

Public Document Pack

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Our reference:
Your reference:
Date: Wednesday 16 June 2021

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 24 June 2021 at 7.00 pm in the Council Chamber, Rugby Road, West Bridgford, NG2 7YG to consider the following items of business.

The meeting will be streamed via YouTube via the link:
<https://www.youtube.com/user/RushcliffeBC> Note: Please be aware that until the meeting starts, the live stream video will not be showing on the home page. For this reason, please keep refreshing the home page until you see the video appear.

Yours sincerely



Sanjit Sull
Monitoring Officer

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of the meeting held on 4 February 2021 (Pages 1 - 6)
4. External Audit Annual Plan (Pages 7 - 46)

The report of the Director – Finance and Corporate Services is attached.

5. Internal Audit Progress Report (Pages 47 - 64)

The report of the Director – Finance and Corporate Services is attached.



Rushcliffe Borough
Council Customer
Service Centre

Fountain Court
Gordon Road
West Bridgford
Nottingham
NG2 5LN

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Opening hours:
Monday, Tuesday and Thursday
8.30am - 5pm
Wednesday
9.30am - 5pm
Friday
8.30am - 4.30pm

Postal address
Rushcliffe Borough
Council
Rushcliffe Arena
Rugby Road
West Bridgford
Nottingham
NG2 7YG



6. Internal Audit Annual Report (Pages 65 - 84)

The report of the Director – Finance and Corporate Services is attached.

7. Annual Fraud Report (Pages 85 - 94)

The report of the Director – Finance and Corporate Services is attached.

8. Annual Governance Statement (Pages 95 - 120)

The report of the Director – Finance and Corporate Services is attached.

9. Update on the Redmond Review of Public Sector Audit (Pages 121 - 134)

The report of the Director – Finance and Corporate Services is attached.

10. Revisions to the Council's Constitution (Pages 135 - 140)

The report of the Monitoring Officer is attached.

11. Work Programme (Pages 141 - 142)

The report of the Director – Finance and Corporate Services is attached.

Membership

Chairman: Councillor D Viridi

Vice-Chairman: Councillor B Gray

Councillors: R Adair, K Beardsall, L Healy, L Howitt, K Shaw, D Simms and J Stockwood



Rushcliffe
Borough Council

Meeting Room Guidance

Fire Alarm Evacuation: in the event of an alarm sounding please evacuate the building using the nearest fire exit, normally through the Council Chamber. You should assemble at the far side of the plaza outside the main entrance to the building.

Toilets: are located to the rear of the building near the lift and stairs to the first floor.

Mobile Phones: For the benefit of others please ensure that your mobile phone is switched off whilst you are in the meeting.

Microphones: When you are invited to speak please press the button on your microphone, a red light will appear on the stem. Please ensure that you switch this off after you have spoken.

Recording at Meetings

The Openness of Local Government Bodies Regulations 2014 allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Rushcliffe Borough Council is committed to being open and transparent in its decision making. As such, the Council will undertake audio recording of meetings which are open to the public, except where it is resolved that the public be excluded, as the information being discussed is confidential or otherwise exempt.

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MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 4 FEBRUARY 2021

Held at 7.00 pm in the

PRESENT:

Councillors F Purdue-Horan (Chairman), J Walker (Vice-Chairman), R Adair, G Dickman, K Shaw, D Simms, J Stockwood and D Viridi

ALSO IN ATTENDANCE:

D Hoose
G Rubins

Mazars LLP
Senior Manager - BDO

OFFICERS IN ATTENDANCE:

C Caven-Atack

Service Manager - Finance and
Corporate Services

T Coop
P Linfield

Democratic Services Officer
Executive Manager - Finance and
Corporate Services

S Whittaker

Financial Services Manager

APOLOGIES:

Councillors L Howitt

53 **Declarations of Interest**

There were no declarations of interest reported.

54 **Minutes of the meeting held on 24 November 2020**

The Minutes of the meeting held on 24 November 2021 were approved by the Group.

55 **Annual Audit Letter**

Mr David Hoose, from Mazars, the Council's external auditor presented the Council's Annual Audit Letter, which summarises the work undertaken for the financial year 2019/20. The audit responsibilities of the external audit are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice, issued by the National Audit Office. The letter provided the Group with details of these responsibilities, the work the audit had done to discharge them, and the key findings from their work.

Mr Hoose confirmed the issues raised at the last Governance Scrutiny meeting and highlighted the comments made in the Officers report in respect of signing off the Statement of Accounts, which was extended until 30 November 2020. The report of the Executive Manager – Finance and Corporate Services

explained that the deadline was not met through no fault of the Council, but due to delays in the auditors gaining assurance from the Pension Fund Accounts. Irrespective of this no significant issues have arisen during 2019/20 with only some non-material misstatements in relation to Pensions and Property, Plant and Equipment.

It was **RESOLVED** that the Group note the Annual Audit Letter.

56 Internal Audit Progress Report

Mr Greg Rubins from BDO, the Council's Internal Auditors provided an update and summary of the Internal Audit Progress Report. The report provides the progress made against the 2020/21 Internal Audit Plan and summarises the work completed, together with the audit assessment and any recommendations required.

Mr Rubins explained that due to the Covid pandemic some of the planned audits have not taken place as early in the year as planned.

The following audit was presented to the Group:

Licensing

The opinion issued for Design and Operational Effectiveness were moderate and the impact on Annual Opinion is positive. As a result of testing, five medium priority findings and three low priority findings were identified. The medium findings relate to:

- some documentation required to issue a license was not evidenced,
- The public register on the Council's website did not work or was incomplete
- Dashboards displaying the status of a licence application did not provide up to date information
- There was no Scheme of Delegation for the Business Support Unit to undertake licence reviews
- Some discrepancies in the reconciliations of income between Uniform and General Ledger

Management actions were agreed in respect of these findings.

Mr Rubins explained that there were four further audits currently completing or due to commence; Cyber, Anti-Fraud Training, Pet and Dog Control and Business Grants, adding that he anticipates presenting these reports at the next Governance Scrutiny Group, subject to no further interruptions relating to Covid.

Members questioned the status of the audit for Retention and Recruitment and why no Terms of Reference had been agreed, adding was there a potential issue building here. The Executive Manager – Finance and Corporate Services advised that the Executive Management Team stated that there had been staff turnover in Human Resources which had led to the delay. The audit should still be completed.

It was **RESOLVED** that the Group note the final progress report for 2020/21.

57 **Internal Audit Strategy Report**

At its meeting on 6 February 2020 the Governance Scrutiny Group approved the three year Internal Audit Strategy presented by BDO, the Council's internal auditors.

Mr Rubins presented the planned audits due to take place in Year 2 of the Internal Audit Strategy, 2021/22 and highlighted a small number of changes in response to evolving situations and amended risks. Ten audits are planned for 2021/22 covering a number of the Council's key processes and systems, these include:

- Planning and s106
- Housing Benefit
- Contract Management and Procurement
- Hybrid Mail

The Group were asked to consider whether they were satisfied that sufficient assurances are being received within the annual plan, does the internal audit strategy plan cover the Council's key risks and are the areas selected for coverage this year appropriate.

Members asked a specific question relating to the auditors approach to look back at risk impact on the Council's budgets and how would the internal audit treat benefits against the risk process. Mr Rubins explained that this is linked to the Council's risk register and that any financial issues would be highlighted and brought to the attention of officers at the appropriate time.

It was **RESOLVED** that the Year Two Plans from the Internal Audit Strategy 2020-2023 be approved.

58 **Capital and Investment Strategy**

The Finance Services Manager presented the Capital and Investment Strategy report for 2021/22 to 2025/2026, focusing on both traditional treasury activity and the Council's commercial property investments.

In Appendix A, attached to the Officers report the Finance Manager advised the Group of the Capital Prudential Indicators, highlighting the Council's projected capital expenditure plans and funding, the Council's borrowing need and the ongoing impact of the capital programme on the investment balance. The Finance Manager referred to the Capital Financing Requirement (CFR) as tabled in the report, which summarised the Council's overall position with regard to borrowing, which shows an increase in the CFR reflecting the capital commitment in respect of the Crematorium and Bingham Leisure Hub.

The Financial Services Manager continued to advise the Group of the Treasury Management Strategy, explaining the UK's economic recovery which is likely to be gradual and prolonged in the wake of Covid. The current Bank of England

base rate is 0.1% and has remained unchanged and inflation levels are expected to increase to 2% in 2021 and 2.1% in 2022 and 2023. The tables contained within the reports identified that the Council may need to externally borrow and this would result in borrowing costs, these were reflected in the figures provided. In addition, the Financial Services Manager advised that the Public Works Loan Board (PWLB) have published new lending terms stating that if an Authority has assets that have been purchased primarily for yield anywhere in the capital programme they will not be able to access PWLB funding.

The Financial Services Manager explained that in recent years, the Council identified specific sums for its Asset Investment Strategy within the Capital Programme. These include commercial investments in areas such as property and subsidiaries, or loans that support service outcomes. In addition, the Financial Services Manager advised that the Public Works Loan Board (PWLB) have published new lending terms stating that if an Authority has assets that have been purchased primarily for yield anywhere in the capital programme they will not be able to access PWLB funding.

In concluding the Financial Services Manager advised the Group that the Council aims to minimise its exposure to risk by spreading investments across sectors, thus avoiding single large-scale investments. In addition, the Council's commitment to economic regeneration (not purely financial return) has meant that many of its investments have been in industrial units, which have been very successful.

Members asked a specific question relating to the negative trajectory for interest rates and how will the Council choose to invest should this happen to mitigate any risk. The Financial Services Manager informed that the Council's Treasury advisors do not expect this to happen. The Executive Manager – Finance and Corporate Services added that in the current climate things can change quickly and that changes are regularly reported to this Group.

Members asked specific questions relating to the table on Capital Financial Requirements, and what the components for the usable reserves are. The Financial Services Manager advised these are balances accumulated over a period of time. A question was also raised in respect of the table for Commercial Income, and whether the running costs of the businesses occupying the properties had been factored into the figures, commenting that the upward trajectory is good but with the knock on effect of Covid is this likely to fall. The Financial Services Manager explained that there is an element of buoyancy, including officer time which is re-charged to the tenants as a service charge; and the Council is liable for business rates whilst Council properties remain empty.

It was **RESOLVED** that the Governance Scrutiny Group recommend for approval by Council:

- a) The Capital Strategy and Capital Prudential Indicators and limits for 2021/22 to 2015/26 contained within Appendix A
- b) The Minimum Revenue Provision (MRP) Statement which sets out the

Council's policy on MRP contained in Appendix A

- c) The Treasury Management Strategy 2021/22 to 2025/26 and the Treasury Indicators contained in Appendix A
- d) The Commercial Investments Indicators and limits for 2021/22 to 2025/26 contained in Appendix A

59 Risk Management

The Service Manager – Finance and Corporate Services presented the Risk Management Progress report which provided the Group with an update on risk activity following the July update on the impact of Covid on risk. The report summarised risks in the Council's Risk Register that have been changed over that period including the risks identified as a result of the Covid pandemic.

The report advised the Group that there are currently 44 corporate risks and 32 operational risks. The number of risks within the register will fluctuate throughout the year as active risk management is undertaken.

The Service Manager – Finance and Corporate Services highlighted ten changes to risk, three increases to risk ratings and seven reductions to risk ratings, these were summarised in the report for members of the group to note. In addition, the Service Manager – Finance and Corporate Services advised that one risk had been removed, CRR_NS17 Impact of Covid-19 on the Borough's Leisure facilities and their ability to recover following initial lockdown in March to June/July 2020. This risk is being replaced by two new risks as follows:

- CRR_NS17a Impact on the Borough's leisure facilities if closed due to Covid-19
- CRR_NS17b Impact on the Borough's leisure facilities failure to recover after Covid-19

In concluding the Service Manager – Finance and Corporate Services informed members that as requested by the Group in July 2020, additional information had been provided in the Appendices attached to help improve reporting. These include additional information in respect of the red risks and mitigation of risks so that members can see clearly how Officers internally manage risks.

It was **RESOLVED** that Governance Scrutiny Group;

- a) Note the report in relation to existing risks
- b) Note the progress on the new risks identified in response to the global Covid-19 pandemic
- c) Note the officer recommendations on the information provided for risks that have red alert status

60 **Work Programme**

The Group considered its Work Programme.

The Executive Manager – Finance and Corporate Services advised the Group that there was some uncertainty when the Annual Governance Statement would be reported to Governance Scrutiny Group.

18 May 2021

Internal Audit Progress Report
Internal Audit Annual Report
Annual Governance Statement
Redmond Review Update

The meeting closed at 7.44 pm.

CHAIRMAN

DRAFT



Governance Scrutiny Group

Thursday, 24 June 2021

External Audit Annual Plan

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report from Mazars summarises their approach to external audit activity with regard to the final accounts process and their approach to value for money work in relation to the financial year 2020/21.
- 1.2. Mazars highlight four significant risks concerning management override of controls, net defined benefit liability valuation, valuation of land and buildings, and Covid-19 grant recognition (see page 13 of Appendix One).
- 1.3. Mazars staff will be available at the meeting to answer any detailed questions arising from the report.

2. Recommendation

It is **RECOMMENDED** that the Governance Scrutiny Group accept the External Audit Annual Plan.

3. Reasons for Recommendation

- 3.1. To comply with the Audit Commission's Code of Audit Practice and relevant legislation and accord with good governance.

4. Supporting Information

- 4.1. Councillors will be aware that we have a legal requirement to produce a draft Statement of Accounts by the 31 July which is then subject to review by the Authority's external auditors, Mazars, and approval by 'those charged with governance', the Governance Scrutiny Group, by the 30 September 2021.
- 4.2. The attached report details the approach that Mazars will use when auditing the 2020/21 Statement of Accounts. It specifies the work they will undertake, when they anticipate undertaking this work, and how they will liaise with Council staff. It also details the key risks with regards to both the year-end accounts and the Council achieving value for money. These include:
 - management override of controls
 - net defined benefit liability valuation
 - valuation of land and buildings

- Covid-19 grant recognition.

4.3. It should be noted that the audit fees for 2020/21 are currently set at £50,859 plus VAT (actual fees for 2019/20 were £43,891). These are in line with PSAA and include additional testing as a result of the implementation of new auditing standards and the Code of Audit Practice. This represents an increase of £19,067 (60%) on the original base fee of £31,792 set in 2019/20.

5. Risks and Uncertainties

5.1. The Mazars report highlights relevant risks (stated at paragraph 4.2 above).

6. Implications

6.1. Financial Implications

The audit fee relating to the costs of the audit work will be met from existing budgets.

6.2. Legal Implications

The Governance Scrutiny Group plays a key role in supporting the Council's governance controls by supporting and contributing to the Council's responsibility to maintain an adequate and effective system of internal control.

6.3. Equalities Implications

There are no equalities implications.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 Implications.

7. Link to Corporate Priorities

Quality of Life	
Efficient Services	Undertaking an external audit of the financial accounts ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group accept the External Audit Annual Plan.

For more information contact:	Peter Linfield Director - Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None.
List of appendices:	Appendix 1 – External Audit Annual Plan

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Audit Strategy Memorandum

Rushcliffe Borough Council

Year ending 31 March 2021

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

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



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Mazars LLP
Park View House
58 The Ropewalk
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7 June 2021

Dear Committee Members

Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Rushcliffe Borough Council for the year ending 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

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

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

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me at david.hoose@mazars.co.uk.

Yours faithfully

David Hoose

Mazars LLP

Mazars LLP – Park View House- 58 The Ropewalk- Nottingham – NG1 5DW
Tel: 0115 964 4744 – www.mazars.co.uk

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

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

01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Rushcliffe Borough Council (the Council) for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



Audit opinion

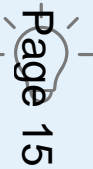
We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or Governance Scrutiny Group, as those charged with governance, of their responsibilities.



Fraud

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

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



Going concern

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The section 151 officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on the appropriateness of the section 151 officer's use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



Value for money

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



Reporting to the NAO

We report to the NAO on the Council's financial statements and the matters arising from our audit which are relevant to the Council's Whole of Government Accounts (WGA) submission.



Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

02

Section 02:

Your audit engagement team

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2. Your audit engagement team

Your external audit service continues to be led by David Hoose. A summary of key team members are detailed below:

Who	Role	E-mail
David Hoose	Engagement Lead	david.hoose@mazars.co.uk
Michael Butler	Engagement Manager	Michael.butler@mazars.co.uk
Tom Greensill	Assistant Manager	Tom.Greensill@mazars.co.uk

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Engagement and responsibilities summary	Your audit engagement team	Audit scope, approach and timeline	Significant risks and key judgement areas	Value for money	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendices
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03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

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

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

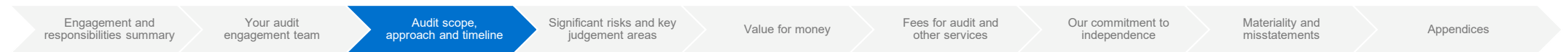
Audit approach

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

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

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

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



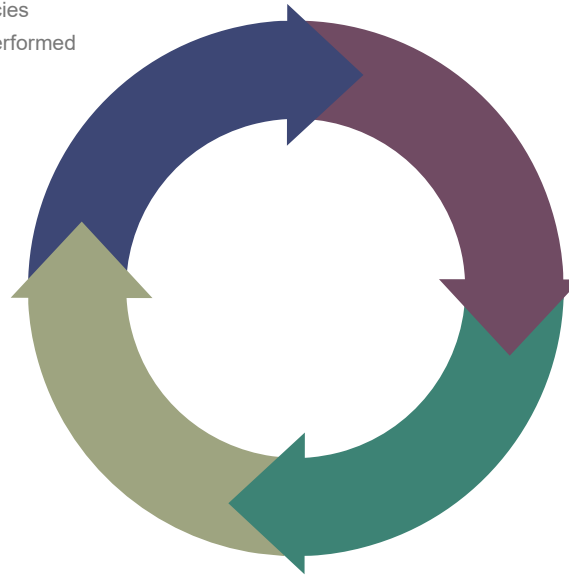
3. Audit scope, approach and timeline

Planning January – February 2021

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

Interim March 2021

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



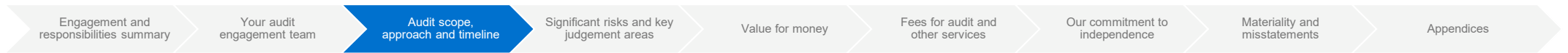
Fieldwork September 2021

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

Completion September – November 2021

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

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3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

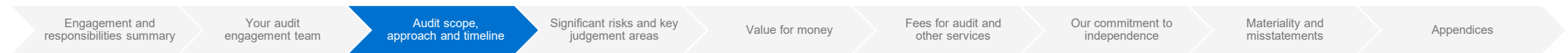
Management’s and our experts

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

Item of account	Management’s expert	Our expert
Property, plant and equipment	Nick Berry/Leanne Ashmore Internal Valuer	None
Pensions	Barnett Waddingham Actuary for Nottinghamshire Pension Fund	PwC LLP Consulting actuary appointed by the NAO
Financial instrument disclosures	Link Asset Services Treasury management advisors	None

required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Payroll Costs	Gedling Borough Council <i>The payroll entries that form part of the Council’s financial statements are material and are derived from the processing of monthly payrolls. The payroll processing is undertaken and administered by Gedling Borough Council on behalf of the Council.</i>	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. We expect to be able to conclude that the Council has sufficient controls in place over the services provided by GBC and that we will be able to audit payroll based on the records held at the entity.



04

Section 04:

**Significant risks and other key
judgement areas**

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4. Significant risks and other key judgement areas

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

Significant risk

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

Enhanced risk

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

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

Standard risk

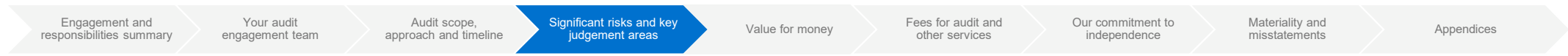
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the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

Summary risk assessment

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



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4. Significant risks and other key judgement areas

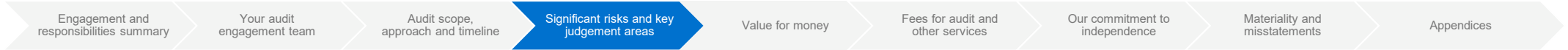
Specific identified audit risks and planned testing strategy

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

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	-	-	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

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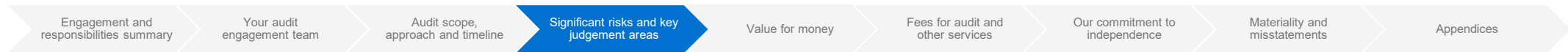


4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
2	<p>Net defined benefit liability valuation The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	-	●	●	<p>We plan to address the risk by:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham; liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. <p>In line with 2019/20 and the continuing Covid-19 pandemic, there may be a material valuation uncertainty disclosure to be made and emphasis of matter paragraph to be included within our opinion. We will monitor this throughout the audit process.</p>

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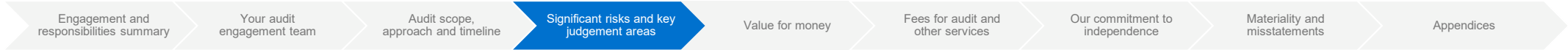


4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of property, plant and equipment, and investment properties</p> <p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment and investment properties, with the majority required to be carried at valuation.</p> <p>The valuation of these assets is complex and is subject to a number of management assumptions and judgements.</p> <p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>	-	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies; assessing whether valuation movements are in line with market expectations by considering valuation trends; and critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2020/21 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers. <p>In line with 2019/20 and the continuing Covid-19 pandemic, there may be a material valuation uncertainty disclosure to be made and emphasis of matter paragraph to be included within our opinion. We will monitor this throughout the audit process.</p>

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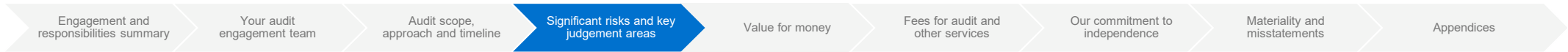


4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
4	<p>Covid-19 grant recognition Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities. A lack of clarity exists in respect of the expected accounting treatment over this income source.</p> <p>We therefore identified the completeness and accuracy of the this income as a risk.</p>	-	●	-	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> reviewing the Council's approach in determining whether grants are or are not ringfenced for specified areas of expenditure; testing grant income recorded in the ledger to grant allocations/ notifications; and reviewing a sample of grants to ensure conditions to recognise the income in 2020/21 have or have not been met.

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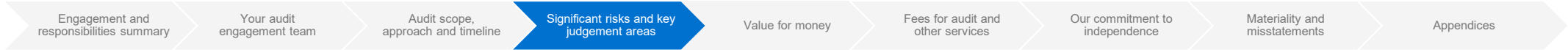


4. Significant risks and other key judgement areas

Consideration of other mandatory risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Fraudulent revenue recognition</p> <p>Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.</p>	●	○	○	<p>We do not consider this to be a significant risk for Rushcliffe Borough Council as:</p> <ul style="list-style-type: none"> • there is an overall low risk for local authorities; • there are no particular incentives or opportunities to commit material fraudulent revenue recognition; and • the level of income that does not derive from either grant or taxation sources is low relative to the Council's overall income streams, and generally represents a number of low value, high volume transactions. <p>We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk.</p>

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05

Section 05: Value for Money

Page 29

5. Value for Money

The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. Whilst we are still required to be satisfied that the Council has proper arrangements in place, we will now report by exception in our auditor's report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on the Council's arrangements as part of our auditor's report.

Under the new Code, the key output of our work on VFM arrangements will be a commentary on those arrangements which will form part of the Auditor's Annual Report.

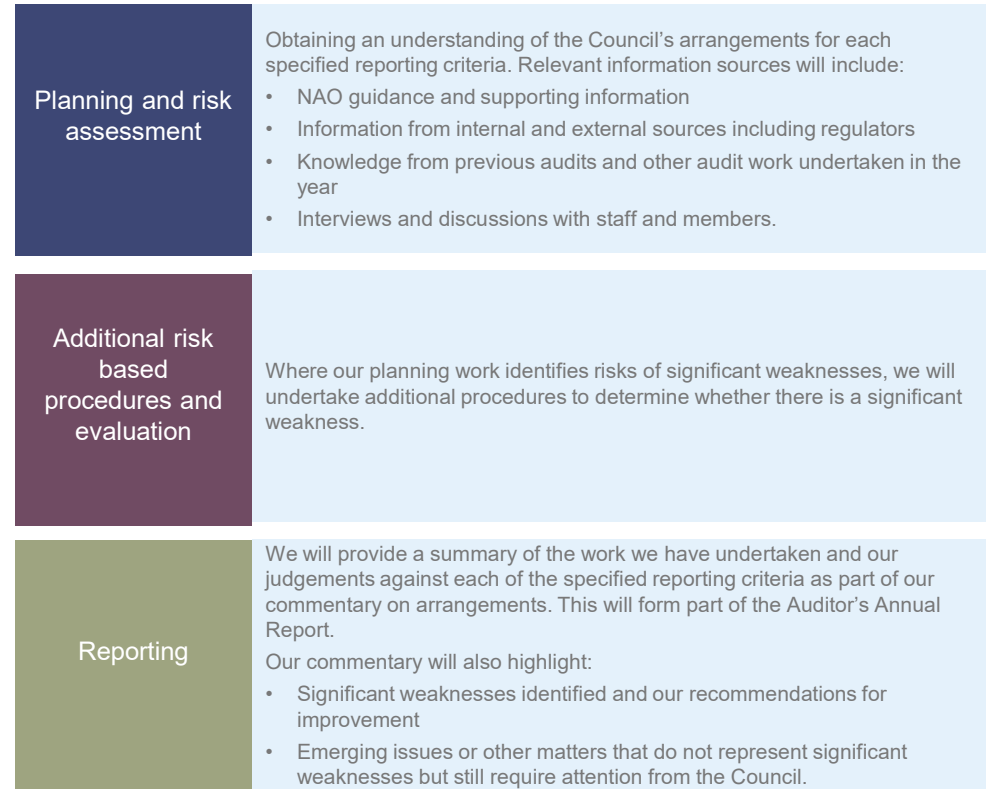
Specified reporting criteria

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

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

Our approach

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



5. Value for money conclusion

Under the 2020 Code, we are required to structure our commentary on the Council's 'proper arrangements' under three specified reporting criteria, which are expanded in the supporting guidance notes produced by the National Audit Office:

Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services

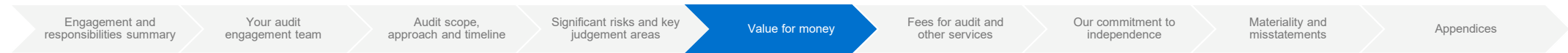
- how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them
- how the body plans to bridge its funding gaps and identifies achievable savings
- how the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- how the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Governance: how the body ensures that it makes informed decisions and properly manages its risks, including

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- how the body approaches and carries out its annual budget setting process
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Governance Scrutiny Group
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

Improving VFM: how the body uses information about its costs and performance to improve the way it manages and delivers its services

- how financial and performance information has been used to assess performance to identify areas for improvement
- how the body evaluates the services it provides to assess performance and identify areas for improvement
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.



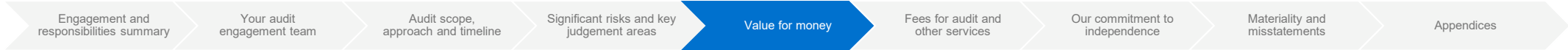
5. Value for Money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Due to the late release of the NAO's Auditor Guidance Note and supporting information to auditors, we have not yet fully completed our planning and risk assessment work. We will report the results of our planning and risk assessment work to the Governance Scrutiny Group at a later date.

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06

Section 06:

Fees for audit and other services

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6. Fees for audit and other services

Fees for work as the Council's appointed auditor

Details of the 2019/20 Actual and 2020/21 Audit fees in line with PSAA and other reporting mechanisms are set out below:

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Scale audit fee	£31,792	£31,792
<i>Fee variations:</i>		
Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	£7,067 ¹	£7,067
Additional testing as a result of the implementation of new auditing standards: ISA 700 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern; and ISA 600 (Revised).	£2,000 ²	-
Other additional costs	TBC	£5,032 ³
Subtotal	£40,859	£43,891
Additional work arising from the change in the Code of Audit Practice	£10,000 ⁴	-
Total	£50,859 ⁵	£43,891

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

² For 2020/21, two new auditing standards have been introduced incurring additional time and audit work not reflected in the scale fee. Additional testing as a result of the implementation of IFRS 16 Leases is deferred to the financial year 2021/22.

³ The additional audit costs in 2019/20 have been disclosed within our Annual Audit Letter, This mainly relates to additional testing and reporting of uncertainties in key estimates as a result of Covid-19.

⁴ As explained in section 5, the revised Code of Audit Practice results in a substantial amount of additional audit work to support the value for money conclusion and the changes in reporting requirements, requiring additional time and input from the senior members of the team. Our review of the Code and supporting guidance notes shows that the additional fee impact at all public sector entities is expected to be an estimate of £10,000, and could be more or less than this value. The final fee will take into account the extent, and complexity of, any significant weaknesses in arrangements to review and report upon.

⁵ This is a proposed fee for 2020/21 at the point of the issue of our ASM. This figure is subject to change and additional costs will be discussed with management, for example material valuation uncertainty on asset valuations as a result of Covid-19.

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Section 07:
Our commitment to independence

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7. Our commitment to independence

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

The Ethical Standard 2019 is applicable for any non-audit services commencing on or after 15 March 2020.

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

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

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

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

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

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

08

Section 08: **Materiality and other misstatements**

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8. Materiality and misstatements

Summary of initial materiality thresholds

Rushcliffe Borough Council: Threshold	Initial threshold £'000s
Overall materiality	818
Performance materiality	614
Trivial threshold for errors to be reported to Governance Scrutiny Group	25
Specific materiality:	
Officers remuneration (on the basis this is qualitatively material owing to public interest)	5*
External Audit fee (on the basis this is qualitatively material owing to auditor independence)	5

*Reflecting movement from one salary band to another

Group Thresholds	Initial threshold £'000s
Overall materiality	821
Performance materiality	616
Trivial threshold for errors to be reported to Governance Scrutiny Group	25

Materiality

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

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

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

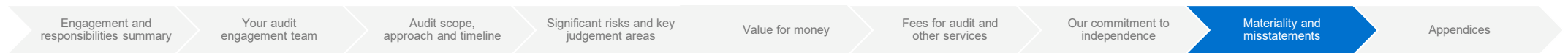
The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

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

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

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

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



8. Materiality and misstatements

Materiality (continued)

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

Our provisional materiality is set based on a benchmark of gross revenue expenditure on the surplus/deficit on the provision of services level for 2019/20. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to Governance Scrutiny Group.

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

We expect to set a materiality threshold at 2% of gross revenue expenditure. Based on prior year financial statements we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £0.8m.

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

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Governance Scrutiny Group that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £35k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with David Hoose.

Reporting to Governance Scrutiny Group.

The following three types of audit differences will be presented to the Governance Scrutiny Group:

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

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Appendix: Key communication points

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Appendix: Key communication points

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

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

Form, timing and content of our communications

We will present the following reports:

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

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

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

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

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

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

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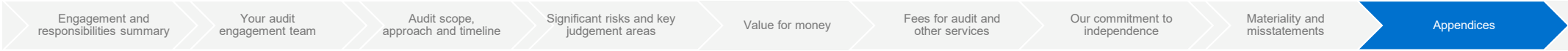
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Appendix: Key communication points

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

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

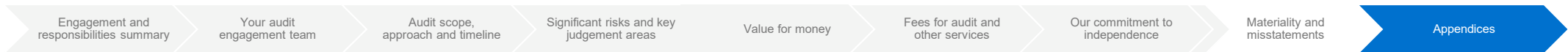
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Appendix: Key communication points

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

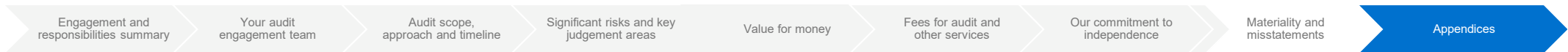
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Appendix: Key communication points

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

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

*where permitted under applicable country laws.



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Governance Scrutiny Group

Thursday, 24 June 2021

Internal Audit Progress Report - May 2021

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report has been prepared by the Council's internal auditors BDO. It reflects the progress made against the annual Internal Audit programme along with any significant recommendations with regard to the audits completed during this period.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the progress report for 2020/21 (**Appendix A**) prepared by the Council's Internal Auditor.

3. Reasons for Recommendation

To conform to best practice and Public Sector Internal Audit Standards and give assurance to the Governance Scrutiny Group regarding the Council's internal control environment.

4. Supporting Information

- 4.1. The Internal Audit Plan for 2020/21 was approved by the Governance Scrutiny Group at its meeting on 6 February 2020 and includes 10 planned reviews. Due to the impact of Covid-19 on workloads, progress at the start of the year was slower than anticipated but all planned audits were completed by the end of the year.
- 4.2. The attached report highlights the completion and issuing of five reports, four from the 2020/21 Internal Audit Annual Plan and one from the 2021/22 Internal Audit Annual Plan. In terms of findings:
 - The Pest and Dog Control audit received a Moderate rating for both Design and Operational Effectiveness – three medium level recommendations were made, and management actions have been agreed.
 - The Recruitment and Retention audit received a Moderate rating for both Design and Operational Effectiveness – two medium level and one low level recommendations were made, and management actions have been agreed.

- The Covid-19 Grants Assurance (an additional audit undertaken in response to the Covid-19 pandemic) audit received a Substantial rating for both Design and Operational Effectiveness.
- The Cyber Security audit received a Substantial rating for both Design and Operational Effectiveness – one medium and two low level recommendations were made, and management actions have been agreed.
- The Fraud audit is reported upon separately at this meeting of the Governance Scrutiny Group.

4.3. Despite delayed start to the Internal Audit Plan for 2020/21 due to the Covid-19 pandemic, 100% of the Plan was delivered by the year end. The Internal Audit Annual Report is also on the agenda for this meeting of the Governance Scrutiny Group.

5. Risks and Uncertainties

5.1. If recommendations are not acted upon there is a risk internal controls are weakened and the risk materialises.

6. Implications

6.1. Financial Implications

There are no direct financial implications to the report. Indirectly a better internal control environment suggests risk has reduced and can result in a reduced audit workload and therefore cost.

6.2. Legal Implications

The recommendation supports good risk management.

6.3. Equalities Implications

There are no equalities implications identified for this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no such implications.

7. Link to Corporate Priorities

Quality of Life	
Efficient Services	Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes the final progress report for 2020/21 (**Appendix A**) prepared by the Council's Internal Auditor.

For more information contact:	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	Appendix A - Internal Audit Progress Report – BDO

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A group of four runners, two men and two women, are huddled together outdoors in a park-like setting. They are all smiling and looking towards each other. Their hands are stacked in the center of the huddle. The background is a blurred green landscape with trees. A vertical red bar is on the right side of the image. A semi-transparent grey box is overlaid on the bottom left of the image, containing the report title and date.

INTERNAL AUDIT PROGRESS REPORT

Rushcliffe Borough Council
Governance Scrutiny Group

24 June 2021

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INTRODUCTION

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2020/21 and 2021/22 internal audit plans. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

2020/2021 Internal Audit Plan

We have now completed the 2020/21 audit plan and are pleased to present the following reports to this Audit Committee meeting:

- Pest and Dog Control
- Recruitment and Retention
- Covid 19 Grants Assurance
- Cyber

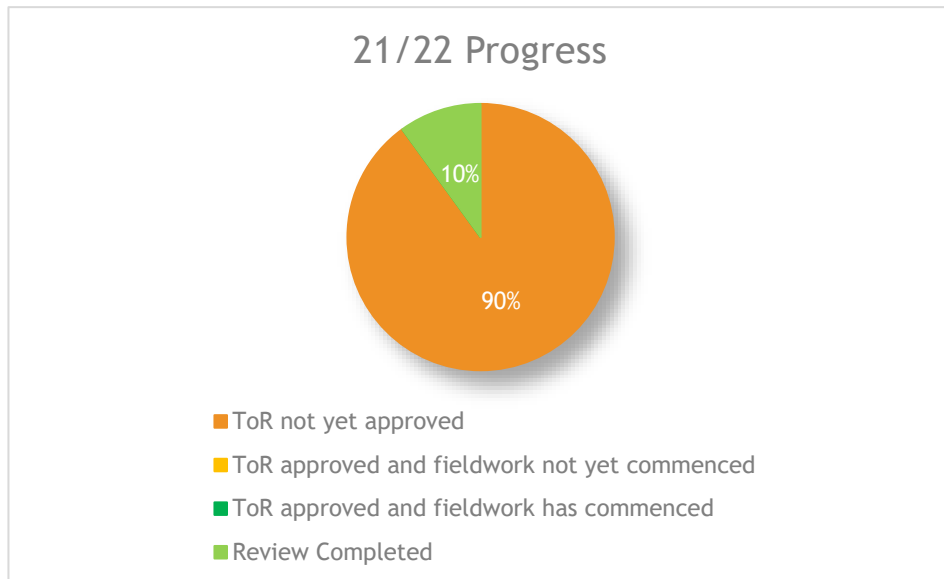
2021/2022 Internal Audit Plan

We have finalised one report from the 2021/22 audit plan and are please to present it to this Audit Committee:

- Fraud Report

Summary

There are ten audits in both the 20/21 and 21/22 audit plans. Below provides a summary update on progress against these plans and summarises the results of our work to date.



REPORTS CONSIDERED AT THIS GOVERNANCE SCRUTINY GROUP

2020/21

Audit	Status	Opinion Issued		Actions Agreed		
		Design	Operational Effectiveness	High	Medium	Low
Pest and Dog Control	Final	Moderate	Moderate	0	3	0
Recruitment and Retention	Final	Moderate	Moderate	0	2	1
Covid 19 Grants Assurance	Final	Substantial	Substantial	0	0	0
Cyber	Final	Substantial	Substantial	0	1	2

2021/22

Audit	Status	Opinion Issued		Actions Agreed		
		Design	Operational Effectiveness	High	Medium	Low
Fraud Report	Final	N/A	N/A	N/A	N/A	N/A

Impact of findings to date

Pest and Dog Control (20/21)

Conclusion:

Moderate	Moderate
----------	----------

Impact on Annual Opinion: Positive

As a result of testing, three medium priority findings were identified which relate to:

- There being no detailed monitoring of response rates and resolutions times for pest control jobs, although response rates for Environmental Health as a whole are reviewed. There is a lack of clarity over whether response times include resolution of the issue and the Council do not set separate targets or monitor timescales for resolving the issue
- A subsidised fee of 50% of the usual fee is charged where an individual claims to be on means tested benefits but no evidence was available to support this
- Reconciliations of income between Uniform and the General Ledger not being undertaken and guidance has not been updated since 2014 Reconciliations of income between Uniform and the General Ledger are not being undertaken and guidance for their completion is out of date.

Recruitment and Retention (20/21)

Conclusion:

Moderate	Moderate
----------	----------

Impact on Annual Opinion: Positive

As a result of testing, two medium priority findings and one low priority finding was identified. The medium priority findings relate to:

- Progress of actions within the People Strategy 'Action Plan' not presented to EMT for monitoring purposes and metrics are not designed to capture and report key performance indicators related to recruitment and retention
- The Council's Recruitment and Selection policy due for review in March 2019 has not been updated and does not reflect the current approval process

Covid 19 Grants Assurance (20/21)

Conclusion:

Substantial	Substantial
-------------	-------------

Impact on Annual Opinion: Positive

As a result of testing, no findings were identified

Cyber (20/21)

Conclusion:

Substantial	Substantial
-------------	-------------

Impact on Annual Opinion: Positive

As a result of testing, one medium priority finding and two low priority findings were identified. The medium priority finding related to:

- 39 vulnerabilities out of 2833 identified by the penetration test have yet to be rectified and some have not been risk assessed

Fraud Report (21/22)

Conclusion:

N/A	N/A
-----	-----

Impact on Annual Opinion: Positive

The purpose of this report was to summarise the incidence of fraud and fraud prevention activities at the Council during the year 2020/21.

The findings relate to the following:

- The Council does not have a dedicated fraud prevention resource; however, it is the responsibility of managers as part of the internal control environment to ensure controls are in place to mitigate the risk of fraud.
- There have been no whistleblowing concerns reported during 2020/21.
- The Council started a review in respect of single person discounts via the NFI in December 2020. The results of this exercise were:

721	Number of cases identified by NFI
591	Number of live cases investigated
81	Number of cases where the discount was removed
£24,222	Value of extra Council Tax billed

- There have been no allegations of fraud reported in 2020/21
- This audit identified no potential fraud concerns with the sample of grants tested, and concluded substantial assurance over the design and effectiveness of the controls in place.
- During 2020/21 BDO also undertook fraud awareness training to staff across the council.
- The survey was issued to 130 staff in February 2021 and was completed by 87 members of staff (a 67% completion rate). The key findings were:
 - 66 of 87 respondents are aware of the Council's Counter Fraud Policy
 - 63 of the 87 respondents are aware of the Council's Whistleblowing Policy
 - 80 of the 87 respondents would report suspected concerns to their line manager or to an executive manager, service manager or lead specialist
 - Only 19 of the 87 respondents had received counter fraud training.

LOOKING AHEAD

The tables below display the audits in the 20/21 and 21/22 Internal Audit Plan, along with the current status.

2020/21

Audit	Planned Start Date	Status	Target Governance Scrutiny Group meeting
1. Events, Social Media and Communications	09/09/20		24 Nov 20
2. Budget Management and Reporting (high level)	27/07/20		29 Sept 20
3. Cyber	13/01/21		24 June 21
4. Retention & Recruitment	06/04/21		24 June 21
5. Main Financial Systems	12/10/20		24 Nov 20
6. Licensing	05/10/20		4 Feb 21
7. Business Grants	12/04/21		24 June 21
8. Anti-Fraud Training	January 2021		N/A
9. Pest and Dog Control	11/01/21		24 June 21
10. Fraud Report	12/07/20		30 July 20
Follow Up	Ongoing		Bi-annually

2021/22

Audit	Planned Start Date	Status	Target Governance Scrutiny Group meeting
1. Contract Management and Procurement	10/01/22		19 May 22
2. Corporate Governance	30/08/21		25 Nov 22
3. Fraud Report	03/05/21		24 June 21
4. Business Continuity and Disaster Recovery	01/11/21		3 Feb 22
5. GDPR	10/01/22		19 May 22
6. Hybrid Mail Project Review	15/11/21		3 Feb 22
7. Main Financial Systems	16/08/21		25 Nov 21

8. Homelessness and Temporary Accommodation	10/01/22		19 May 22
9. Housing Benefits	10/11/21		3 Feb 22
10. Planning and s106	30/08/21		25 Nov 21
Follow Up	Ongoing		Bi-annually

Key

	Complete (Final Report Issued)
	Fieldwork in progress
	Terms of Reference Agreed - Fieldwork Not Started
	Terms of Reference Not Yet Agreed

OTHER MATTERS

Quality Assurance and Continual Improvement

To ensure that BDO remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Internal Audit engagement partners, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams. Reports are reviewed by the Senior Manager, Public Sector Internal Audit (Gurpreet Dulay) prior to final review by Greg Rubins as the Partner, Public Sector Internal Audit. This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

INTERNAL AUDITS COMPLETED TO DATE

2020/21





Audit	Status	Opinion Issued		Actions Agreed		
		Design	Operational Effectiveness	High	Medium	Low
Fraud Report	Final	N/A	N/A	N/A	N/A	N/A
Budget Management	Final	Substantial	Substantial	0	0	2
Events, Social Media and Communications	Final	Substantial	Moderate	0	1	5
Main Financial Systems	Final	Substantial	Substantial	0	0	3
Licensing	Final	Moderate	Moderate	0	5	3
Pest and Dog Control	Final	Moderate	Moderate	0	3	0
Recruitment and Retention	Final	Moderate	Moderate	0	2	1
Covid 19 Grants Assurance	Final	Substantial	Substantial	0	0	0
Cyber	Final	Substantial	Substantial	0	1	2

2021/22

Audit	Status	Opinion Issued		Actions Agreed		
		Design	Operational Effectiveness	High	Medium	Low
Fraud Report	Final	N/A	N/A	N/A	N/A	N/A

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

FOR MORE INFORMATION:

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Governance Scrutiny Group

Thursday, 24 July 2021

Internal Audit Annual Report 2020/21

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report has been prepared by the Council's internal auditors BDO. It summarises the work undertaken during the course of 2020/21 and the management actions arising from the audits. It also provides the annual opinion of the Head of Internal Audit required by the Public Sector Internal Audit Standards.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes Internal Audit's Annual Report in relation to 2020/21 (**Appendix A**).

3. Reasons for Recommendation

- 3.1. To conform with best practice and Public Sector Internal Audit Standards; and give assurance to the Corporate Governance Group regarding the Council's internal control environment.

4. Supporting Information

- 4.1. The appended BDO report highlights the completion of the Internal Audit Plan for 2020/21. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit, BDO, is required to provide an annual opinion and the Group is asked to note that for 2020/21 BDO has concluded that the Council has a moderately sound system of internal control (with Moderate being the second highest level of assurance given – no local authorities audited by BDO have received a Substantial rating (the highest available) this year). The Head of Internal Audit recognised that the Covid-19 pandemic has placed a significant strain on local authorities over 2020/21 and stated that the Council would need to achieve substantial assurance on both design and effectiveness on a majority of their audit reviews in 2021/22 to achieve a substantial opinion overall.
- 4.2. In 2020/21, BDO undertook nine internal audit reviews. As reported previously in the quarterly progress reports, of the nine audits:
 - four received substantial assurance on both design and effectiveness – Budget Monitoring and Reporting, Main Financial Systems, Covid-19 Grants Assurance and Cyber Security

- one received substantial assurance on design effectiveness only – Events, social media and communications
- three received moderate assurance on both design and effectiveness Licensing, Pest and Dog Control, and Recruitment and Retention.
- The Annual Fraud report is not classified in the same way.

4.3. A total of 27 management actions were identified including 12 ‘medium’ priority and 15 ‘low’ priority. Management actions have been agreed in all cases.

5. Risks and Uncertainties

If recommendations are not acted upon there is a risk internal controls are weakened and the risk materialises.

6. Implications

6.1. Financial Implications

There are no direct financial implications to the report. Indirectly a better internal control environment suggests risk has reduced and can result in a reduced audit workload and therefore cost.

6.2. Legal Implications

There are no legal implications arising from this report.

6.3. Equalities Implications

There are no equalities implications arising from this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications arising from this report.

7. Link to Corporate Priorities

Quality of Life	
Efficient Services	Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes Internal Audit's Annual Report in relation to 2020/21 (**Appendix A**).

For more information contact:	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	Appendix A – Internal Audit Annual Report 2020/21

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INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

Rushcliffe Borough Council

2020/21

IDEAS | PEOPLE | TRUST



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SUMMARY OF 2020/21 WORK

Internal Audit 2020/21

This report details the work undertaken by internal audit for Rushcliffe Borough Council and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- Events, Social Media and Communications
- Budget Monitoring and Reporting
- Main Financial Systems inc. Payroll, Ctax/NNDR and Treasury Management
- Licensing
- Fraud Report
- Pest and Dog Control
- Covid 19 Grants Assurance
- Recruitment and Retention
- Cyber Security

We have detailed the opinions of each report and key findings on pages four to eight. Our internal audit work for the 12 month period from 1 April 2020 to 31 March 2021 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Board, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming my opinion is as follows:

- Overall, we are able to provide Moderate Assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. This is our second highest level of assurance. In forming our view we have taken into account that:
- The overall anticipated budget position is a positive budget efficiency of £0.721m this takes into account financial challenges caused by the pandemic, additional government funding and importantly in-year net efficiency savings. The positive budget position will help replenish the Organisation Stabilisation Reserve so the Council has the resources to meet a potential future Medium Term Financial Strategy budget deficit; and significant financial risks going forward. Such risks include the Covid legacy or Government policy changes, such as business rates reform. At

quarter three, the planned underspend on capital is £7.3m (net of carry forwards agreed in the Q2 finance report). This is as a result of uncommitted funds in the Asset Investment Strategy; re-profiling of Bingham Hub expenditure based on a revised cash flow position; and an underspend on Disabled Facilities Grants.

- The Council has a balanced budget for 2020/21 from what was a projected £0.56m deficit last year. The council is forecasting a £0.45m budget deficit for 2021/22, which will be balanced by a combination of identified in-year budget efficiencies or transfers from reserves. Going forward the Council will set prudent savings targets together with careful investment to ensure that the Councils spending is sustainable and future proof.
- At the beginning of 2020-21, there was significant pressure placed on the Council to respond to the Covid - 19 pandemic. Whilst some of our audit work was paused briefly, the Internal audit Programme for 2020-21 has been successfully completed. In addition, the nature of remote working impacted the timely completion of audit reviews this has resulted in a heavier quarter 4 whereby remaining reviews have been finalised.
- We undertook a follow up process in November 2020 and June 2021 covering the 33 legacy recommendations for 2019 - 20. Of these, 25 were successfully implemented, four had superseded, One remained in progress (Cyber Security) and three low level recommendations were not implemented for Council Tax. Recommendation issued on BDO reviews which were finalised by June 2020 i.e. Budget management, Social Media, Main Financial Systems and Licensing were successfully implemented. Overall this demonstrates good progress and an effective escalation process to the Service Manager for Corporate services (if required).
- All of our reports this year which contained an opinion, have provided either Substantial or Moderate assurance, including Four with substantial assurance on both design and effectiveness (Budget Monitoring and Reporting, Main Financial Systems and Covid 19 Grants Assurance and Cyber Security), One with substantial assurance on design effectiveness only (Events, social media and communications) and three with moderate assurance on both design and effectiveness (Licensing, Pest and Dog Control and Recruitment and Retention). Covid 19 has presented some control challenges for all Councils and this has been reflected in our audit work. The Council need to achieve substantial assurance on both design and effectiveness on a majority of their audit reviews in 2021-22 to achieve a substantial opinion overall. None of our local authority clients achieved substantial assurance in 2020-21.

REVIEW OF 2020/21 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Events, Social Media and Communications	-	1	5	Substantial	Moderate	<p>The Council's social media accounts provide them with multiple platforms with which they utilise to advertise events and communicate with its residents quickly and to a large population. In light of Covid-19, effective communications has become critical in providing Council information and updates on service provision.</p> <p>Overall, the Council is proactive in its approach to informing the public of changes in events due to emergencies e.g. floods and Covid-19 and posts consistent messages across its social media platforms. However, we have raised one medium priority finding in relation to the high level objectives and key performance indicators (KPIs) for social media within the Council, as well as the measurement and reporting of these. Additionally we found areas of improvement to ensure best practice in terms of access controls, event planning and oversight of the social media dashboard.</p>
Budget Monitoring and Reporting	-	-	2	Substantial	Substantial	<p>The Council has made a conscious effort to constrain expenditure and increase income whilst still delivering effective services. It achieved a balanced budget in 2019/20, increasing Reserves by £1.92m. This is despite the challenges it faces which are common to all councils, for example, the reduction of Revenue Support Grant, which for Rushcliffe reduced from approximately £3.25m, from 2013-14 to zero in 2019-20. This has led the Council to find significant efficiencies, maximise income streams and be increasingly innovative. A general fund balance of £2.6m and a balanced budget is forecast for 2020-21.</p> <p>Overall, it was evident that robust processes are in place at Rushcliffe to monitor the budget. Staff are engaged, proactive and take accountability for their areas and reporting takes place regularly. The strong control environment is borne out by the fact that Rushcliffe has traditionally always been able to balance the budget and despite the current crisis, is only forecasting a deficit of circa £500,000.</p> <p>Addressing the two low level findings documented would strengthen these processes even further.</p>

Main Financial Systems	-	-	3	Substantial	Substantial	<p>The purpose of this review was to provide assurance over the design and effectiveness of the controls in place around the main financial systems, specifically, the payroll, Ctax/NNDR and treasury management. Overall, the Council have robust controls in place to manage both their payroll and accounts receivables activities. We have therefore concluded on Substantial assurance on the design and Substantial Assurance on the effectiveness of controls.</p> <p>However, we have raised three low level recommendations for the Council to note.</p>
Licensing	-	5	3	Moderate	Moderate	<p>The Council have developed a robust approach to licensing across the organisation by developing a central hub for any activity that requires a licence from across the authority which helps to ensure consistency of approach.</p> <p>Our review found that the Licensing Team have undertaken significant work in 2020 as a result of the change of software and plans are in place to improve oversight and reporting of applications. Whilst these processes have begun, our testing identified issues with the supporting evidence held for HMO licences as well as public registers not being sufficiently operational and further improvements needed to the licensing software.</p> <p>Additionally, updates are required for the reconciliation process as well as improvements in performance reporting. We have therefore provided moderate assurance over the control design and operational effectiveness.</p>
Pest and Dog Control	-	3	-	Moderate	Moderate	<p>Our review found that there are sufficient controls in place regarding the operational delivery of pest and dog control services within the Council. The time taken to respond to, and attend sites to undertake pest control are appropriate and revisits are undertaken in line with the requirements set out on the Council's website. However, oversight of specific areas of performance require review whilst there is also a lack of scrutiny in terms of eligibility for the lower, subsidised, fee for domestic pest control services. Additionally, the reconciliation process is not being undertaken in line with guidance held within the team. We have therefore provided moderate assurance over both the control design and operational effectiveness.</p>
Covid 19 Grants Assurance	-	-	-	Substantial	Substantial	<p>Through our testing we are able to provide reasonable assurance that the grants application and payment process was free from material issues caused by fraud or error. However as we have only tested a sample of 20 grant payments made from a total population of 1,660 grant payments of all types made, we are not able to provide absolute assurance that the remaining population is also free of errors.</p> <p>Therefore on the basis that no errors were identified in the audit sample, substantial</p>

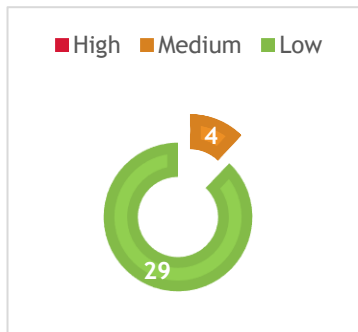
					assurance is provided on both the design and the operational effectiveness of controls around awarding of Covid-19 grants.	
Recruitment and Retention	-	2	1	Moderate	Moderate	<p>Our review found that there are sufficient controls in place regarding recruitment and retention of staff. The Council has taken various initiatives to improve recruitment and retention; for instance the development of 'People Strategy' and 'Smarter Ways of Working Framework' along with the utilisation of staff surveys.</p> <p>It is noted that significant work has been undertaken despite a challenging year due to Covid and the Council has continued to introduce new, and review existing, practices. However, improvement can be made in certain areas; for instance the People Strategy Action Plan is not being presented at EMT during monthly meetings for oversight. Additionally, the recruitment and retention policy is out of date and needs to be updated to reflect that approval from EMT is necessary to begin recruitment for a post. We have therefore provided a moderate assurance over both the control design and operational effectiveness.</p>
Cyber Security	-	1	1	Substantial	Substantial	<p>The Council's ICT team has taken actions to design the configuration of its IT network perimeter security controls so that the exposure to a cyber-attack is reduced. There are effective patch management controls which mean that the Council has no unsupported operating systems on the network. Furthermore, domain administrator access is appropriately restricted to the members of the IT team.</p> <p>However, we found that there are areas for improvement, in particular the need to ensure that all members of staff complete the Cyber security training programme, which could be exploited to gain unauthorised access to the IT network, as well as penetration test vulnerabilities to be addressed.</p> <p>We therefore conclude substantial assurance over the design and operational effectiveness of the controls with regards to the Council's cyber security arrangements.</p>

SUMMARY OF FINDINGS

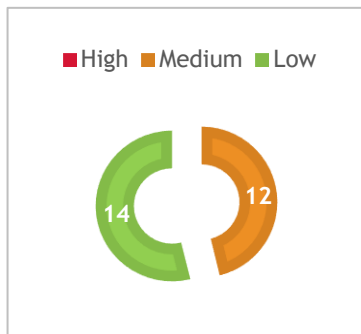
RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations

RSM 2019 - 20



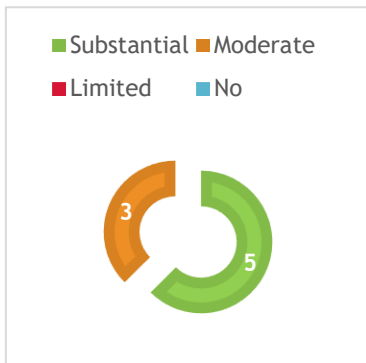
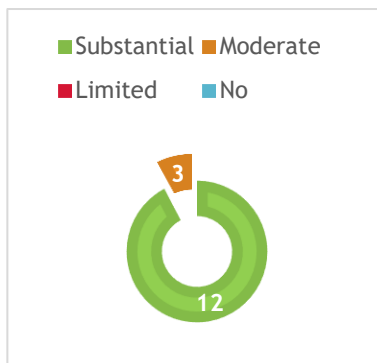
BDO 2020 - 21



In 2020-21, there were a total of 27 recommendations issued; 12 Medium and 15 Low recommendations. In comparison, in 2019 - 20, there were a total of 33 legacy recommendations; 29 Low and four Medium recommendations.

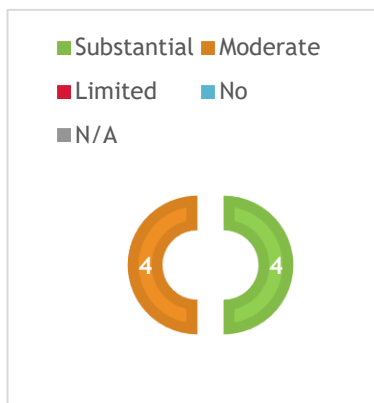
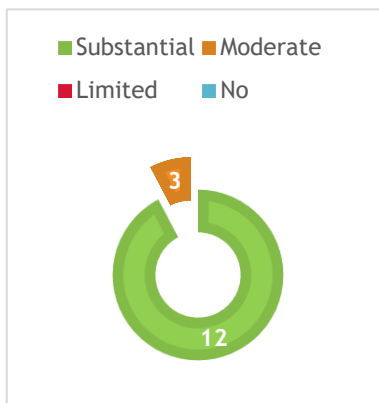
Whilst there is an 18% reduction in the number of recommendations issued by BDO in comparison to RSM, there has been an increase of eight more medium recommendations in 2020-21. Although the Council is moving towards a state of better systems and control environment. There has been some impact on system controls due to the pandemic and this is our first year at the Council, therefore we are understanding the control environment from a new perspective.

Control Design



In 2021 - 21 there was five substantial and three moderate control design opinions. In comparison to 2019 - 20 there were 12 substantial and three moderate control design opinions issued. We have undertaken reviews in areas that have not been reviewed by the predecessor auditors i.e. Pest and Dog Control and Recruitment and Retention which have resulted in moderate assurance opinions*

Control Effectiveness



In 2020 - 21 there was four substantial and four moderate control effectiveness opinions issued. In comparison to 2019 - 20 there were 12 substantial and three moderate control effectiveness opinions issued. The proportion of moderate opinions has slightly increased in 2020-21. The same issues above apply, i.e. we have undertaken reviews in areas that have not been reviewed by the predecessor auditors and it is likely that Covid-19 has impacted on the application of controls, particularly the availability of information and supporting evidence.

*It should be noted that the opinions from the predecessor auditor both control design and operational effectiveness may not be directly comparable as the definition of opinions vary.

ADDED VALUE



USE OF SPECIALISTS

We undertook one IT review this year (Cyber) and deployed an IT specialist to undertake the work. Further, we completed the annual Fraud Report and delivered Anti-Fraud training in which we utilised counter fraud specialists



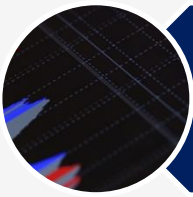
RESPONSIVENESS

Despite the complexities added by Covid, we completed the 20/21 annual plan before May 31st



BENCHMARKING AND BEST PRACTICE

We have shared best practice examples from our clients and other local government organisations in a number of our reviews as well as performing benchmarking exercises in a number of audits. These were seen in Licensing, Pest and Dog Control and Recruitment and Retention



INNOVATION

We have used our audit days innovatively to support the Council in achieving its aims e.g. by using data analytics where possible in the main financial systems audit.

KEY THEMES



PEOPLE

The Council welcomed internal audit and provided us with strong levels of time and support during our reviews. Training compliance could be improved, eg cyber security



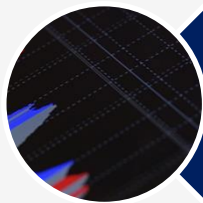
SYSTEMS & PROCESSES

Overall the systems and processes were sound. However, we found that there are areas for improvement, eg cyber penetration test vulnerabilities to be addressed. Furthermore, audit trails and monitoring could be improved in operational areas such as Licensing and Pest Control.



POLICES & PROCEDURES

Policies and procedures were in place and were subject to approval throughout service areas within the Council. However, we noted instances of policies either being out of date or not containing processes, eg recruitment.



GOVERNANCE & FOLLOW UP

Overall governance processes were robust with formal reporting lines established. However, in both Pest and Dog Control and Recruitment and Retention we identified a lack of reporting against KPIs.

BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Rushcliffe Borough Council is to provide an opinion to the Board, through the Governance Scrutiny Committee on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12 month period from 1 April 2020 to 31 March 2021 was carried out in accordance with the internal audit plan approved by management and the Governance Scrutiny Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by Rushcliffe Borough Council to manage risks in business areas identified by management set out in the 2020-21 Internal Audit Annual Plan approved by the Governance Scrutiny Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Rushcliffe Borough Council's management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Governance Scrutiny Committee is to agree reports with management and then present and discuss the matters arising at the Governance Scrutiny Committee meetings.

Management actions on our recommendations

Management were engaged with the internal audit process and provided time to us during the fieldwork phases of our reviews, providing audit evidence promptly and allowing the reviews to proceed in a timely manner, including opportunities to discuss findings and recommendations prior to the issue of draft internal audit reports. Management responses to draft reports were mostly within our requested time frame, however, there were some instances where the turnaround of draft reports was slow.

Recommendations follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Good progress has been made on legacy recommendations and those followed up during the year have broadly been engaged with well. In November 2020 there were a total of eight legacy recommendations remaining to be implemented. All 2020-21 recommendations are due to be reviewed as part of the follow up process. Completion of recommendations is broadly good with limited concerns at this stage.

Relationship with external audit

All our final reports are available to the external auditors through the Governance Scrutiny Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

Report by BDO LLP to Rushcliffe Borough Council

As the internal auditors of Rushcliffe Borough Council we are required to provide the Audit Committee, and the Director with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Rushcliffe Borough Council with Moderate Assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2020-21. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2020-21
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Rushcliffe Borough Council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work







KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
Quality of work	Feedback on particular reviews around Main Financial Systems, Covid 19 Grants and Budget Management and Reporting have been positive in discussions with Executives and auditees. We have only received one completed client satisfaction return which scored us as 4/5.	G
Responsiveness of the service	We have responded to deadlines and targets generally well however, there have been limitations due to the pandemic and working remotely. We responded quickly to collating the 2020-21 internal audit plan and any changes to the Audit Plan mid-way through the year. We recognised that HR could not accommodate us throughout the year for the recruitment and retention review and therefore focussed our efforts in completing this by quarter 4 of the audit plan. Due to the delays experienced with Covid it has taken substantially longer to complete audit reviews. However, we have closed the year with completing the 2020-21 internal audit programme.	A
Completion of audit plan	We have completed our Internal Audit Programme for 2020-21.	G
Follow-up of recommendations	We escalate all non - responses and recommendations with several revised due dates to the Council's Corporate Services Manager (if required). However, there have been no instances where we have had to escalate for responses as auditees have been receptive in responding to both legacy and BDO recommendations.	G

APPENDIX I

ANNUAL OPINION DEFINITION	
Substantial - Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
Moderate - Significantly meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
Limited - Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
No - Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

REPORT OPINION SIGNIFICANCE DEFINITION				
Level of Assurance	Design Opinion	Findings	Effectiveness Opinion	Findings
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed, albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of noncompliance with some controls that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

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Governance Scrutiny Group

Thursday, 24 June 2021

Annual Fraud Report 2020/21

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The purpose of this report is to summarise the incidence of fraud and fraud prevention activities at the Council during the year 2020/21.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2020/21.

3. Reasons for Recommendation

- 1.1 To conform with best practice and Public Sector Internal Audit Standards and give assurance to the Governance Scrutiny Group regarding the Council's fraud prevention environment.

4. Supporting Information

- 4.1. In its Annual Fraud and Corruption Tracker Summary Report for 2020, CIPFA (Chartered Institute of Public Finance and Accountancy) states that:
 - The total estimated value of fraud detected or prevented by local authorities in 2019/20 was £239.4m, £13.6m less than last year's total.
 - The average value per fraud case in 2019/20 was £5,090, which is higher than the average of £3,600 in 2017/18 and 2018/19.
 - The approximate number of frauds detected or prevented has fallen to 47,000 in 2019/20 from the 71,000 cases found in 2018/19.
 - The two greatest areas of perceived fraud risk for 2019/20 remained unchanged from the previous year: procurement, council tax single person discount (SPD). The perceived third, fourth and fifth highest fraud risk areas are business rates, adult social care and council tax reduction (CTR) respectively.
 - The area that has grown the most in the last year is council tax single person discount (SPD) with an estimated increase of £3.6m since 2017/18.
 - Council tax fraud represents 65.1% of the identified instances of fraud, with an estimated value of £35.9m.

- 4.2. The purpose of this report is to provide an overview of general and specific fraud related issues that have arisen at the Council during 2020/21.

Preventing and Detecting Fraud

- 4.3. Fraud and conduct issues can involve Council employees, elected members, partners, customers and the general public. Both conduct and fraud issues can be identified/raised in a number of ways:
- Pro-active investigation work, undertaken internally or externally, for example as part of the National Fraud Initiative.
 - Referral by employees, elected members, partner organisations, or members of the public identification by management.
- 4.4. In carrying out its functions and responsibilities, the Council is firmly committed to dealing with fraud or corruption, and will deal equally with attempted and perpetrated fraud or corruption from inside or outside the Council.
- 4.5. The Council does not have a dedicated fraud prevention resource; however, it is the responsibility of managers as part of the internal control environment to ensure controls are in place to mitigate the risk of fraud.
- 4.6. Internal Audit may also identify fraud through their reviews, and are available to support managers to investigate any allegations of fraud. During 2020/21, Internal Audit services were provided by BDO.
- 4.7. The Council's Anti-Fraud & Corruption Policy was reviewed during 2019/20 to ensure it is up to date and appropriate. BDO also provided comments as part of their Internal Audit plan in 2020/21 and compared it to the Government Functional Standard for Counter Fraud, Bribery and Corruption.

Whistle-blowing Policy

- 4.8. It is important to any organisation that any fraud, misconduct or wrong doing by workers or officers of the organisation is reported and properly dealt with. The Council encourages all individuals to raise any concerns that they may have about the conduct of others within the Council. The Policy applies to all employees and those contractors working for the Council on Council premises, for example, agency staff, builders. It also covers suppliers and those providing services under a contract with the Council in their own premises.
- 4.9. There have been no whistleblowing concerns reported during 2020/21.

National Fraud initiative (NFI)

- 4.10. The NFI is a data matching exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. A national exercise is undertaken every two years. Once the data-matching

process for each exercise is completed, the NFI will make the output available to the relevant participating body for consideration and investigation via the secure NFI software. Participating bodies are then responsible for investigating any matches.

Council Tax Single Person Discount

- 4.11. The Council started a review in respect of single person discounts via the NFI in December 2020. The results of this exercise were:

721	Number of cases identified by NFI
591	Number of live cases investigated
81	Number of cases where the discount was removed
£24,222	Value of extra Council Tax billed

- 4.12. Housing Benefit awards and localised Council Tax Support awards were also reviewed in 2020/21:

2020/21	2019/20	2018/19	
182	1,059	730	Number of matches reviewed
0	1	0	Number of frauds identified
3	6	0	Number of errors identified
£2,373.84	£52,712.34	£0	Amount of Council Tax errors identified

- 4.13. Following consultation by the Cabinet Office, the market trader and alcohol license data was not collected as part of the 2020/21 NFI exercise. They also amended the matching rules which significantly improved the quality of the matches. This has resulted in the reduction in matches to be reviewed as shown above.

Internal Investigations 2020/21

- 4.14. There have been no allegations of fraud reported in 2020/21.

Benefit Fraud Investigations conducted by the Counter Fraud and Compliance Directorate

- 4.15. The Council no longer investigates Housing Benefits frauds. These are undertaken by the DWP Counter Fraud and Compliance Directorate (CFCD).
- 4.16. The DWP has a suite of Management Information (MI) that allows Local Authorities (LAs) to monitor the progress of referrals made to CFCD and enables LAs to see the outcomes CFCD are achieving on their behalf.

Additionally, it enables LAs to make a comparison of the volume of referrals that they have made against the national average.

- 4.17. Due to COVID-19, no data has been available from the DWP at the time of this report.

Internal Audit – COVID-19 Grants Assurance (SBGF and RHLG)

- 4.18. As part of the internal Audit Plan for 2020/21, BDO undertook an audit to provide assurance over claims relating to the Small Business Grant Fund (SBGF), Retail, Hospitality and Leisure Grants (RHLG) and Discretionary Grants Scheme (DGS). This included ensuring that funds have only been paid to eligible businesses and ensuring that appropriate action was taken to recover any funds that have been paid out fraudulently, or paid to businesses that are ineligible due to their location, use, or rateable value.
- 4.19. This audit identified no potential fraud concerns with the sample of grants tested, and concluded substantial assurance over the design and effectiveness of the controls in place.

Fraud Awareness Training and Counter Fraud Staff Survey

- 4.20. During 2020/21 BDO also undertook fraud awareness training to staff across the Council.
- 4.21. In order to maximise the impact of the fraud awareness training, a staff survey was issued prior to the training. The survey aimed to ascertain the level of fraud awareness of staff, identified the key areas most exposed to fraud in need of training and identify potential areas of fraud risk not previously known.
- 4.22. The survey was issued to 130 staff in February 2021 and was completed by 87 members of staff (a 67% completion rate). The key findings were:
- 66 of 87 respondents are aware of the Council's Counter Fraud Policy
 - 63 of the 87 respondents are aware of the Council's Whistleblowing Policy
 - 80 of the 87 respondents would report suspected concerns to their line manager or to an executive manager, service manager or lead specialist
 - Only 19 of the 87 respondents had received counter fraud training.
- 4.23. The full results are included in Appendix 1.
- 4.24. The training was for all staff and was recorded so staff unable to attend could access it later. Areas covered in the training were:
- Results from the Counter Fraud Survey
 - Definition of fraud (including bribery, corruption and money laundering)
 - Why fraud happens
 - Key fraud statistics

- The types of fraud staff may encounter
- How to spot fraud
- Managing fraud risk exposure.

5. Risks and Uncertainties

5.1. If recommendations are not acted upon, there is a risk that internal controls are weakened, and the risk materialises.

6. Implications

6.1. Financial Implications

There are no financial implications associated with the recommendations to this report.

6.2. Legal Implications

There are no legal implications associated with the recommendations to this report.

6.3. Equalities Implications

There are no equalities implications associated with the recommendations to this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications associated with the recommendations to this report.

7. Link to Corporate Priorities

Quality of Life	The detection and subsequent investigation of fraudulent activity supports the Council’s ability to deliver services across its priority areas.
Efficient Services	
Sustainable Growth	
The Environment	

8. Recommendations

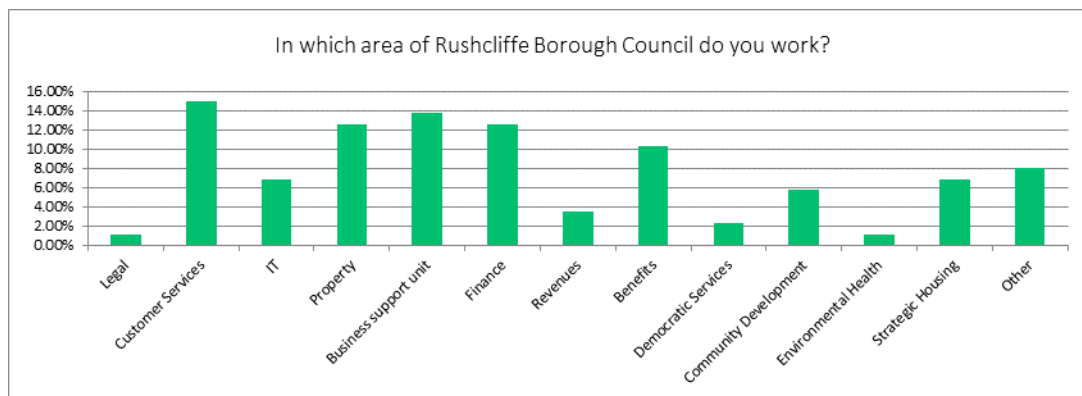
It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2020/21.

For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	Appendix 1: BDO's Counter Fraud Staff Survey Results

Appendix 1: BDO's Counter Fraud Staff Survey Results

Survey Results

Q1. In which area of Rushcliffe Borough Council do you work?

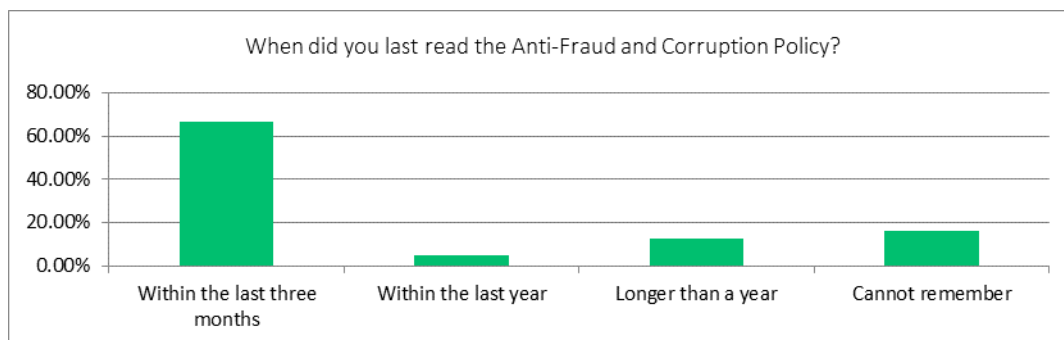


Overall, the response rate was very good, particularly from staff working in areas more exposed to the risk of fraud such as finance, property, customer services and benefits.

Q2. Are you aware of the Counter Fraud Policy?

Of the 87 respondents, 66 had answered that they were aware of the fraud policy. Of the 21 who had answered no, the results indicate that it is spread evenly across the Council and not isolated to a specific department.

Q3. When did you last read the Anti-Fraud and Corruption Policy?

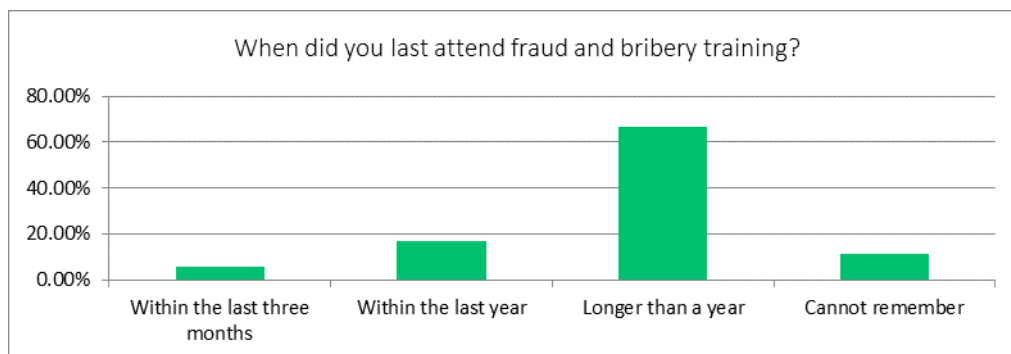


Of the 66 who were aware of the policy, 42 had responded that they had last read the policy within the last three months. This shows that there is good awareness of the policy. It should be noted that three of the 66 skipped this question.

Q4. Have you received fraud and bribery training?

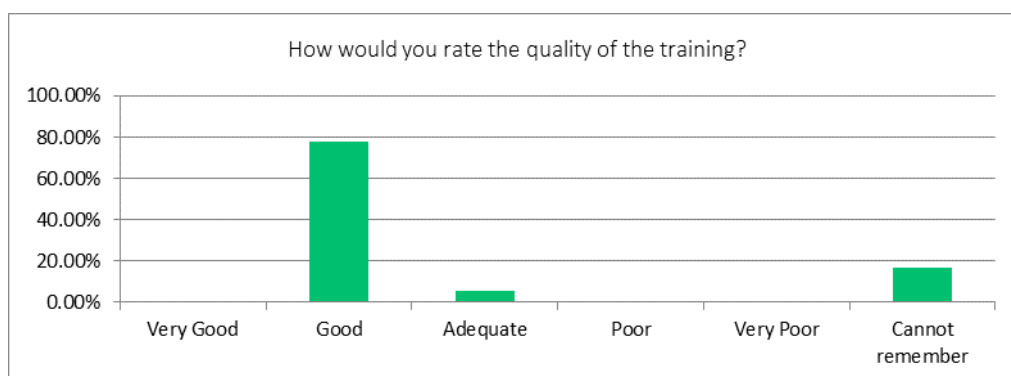
Only 19 of the 87 respondents confirmed that they had received fraud awareness training, with the majority coming from customer services and finance. A lack of fraud training means there is a risk that fraud goes either undetected or unreported. The delivery of the fraud awareness training in March 2021 will address this issue.

Q5. When did you last attend fraud and bribery training?



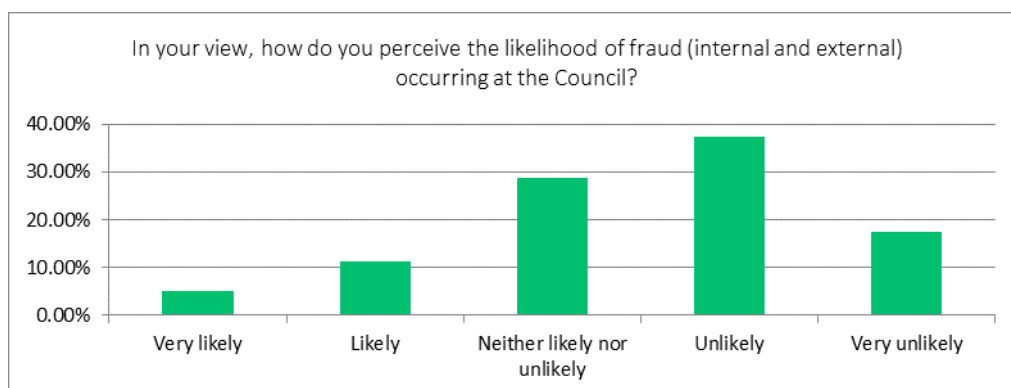
Of the 19 who had received training we asked when they last attended a fraud awareness training session. The majority (12) responded stating that it had been more than a year. Regular fraud awareness training is a key component to maintaining a strong anti-fraud culture.

Q6. How would you rate the quality of the training?



Additionally, we asked the 19 who had received fraud awareness training to rate the quality. Overall, 14 rated the training as good.

Q7. In your view, how do you perceive the likelihood of fraud (internal and external) occurring at the Council?



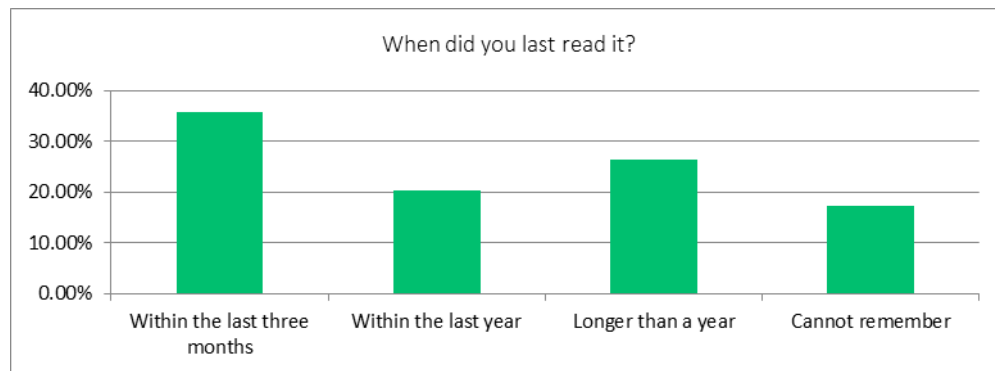
The majority (55%) of respondents were of the view that the likelihood of fraud occurring at the Council is unlikely. Fraud (and cyber enabled fraud) is

the most reported crime in the UK and a significant risk to the public sector. With the majority of the view that the likelihood of fraud is low may indicate that people are not as aware of the risk and may result in fraud going undetected.

Q8. Are you aware of the Council’s Whistleblowing Policy?

Of the 87 respondents, 63 were aware of the Whistleblowing Policy which shows good awareness. Of the 24 who were not aware of the policy, there is no trend indicating that this finding is isolated to a specific area of the Council.

Q9. When did you last read the Whistleblowing Policy?



Of the 63 who were aware of the policy, the majority (46) had read the policy in the last 12 months.

Q10. If you had a concern regarding fraud or bribery, would you report your concerns?

Of the 87 respondents, eight skipped this question. Of the 79 who responded to this question, all confirmed that they would report suspected concerns. This is a positive finding which indicates that there is confidence in the mechanisms in place for combatting and investigating fraud and bribery.

Q11. If you had a concern of fraud or bribery, who would you contact initially?

Summary of Response	Tally
Executive Managers, Service Managers & Lead Specialists	40
Line Manager	37
CEO	2
Human Resources	1
No Comment	7

This was a free text question where 80 of the 87 respondents provided a comment. Of those who responded the majority would report their concerns to their line manager or to an executive manager, service manager or lead specialist. This demonstrates that there is good awareness of the reporting mechanisms as outlined within the Council’s Anti-Fraud and Corruption

Policy.

Q12. If you have ever suspected fraud or bribery at the Council, did you report it?

Of the 87 respondents, nine skipped this question and 72 responded that this was not applicable to them. Five had responded stating that they had reported their concerns, while one responded that they had not reported their concern. This response was likely submitted in error as the subsequent question, asking them why they did not report their concerns, was answered with that they had not come across any instances of fraud.

Q13 & 14. Who did you report it to? And were you satisfied that the matter was dealt with?

Of the five who had reported their concerns, two raised them with their line managers, one to the CEO and two to the Executive Managers, Service Managers and Lead Specialists. All five also responded that they were satisfied that the matters had been dealt with. This is positive as this does show that the mechanisms for countering fraud are also being seen to operate effectively. This is a key component to establishing a robust anti-fraud culture.

Q15. If there is anything else you would like to raise, please do so.

We received four comments. These are summarized below:

- Two respondent suggested annual anti-fraud refresher training particularly in light of the economic climate.
- One respondent stated that they had been prompted to go through the Anti-fraud and Corruption Policy and Whistleblowing Policy as they were not previously aware of them.
- One responded stated that they were not able to locate the Whistleblowing Policy online.



Governance Scrutiny Group

Thursday, 24 June 2021

Annual Governance Statement 2020/21

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. In accordance with the Accounts and Audit Regulations 2015, the Council is required to prepare an Annual Governance Statement (AGS). This is published alongside the Council's Statement of Accounts. The Governance Scrutiny Group, by reviewing this Statement, scrutinises the Council's governance arrangements.
- 1.2. As with last year, there are additional references linked to the impact on governance of Covid-19 in addition to the introduction of CIPFA's (Chartered Institute of Public Finance and Accountancy) Financial Management Code and the Council's self-assessment with regard to the Code.

2. Recommendation

It is RECOMMENDED that the Annual Governance Statement 2020/21 (Appendix 1) which incorporates actions for the forthcoming year be reviewed and approved.

3. Reasons for Recommendation

- 3.1. To conform with best practice in regard to corporate governance and to comply with relevant legislation.

4. Supporting Information

- 4.1 The Council is required to publish an Annual Governance Statement (see Appendix 1) alongside the Statement of Accounts in accordance with the Accounts and Audit Regulations 2015.
- 4.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) have jointly issued a framework and guidance in relation to the AGS, 'Delivering Good Governance in Local Government (2016 Edition)'. The guidance urges local authorities to prepare a governance statement in order to report publicly on the extent to which they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

- 4.3 It also recommends that when complying with the guidance, authorities should use it in a way that best reflects their structure, type, functions and size. The AGS is attached at Appendix 1 and is prepared following the completion of 'Governance Assurance Questionnaires' by senior officers of the Council. The Leader and the Chief Executive are required to sign the AGS and this will accompany the Council's Statement of Accounts.
- 4.4 The AGS reflects the requirements of the updated CIPFA/SOLACE "Delivering good governance in local government framework (2016)". This incorporates the seven principles within the Local Code and are referenced in the relevant sections of the AGS. Other content surrounding, for example, Section 4 'Significant Governance Issues', will inevitably alter as new risks and opportunities arise, and the environment we operate in evolves over time.
- 4.5 This year there are significant governance issues linked to the risks surrounding Covid-19 (Appendix 1, Section 4), along with corresponding actions. There is a risk that the AGS will change when the Financial Statements are presented to the Governance Group in September, in particular the position with regard to Covid-19.
- 4.6 The final AGS will be reported with the Statement of Accounts which will be approved at the Governance Scrutiny Group (23 September 2021). One change this year is reference to CIPFA's Financial Management Code (recommended to be referenced as part of the AGS in CIPFA Accounting Bulletin 06 2020/21). The Action Plan within the AGS (Appendix 1, Section 4) recommends a review of the Council's self-assessment (by Internal Audit in 2021/22) and if any weaknesses are identified, and agreed, appropriate action will be taken. The Council's self-assessment (undertaken by the Council's Section 151 Officer and reviewed by the Executive Management Team) concludes, in terms of a RAG system, a full 'green' rating. As a Council, we cannot be complacent and will continue to follow good financial practice.

5 Risks and Uncertainties

The process of preparing and reviewing the AGS adds value to the corporate governance and internal control framework of the Council.

6 Implications

6.1 Financial Implications

There are no direct financial implications arising from this report.

6.2 Legal Implications

Compliance with the Accounts and Audit Regulations 2015.

6.3 Equalities Implications

There are no equalities implications contained within the body of this report.

6.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications contained within the body of this report.

7 Link to Corporate Priorities

Quality of Life	Effective governance enables the Council to achieve all of its Corporate Priorities.
Efficient Services	
Sustainable Growth	
The Environment	

8 Recommendations

It is RECOMMENDED that the Annual Governance Statement 2020/21 (Appendix 1) which incorporates actions for the forthcoming year be reviewed and approved.

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Background papers available for Inspection:	Mazars –Annual Report 2020/21 RSM- Annual Report 2020/21
List of appendices:	Appendix 1 – Annual Governance Statement

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2020/21 ANNUAL GOVERNANCE STATEMENT

1. SCOPE AND PURPOSE

1.1 Scope of responsibility

Rushcliffe Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rushcliffe Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Rushcliffe Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Rushcliffe Borough Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. The seven principles (A-G) are highlighted at various points within the statement. This statement explains how Rushcliffe Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2011 and 2015, in relation to the publication of a statement on internal control.

1.2 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Rushcliffe Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

Principles C & D – *Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining interventions to achieve them*

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium term financial strategy to 2025/26 and introduce its seventh Corporate Strategy covering the period 2019 to 2023. The document is defined as a living strategy – one which will grow and evolve over its lifespan to adapt to the change needs of the authority. The four key priorities, contained within the Strategy, are:

- Quality of Life
- Efficient Services
- Sustainable Growth
- The Environment.

The integration of service and financial planning continues year on year and is resourced by the financial strategy.

The Council continues to work towards the delivery of its Transformation Strategy, its plan to address the financial pressures facing all public bodies. This outlines how the Council will meet its financial challenges until 2025/26. The Transformation Strategy focuses upon three key elements – income generation, transformation and business cost reduction. As part of the transformation process, the Council is continuously reviewing the services it provides to identify improved or alternative methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known.

All key tasks within the current service delivery plans have been linked directly to the Council's strategic objectives.

2.2 Improvement and Efficiency

As with other public bodies, the Council faces unprecedented financial pressures. Last year we projected a budget deficit of £0.657m over the of the Medium Term Financial Strategy (MTFS) and with the impact of Covid the potential for a budget deficit of up to £2.6m. A combination of cost control and income generation has resulted in a budget efficiency position of £2.633m (having taken into account government grants to mitigate the impact of Covid). Going forward there remain significant financial challenges, and these are commented on below. Over the next 2 years a budget deficit position is anticipated of £1.5m. Use of the Organisational Stabilisation reserve will ensure the Council continues to deliver its main corporate objectives. The impact of Covid and the trajectory of economic recovery remains uncertain and will continue to be closely monitored. Its direction of travel could significantly affect the Council's financial position.

Going forward the Council will revisit the Transformation Programme and a particular issue here will be the impact of delivering the Leisure Contract savings reported to Cabinet in February 2020. Furthermore as a result of Covid-19, the anticipated Business Rates, Fair Funding and New Homes Bonus reviews have also been delayed until at the earliest 2021. Revised assumptions have been included in the MTFS presented to Full Council in March 2021.

The budget will still focus on the following thematic areas to be balanced in future years:

- (a) Service Efficiencies – focusing on both the customer and streamlining services;
- (b) Management budget control – challenging base budgets each year;

- (c) Transformational Projects – projects such as a new crematorium, Bingham leisure hub facilities and the potential alternative use of Edwalton Golf Course; and
- (d) 'Thinking big' reviews – the emergence of the Development Corporation and Freeport area around Radcliffe-on-Soar power station and the Depot relocation (including the future use of the site).

To secure a medium term financial position, the Council will maintain progress and focus on managing budget reductions where appropriate, managing inflationary pressures on its operational costs, whilst increasing income to deliver balanced budgets annually.

Critical to this is the Council's approach to commercialism, covered in the Transformation Strategy. A combination of capital demands and opportunities within the Borough led the Council to take the strategic decision to realign its financial commitments resulting in a reduction in its spend on the Asset Investment Strategy as significant resources are required for investment in the Bingham Leisure Hub and a crematorium. The Council's Capital and Investment Strategy incorporates reporting on commercial investments (complying with professional recommended practice) including the investment in 2 office facilities in Edwalton, governing the risk of such investments individually; and collectively in relation to the Council's other income streams. Over the term of the MTFS, the income generated from such investments is estimated to rise from £1.5m (2020/21) to £2.3m (2025/26).

2.3 The Constitution

Principle A - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*

A comprehensive document detailing the Council's constitution clearly sets out the defined structure for the Council's organisational arrangements based upon a cabinet executive model. In essence, the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere, including the setting of the council tax;
- Cabinet is allocated authority by Council to take executive decisions and approve policies not reserved for consideration by Council. Cabinet and Council works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet has been supported by four scrutiny groups. Following a review of scrutiny in early 2019, the Council now has a Corporate Overview Group, which manages corporate performance and financial control as well as the work programmes for the three additional scrutiny groups of Governance, Growth and Development, and Communities;
- Separate committees exist for Standards, Planning, Employment Appeals, Licensing, and Interviewing; and
- Delegation arrangements to officers are set out in detail within the Constitution.

The Constitution also provides detailed guidance on standing orders, financial regulations and the conduct of meetings. In addition, it contains codes of conduct applying to members and officers as well as a protocol for councillor/officer relationships. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council. The

registers for councillors and officers are maintained by the Council's Monitoring Officer and the Strategic Human Resources Manager respectively. The Council has in place a confidential reporting code (whistleblowing policy) and any referrals under the policy are investigated.

The Constitution, as a whole, is reviewed when necessary and appropriate. The last review was in July 2020 and a further review is planned for July 2021.

2.4 Policies, Procedures, Laws and Regulations

The Council has three statutory officer roles: the Head of Paid Service, the Section 151 Officer and the Monitoring Officer. The Chief Executive is the Head of Paid Service and has overall corporate management and operational responsibility including overall management responsibility for all officers. The Chief Executive has the special responsibility to report if insufficient resources are available for the Council to discharge its legal duties. The Monitoring Officer ensures lawfulness and fairness in decision making and ensures the Constitution is current.

The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010). During 2020/21, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2020/21, the Executive Manager (Finance and Corporate Services) held the post of Chief Finance Officer. The post holder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet members. The post holder also has direct access to the Governance Scrutiny Group and the Council's internal and external auditors.
- The Chief Finance Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium Term Financial Strategy, annual budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.
- Internal audit services are provided to the Council by BDO. The effectiveness of this service is monitored by the Governance Scrutiny Group.
- Executive Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Oversight of these arrangements is provided by the Executive Manager (Neighbourhoods).

2.5 Risk Management

Principle F – *Managing risks and performance through robust internal control and strong public financial management*

The Council's risk management arrangements are regularly reviewed. In the last twelve months, three reports have been considered by the Governance Scrutiny Group on Risk Management. In addition to the annual report and mid-year update (September 2020 and February 2021), a special report highlighting the impact of Covid-19 on risk was considered in July 2020. An additional twelve new risks were added to the corporate risk management framework to manage the impact of Covid-19 on the Council.

During 2020, the Council also undertook risk management training for members of the Governance Group in line with the recommendations of the Zurich Risk Management Health Check conducted in late 2019.

The 2020/21 Annual Report by Internal Audit acknowledges that the Council has a moderately effective framework for risk management, governance and internal control. However, they also note that none of their local authority clients received substantial assurance in 2020/21 mainly due to the impact of the Covid-19 pandemic.

2.6 Development and training needs

Principle E – *Developing the council's capacity including the capability of council leadership and staff*

The Council has a cross party Member Development Group (MDG) to oversee development and delivery of Councillor learning and training. This Group meets to review the delivery of the annual training programme and extend it in response to councillor requests or identified needs as appropriate. The Group also looks at the Councillors' Community Grant Scheme.

The Member Development Group did not meet during 2020/21 due to the Covid-19 pandemic. In addition, the Councillors Training Programme was suspended to enable Councillors to focus more on much needed community leadership activities. However, essential training did continue, and three courses were delivered – Online Communications Skills open to all councillors, and Risk Management and Treasury Management training for members of the Governance Scrutiny Group.

The identification and delivery of appropriate training for officers is overseen by the whole of the Executive Management Team who ensure that organisational Learning and Development Plans linking to individual annual Performance Development Reviews (PDRs) are effectively managed and delivered. The Council recognises the importance of training to its workforce.

2.7 Communication

Principle B - *Ensuring openness and comprehensive stakeholder engagement*

Three editions of Rushcliffe Reports – the Council’s newsletter for residents – are printed and circulated to over 50,000 households each year and these set out details of a number of key service changes and ask for customer feedback.

Despite COVID-19, the Council has continued to increasingly implement the use of recognised communication techniques to keep its residents, staff and members informed, including the use of social media which has again seen hundreds more followers and subscribers across its various channels. During 2020/21, the Council launched an electronic free subscription newsletter to stakeholders to provide an additional communication method that now sees thousands receive a weekly digest on council news and updates direct to their inbox.

The authority also undertakes consultation to inform decisions relating to policy changes. The majority of normal consultation activity was put on hold during 2020/21, though an online consultation connected to the Council’s new Equality and Diversity Policy was undertaken. Usual activities will be reinstated in 2021/22, headed by the three yearly Residents’ Survey both in print to engage hard to reach groups and online. It will also see the resumption of customer satisfaction surveys by several key customer facing services such as planning, revenues and benefits and customer services. The feedback received from these exercises will be used to improve services to all customers.

2.8 Partnerships

The Council has put in place strong governance arrangements around the major leisure services, garage services, Streetwise Environmental Ltd (SEL) and car parking contracts. There are quarterly meetings of the Streetwise Board chaired by the Non-Executive Director and Chairman of Streetwise. Whilst Streetwise brings opportunity there is also risk in terms of how the company develops so it continues to make a financial surplus. The impact of pension accounting on its financial statements is a continuing example of some of the risks it faces.

Rushcliffe Enterprises Ltd (REL) has also been set-up as a holding company for the Council which incorporates SEL (chaired by the Chief Executive); and any other companies that the Council creates in the future, for example the Limited Liability Partnership (LLP) created with Public Sector Partnerships Ltd. At Cabinet in January 2021 it was agreed to wind-up REL (due to a lack of trading activity) and keep it as a dormant company so there is flexibility in the future if a company is required.

A revised company and governance structure has also been adopted to provide proportionate oversight and governance of SEL and Streetwise Environmental Trading Ltd. This incorporates an Oversight Board (3 Cabinet Members and the Chief Executive) and annual reports to both Governance Scrutiny Group and Cabinet.

Following the Government announcement regarding the decommissioning of coal-fired power stations, Ratcliffe on Soar Power Station is due to be decommissioned by 2025. This could have a significant impact on the Borough both financially (loss of business rates) and with the potential to have a very large derelict site at the entrance to the Borough from the A453. The Development Corporation (DevCo) would provide greater certainty on the redevelopment of the site, leveraging investment and resources to support delivery. The Leader of the Council is a Director of the newly established interim vehicle with the Council committing £0.5m (an earmarked reserve) to support

the Development Corporation along with the same contributions from North West Leicestershire and Broxtowe district councils; and £1.5m each from both Leicestershire and Nottinghamshire County Councils.

Furthermore the power station site is part of the proposal for the East Midlands Freeport one of 8 successful bids announced by the Chancellor in his September budget. A Cabinet Member will sit on the Freeport Board and the Freeport will co-exist with the Development Corporation. Both the DevCo and Freeport present great opportunities for a world-class green and blue environmental investment programme with R&D in climate change and zero carbon and will enable employment opportunities and infrastructure investment.

2.9 Transparency

Principle G – *Implementing good practice in transparency, reporting and audit to deliver effective accountability*

All reports to meetings of Council, Cabinet, Scrutiny Groups and other committees are publicly available on the Council's website. Minutes are also published providing a record of the meeting and any decisions taken, and the Council provides public access to audio and video recordings of meetings. Despite Covid the Council continued with its business (see Section 4.1). Other forms of public accountability reporting include the Annual Statement of Accounts, the Council's Annual Report and in-year financial and performance monitoring reports which are reported to the Governance Scrutiny Group and Corporate Overview Group respectively. Reports from the Council's internal auditors (BDO) and external auditors (Mazars) are published online, including their annual reports.

The Corporate Overview Group monitor performance against targets on a quarterly basis. BDO are compliant with the requirements of the Public Sector Internal Audit Standards and has direct access to councillors and staff in order to discharge their duties.

The Council publishes information in accordance with the Local Authorities (Data Transparency) Code.

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

Rushcliffe Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. This review is considered by the Governance Scrutiny Group.

3.2 The Council

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution
- The Corporate Strategy
- The Capital Programme and Revenue Budget

- The Housing Strategy
- The Local Development Framework.

3.3 **The Cabinet**

The Cabinet carries out the executive functions of the Council as required by the legislation and the Council's constitution. It accordingly:

- Takes key decisions
- Takes other executive decisions
- Approves policies other than those reserved for Council
- Recommends to Council policies and budgetary decisions.

3.4 **Scrutiny groups - Governance Scrutiny Group**

The Governance Scrutiny Group is charged with Governance and has a number of responsibilities including:

- Overseeing financial governance arrangements
- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts
- Reviewing the plans and work of Internal Audit
- Overseeing the review of the Constitution
- Receiving reports from external audit in relation to the audit arrangements.

3.5 **Other Scrutiny Groups**

The Corporate Overview Group reviews the performance of the Council against the approved targets. Other reports are taken to this group and during the last year include the annual customer feedback report and health and safety report. This Group is also responsible for driving forward and reviewing the changes brought about by the review of scrutiny in early 2019.

In addition to the Corporate Overview Group and Governance Scrutiny Group, the Council has two other scrutiny groups which were formed during 2019. The first, Communities, looks at areas that affect the community such as the Council's partnerships and the development of a Carbon Management Plan for the Council and potential enhancements with regards to Edwalton Golf Course. The other group, Growth and Development, is tasked with looking at different aspects of growth within the Borough and has, this year for example, scrutinised reports in relation to Abbey Road and the Crematorium.

3.6 **Executive Managers**

Executive Managers are responsible for ensuring proper standards of internal control within their service areas. On-going reviews are undertaken throughout the year. At the end of the financial

year, Executive Managers are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary.

3.7 **Internal Audit**

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. Following a joint procurement process with Gedling Borough Council in 2019/20, this contract was awarded to BDO until 2022/23. An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology.

An annual audit plan governs each year's activity and at the completion of each audit, a report is produced for management with recommendations for improvement. Regular reports covering internal audit activities are submitted to the Governance Scrutiny Group for scrutiny.

The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.

A detailed annual review of the effectiveness of the Council's system of internal control is undertaken every year and reported to the Governance Scrutiny Group. The Annual Report states "overall, we are able to provide Moderate Assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. This is our second highest level of assurance". To this end the Council maintains an adequate and effective framework for risk management, governance and internal control (with enhancements required), as recognised by the Head of Internal Audit.

3.8 **External Audit**

The external auditors, Mazars, review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements;
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice; and
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made. In their annual report for 2019/20, Mazars issued an unqualified audit opinion, expressing the view that the financial statements give a true and fair reflection of the financial position of the Authority, and of its expenditure and income for the year. This was after the 30 November deadline primarily due to the knock-on effect of delays in the pensions audit (undertaken by Grant Thornton on behalf of Notts CC) as a result of the impact of Covid on pension fund valuation and associated risks. In terms of value for money, Mazars concluded 'in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020'.

4 **SIGNIFICANT GOVERNANCE ISSUES'**

4.1 **Issues Identified, including the impact of Covid-19, the CIPFA Financial Management Code, other issues and proposed remedial action**

Covid 19 Issues

The impact of Covid meant the Council had to react to an everchanging situation and where it can take proactive action. At Cabinet (May 2020) significance changes in governance were reported in terms of urgent delegated decisions that had to be taken for example the temporary suspension of council meetings until July, the temporary suspension of car parking fees and the temporary implementation of an alternative planning decision making process. Other operational decisions were also reported such as the cancellation of community events and the closing of both public toilets and the Council's contact centres.

Commendably the Council has continued to deliver its core services. Excellent IT has enabled staff and councillors to continue to work remotely. Services such as garden waste collection and planning have continued. Significant additional work in relation to Covid has ensued such as much needed financial support for businesses and individuals (eg Government Business Grants and Test and Trace payments). Increased enforcement has been necessary as the various tiers and full lockdowns have been introduced and where necessary staff have been redeployed.

There have been numerous Covid reports to Cabinet (and many returns to central government) during the year and a revised budget report was taken to Full Council in September 2020 and a 'Going Concern' Report regarding the Council's immediate financial viability was presented to the Governance Scrutiny Group in September 2020. There are no issues currently regarding the Council operating as a 'going concern'.

A summary of key areas of impact are given below:

Area of Impact	Issue for the Council
Provision of services	Community facilities and contact centres closed at appropriate times linked to Government advice. Leisure Centres closed again according to government advice and re-opened at differing times with different levels of service provided. Around £1m cost for the Council compared to pre-Covid projections in 2020/21. Office based services continued remotely (enabled by excellent IT), and skeleton staffing was retained at the Arena focusing on both administration and customer contact. Waste collection continued business as usual apart from bulky waste collections (with tip sites closing), however unlike many other authorities, green waste collections continued and were welcomed by the community, reflected in exceeding the projected income levels. Over £30m of business rates grants have been provided businesses across the Borough. Over £9m of business rates relief provided for 2020/21 to the retail, hospitality, nursery and leisure sectors and over £0.5m of Hardship Fund grant for council tax support has been provided. Car Park charges were temporarily suspended and to assist business recovery, in 2021/22, this has been extended. The Council also responded to new burdens such as enforcement of the Covid Regulations in workplaces and businesses.
Council's Workforce	The majority of the workforce has continued working. Around 20 staff were furloughed where income has fallen and some staff redeployed. Sickness has remained at very low levels and not impacted upon service delivery. Where there was a risk of impact additional refuse service agency staff were utilised.
Supply chains and third parties	The main impact on services provided has been on leisure provision (mentioned above) and this going forward remains a risk

	to the Council's budget and Transformation Programme. Nottinghamshire County Cricket Club were granted a deferral of £54k on the principal element of their loan for 2020/21 subsequently this has been now paid. Some payment holidays (or deferrals) have been granted to commercial tenants on a case by case basis, most of which have been repaid with the outstanding balance at £69k currently and is not material.
Reserves, financial performance and financial position	<p>The March budget stated a projected budget deficit of approximately £1.5m over the next two years (funded by reserves) moving to a surplus position in 2023/24 when reserves will be replenished.</p> <p>Retaining sufficient reserves is essential given the volatile financial environment we currently operate in. The Council's earmarked reserves at 31 March 2021 stand at £8m (excluding New homes Bonus and Collection Fund Surplus).</p> <p>The delay in Business Rates reform and Fair Funding creates further uncertainty going forward.</p> <p>There was a £1.2m loss on investments and over the year these have largely regained their value (a current loss of £0.1m)</p> <p>The capital programme has been updated with a particular focus on the Crematorium and Bingham Leisure Hub. Over the next 5 years the programme amounts to £38.9m.</p> <p>Non-current assets reduced in value as at 31 March 2021 by £2.153m.</p> <p>The Council continues to monitor financial impairment regarding potential 'bad debts' and these amount to £0.17m which has remained the same from 2019/20.</p>
Cash Flow Management	The Council during the year has received significant cash advances from central Government enabling sufficient cash to pay in particular business grants. No external borrowing was required.
Other major risks and recovery action	The main concern is that both local businesses and the community recover and Rushcliffe returns to pre-Covid 19 levels of activity. The Council is working with the Local Resilience Forum Recovery Group to ensure businesses can trade post-lockdown, to help communities and also that it maximises the use of funding such as the High Street Fund.

The CIPFA Financial Management Code

The Chartered Institute of Public Finance & Accountancy (CIPFA) has introduced a new code, The Financial Management Code 2019 (FM Code), which sets out for the first time, the standards of financial management for local authorities.

Adoption of the FM Code commenced from 1 April 2021. Appendix A of this report provides a self-assessment which has been approved by EMT and gives assurance to the Group that Financial Management Standards are being met. The approach used is to give a RAG rating and has been reviewed by the Council's Section 151 Officer. In summary, the findings of the current self-assessment against the Financial Management Standards gives a green rating against each standard. It is proposed as an action to ask Internal Audit to review the self-assessment.

Other Issues

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council, therefore, remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter. The biggest developing arrangements as already stated concern the Development Corporation and the Freeport (see Section 2.8 above). A £0.5m reserve has been created to ensure the Council supports the initial business case development and plays an active role in decisions taken by the Board.

Given all of the challenges linked to Covid and other medium-term uncertainty for example as a result of Business Rates and Fair Funding reviews, the authority has responded positively. The Transformation Strategy and supporting Programme identifies the Council's approach to meeting its efficiency requirements. A combination of cost control and income generation (including fees and charges and council tax) ensures the Council is in a position to project a surplus from 2023/24. Going forward there will be more service based pressures linked to statutory changes in relation to climate change, planning and waste services.

The Council has retained an ambitious capital programme a core component of which is the Bingham Leisure Hub (also including business/industrial units) with an overall budget of £20m. Efficiencies are expected from the leisure contractor albeit Covid and its impact upon the leisure industry is estimated to have put these back by up to 2 years. £7.5m will potentially need to be externally borrowed to fund the capital programme, particularly in relation to the Bingham Leisure Hub and the Crematorium. Both are due to open by the summer of 2022.

The Council's focus remains on 'growing the borough' and ensuring it remains a great place to live. CIPFA's new treasury guidance prohibits the Council from "borrowing for yield" and therefore the Council will not utilise any more of its £20m Asset Investment Fund (£16.2m has been spent). The Council is still committed to having a commercial ethos and maximising value for money for the benefit of its residents. The Council has a range of income streams and manages such risks proportionately and sensibly.

Whilst Covid has effected income levels such as community facilities, commercial property, treasury investments and car parking income the risk is being managed with the Council's proportionate approach. The regeneration of the high street and the local Rushcliffe economy will be critical to both future service provision and the finances of the Council. Council Tax and Business Rates collection rates have been closely monitored. At the 31 March 2021, collection rates for Council Tax have reduced by 0.1% compared to 2019/20, equating to approximately £0.157m (RBC exposure around £15k). The collection rate for Business Rates was similar to the previous year (99.1% collected in both years). Despite the challenge of the pandemic on both businesses and residents, the Borough has maintained an excellent level of Council Tax and Business Rates collection.

One other effect of Covid-19 is that the planned reviews of Business Rates and Fair Funding have been delayed for a further year for 2021/22 implementation and they are currently looking like they will be delayed until at least 2022/23. Hew homes Bonus is also expected to be reviewed in 2021 and has been already subject to consultation. The Comprehensive Spending Review planned for later this year may shed some further light on this issue. This is important as it will determine the overall funding available to the local government sector and, ultimately, to Rushcliffe. This complex economic environment is further compounded by the uncertainty that BREXIT creates and the impact of the deal that has been negotiated.

Power station appeals remain one of the Council's biggest financial risks, given the relatively large proportion of the business rates tax base the Radcliffe on Soar power station constitutes and the history of appeals against its business rates valuation. In addition, the likely de-commissioning of the power station, given it accounts for around one quarter of Business Rates income, potentially undermines any benefits the Council may gain in business rates from business growth. The Council is looking at options to mitigate this risk and has actively worked with the management of the site to prepare a long-term re-development, which is now to be included within both the Development Corporation and the Freeport site.

The Medium Term Financial Strategy will continue to be reported as part of the Council's normal finance and performance due diligence. The key areas of risk being income streams, Business Rates and Council Tax collection, the capital programme and its funding, delays to the anticipated national business rates and fair funding system and ultimately the position and sustainability of the Council's reserves.

Challenges arising from welfare reform and the continued introduction of Universal Credit (which occurred in October 2018 for the majority of Rushcliffe) give further financial and operational risks. The Council also has to address the issue of ensuring there is sufficient housing supply to meet its housing targets within its local plan. Whilst the Core Strategy was approved in 2014, much work has been undertaken to identify preferred options for Local Plan part 2, which was finally adopted by Full Council in October 2019.

The Cotgrave Masterplan is a significant project which demonstrates the Council's commitment to developing the community and provides affordable housing. The Council has been successful in leveraging external funding for both Bridgford Hall and the 'Growth Deal' for employment and housing sites alongside the A46. The Abbey Road disposal and the development of the depot site continues (progress was reported to the Growth and Development Scrutiny Group, January 2021). This will result in 71 new homes, with at least 30% (23 properties) affordable housing in accordance with the environmentally sustainable design code and Masterplan. These are indicative of the Council's commitment to support housing, business growth and the environment.

The Council continues to be involved in various collaboration activities including payroll, tree advice, ICT provision and Building Control, and Trading Standards. In addition, where opportunities arise, consideration is given to the appropriate delivery model and how to involve partners to maximise objectives.

The external auditors have noted a number of risks in reviewing the Council's accounts, namely:

- Appropriate controls are in place to prevent 'management override';
- The completeness and accuracy regarding the Council's valuation of property, plant and equipment (particularly given Covid-19 and any potential changes to property values as a result of this and the risk of material value uncertainty);
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts and with Covid 19 there may be material value uncertainty; and
- There is appropriate accounting treatment of Covid 19 grants received from central government, given the number and significant value of these.

Undoubtedly the main challenges for 2021/22 and the medium term now relate to the ongoing situation, and the aftermath, of Covid-19.

It is recognised that ICT threats and opportunities continue to evolve, it is imperative that the Borough Council has a clear understanding of how these impact on their day to day operations,

particularly in the light of recent global cyber security threats. A review of Data Protection requirements with the General Data Protection Regulations, is ongoing. Pleasingly the audit this year gives this area a low risk.

Despite the challenging economic environment the Council remains committed to reducing its carbon footprint. The Climate Change Reserve of £1m has not been diverted to resource Covid financial pressures. Plans with regards to the climate challenge and the use of resources continue to be reported to the Communities Scrutiny Group (April 2021, Carbon Management Plan).

The Department for Environment, Food and Rural Affairs has launched the Resources and Waste Strategy setting out how the country can minimise waste, promote resource efficiency and move towards a circular economy. This potentially could have significant adverse financial implications for the Council in terms of both revenue and capital funding. The Council will, therefore, be making representation to relevant bodies and working with peers on how to mitigate this risk.

The pensions' triennial review was produced in 2019 with pensions costs for the next 3 years, largely unchanged to what are currently paid. Given the current volatility of financial markets with both Covid-19 and BREXIT on the horizon there will be potential balance sheet risks that will be reported as part of the annual accounts closedown process.

Based on our review of the governance framework, the following significant issues will be addressed in 2021/22:

Issue	Reporting to	Methodology	Timescale
Compliance with the Financial Management Code	Governance Group	Internal Audit normal reporting	By March 2022
Monitor the delivery of the Transformation Strategy and ongoing budget position covering on-going Covid-19 risks	Reports to EMT, Scrutiny and Cabinet	On-going financial reports	At least quarterly reporting
Monitor the delivery of the capital programme and significant projects such as the Bingham Leisure Hub and Crematorium	Report to relevant scrutiny group and Cabinet	On-going financial and performance reports	Quarterly
Monitor Business Rates, Fair Funding and New Homes Bonus developments	Report to Cabinet and Full Council	Included as part of the Medium Term Financial Strategy reporting	By March 2022

5 STATEMENT OF THE CHIEF EXECUTIVE AND THE LEADER OF THE COUNCIL

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Governance Scrutiny Group. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed, and those to be specifically addressed with new actions planned, are outlined above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed.....

K Marriott (Chief Executive)

Date 30 September 2021

Signed.....

Councillor S Robinson (Leader)

Date 30 September 2021

Financial Management Code Self-Assessment

Standard Reference	Financial Management Standard	RAG Rating
Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team		
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.	Audit conclusion on 2019/20 accounts was the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020. General Fund reserve levels have been maintained above the minimum required level and the balance on other useable reserves is expected to reduce from £13m to £12m over the medium term. Despite Covid excellent performance has been maintained (as per Finance and Performance reports)
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	We comply with the requirements of the code CFO is CIPFA qualified with 31 years of local government experience; and reports to CEO; CFO role detailed in the Constitution; CFO sits on Executive Management Team, influencing material decisions and ensuring financial implications are provided in all reports. The CFO leads on corporate fraud. Through the Finance team treasury performance is monitored and reported to Governance Scrutiny Group throughout the year.

Section 2: Governance and Financial Management Style

Standard Reference	Financial Management Standard	RAG Rating
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	RSM (internal audit report for 2019/20) The organisation has an adequate and effective framework for risk management, governance and internal control. Statement in the AGS in the STAC for 2019/20 demonstrating compliance. Accounts signed off by audit
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	The Governance Group scrutinise Constitution changes and reviews the adequacy of Governance arrangements, such as risk management and approving the Annual Governance Statement. The Council has also reviewed and changed the governance arrangements with regards to the accountability of Streetwise Environmental Ltd.
E	The financial management style of the authority supports financial sustainability.	The Council has developed a Transformation Programme and made in excess of £4m in budget efficiencies. It has undertaken asset investment and has a commercial approach. Demonstrated by successful awards from the Municipal Journal and LGA for both Entrepreneurialism and Commercialism. There are a sustained level of reserves commensurate with its risk appetite.
Section 3: Long to Medium-Term Financial Management		
F	The authority has carried out a credible and transparent financial resilience assessment.	Budget setting for 2020/21 includes a statement from CFO that the estimates are robust. Budgets were set in conjunction with senior

Standard Reference	Financial Management Standard	RAG Rating
		managers and appropriate challenge made. Budgets are balanced and reserves healthy and we have an achievable Transformation Plan monitored monthly. An independent review by consultants confirms the council has robust finances. Appendix A shows the 2021 CIPFA Resilience Index with relatively low risk. Independent benchmarking confirms this position.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	We have a 5 year MTFS reported to Members and with Covid we have reported the authority's position as a Going Concern.
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	Capital Strategy shows that plans are affordable prudent and sustainable - all PI's are set and monitored, MRP is set to repay debt
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	5 year MTFS in place, projects and outcomes linked to corporate plan and proposals are scrutinised against the corporate plan and these feed into the departmental service plans
Section 4: The Annual Budget		
J	The authority complies with its statutory obligations in respect of the budget setting process.	The Council complies with its statutory obligations in respect of the budget setting process as set out in the Local Government Finance Act (1992). A legal and balanced budget and corresponding Council Tax levels have been set by Council by the statutory deadline of 11 March and assurance has been provided by the CFO regarding the robustness of

Standard Reference	Financial Management Standard	RAG Rating
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	<p>estimates and adequacy of reserve levels.</p> <p>The budget setting report comments upon the expenditure plans, reserves and risk and includes a statement from the CFO giving a positive assurance that the budget is balanced, robust and affordable</p>
Section 5: Stakeholder Engagement and Business Plans		
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	Budget was made available to residents via Cabinet agenda prior to approval at Council. Elected members given the opportunity to scrutinise and comment upon. Member workshops involve members at budget setting. We consult with Stakeholders on key projects e.g. Bingham Hub and the Crematorium.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	For capital investment appraisals and business cases the Council uses the agreed approach outlined in the Capital and Treasury Strategy and are subject to approval by Asset Investment Group. Projects that do not satisfy the set criteria (Net Present Value, Internal Rate of Return and impact on the General Fund and assessment matrix of non-financial criteria) are not approved in their current form. Specific appraisal are reported to Governance Group. Financial comments are required on reports to highlight and demonstrate consideration of financial impact and allow scrutiny

Standard Reference	Financial Management Standard	RAG Rating
<p>Section 6: Monitoring Financial Performance N</p>	<p>The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p>	<p>of, and challenge to the proposals.</p> <p>Monthly reports are considered by budget holders, which is in turn reported to and scrutinised by service managers. Issues identified are raised with EMT. Quarterly Finance reports are presented to Cabinet and Finance and Performance reported to COG. Reports include a section on financial implications and risk. Monthly reports are sent to EMT on aged debt and outstanding items of concern. TM reports are taken mid-year and outturn to GSG and more detailed meetings are held monthly in the finance team. The finance staff involved in TM undertake regular training with annual training for members</p>
<p>O</p>	<p>The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.</p>	<p>EMT are actively involved in budget workshops which demonstrates the position on Revenue, Capital and Reserves and sit at Full Council when the budget is approved</p>
<p>Section 7: External Financial Reporting P</p>	<p>The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</p>	<p>The CFO's responsibilities are set out in the "Statement of Responsibilities" within the STAC. This statement clearly sets out that the CFO is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting</p>

Standard Reference

Financial Management Standard

RAG Rating

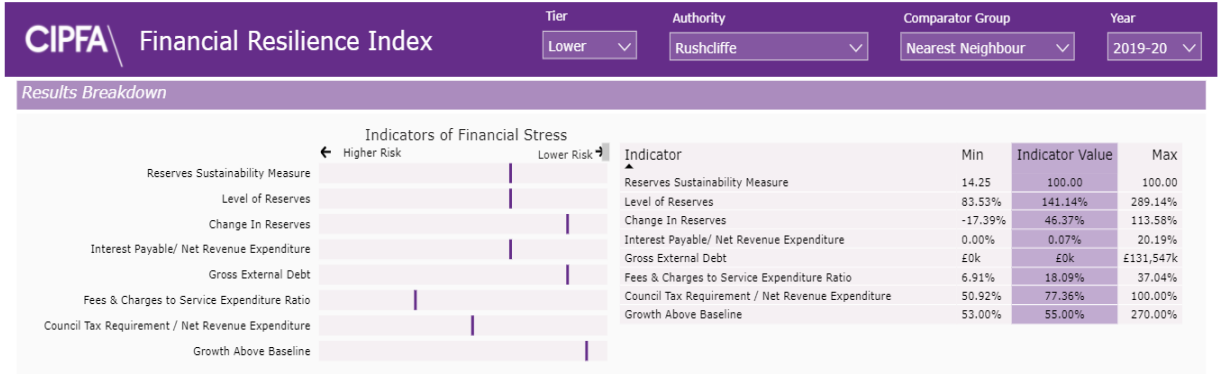
Q

The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

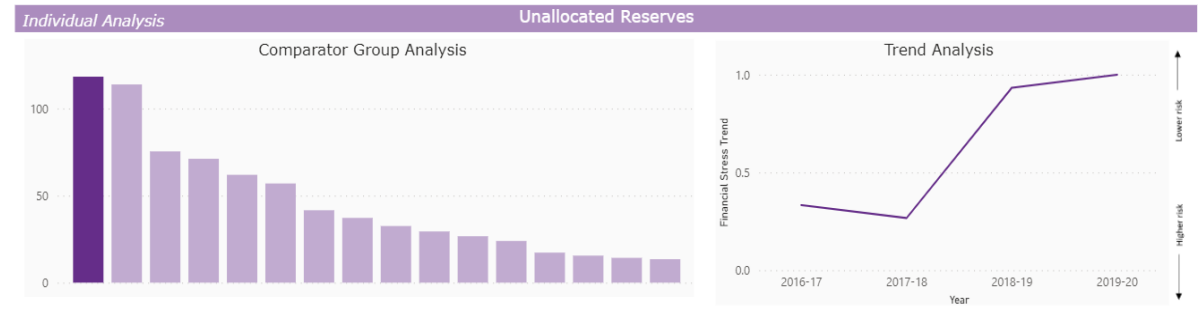
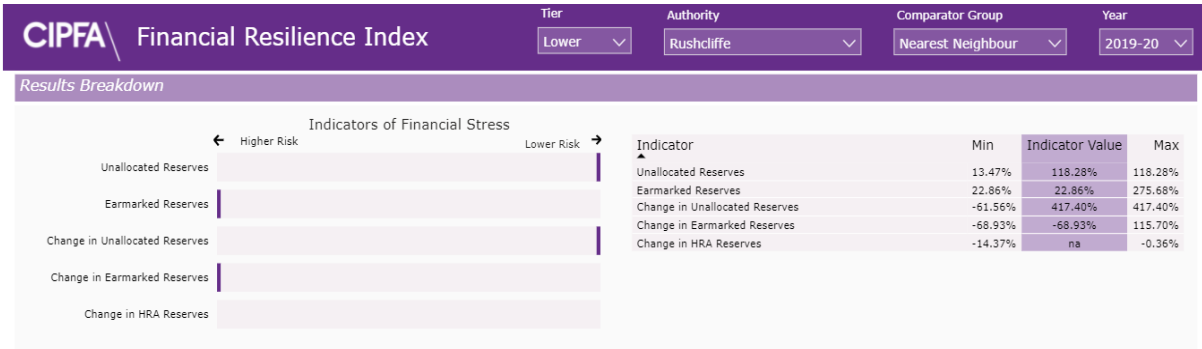
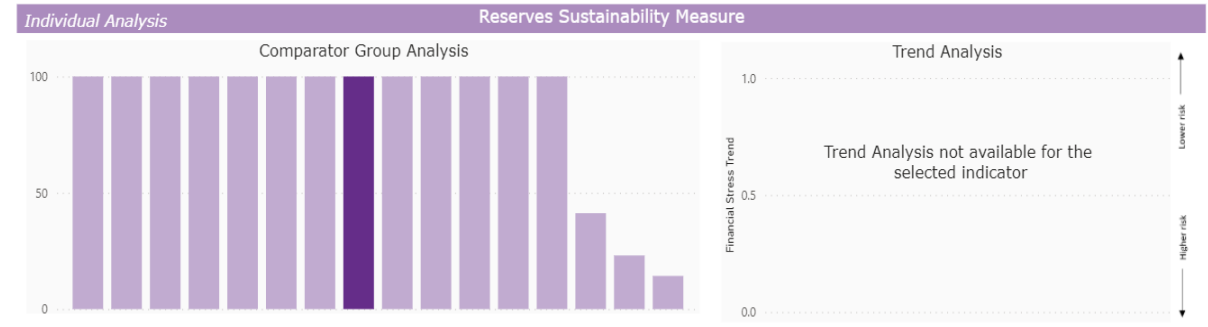
in the United Kingdom. The annual audit letter confirms that the 2019/20 STAC have been prepared in accordance with the code.

The outturn figures are reported to Cabinet and included in the narrative sections of the statement of accounts. Variances are clearly identified including highlighting those that are 'accounting adjustments'. Use of underspends are clearly identified in the report, including carry forward requests and these are approved by Cabinet.

2021 – CIPFA Resilience Index



Auditors VFM Assessment
Unqualified





Governance Scrutiny Group

Thursday, 24 June 2021

Update on the Redmond Review of Public Sector Audit

Report of the Director of Finance and Corporate Services

1. Purpose of report

1. To provide the Group with an update on recommendations arising from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group consider the recommendations arising from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting and in particular consider the appointment of at least 1, suitably qualified, independent member to sit on the Governance Scrutiny Group.

3. Reasons for Recommendation

- 3.1 To present the Group with the opportunity to consider the content of the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.
- 3.2 The recommendations arising from this national review have been considered by Government (current response contained in Appendix A). It is clear from the Government's response there is still much to be determined given the voracity, scale, and number of recommendations.

4. Supporting Information

- 4.1 The responsibilities for the framework within which local authority audits are conducted is the Local Audit and Accountability Act 2014. When the Government abolished the Audit Commission and its centralised performance and inspection regimes it put in place a new localised audit regime, refocussing local accountability on improved transparency. Now the Act has been fully implemented, the Government had a commitment to review its effectiveness by undertaking a post implementation review of the audit framework and financial reporting elements of the Act.

- 4.2 In June 2019, the Government commissioned Sir Tony Redmond to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting. The findings from Sir Redmond's report were published on 8 September 2020. The Review did not look at the broader issues of local authority finances and sustainability.
- 4.3 The guiding principles of the review were accountability and transparency. How are local authorities accountable to service users and taxpayers and how are auditors accountable for the quality of their work; and how easy is it for those same individuals to understand how their local authority has performed and what assurance they can take from external audit work.
- 4.4 In summary, it makes detailed proposals for a new organisation with the clarity of mission and purpose to act as the system leader for the local audit framework; and for a standardised statement of service information and costs, compared to the annual budget, that is aimed at taxpayers and service users. A link to the Report can be found here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Summary of Key Findings

- 4.5 Below are the key findings from the review. Appendix A details MHCLG's current response on the recommendations arising from the review.
- 4.6 Local External Audit arrangements - most significant finding is the lack of coherence in local audit arrangements.
- a. There appeared to be no coherence in approach to procure audit and there were serious concerns regarding effectiveness of local audit.
 - b. Some of this is linked to the fee structure and a view that the cost is 25% less than it should be and as a result the quality of auditors has reduced.
 - c. There is concern auditors do not have the experience or knowledge of local authorities.
 - d. 40% of audits were not complete by the deadline for 2018/19.

See section at Appendix A - Action to support immediate market stability

- 4.7 Governance arrangements – question on whether the Audit Committees understand the issues to question and challenge in an effective way?
- a. There are relatively low number of independent Audit Committee members and little communication between Audit Committee and inspectors.
 - b. No formal exchange of views.
 - c. There seems to be no real relationship between Audit Committee and Full Council with very few reports going to Full Council.
 - d. Question on the role of the 3 statutory officers in relationship to Audit – do they engage with auditor together on informal or formal basis?

- e. Internal Audit not used much by External Audit as code of practice does not require them to liaise with internal audit work although there is a feeling that they can assist.
- f. Not always the expertise in local authority finance departments in completing the accounts process.

See section at Appendix A - Enhancing the functioning of local audit, and the governance for responding to its findings

4.8 Reporting - Current arrangements do not allow for public to understand the accounts. More can be done to improve transparency of what local authorities do.

4.9 The recommendations in the report centred on 3 aspects, namely: Local Audit arrangements, Governance and Financial Reporting.

4.10 Local Audits –

- a. A new Office of Local Audit Regulation (OLAR) will be established and have responsibility for procuring, managing, overseeing and regulating local audits. This will include current responsibility fulfilled by Public Sector Audit Appointments (PSAA), National Audit Office (NAO) and Financial Reporting Council (FRC).
- b. There will be a Liaison Committee chaired by the Ministry for Housing, Communities and Local Government (MHCLG) comprising FRC, Institute of Chartered Accountants in England and Wales (ICAW), NAO, Chartered Institute for Public Finance and Accountancy (CIPFA), Local Government association (LGA) and authority representatives, as well as Probation, Home Office and Audit Partners. This would meet quarterly and provide link to the regulator and would provide facility for feedback and commentary in how the local audits are done.
- c. The OLAR could impose sanctions where there are significant issues in a local authority, e.g. if financial resilience issues where MHCLG are needed to intervene.
- d. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- e. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified.

See sections at Appendix A – Consideration of System Leadership Options; Action to support immediate market stability; and Action to further consider the functioning of local audit for smaller bodies

4.11 Governance –

- a. At least 1, suitably qualified, independent member will be required on each Audit Committee.
- b. There will be a requirement for the 3 statutory officers to meet with External Audit annually.

- c. All Audit Committee members will have a requirement to be trained.
- d. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- e. An annual report to be presented to first Full Council meeting after 30 September from the External Auditor, irrespective of whether the accounts have been certified.
- f. Auditors must have skills and training but also needs to be in place for local authority finance staff.
- g. The need for an induction/training mechanism for new s151 Officers on Final Accounts.
- h. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

See sections at Appendix A – Support Market stability and Enhancing the functioning of local audit, and the governance for responding to its findings

4.12 Financial Reporting –

- a. A new standardised statement of services and costs will be required to enable a comparison of budget setting Council Tax information to outturn.
- b. CIPFA/ Local Authority (Scotland) Accounts Advisory Committee (LASAAC) be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.

See Section at Appendix A - Improving transparency of local authorities' accounts to the public

5. Risks and Uncertainties

- 5.1. There are no direct risks although the to ensure sound governance and accountability a good system of audit is a necessity.

6. Implications

6.1. Financial Implications

The appointment of an Independent Member will incur a minor cost of £320 per annum, based on the current costs of independent members at the Council and will be identified from existing budgets.

6.2. Legal Implications

The principle of having an appointed independent member on Governance Group will require a minor change to the Constitution and would reported to July Full Council.

6.3. Equalities Implications

There are no equalities implications.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications.

7. Link to Corporate Priorities

Quality of Life	Effective audit impacts across all council corporate priorities.
Efficient Services	
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group consider the recommendations arising from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting and in particular consider the appointment of at least 1, suitably qualified, independent member to sit on the Governance Scrutiny Group.

For more information contact:	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for inspection:	There are no other background papers although the original report and MHCLG consultation responses are available on the MHCLG website.
List of appendices:	Appendix A – MHCLG Response to the Redmond Review

MHCLG Response to the Redmond Review

Local Authority financial reporting and external audit: Spring update

Annex A: Table of recommendations outlining our response and our progress implementing them

Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)

	Recommendation	December MHCLG Response	Progress update
5.	All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.	Accept; we will work with the ICAEW, CIPFA and FRC to deliver this recommendation	In progress. <ul style="list-style-type: none"> We committed to working with stakeholders, including the ICAEW, CIPFA and FRC, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess
6.	The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.	Accept	In progress. <ul style="list-style-type: none"> We are currently consulting on proposals to make amendments to The Local Audit (Appointing Person) Regulations 2015 that will, subject to stakeholders' views, provide Public Sector Audit Appointments Ltd (PSAA) (the bulk audit services procurement body) with more flexibility to agree fees that more closely match the actual costs of audit. We are providing £15 million to principal bodies, both to help support affected bodies to meet the anticipated increase in audit fee costs in 21/22 and to support with new burdens relating to implementing Redmond's recommendations. We are currently seeking views via public consultation on the methodology for distributing this funding in the fairest way and our intention is to confirm individual allocations as soon as possible after the consultation closes on 18 May. We have reconfirmed PSAA Ltd as the appointing body ahead of the next procurement, and will work closely

			with them, as well as other stakeholders, to ensure alignment in objectives between the procurement and the wider local audit system.
8.	Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.	Part accept; we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required	In progress. <ul style="list-style-type: none"> • We committed to working with stakeholders, including the ICAEW and FRC, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes reviewing guidance relating to the entry criteria for key audit partners (KAPs).
10.	The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.	Part accept; we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review	Delivered. <ul style="list-style-type: none"> • Regulations extending the audit publication deadline to 30 September for 2 years came into force on 31 March 2021. • At the end of this period we will review whether there is a continued need to have an extended deadline.
11.	The revised deadline for publication of audited local authority accounts be considered in consultation with NHSE/I and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.	Accept	Delivered. <ul style="list-style-type: none"> • Regulations extending the audit publication deadline to 30 September for 2 years came into force on 31 March 2021. • At the end of this period we will review whether there is a continued need to have an extended deadline.

Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)

	Recommendation	December MHCLG Response	Progress update
1.	A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:	We are considering these recommendations further and will make a full response by spring 2021	Part accept; <ul style="list-style-type: none"> • We accept the need for a single organisation to have responsibility for leadership of the local audit system, including oversight of the quality framework and encouraging competition in the local audit market. • We accept that this requires a single

	<ul style="list-style-type: none"> • procurement of local audit contracts; • producing annual reports summarising the state of local audit; • management of local audit contracts; • monitoring and review of local audit performance; • determining the code of local audit practice; and • regulating the local audit sector. 		<p>body to have responsibility for:</p> <ul style="list-style-type: none"> o Producing annual reports summarising the state of local audit; o Monitoring and review of local audit performance; o Determining the code of local audit practice; and o Regulating the local audit sector. <ul style="list-style-type: none"> • We do not accept that a new body needs to be created to undertake these functions, and think that these functions, as well as an overarching responsibility for system leadership and encouraging competition in the local audit market, should be undertaken by the Audit, Reporting and Governance Authority (ARGA), set to be established to replace the Financial Reporting Council. • We do not accept that this body should also have responsibility for procurement and management of local audit contracts, and think that these should functions should continue to be undertaken by PSAA. • We will work with stakeholders to refine these proposals ahead of a public consultation before summer recess.
2.	<p>The current roles and responsibilities relating to local audit discharged by the:</p> <p>Public Sector Audit Appointments (PSAA);</p> <ul style="list-style-type: none"> • Institute of Chartered Accountants in England and Wales (ICAEW); • FRC/ARGA; and • The Comptroller and Auditor General (C&AG) <p>to be transferred to the OLAR.</p>		
3.	<p>A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.</p>	<p>We are considering these recommendations further and will make a full response by spring 2021</p>	<p>Part accept; we will establish this new Liaison Committee, but think that this should be chaired by ARGA as the 'system leader' once the new arrangements our established. MHCLG will chair this in the intervening period.</p>
7.	<p>That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.</p>	<p>We are considering these recommendations further and will make a full response by spring 2021</p>	<p>Part accept; we will work with stakeholders to consider whether additional sanction powers beyond the audit enforcement procedures that ARGA will already have are necessary.</p>
13.	<p>The changes</p>	<p>We are considering</p>	<p>Accept; we have endorsed the</p>

	implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.	these recommendations further and will make a full response by spring 2021	changes to the 2020 Audit Code of Practice, and will look to ARGA to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters in due course.
17.	MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.	We are considering these recommendations further and will make a full response by spring 2021	Accept; MHCLG carries out a range of assurance activity, drawing on local authority data and financial metrics and soft intelligence from engagement with the sector. The Department has undertaken additional data collection in 2020-21 to provide government with robust data on local financial pressures in the context of the Covid-19 pandemic, and has also implemented a consistent process to engage with local authorities facing financial challenges and, where appropriate, provide exceptional financial support.

Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18)

	Recommendation	December MHCLG Response	Progress update
4.	<p>The governance arrangements within local authorities be reviewed by local councils with the purpose of:</p> <ul style="list-style-type: none"> • an annual report being submitted to Full Council by the external auditor; • consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and • formalising the facility for the CEO, Monitoring 	Accept; we will work with the LGA, NAO and CIPFA to deliver this recommendation	<p>In progress.</p> <ul style="list-style-type: none"> • We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.

	Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.		
9.	External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.	Accept; we will work with the NAO and CIPFA to deliver this recommendation	In progress. <ul style="list-style-type: none"> • We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.
12.	The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.	Accept; we will work with the LGA, NAO and CIPFA to deliver this recommendation, including whether changes to statute are required	In progress. <ul style="list-style-type: none"> • We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.
18.	Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.	Accept; we will work with other departments and the NAO to deliver this recommendation	In progress. <ul style="list-style-type: none"> • We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes consideration of new guidance developed with the stakeholders listed above, as well as

			the ICAEW and PSAA Ltd, and local bodies and audit firms.
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**Improving transparency of local authorities' accounts to the public
(recommendations 19, 20, 21, 22)**

	Recommendation	December MHCLG Response	Progress update
19.	A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.	Accept; we will work with CIPFA to deliver this recommendation	In progress. • We are currently working with CIPFA to deliver this recommendation. We are taking time to consider how it should work, as it is important that it is of value for taxpayers.
20.	The standardised statement should be subject to external audit.	Accept; we will work with CIPFA and the NAO to deliver this recommendation	In progress. • We are currently working with CIPFA to deliver this recommendation. We are taking time to consider how it should work, as it is important that it is of value for taxpayers.
21.	The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.	Accept; we will work with the LGA and CIPFA to deliver this recommendation	In progress. • We are currently working with CIPFA to deliver this recommendation. We are taking time to consider how it should work, as it is important that it is of value for taxpayers.
22.	CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.	Accept; we will look to CIPFA to deliver this recommendation	In progress. • CIPFA/LASAAC has agreed a new Strategic Implementation Plan that includes delivery of this recommendation.

**Action to further consider the functioning of local audit for smaller bodies
(recommendations 14, 15, 16, 23)**

	Recommendation	December MHCLG Response	Progress update
14.	SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.	Accept; we will look to SAAA to deliver this recommendation	In progress <ul style="list-style-type: none"> • We committed to working with stakeholders, including SAAA and JPAG, to deliver these recommendations. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes changes to current auditor guidance notes and what additional audit work might be appropriate for 'larger' small bodies.
15.	SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m	No response but assume the same as 14.	No response but assume the same as 14.
16.	SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.	Accept; we will look to SAAA to deliver this recommendation	In progress <ul style="list-style-type: none"> • We committed to working with stakeholders, including SAAA and JPAG, to deliver these recommendations. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes changes to current auditor guidance notes and what additional audit work might be appropriate for 'larger' small bodies.
23.	JPAG be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:	Accept; we will work to JPAG to deliver this recommendation	In progress <ul style="list-style-type: none"> • We committed to working with stakeholders, including SAAA and JPAG, to deliver these recommendations. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes changes to current auditor guidance notes and what

	<ul style="list-style-type: none"> • Whether “Section 2 – the Accounting Statements” should be moved to the first page of the AGAR so that it is more prominent to readers; • Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and • Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements. 		<p>additional audit work might be appropriate for ‘larger’ small bodies.</p>
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Governance Scrutiny Group

Thursday, 24 June 2021

Revisions to the Council's Constitution

Report of the Monitoring Officer

1. Purpose of report

- 1.1. This report summarises amendments to the Council's Constitution to reflect legislative changes, changes to the Management and Cabinet structure, the arrangements for participation in companies (wholly owned and external), recommendations of the Governance Member Working Group, and textual amendments.
- 1.2. The report also recommends the inclusion into the constitution of a transitional six month period to support the revised model for Planning Committee, and substantial revisions to the Contract Standing Orders.

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group consider the proposed revisions to the constitution and recommend them for adoption by Council.

3. Reasons for Recommendation

- 3.1. The Borough has a duty to keep its Constitution up to date and is required to review it annually.
- 3.2. The proposed revisions incorporate and give effect to legislation, to changes requested by the Governance Member Working Group and to ensure that the document is accessible.

4. Supporting Information

The proposed revisions are set out at Appendix 2. A summary of the main proposed revisions are set out below:

Summary of proposed changes:

- 4.1. Part 1: Changes to comply with accessibility regulations and recommendations of Governance Member Working Group.
- 4.2. Part 2: Textual changes to reflect changes in management team service delivery structure and Cabinet.

Changes to comply with accessibility regulations and recommendations of Governance Member Working Group.

- 4.3. Part 3: Revisions to update scheme of delegation to support new management structure, and representation on the boards of the Freeport and Development Corporation.

Revisions to Responsibility for Executive Functions – Leader and Cabinet and Strategic and Borough Wide Leadership (Leader) to take decisions as required as the member of a company not wholly owned by the council

Revisions to Functions of the Chief Executive as Head of Paid Service authorising the Chief Executive, as Head of the Paid Service, shall be authorised to act as the Council's representative, and to make orders associated with being the said representative of a company not wholly owned by the Council as authorised by Council or Cabinet.

Changes to comply with accessibility regulations and recommendations of Governance Member Working Group.

- 4.4. Part 4:
Amendment to Standing Orders – Council, Committees and Working Groups (to remove reference to virtual meetings and add in transitional arrangements for planning committee).
Amendment to include the Terms of Reference of the Streetwise Oversight Board.
Amendment to Standing Orders relating to Contracts.

Drafting will continue throughout the year so that the entire Constitution is compliant with the accessibility regulations, this includes formatting.

5. Risks and Uncertainties

- 5.1. The Council is required to undertake an annual review of its Constitution and ensure that it complies with the law. Failure to undertake a review of the Constitution risks a legal challenge of decisions taken.

6. Implications

6.1. Financial Implications

There are no direct financial implications arising from these proposals.

6.2. Legal Implications

Under section 37 of the Local Government Act 2000, the Council has a duty to keep its Constitution up to date and that section also prescribes its minimum content. The proposals in this report comply with those requirements.

6.3. Equalities Implications

There are no implications as this alteration to the Constitution does not involve new or changing policies, services or functions, or financial decisions that will have an effect on services.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no direct Section 17 implications.

7. Link to Corporate Priorities

Quality of Life	The proposed revisions should make it easier for members of the public, Councillors and officers to access, and use, materials, which are essential to effective and efficient democratic decision-making.
Efficient Services	
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group consider the proposed revisions to the constitution and recommend them for adoption by Council.

For more information contact:	Sanjit Sull Monitoring Officer 0115 914 8215 ssull@rushcliffe.gov.uk
Background papers available for Inspection:	The Council's constitution is appended
List of appendices:	Appendix 1: Constitution – Highlighted changes Available via the link: Constitution Changes Appendix 2: Table of amendments

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Summarising amendments to Constitution 2020/21

Section	Details Amendment
Part 1	Changes to comply with accessibility requirements
Part 2	Changes to comply with accessibility requirements and Textual changes to reflect changes in management team structure and Cabinet.
Part 3	Revisions to update scheme of delegation to support new management structure.
Part 3	<p>Responsibility for Executive Functions – Leader and Cabinet To take decisions as required as the member of a company not wholly owned by the council</p> <p>Strategic and Borough Wide Leadership (Leader)</p> <ul style="list-style-type: none"> • Collaboration/Partnerships/Combined Authorities/Devolution/Companies not owned by the Council <p>Functions of the Chief Executive as Head of Paid Service</p> <p>The Chief Executive, as Head of the Paid Service, shall be authorised to:</p> <ul style="list-style-type: none"> • To act as the Council’s representative, and to make orders associated with being the said representative of a company not wholly owned by the Council as authorised by Council or Cabinet.

Part 4	<p>Amendment to meeting Standing Orders (to remove reference to virtual meetings and add in transitional arrangements for planning committee).</p> <p>Amendment to include the Terms of Reference of the Streetwise Oversight Board.</p> <p>Amended to Contracts Standing Orders.</p>
Part 4: Sealing of documents	<p>Amendments to increase scope for senior officers to seal documents.</p>



Governance Scrutiny Group

Thursday, 24 June 2021

Work Programme

Report of the Executive Manager – Finance and Corporate Services

1. Summary

- 1.1. The work programme is a standing item for discussion at each meeting of the Governance Scrutiny Group. In determining the proposed work programme due regard has been given to matters usually reported to the Group and the timing of issues to ensure best fit within the Council's decision making process.
- 1.2. The table does not take into account any items that need to be considered by the Group as special items. These may occur, for example, through changes required to the Constitution or financial regulations, which have an impact on the internal controls of the Council.
- 1.3. The future work programme will be updated and agreed at the next meeting of the Corporate Overview Group on 23 March 2021, including any items raised via the scrutiny matrix; however, it may also be necessary to take into account the impact of the elections in May 2021, and the purdah period on the scheduling of items/topics.
- 1.4. It is possible the scheduled meeting of Governance Scrutiny Group on the 18 May 2021 will need to be moved the end of June 2021 as a result of changes to the deadline for the Governance Statement. In addition, the Governance Scrutiny Group normally held in July to approve the Statement of Accounts (SoA) is likely to move to September in response to the anticipated change in statutory deadline for the SoA.

2. Recommendation

It is RECOMMENDED that the Group agrees the work programme as set out below:

23 September 2021

- Internal Audit Progress Report
- Treasury Management Outturn
- Asset and Investment Management Outturn 2020/21
- Risk Management
- Streetwise Annual Report
- Going Concern Report
- Work Programme

25 November 2021

- Internal Audit Progress Report
- Statement of Accounts
- Treasury and Asset Investments – 6 month update
- Work Programme

3 February 2022

- Internal Audit Progress Report
- Internal Audit Strategy
- External Audit Annual Plan
- Annual Audit Letter
- Risk Management
- Treasury and Investments Strategy – Update
- Work Programme

19 May 2022

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Governance Statement
- Constitution Update
- Work Programme

3. Reason for Recommendation

To enable the Council's scrutiny arrangements to operate efficiently and effectively.

For more information contact:	Peter Linfield Director – Finance and Corporate Services 0115 914 8349 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None.
List of appendices (if any):	None.