal Audit Plan**

**KEY**  
Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Payroll	20					✓			
Business Refund Grants – Mandatory	30						✓	Substantial	
Business Grants – Discretionary	25						✓	Substantial	
Self-Isolation Payments	7				✓				
Business Grants – Additional Mandatory	20				✓				
Business Grants – Additional Restrictions (Discretionary)	30				✓				
Counter Fraud									
Expenses	15					✓			

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
ICT									
Payment Card Industry Data Security Standards	8					✓			Being delivered by TIAA.
IT Governance & Policies	15						✓	Not Graded	
Corporate Risks									
Corporate Health & Safety – COVID 19 Risk Assessment	6						✓	High (Pass)	Two reviews have been conducted in this area. The first related to validation of the corporate COVID 19 risk assessment. The second related to Homeworker DSE assessments.
Corporate Health & Safety – Homeworker DSE Assessments	12						✓	Not Graded	
Equal Pay/ Single Status	10					✓			
Risk Management Controls Assurance	40				✓				
Performance Management Effectiveness	80					✓			

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Complaints, Compliments & Suggestions – Follow up	10				✓				Being delivered by TIAA.
Housing Project Management	20			✓					
HR Capability & Disciplinary	15						✓	Not Graded	
Ethical Risks									
Local Government Transparency Code – Follow up	10					✓			
Member Development	10				✓				
Operational Risks									
Follow up work	16						✓		
Planning, Development & Enforcement	30			✓					

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Additional Support									
Annual Governance Statement	12						✓	Substantial	Statement submitted to Audit & Ethics Committee, and the Senior Management Team, for approval.
National Fraud Initiative	8							Not applicable	Ongoing co-ordination of the Council's NFI work.
Control Environment - Advice	15						✓		
Corporate Investigation Work	25			✓					One investigation is currently in progress.



### Summary: Implementation of Audit Recommendations

Audit	Not yet due	Overdue	Within time	Extended time	Out of time	Cancelled	Total Recs
Business Continuity and Emergency Planning	0	0	0	0	1	0	1
Corporate Credit Cards	0	0	0	0	0	1	1
Council Tax and NDR	0	1	0	0	4	1	6
Fleet Management	0	0	3	5	0	1	9
Financial System Key Controls	0	0	1	0	1	1	3
Housing Rent Arrears	0	0	0	0	2	0	2
Payment Card Industry Data Security Standards	0	0	0	2	0	0	2
Partnership Governance	0	0	1	0	0	0	1
Property Repairs Stock Control	0	0	0	2	1	0	3
PTC Interface	0	0	2	0	0	0	2
Risk Management	1	0	1	3	0	0	5
Values and Behaviours	0	0	5	0	0	1	6
Absence Management	0	1	4	3	0	0	8
Benefits	0	0	0	0	1	0	1
Car Parking Enforcement	0	0	1	0	0	0	1
Creditors	0	2	3	0	2	0	7
Data Protection Governance	1	1	3	4	0	0	9
Elections	0	0	0	0	1	1	2
Fraud Risk Review	0	1	4	6	1	0	12
Grants to Community Groups	0	0	13	0	0	0	13
Green Waste Optimisation	0	0	2	0	0	0	2
Health and Safety Follow Up	0	9	1	1	2	0	13
Independent Living	0	0	9	0	3	1	13
Insurance	0	0	1	0	0	0	1
ICT Backup	0	0	3	1	0	0	4
Patch Management	2	0	4	0	0	0	6
Property Repairs	0	0	6	2	3	0	11




Audit	Not yet due	Overdue	Within time	Extended time	Out of time	Cancelled	Total Recs
Treasury Management	0	0	2	0	4	0	6
Tenant Recharges	0	0	5	0	2	0	7
Freedom of Information	0	1	6	1	0	0	8
Local Government Transparency Code	2	0	6	7	3	0	18
Complaints, Compliments & Suggestions	2	0	4	1	1	0	8
IT Security	1	0	0	2	0	0	3
Cash & Bank	4	0	6	4	0	0	14
Customer Service Centre Demand Management	4	1	0	0	3	0	8
Housing Rent Arrears	6	0	1	0	3	0	10
Digitalisation	2	0	1	5	0	1	9
IT Business Continuity	4	0	0	1	0	0	5
Completeness of Income	2	0	6	0	1	0	9
HR Capability & Disciplinary	5	0	5	0	1	0	11
<b>Totals</b>	<b>36</b>	<b>17</b>	<b>109</b>	<b>50</b>	<b>40</b>	<b>8</b>	<b>260</b>




Notes:




Extended time: This is where the Corporate Assurance and Improvement Manager had agreed an extension to the original timescale.





Out of time: This is where the action was implemented later than the agreed timescale.


**Details of Overdue Medium and High Risk Audit Recommendations**

Audit	Action Detail	Due Date	Latest Note	Risk Rating
Health & Safety follow up	Staff should attend health & safety refresher training on a programmed, targeted basis.	<b>31-Dec-2020</b>	<p>The HR iTrent system is to be set up to trigger Health &amp; Safety refresher training reminders every 3 years for all staff.</p> <p>In addition, a health and safety training matrix has been designed to capture all the training requirements for each individual member of staff. This matrix is to be rolled out to all managers for completion.</p> <p>A revised target date of 30/06/2021 has been agreed, which was reported to the Audit &amp; Ethics Committee in January 2021.</p>	 High Risk
Health & Safety follow up	Undertake monitoring checks to provide assurance that appropriate health & safety training arrangements are in place.	<b>31-Dec-2020</b>	<p>See above. The training matrix has been designed for roll out to managers. Once the individual training plans have been agreed, the safety and resilience team will be in a position to implement monitoring arrangements.</p> <p>A revised target date of 31/12/2021 has been agreed, which was reported to the Audit &amp; Ethics Committee in January 2021.</p>	 High Risk
Health & Safety follow up	Publish the list and authors of risk assessments as pdfs on a dedicated shared area of SharePoint	<b>30-Sep-2020</b>	<p>This will be implemented as part of the new Health and Safety digital solution. Centralised registers will be part of the new digital platform. It is expected that by September 2021 the full list of risk assessments and authors will be collated, published and communicated.</p> <p>A revised target date of 30/09/2021 has been agreed, which was reported to the Audit &amp; Ethics Committee in January 2021.</p>	 High Risk

Audit	Action Detail	Due Date	Latest Note	Risk Rating
Health & Safety follow up	Ensure that managers consistently complete risk assessments.	<b>30-Sep-2020</b>	See above. Monitoring arrangements will be implemented once the full centralised register is in place.  A revised target date of 31/12/2021 has been agreed, which was reported to the Audit & Ethics Committee in January 2021.	 High Risk
Health & Safety follow up	Implement the planned programme of reviews to provide assurance that health and safety risk assessments have been completed and/ or updated for all areas of significant risk.	<b>31-Dec-2020</b>	This action is linked to the two above. An external provider has been engaged to advise and support the Council in this area. A number of reviews have been conducted for the highest risk areas including the Work Services Unit and Parks & Grounds. The Council has also subjected its COVID 19 risk management arrangements to external review and validation.  A revised target date of 31/12/2021 has been agreed, which was reported to the Audit & Ethics Committee in January 2021.	 High Risk
Health & Safety follow up	Design one form to record all accidents, incidents and near misses in the same place.	<b>30-Jun-2020</b>	The new health & safety digital solution will enable this to be readily implemented.  It is expected that this action can be completed by June 2021, once the new system has been implemented.  A revised target date of 30/06/2021 has been agreed, which was reported to the Audit & Ethics Committee in January 2021.	 High Risk

Audit	Action Detail	Due Date	Latest Note	Risk Rating
Health & Safety follow up	Update the driver handbook.	30-Jun-2020	<p>A draft updated handbook has been produced and circulated to the relevant services for consultation. This is part of a wider Driving at Work policy, which is being developed by the new Health and Safety corporate "squad".</p> <p>A revised target date of 30/04/2021 has been agreed, which was reported to the Audit &amp; Ethics Committee in January 2021.</p>	 High Risk
Absence Management	Implement the use of iTrent for managing absence. Review the facilities in iTrent to see if enhancements can be made to include alerts when sick notes expire, sickness triggers hit and calculate the employees time off.	31-Dec-2020	<p>Update from HR Manager 02/03/21</p> <p>The HR team are researching what reports and checks in iTrent are used by other organisations using the iTrent system, to ensure the Council implements this in a safe way with no impact on payroll calculations.</p>	 Medium Risk
Creditors	Review the financial instructions and then cascade to managers.	31-Dec-2020	<p>The pandemic has impacted on the timescale for delivering this project.</p> <p>However, work on the project is well advanced. The instructions are being converted into a more strategic document which is now close to completion. The document will be reviewed by the Corporate Assurance and Improvement team, cascaded to all managers, and presented to the next meeting of the Audit &amp; Ethics Committee.</p>	 Medium Risk

Audit	Action Detail	Due Date	Latest Note	Risk Rating
CSC Demand Management	Purchase and install the OpenChannel product to integrate OpenPortal with existing forms and the OpenRevenues back office system.	31-Dec-2020	There hasn't been any capacity available to move forward with this, owing to additional workloads associated with administering business grants during the pandemic.	 Medium Risk
Council Tax & NDR Fraud	Ensure all types of discount are reviewed regularly according to a timetable. Review all properties in receipt of charitable relief. Conduct SPD reviews on a regular rolling basis.	30-Sep-2020	There hasn't been any capacity available to move forward with this, owing to additional workloads associated with administering business grants during the pandemic.	 Medium Risk
Data Protection	Review and update all IT project methodology to ensure that it complies with GDPR data privacy requirements.	30-Sep-2020	There is one consolidated IT project pack that contains all the documentation and project methodology. The Corporate ICT Manager will send this through to the Data Protection Officer to check its compliance.	 Medium Risk
Health & Safety follow up	Make sure Health and Safety matters are communicated to staff via existing mechanisms.	31-Dec-2020	<p>A standardised approach is being developed for health and safety bulletins, with support from the Communications, Consultation and Information Manager. A Health and Safety hub is being set up on Sharepoint. The new corporate Health and Safety "squad" is developing new material with a snappy catchphrase which will be used to proactively encourage staff to report concerns.</p> <p>A revised target date of 30/04/2021 has been agreed, which was reported to the Audit &amp; Ethics Committee in January 2021.</p>	 Medium Risk

Audit	Action Detail	Due Date	Latest Note	Risk Rating
Health & Safety follow up	Consider introducing an annual H&S review/report for key stakeholders to highlight achievements.	<b>31-Dec-2020</b>	<p>This will be built in to the Council's new Health and Safety Management Plan. The next annual report will be prepared by 30/09/2021. In addition, the new corporate health and safety "squad" has developed new performance metrics which will be reported on a regular basis.</p> <p>A revised target date of 30/09/2021 has been agreed, which was reported to the Audit &amp; Ethics Committee in January 2021.</p>	 Medium Risk