



Friday, 11 September 2020

Dear Sir/Madam

A meeting of the Governance, Audit and Standards Committee will be held on Monday, 21 September 2020 Via Microsoft teams, commencing at 7.00 pm.

Should you require advice on declaring an interest in any item on the agenda, please contact the Interim Monitoring Officer at your earliest convenience.

Yours faithfully

Chief Executive

To Councillors: S A Bagshaw (Vice-Chair)
E Cubley
R H Darby
M Hannah
M Handley
H G Khaled MBE
J M Owen

J P T Parker
M Radulovic MBE
P D Simpson
I L Tyler
D K Watts
E Williamson (Chair)

A G E N D A

1. APOLOGIES

To receive any apologies and notification of substitutes.

2. DECLARATIONS OF INTEREST

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest in any item on the agenda.

3. MINUTES

(Pages 1 - 4)

The Committee is asked to confirm as a correct record the minutes of the meeting held on 20 July 2020.

4. EXTERNAL AUDIT 2019/20 UPDATE (Pages 5 - 28)

The Governance, Audit and Standards Committee is asked to NOTE the report which provides an update on progress in delivering our responsibilities as external auditor and also summarising key national publications that may be of interest to Members.
5. GOING CONCERN STATUS (Pages 29 - 34)

This report sets out the Council's assessment by the Council's Section 151 officer of the Council's Going Concern status
6. INTERNAL AUDIT PROGRESS REPORT (Pages 35 - 54)

To inform the Committee of the recent work completed by Internal Audit.
7. ANNUAL COUNTER FRAUD REPORT (Pages 55 - 70)

To provide the Committee with the annual report on counter fraud and corruption and money laundering prevention activity in 2019/20.
8. GOVERNANCE DASHBOARD - MAJOR PROJECTS (Pages 71 - 80)

To provide the Committee with a governance dashboard report relating to the Council's major and key projects.
9. REVIEW OF STRATEGIC RISK REGISTER (Pages 81 - 94)

To recommend approval of amendments to the Strategic Risk Register and the action plans identified to mitigate risks.
10. WORK PROGRAMME (Pages 95 - 96)

To consider items for inclusion in the Work Programme for future meetings.

GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

MONDAY, 20 JULY 2020

Present: Councillor E Williamson, Chair

Councillors: S A Bagshaw
S J Carr (ex-officio)
E Cubley
T A Cullen (Substitute)
T Hallam (Substitute)
M Handley
H G Khaled MBE
J M Owen
J P T Parker
M Radulovic MBE
P D Simpson
I L Tyler
D K Watts

Apologies for absence were received from Councillors R H Darby and M Hannah

1 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

2 **MINUTES**

The minutes of the meeting held 18 May 2020 were confirmed as a correct record.

3 **INTERNAL AUDIT REVIEW 2019/20**

The Committee was informed of the recent work completed by the Council's Internal Audit function in 2019/20.

4 **INTERNAL AUDIT PROGRESS REPORT**

Members were updated with the recent work completed by Internal Audit. Many of the audit reports have taken place during the coronavirus pandemic lockdown and the audit process adapted accordingly to enable it to be completed successfully.

5 GOVERNANCE DASHBOARD - MAJOR PROJECTS

The Committee was updated with the Governance Dashboard report relating to the Council's major and key projects. Internal Audit confirmed an established appropriate framework for the governance, administration and processing of emergency grants were provided to ensure compliance and fairness with all the government schemes relating to Covid-19. The officers involved were thanked with all the work carried out especially under the current restrictions.

6 AUDIT OF ACCOUNTS 2019/2020 UPDATE

Members noted the progress in producing the Council's accounts for 2019/20 two months ahead of the revised statutory deadline due to Covid-19. The audit of the accounts were currently taking place with the Council's external auditors (Mazars) and the final, audited accounts will be presented for approval at the next committee.

7 COMPLAINTS REPORT 2019/2020

Members were updated with a summary of complaints made against the Council 2019/20. Housing complaints were noted to have seen an increase following the extreme weather conditions and the Covid-19 pandemic. It was agreed to follow up recommendations suggested to departments after stage two and report these to Committee and to recommend to departments who are responsible for stage one complaints to be more proactive and suggest improving communications and training to prevent the complaint in the first instance.

8 FREEDOM OF INFORMATION REPORT 2019/2020

The Committee was updated with an overview of Freedom of Information requests made to the Council in 2019/20

9 COMMUNITY GOVERNANCE REVIEW

The Committee was informed of the proposed arrangements for the Community Governance Review. Members were presented with an amended recommendation to grant the Chief Executive delegated authority to postpone to CGR until October 2021. The amended recommendation was proposed and seconded by Councillor E Williamson and Councillor I L Tyler. An additional amendment was suggested to amend the date to June 2021. This amendment was proposed and seconded by Councillor P D Simpson and Councillor J M Owen and when put the vote was carried.

RESOLVED that the Community Governance review be postponed until June 2021.

10 THE DRAFT MODEL CODE OF CONDUCT

Members considered the draft model code and the associated draft response. It was requested that the Code be amended to include the declarations of properties, land holdings, corporate tenancies, tenancies, easement, servitude, interest or right in or over land as appropriate for individual members. Additionally, members requested that the Code be amended to include a declaration on the beneficial or negative interest in land which is in the area of the Council. It was suggested that the Code of Conduct should be applied to Councillors outside their Council duties as well.

RESOLVED that:

- 1. The Council's response to the Consultation on the Draft Model Code of Conduct, as amended, be approved.**
- 2. The best practice guidance be approved.**

11 WORK PROGRAMME

The Committee considered the Work Programme.

RESOLVED that the Work programme be approved, subject to the inclusion of a Governance report for Discretionary Grant Aid and Council Tax Support scheme in relation to Covid-19 response.

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Audit Update Report

Broxtowe Borough Council

Year ending 31 March 2020

CONTENTS

1. Executive summary
2. Significant findings to date
3. Value for Money conclusion

Appendices:

A. National Publications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of this report

This report provides the Governance, Audit and Standards Committee with an update on progress in delivering our responsibilities as your external auditor and also summarising key national publications that may be of interest to Members.

Changes in accounts and audit timetable

In April 2020 The Ministry of Housing, Communities and Local Government (MHLCG) confirmed that a statutory instrument (SI) amending the Accounts and Audit Regulations had been laid and came into force on 30 April 2020. The new effects of the amendments to the regulations are to change the dates that local authorities, are required to publish draft and final accounts, and to remove the 'common' period during which local electors can inspect and object to local authority accounts.

The key changes for publication of draft and final accounts are as follows:

- The deadline for authorities to publish draft financial statements moves from 31 May to **31 August 2020**.
- The deadline for publication of final (audited) financial statements moves from 31 July to **30 November 2020**.

The Council worked to an internal deadline of 30 June 2020 to publish its financial statements, significantly ahead of the revised publication deadline.

The requirement for a 'common' inspection period has been removed. The requirement to hold a 30-working-day inspection period remains, but for 2019/20 authorities can commence the inspection period at any time, except it must commence **no later than 1 September 2020**. This will allow authorities to produce their draft accounts and commence their inspection periods as soon as they are able. The Council's public inspection period commenced on 1 July 2020 and closed on 11 August 2020.

Progress to date

We agreed dates to complete the audit fieldwork during July / August and our work has progressed well. Covid19 has created challenges to our ability to work efficiently, but management have been both supportive and cooperative as our work has progressed.

We do not expect, however, to be able to conclude the audit until October / November. We rely on assurance from the pension fund auditor to support our work on pension assets and liabilities in the Council's financial statements. The pension fund auditor has informed us that they are not expected to provide this information to us until October.

2. SIGNIFICANT FINDINGS TO DATE

Set out below are the significant findings from our audit to date. These findings include:

- matters arising from the work performed to date regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	<p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <hr/> <p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• Accounting estimates impacting on amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <hr/> <p>Current Position</p> <p>The majority of our testing has been completed, with no matters arising.</p> <p>As management override could occur at any point up to the end of the audit, we need to perform our final procedures closer to the completion stage of the audit.</p> <hr/>

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of land and buildings, investment properties (where applicable) and assets held for sale (where material)	<p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's Property, Plant and Equipment that is held at a valuation.</p> <p>The Council uses an internal valuation expert to provide information on valuations because there is a high degree of estimation uncertainty caused by significant judgements and number of variables involved in providing valuations. We have therefore identified the valuation of material balances of land and buildings, investment properties (if applicable or material) and assets held for sale (if material) to be an area of significant audit risk.</p> <p>At the outset of the Covid19 outbreak, guidance issued by the Royal Institute of Chartered Surveyors set out an expectation that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings at the balance sheet date.</p>
	<p>How we addressed this risk</p> <p>We have considered the Council's arrangements for ensuring that the valuation of land and buildings are reasonable and also considered whether valuation movements are in line with market expectations using available indices where these were available and appropriate to the Council's circumstances. We have assessed the competence, skills and experience of the valuer.</p> <p>We test a sample of revaluations in year to valuation reports and supporting calculation sheets to ensure these are consistent with underlying source records (such as floor plans) in addition to challenging the methods and assumptions used by the valuer. Where necessary we also perform further audit procedures on individual assets to ensure that the basis and level of revaluation is appropriate.</p> <p>In addition, we assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer.</p>
	<p>Current position</p> <p>Our work is substantially complete.</p> <p>The Council's valuer has included a statement of 'material uncertainty' over the valuation as at 31 March 2020 and we have considered this as part of our testing approach. We have requested the Council ensure this is disclosed in the financial statements to inform any reader of the accounts. We are considering the impact to our Audit Report, which we expect will lead to an 'emphasis of matters' paragraph to draw attention to the relevant disclosure note in the financial statements. This would not be a modification to the audit opinion and this approach is consistent with all local authority audits.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of net defined benefit liability	<p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, the local government pension assets and liabilities are subject to triennial revaluation as at 31 March 2019, which set the contribution rates for 2020/21 onwards. This results in an increased risk of material misstatement.</p>
	<p>How we addressed this risk</p> <p>In relation to the valuation of the Council's defined benefit pension liability in addition to our standard programme of work in this area we:</p> <ul style="list-style-type: none">• review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PwC, the consulting actuary engaged by the National Audit Office;• agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements;• critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham; and• liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include 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.
	<p>Current position</p> <p>Our work is ongoing and we are unable to complete our work until we receive appropriate assurances from the auditor of the Nottinghamshire Pension Fund. These assurances will also inform us of any concerns relating to the valuation of pension fund assets as a result of any uncertainty caused by Covid19. We will need to consider the impact of this before issuing our opinion.</p> <p>In July 2020, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sargeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 is likely to have led to an overstatement of the pension fund liability as at 31 March 2020. We have requested the Council obtain an updated actuarial valuation to identify whether the pension fund assets and liabilities require adjustment.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant matters discussed with management

We have, and will continue to have, ongoing dialogue with management over key aspects of the audit. These have included:

- The impact of Covid19 on the entity's business, including potential impact on risks of material misstatement.
- Discussions in connection with the application of auditing standards and fees for audit.

Covid19

We have discussed the impact of Covid19 on the Council's business and concluded there were no additional financial statement significant audit risks arising.

One area of concern arising from Covid19, is the impact on the Council's financial resilience. The full financial impact of Covid19 is not yet certain, however the initial outbreak impacted on the Council's ability to enact its original 2020/21 plan, including income generation and expenditure reductions.

We recognise the Council is working through the implications and considerations through business planning and financial planning updates. The impact on the Council's finances will impact the level of useable reserves and it is important the Council develops clear plans to ensure the Council's financial resilience is assured over the medium term.

Financial Statement Matters: Going Concern

The Council's going concern status is confirmed through the 2019-20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of financial statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of Covid-19, means an additional level of scrutiny is required over the going concern assertion in 2019/20. In particular, reviewing management's explicit considerations of whether the financial statement disclosure for going concern should more explicitly describe the impact of Covid-19.

We have provided a briefing note to management and have requested the Council perform a formal going concern assessment for 2019/20 prior to us forming our final audit opinion.

Financial Statement Matters: Financial Instruments

Whilst the Government has introduced a number of measures to ease financial hardship, the Council needed to consider the impact on expected credit losses and the impairment of financial assets.

Financial Statement Matters: Sources of estimation uncertainty, including pension fund assets and liabilities

The Council is required to provide disclosures regarding the key sources of estimation uncertainty that management has made in preparing the financial statements, specifically those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the ensuing financial year.

Audit fees

As explained in our Audit Strategy Memorandum, we continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular, we have increased the level of work we do on:

- defined benefit pension schemes; and
- valuation of property, plant and equipment

We expect this to be a permanent uplift to the audit fee and have provided management with an estimate, to be confirmed on completion of our work, of between £6,000 to £10,000.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant matters discussed with management

Audit fees

In addition to the fees relating to scope changes to the valuation of land and buildings and in relation to the pension fund assets and liabilities, we have discussed with management the additional audit testing and audit work required relating to:

- Valuation uncertainty on land and buildings and pension fund assets caused by Covid19;
- Additional testing and evaluation of the going concern assertion and financial instruments; and
- Potential changes to the financial statements as a result of the McCloud remedy.

We have provided management with an estimate of between £5,750 and £13,500 for these matters. The final amount will be agreed on completion of our work and be proportionate to the level of specific additional work required.

Management co-operation

During the ongoing coronavirus situation, Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us. Remote working has meant the audit is not as efficient as we would like or expect, including an extended period of query resolution. This is consistent across all our clients and a reflection of the impact of Covid19.

Management have been under substantial pressure to deliver against many competing priorities since March 2020 and we want to extend our thanks to the finance team for their positive support and co-operation during the course of the audit.

Audit adjustments

In our Audit Completion Report, we will provide full disclosure of audit adjustments and any unadjusted misstatements for approval. From the work performed to date, the main items for the Governance, Audit and Standards Committee to note are:

- Property Plant & Equipment - Management identified that an accounting journal had not been posted to correct the capital adjustment account for revaluations made. This has no impact on the Council's useable reserves.
- Property, Plant & Equipment – We have requested the Council include a more enhanced disclosure relating to the Covid19 valuation uncertainty as issued by the Council's valuer.

3. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion 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 conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified the following significant risk to our VFM work:

Risk: Financial resilience	
Description	<p>The continual pressures on Local Government finances are well documented and led to another challenging budget setting process for 2019/20. In order to set a balanced budget a funding gap of £0.615m was met from General Fund reserves and this was approved by the Council in February 2019.</p> <p>The latest forecast shows that the Council is now anticipating withdrawing £1.269m from balances in 2019/20 as opposed to the initial £0.615m as shown above. This is due to the effect of budget carry forwards from 2018/19 of £0.327m plus other changes approved by the Policy and Performance and Finance and Resources Committees. Moving forward there will be continuing pressure on the Council's General Fund reserve to plug each years' budget deficit. The Council's 2020/21 budget papers show that the General Fund reserve is expected to fall from £6.048m at 1 April 2019 to 3.876 at 31 March 2021.</p> <p>The Medium Term Financial Strategy (MTFS) which projects the Council's position up to 2023/24 based upon a series of assumptions shows that the General Fund reserve will continue to be utilised each year and fall below the minimum balance required of £1.5m in 2022/23 before becoming negative in 2023/24. This pressure upon the General Fund places the Council at increased risk should any adverse unknown or unexpected events occur.</p> <p>There will be significant changes in local government finances over the next few years, which will culminate in a major change in the way local government is financed from 2021/22 onwards. These include the anticipated Comprehensive Spending Review 2020, the Fair Funding Review and the introduction of 75% local retention of business rates (up from 50%). As the funding from 2021/22 onwards is unclear at this stage, the need for savings (or income generation) will continue to have a significant impact on the Council's financial resilience and reduce the burden on the need to utilise reserves to balance any deficits in the budget</p>
Planned response	<p>We will consider whether the Council has arrangements in place to secure its financial resilience, specifically:</p> <ul style="list-style-type: none">• That the MTFP has been updated to reflect known changes in funding, spending plans and the impact on Useable Reserves.• That the MTFP includes sensitivity analysis given the degree of variability and uncertainty in funding.• How and whether the Council has delivered planned savings in 2019/20.• Whether sufficient progress has been made to identify savings for 2020 onwards.

3. VALUE FOR MONEY CONCLUSION

Risk:	Financial resilience
Observations to date	<p>During the 2019/20 financial year the achieved an underspend against the revised General Fund budget of £0.362m. This resulted in the Council's net deficit and the expected utilisation of reserves reducing from £1.3m to £0.625m, being £0.450m less General Fund reserves being utilised (after other reserve movements) than planned. The Housing Revenue Account delivered a £0.623m surplus, being a £0.899m underspend compared to revised budget.</p> <p>Although a positive outturn position was achieved against the revised budgets, Covid19 heightens the financial challenges to Broxtowe Borough Council over the medium-term:</p> <ul style="list-style-type: none">• Although £1.187m has been received in funding there will be a shortfall in the 2020/21 budget.• Savings and income generation included in the original 2020/21 budget are unlikely to be realised.• Between April and July 2020, the Council lost £2.4m of income, the longer-term impact is also to be determined.• Covid19 also increased the inherent risk to the Beeston square development, with the sale of land being deferred and a future risks aligned to economic recovery from Covid19 to retail and high streets.• Liberty Leisure has also been affected with the closure of Leisure centres and the resultant drop in income against the management fee that is payable. <p>The Council will need to update forecasts for 2020 and is preparing a revised Medium-Term Financial Plan and business strategy in October 2020. Good progress has been made in identifying options and the Council will need to carefully consider the impact on the general fund over the period 2020/21 to 2022/23 to ensure reserves remain adequate. The Council had anticipated that General Fund reserves may drop below the internally set target of £1.5m in 2022/23, but this is now likely to occur in 2021/22 and so managing the medium-term finances of the Council will be crucial.</p>

A. SUMMARY OF NATIONAL PUBLICATIONS

This section of our report contains national publications which may be of interest to Members, including recent publications in respect of Covid-19.

There have been many different briefings across different sectors, in respect of the emerging crisis and more are being published on an on-going basis. This summary does not intend to provide an exhaustive list of all recent publications, but to provide an overview of key areas.

Within Mazars, we liaise with the regulators for your sector on a regular basis and this will continue during the coming periods, so that we ensure we are up-to-date with emerging issues; we feed back any messages as part of on-going two-way communications.

	Publication/update	Key points
Financial Reporting Council and other regulators		
1.	Statement in respect of current situation	Highlights the impact for auditors and organisations and also the likelihood of an increase in modified opinions.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
2.	Financial Scrutiny Practice Guide , 25 June 2020	Guidance on financial scrutiny in local government.
3.	CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, 30 April 2020	This is technical guidance for those preparing financial statements.
National Audit Office (NAO)		
4.	Guide for audit and risk committees on financial reporting and management during COVID-19, 24 June 2020	NAO Guidance for Audit and Risk committees during the pandemic.
5.	Investigation into remediating dangerous cladding on high-rise buildings, 19 June 2020	NAO report on addressing the issues with building cladding following the Grenfell fire.
6.	Auditor Guidance Note (AGN) 03 – Auditors’ Work on Value for Money Arrangements, June 2020	NAO consultation on the detailed new guidance for auditors in relation to VFM work from the 2020/21 audit.
7.	Readying the NHS and adult social care in England for COVID-19, 12 June 2020	NAO’s second publication considering the Government response to COVID-19.
8.	Managing Private Finance Initiative (PFI) assets and services as contracts end, 5 June 2020	NAO report on managing PFI contracts.
9.	Overview of the UK government’s response to the COVID-19 pandemic, 21 May 2020	NAO’s first publication considering the Government response to COVID-19.
10.	Code of Audit Practice	New Code governing work of auditors, applying from 1 April 2020 for 2020/21 audit year and beyond.

A. SUMMARY OF NATIONAL PUBLICATIONS

	Publication/update	Key points
Public Sector Audit Appointments (PSAA)		
11.	PSAA Publishes Findings of Audit Survey, 7 May 2020	PSAA client survey. We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.
12.	Independent analysis of the outcomes of electors' objections, 15 April 2020	Analysis of objections.
13.	News release: Q&As, 9 April 2020	PSAA seeks to answer questions raised in the 2020/21 scale fee process.
14.	2020/21 audit fee scale, 31 March 2020	Scale fees set for 2020/21 at same level as 2019/20, but PSAA indicates likely upward pressure on audit fees for both years.
15.	Independent review of the sustainability of the local government audit market, 4 March 2020	PSAA publishes an independent review.
Ministry for Housing, Communities and Local Government (MHCLG)		
16.	Comprehensive new funding package for councils to help address coronavirus pressures and cover lost income during the pandemic, 2 July 2020	Latest funding package to assist local government to deal with the impact of the pandemic.
17.	Coronavirus (COVID-19): guidance for local government, 1 July 2020	Summary of all the guidance available for local government.
18.	Local authority COVID-19 financial impact monitoring information, 21 June 2020	Summary of information gathered to assess the financial impact of the pandemic on local government.
19.	Addressing cultural and governance failings in local authorities: lessons from recent interventions, 16 June 2020	Lessons to be learned from Government intervention in local authorities.
20.	Local government procurement: fraud and corruption risk review, 8 June 2020	Local government procurement fraud and corruption risk review provides advice on how councils can strengthen their processes and implement prevention measures.
21.	Emergency funding, 30 March 2020 and 28 April 2020	Two tranches of emergency funding to support local authorities.
22.	Councils given new powers to hold public meetings remotely, 3 April 2020	Temporary powers to hold remote meetings.
23.	Coronavirus (COVID-19): letter to councils about extending the statutory audit deadlines for 2019/20, 22 April 2020	Extension of accounts and audit timetable.
Local Government Association (LGA)		
24.	Key questions and issues for finance portfolio holders during the COVID-19 pandemic, 14 May 2020	A useful paper that highlights the key financial challenges from the pandemic, and the issues for medium term financial planning.
House of Commons: Public Accounts Committee:		
25.	Local authority investment in commercial property	Significant concerns over local authority approaches to commercial property investment

A. NATIONAL PUBLICATIONS

1. Statement on Covid-19, Financial Reporting Council and other Regulators, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.

Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”

This statement highlights:

- highlights likelihood of more modified opinions (where difficulties in obtaining evidence or other issues);
- going concern assumption considerations and uncertainties; and
- guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>

2. Financial Scrutiny Practice Guide, CIPFA (with the Centre for Public Scrutiny), 25 June 2020

CIPFA has released its guidance on Financial Scrutiny Practice, which is aimed at councils and councillors in England, and seeks to address how best to integrate an awareness of council finances with overview and scrutiny.

CIPFA reports that the impact of the pandemic means that council budgeting will need to be more focused on priorities and difficult choices for the foreseeable future. Therefore, the guide suggests ways to move budget and finance scrutiny beyond set-piece events that take place in December and quarterly financial performance reported to committees.

CIPFA also notes that effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust, sustainable, and takes into account the needs of residents.

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

3. CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, Chartered Institute of Public Finance and Accountancy, 30 April 2020

This is technical guidance for those preparing financial statements. It covers emerging or urgent accounting issues. The bulletin for the 2019/20 financial statements includes guidance on accounting for issues relating to the COVID-19 pandemic.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements>

A. NATIONAL PUBLICATIONS

4. Guide for audit and risk committees on financial reporting and management during COVID-19, 24 June 2020

The NAO has published a Guide for audit and risk committees on financial reporting and management during COVID-19. This guide aims to help audit and risk committee members support and challenge the organisations they work with in the following areas:

- Annual reports;
- Financial reporting;
- The control environment; and
- Regularity of expenditure.

In each section of the guide the NAO has set out some questions to help audit and risk committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period when more specific and detailed reporting on the outbreak will be required.

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

5. Investigation into remediating dangerous cladding on high-rise buildings, 19 June 2020

The NAO has published its report on the investigation into remediating dangerous cladding on high-rise buildings.

Following the Grenfell Tower disaster, the Ministry of Housing, Communities and Local Government (MHCLG) established the Building Safety Programme to ensure that residents of high-rise residential buildings are safe and feel safe from the risk of fire. In May 2018, MHCLG announced £400 million to fund the remediation of high-rise residential buildings with unsafe Aluminium Composite Material (ACM) in the social housing sector. In May 2019, a further £200 million was made available for the remediation of equivalent buildings in the private sector.

In May 2020, the Government announced a new £1 billion building safety fund to remove dangerous cladding from high-rise buildings. This brings the total funding for remediation to £1.6 billion.

The investigation examined how MHCLG is:

- assuring itself that it has correctly identified all the buildings which fall within scope of the Programme, and that they are being fully remediated;
- managing the pace of progress of remediation; and
- deciding which buildings qualify for remediation funding, and how it has assessed risks outside the scope of the programme.

Some of the findings from the investigation include:

- as at April 2020, 149 of the 456 buildings, 18 metres and over with unsafe ACM cladding have been fully remediated;
- the pace of remediation has been faster in the student accommodation and social housing sectors, but slower in the private residential sector;
- early signs are that the effect of COVID-19, and public health measures taken to limit its impact, have slowed down the pace of remediation; and
- more than a quarter of buildings yet to be remediated are concentrated in four local authorities.

<https://www.nao.org.uk/report/investigation-into-remediating-dangerous-cladding-from-high-rise-buildings/>

A. NATIONAL PUBLICATIONS

6. Auditor Guidance Note (AGN) 03 – Auditors' Work on Value for Money Arrangements, June 2020

The new Code of Audit Practice came into force on 1 April 2020, after being approved by Parliament. It was developed following a consultation process in 2019. The most significant changes to the new Code are in relation to auditors' work on value for money arrangements. NAO have decided to consult on the detailed statutory guidance that will support auditors to deliver work under the new Code.

NAO have now published its consultation seeking views on the draft 'Auditor Guidance Note (AGN) 03 – Auditors' Work on Value for Money Arrangements'. The consultation is open for a period of 12 weeks, with a closing date of 5pm on 2 September 2020.

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

7. Ready the NHS and adult social care in England for COVID-19, 12 June 2020

The NAO published its report Ready the NHS and adult social care in England for COVID-19 in June 2020.

This report is the second in a programme of work by the NAO to support Parliament's scrutiny of the UK government's response to COVID-19. It sets out the facts about government's progress in preparing the NHS and social care for the COVID-19 outbreak, with a focus on:

- actions set out in the 17 March letter to the NHS, and the 15 April action plan for adult social care. It also describes what is currently known about additional funding for health and adult social care;
- actions taken at a national level by those responsible for coordinating health, adult social care and local government in England; and
- the period from the start of the outbreak to at least the end of April, when the government announced that the UK was "past the peak". Depending on the data available at the time of writing, the NAO has provided information up to mid-May.

The report does not assess the value for money of the measures adopted by government or the effectiveness of its response. It uses a range of published and unpublished data, the latter requested from public bodies under the NAO's statutory audit powers.

<https://www.nao.org.uk/report/readying-the-nhs-and-adult-social-care-in-england-for-covid-19/>

8. Managing Private Finance Initiative (PFI) assets and services as contracts end, 5 June 2020

The NAO has published its report on Managing PFI assets and services as contracts end.

The report considers whether the government is making appropriate preparations to manage the expiry of PFI contracts. The report notes that there are currently 700 operational PFI contracts in the UK with a capital value of £57 billion. However, the study focuses on the 571 PFI contracts in England, excluding those for which responsibility lies with the devolved governments.

The report draws out the challenges and best practice that can most benefit those managing PFI contracts which are ending. Note that the report does not assess the potential impacts of the COVID-19 pandemic on the expiry of PFI contracts, as the fieldwork was conducted before the outbreak.

<https://www.nao.org.uk/report/managing-pfi-assets-and-services-as-contracts-end/>

A. NATIONAL PUBLICATIONS

9. Overview of the UK government's response to the COVID-19 pandemic, *National Audit Office*, 21 May 2020

Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government's response is unprecedented in recent history.

This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government's response to COVID-19.

<https://www.nao.org.uk/report/summary-of-uk-governments-response-to-the-covid-19-pandemic/>

10. Code of Audit Practice, *National Audit Office*, March 2020

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies. Schedule 6 of the Act extends this requirement to include NHS Foundation Trusts.

Local auditors must comply with the Code of Audit Practice. The Code must be reviewed at least every five years, so the Code that applies will depend on the financial year being audited.

The final draft of the latest Code has now been approved by Parliament and will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards. The NAO is now developing the detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code. The most significant changes will be made to the guidance on auditor's work on arrangements to secure value for money (AGN 03) and auditor reporting (AGN 07). NAO plan to engage with stakeholders to develop this guidance over the coming months and will consult publicly in the summer/autumn of 2020.

We will brief the Committee on changes as more guidance emerges over the year. Key messages from the new Code are summarised below:

Audit of the financial statements

Auditors must still comply with underlying auditing standards.

Value for money arrangements

- Removal of 'except for' and 'adverse' conclusions.
- Work based around 3 reporting criteria:
 - Financial sustainability
 - Governance
 - Improving the 3Es – economy, efficiency and effectiveness
- Auditors must report when they are not satisfied that arrangements are in place. Where weaknesses are identified, recommendations are expected at any time of the audit.

Auditor reporting

- Auditor's Annual Report introduced:
 - Replaces Annual Audit Letter
 - Includes enhanced commentary against each of the specified VFM reporting criteria
 - To be issued in line with the audit report on the financial statements

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

A. NATIONAL PUBLICATIONS

11. PSAA Publishes Findings of Audit Survey, *Public Sector Audit Appointments*, 7 May 2020

PSAA has published the findings of a survey of audited bodies' feedback on their audits of 2018/19 accounts.

In the past, surveys have been undertaken by the audit firms themselves and have sought the responses of client Chief Finance Officers (CFOs) to a relatively small number of high level questions.

This year, coinciding with the first audits under Appointing Person arrangements, PSAA has introduced a new approach which incorporates a number of important changes.

To assure independence and confidentiality, it has commissioned the LGA's Research & Information team to administer the survey centrally. The views of both CFOs and Audit Committee Chairs have been sought recognising the importance of the auditor's relationships with both Management and Those Charged With Governance. A longer list of survey questions has also been developed to probe more deeply into respondents' experience of different aspects of the audit and the auditor's performance.

PSAA hopes that audited bodies will find the survey results interesting and helpful in terms of stimulating discussion about their audit, identifying areas in which it went well or might have been improved. PSAA is encouraged by the volume of data which its new survey has generated and the opportunity it provides to identify good practice and/or discuss specific areas for improvement with individual audit firms.

We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.

<https://www.psaa.co.uk/2020/05/psaa-publishes-findings-of-audit-survey/>

12. Independent analysis of the outcomes of electors' objections, *Public Sector Audit Appointments*, 15 April 2020

A unique element of the local government accountability framework is the long-held rights of local electors to inspect accounts and related documents, and to object to auditors about issues of concern. In recent times electors have been able to access far more data and information than when the right to object was originally enacted, because of developments such as transparency reporting and the Freedom of Information Act.

Publicly available information about objections and their outcomes is limited. The work on them is often mainly confidential correspondence between the auditor, the objector and the local body with the outcome reported to the local body. Although the auditor's decision and detailed statement of reasons is sometimes reported in the public domain, this is not always the case. To help address that gap PSAA has commissioned an independent analysis of the outcomes of objections.

<https://www.psaa.co.uk/2020/04/news-item-independent-analysis-of-the-outcomes-of-electors-objections/>

13. News release: Q&As, *Public Sector Audit Appointments*, 9 April 2020

PSAA consulted on the 2020/21 scale fees earlier this year and published the 2020/21 scale fees on 31 March 2020. Not surprisingly in these turbulent times for audit the consultation responses contained many questions. Today PSAA have published a 'Q&A', setting out our answers to them.

<https://www.psaa.co.uk/2020/04/news-release-qas/>

A. NATIONAL PUBLICATIONS

14. 2020/21 audit fee scale, *Public Sector Audit Appointments*, 31 March 2020

The consultation set out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at bodies that have opted into PSAA's national auditor appointment scheme. Setting the fee scale for audits of 2020/21 financial statements is challenging. It requires consideration and assessment of the impact of a range of factors, many of which are difficult to quantify at this stage. They include:

- issues which have given rise to additional audit work in relation to the 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years;
- new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews being undertaken and referred to in this progress report (see item 7 above); and
- the introduction of the new NAO Code of Audit Practice and related AGNs, the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.

In PSAA's view, discussions about the impact of the factors outlined needs to take place at local body level between the appointed auditor and an authorised representative of the audited body, such as the chief finance officer. This is the level at which each factor or variable can be considered in the distinctive context of the particular body, having regard to any implications for audit risk and the extent of any additional audit work which may be required to enable an appropriate level of assurance.

The expectation is that such discussions should take place as soon as possible as part of planning discussions for 2019/20 audits, with a specific aim also to look ahead to identify any implications for 2020/21. In some cases it may not be possible to quantify the implications for audit work at this stage or perhaps even until the work is done. Nevertheless early discussions will help to align expectations and mitigate the risk of audited bodies being unaware of the prospect of charges for additional work until very late in the audit process.

Link to the PSAA consultation is set out below:

<https://www.psaa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/>

PSAA published its scale fees for 2020/21 on 31 March 2021, and concluded that:

"In current circumstances we do not have sufficient reliable information that would enable us to adjust the scale of fees for 2020/21, and so have maintained the scale fee at the level set for 2019/20 before audit work had started. In practice we recognise that in the event, with so much turbulence and change in the environment, additional fees variations are likely to arise for many bodies."

<https://www.psaa.co.uk/audit-fees/2020-21-audit-fee-scale/>

15. Independent review of the sustainability of the local government audit market, *Public Sector Audit Appointments*, 4 March 2020

PSAA has recently commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard (TR).

The TR report draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31st July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams.

<https://www.psaa.co.uk/2020/03/news-item-independent-review-of-the-sustainability-of-the-local-government-audit-market/>

A. NATIONAL PUBLICATIONS

16. Comprehensive new funding package for councils to help address coronavirus pressures and cover lost income during the pandemic, 2 July 2020

On 2 July 2020, Government announced a major new support package to help councils respond to coronavirus as part of comprehensive plan to ensure councils' financial sustainability for the future.

Key features of the new package include:

- Government announces new comprehensive package of support to address spending pressures and in recognition of lost income;
- Further £500 million brings funding given to support local councils with pressures to £4.3 billion, part of a package of over £27 billion to help councils, businesses and communities; and
- New scheme will also reimburse councils for lost income and allow council and business rates tax deficits to be repaid over 3 years instead of one.

The announcement included statements that:

Recognising that councils are best placed to decide how to meet pressures in their local area, this funding has not been ringfenced.

In addition to this funding, a major new scheme introduced by the government today will help to reimburse lost income during the pandemic and boost cash flow. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost.

Additionally, to enable them to get on the front foot and build much-needed breathing space into their budgets, the government is also bringing in changes so that they can spread their tax deficits over 3 years rather than the usual one.

Overall, in the last 6 months, government has worked closely with local authorities to understand their needs and provided more than £27 billion to help councils, businesses and communities through COVID-19.

At the time of writing, further detail is awaited in relation to this announcement.

<https://www.gov.uk/government/news/comprehensive-new-funding-package-for-councils-to-help-address-coronavirus-pressure-and-cover-lost-income-during-the-pandemic>

17. Coronavirus (COVID-19): guidance for local government, 1 July 2020

There is a wide range of Government Guidance that relates to local councils during the coronavirus (COVID-19) outbreak. MHCLG provides a comprehensive list of all guidance and keeps this updated at the attached link.

<https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-local-government>

A. NATIONAL PUBLICATIONS

18. Local authority COVID-19 financial impact monitoring information, 21 June 2020

MHCLG is collecting data on the impact COVID-19 is having on local authority finances.

The purpose of the data collection is to help provide the government with information on the financial pressures experienced by local authorities as a result of the pandemic. The data collection, which is aimed at Finance Directors in 339 local authorities, is based on best estimates. Fire and rescue authorities and combined authorities are not included in the survey.

Information from local authorities were collected in mid-April and mid-May, and MHCLG plans to run the data collection on a regular basis, as the government continues its response to the pandemic. The data collected so far shows that the combined spending and income pressure at the end of May was £3.24 billion.

The detailed monitoring information (presented in excel format) is available here.

<https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

19. Addressing cultural and governance failings in local authorities: lessons from recent interventions, 16 June 2020

MHCLG reports that based on its experience of supporting, and sometimes intervening in local authorities (LAs) experiencing difficulties, culture and governance at LAs are key to their success or failure. To support LAs in these areas, MHCLG has published a short guide which considers the lessons about LA culture and governance that can be learned from recent statutory and non-statutory interventions.

The key areas covered by the guide include:

- recognising indicators of poor culture and weak governance;
- addressing ineffective leadership (corporate and political);
- addressing poor behaviour across an authority; and
- strengthening scrutiny, transparency and whistle-blowing support.

<https://www.gov.uk/government/publications/addressing-cultural-and-governance-failings-in-local-authorities-lessons-from-recent-interventions/addressing-cultural-and-governance-failings-in-local-authorities-lessons-from-recent-interventions>

20. Local government procurement: fraud and corruption risk review, 8 June 2020

The government has published the findings from its review of fraud and corruption risks in local government procurement.

The review report focuses on the risks of fraud and corruption when councils procure and commission goods, works and services. The report notes that the effective management of risk in procurement is part of ensuring a well-led and risk-aware council, that manages its resources efficiently to secure value for money outcomes.

The report includes:

- case studies highlighting where fraud and corruption incidents have occurred;
- best practice examples for mitigating fraud and corruption risks; and
- suggested activities to improve the response to fraud and corruption risks in local government.

<https://www.gov.uk/government/publications/local-government-procurement-fraud-and-corruption-risk-review>

A. NATIONAL PUBLICATIONS

21. Emergency funding, *Ministry for Housing, Communities and Local Government*, 30 March 2020 and 28 April 2020

On 19 March 2020, the [government announced](#) £1.6 billion of additional funding for local government to help them respond to coronavirus (COVID-19) pressures across all the services they deliver.

A further £1.6 billion in additional funding was [announced](#) on 18 April 2020. This extra £1.6 billion takes the total given to councils to help their communities through this crisis to over £3.2 billion.

This document sets out the allocations for local authorities.

<https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government>

22. Councils given new powers to hold public meetings remotely, *Ministry for Housing, Communities and Local Government*, 3 April 2020

The government has temporarily removed the legal requirement for local authorities to hold public meetings in person during the coronavirus pandemic. This will enable authorities to make effective and transparent decisions on the delivery of services for residents and ensure that local democracy continues to thrive.

<https://www.gov.uk/government/news/councils-given-new-powers-to-hold-public-meetings-remotely>

23. Coronavirus (COVID-19): letter to councils about extending the statutory audit deadlines for 2019 to 2020, *Ministry for Housing, Communities and Local Government*, 22 April 2020

Letter from the Ministry of Housing, Communities and Local Government informing local authority chief executives that:

- the publication date for final, audited, accounts will move from 31 July for Category 1 authorities and 30 September for Category 2 authorities to 30 November 2020 for all local authority bodies
- to give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June (for Category 1 authorities) and July (for Category 2 authorities) has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.

<https://www.gov.uk/government/publications/coronavirus-covid-19-letter-to-councils-about-extending-the-statutory-audit-deadlines-for-2019-to-2020>

24. Key questions and issues for finance portfolio holders during the COVID-19 pandemic, *Local Government Association*, 14 May 2020

The ongoing COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. This paper seeks to outline and discuss key strategic issues that elected members, particularly those in finance and wider leadership positions, should consider.

<https://www.local.gov.uk/key-questions-and-issues-finance-portfolio-holders-during-covid-19-pandemic>

A. NATIONAL PUBLICATIONS

24. House of Commons: Public Accounts Committee: Local authority investment in commercial property

The Public Accounts Committee has expressed significant concerns over local authority investments in commercial property and has made a series of recommendations, including:

- Further strengthening of guidance and the prudential framework
- Further strengthening of local governance arrangements.

<https://publications.parliament.uk/pa/cm5801/cmselect/cmpubacc/312/31202.htm>

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Report of the Deputy Chief Executive

GOING CONCERN STATUS

1. Purpose of report

This report sets out the Council's assessment by the Council's Section 151 officer of the Council's Going Concern status.

2. Detail

The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

Where the 'going concern' concept is not the case, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

Given the significant reduction in funding for local government in recent years and the potential threat that Covid-19 poses to the ongoing viability of one or more councils as a consequence, External Auditors are placing a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. In response the position at Broxtowe Borough Council is set out in the appendix to this report.

Recommendation

The Committee is asked to NOTE the outcome of the assessment made of Broxtowe Borough Council's status as a going concern for the purposes of the statement of accounts 2019/20.

Background Papers

Nil

APPENDIX**Assessment of Going Concern**

As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2019/20 (hereafter referred to as the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

The main factors which underpin the going concern assessment are:

- The Council's current financial position
- The Council's projected financial position
- The Council's governance arrangements
- The regulatory and control environment applicable to the Council as a local authority

These are considered in more detail below.

The Council's current financial position

The financial outturn position 2019/20 shows an over spend against revised budget of £0.45m. As at the 31st March 2020 the Council held general revenue reserves of £5.452m. In addition the Council held earmarked reserves of £0.313k which are held to meet specific identified pressures, but which ultimately be diverted to support general expenditure by the Chief Finance Officer should the need arise.

General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the organisation. As part of the Medium Term Financial Strategy the Chief Finance Officer has assessed that the optimum level of general reserves to be held by the Council to be at or above £1.5m least equal to 5% of the Council's net operating expenditure. At 31 March 2020 general reserves were at £5.452m.

At 31 March 2020 the Council held £11.031m in the form of either cash or short term investments maturing within the next financial year.

On capital there was £10.821m of expenditure in the approved capital programme for the year. This represents an underspend against the approved capital programme of £4.285m the main reason being general underspending on capital schemes. Budgets to the value of £4.238m have been carried forward into 2020/21. The Council funds its capital programme from borrowing, capital receipts, direct financing from revenue, government grants and partnership funding eg developer contributions.

The Council's balance sheet as at 31 March 2020

The balance sheet shows a net worth of £86.028m and this is significantly reduced by the inclusion of a pension liability of £53.931m. There are statutory arrangements for funding the pension deficit through increasing contribution over the remaining working life of the employees, as assessed by an independent actuary. Therefore, the financial position of the Council remains healthy. Other factors giving rise to this assessment include:

- The adequacy of risk assesses provisions for doubtful debts
- The range of reserves set aside to help manage expenditure
- An adequate risk assessed working balance to meet unforeseen expenditure

The Council's projected financial position

In February 2020, the Council approved a balanced budget for 2020/21. This allows for net spending of £10.539m and required a council tax increase of 3%, pressures/growth of £0.748m. savings of £0.493m and the use of £1.137m from reserves.

The Council's Medium Term Financial Strategy (MTFS) is updated annually and reflects a four year assessment of the council's spending plans and associated funding. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the council's capital programme, as well as the management of debt and investments. An update on the Council's medium-term financial position covering the four year period 2020/21 to 2023/24 was reported to the Finance and Resources Committee in February 2020 but due to the recent events an updated version will be taken to committee in October 2020.

With the Council already having overcome significant reductions in central government grant funding a budget gap of £4.346m over the period 2020/21 to 2023/24 has been identified in the MTFS. The Council has developed a Business Strategy to identify savings and additional income to manage the reduction in resources. The refreshed version of the Business Strategy will be presented to the Finance and Resources Committee in October 2020. The budget will be monitored over the Medium Term Financial period by the Finance and Resources Committee.

The Council has a well established process for the development of the Capital Strategy, reported to Finance and Resources Committee every year, which ensures the Council maintains a capital programme which is prudent, sustainable and affordable. The capital budget for 2020/21 to 2022/23 is £45.354m.

The Council's governance arrangements

The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements.

An overview of this governance framework is provided within the Annual Governance Statement which is included within the Statement of Accounts and was presented to the Governance, Audit and Standards Committee on 18th May 2020. This includes a detailed review of the effectiveness of the Council's governance arrangements.

The external regulatory and control environment

As a local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for councils to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being, when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery.

However, given the severity of this pandemic on the Country's finances, it would be complacent to sit back and wait for Government intervention. MHCLG have conceded that councils could still be left with unmanageable pressures and may continue to be concerned about their future financial position, urging any authority that found itself in that position to contact the department with immediate effect.

Impact of Covid-19

The estimated cost of Covid-19 is £2.639m including loss of income and additional expense incurred. The total amount received to date from Central Government is £2.3m which highlights the future financial implications if no further Government support is received in respect of expenditure incurred.

The estimated non-collection fund losses from income are £2.402m, with the largest contributors to that figure being lost income from leisure centres and reduced interest on investments

On 2 July 2020, the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) announced a new package of financial support. The latest package includes £500m to be distributed across the sector and will allow council and business rates tax deficits to be repaid over three years instead of the usual one.

In addition, where losses are more than 5% of a council's planned income from sales, fees and charges, MHCLG said it would cover 75p for every pound lost.

MHCLG said the 5% figure accounted for an 'acceptable level of volatility while shielding authorities from the worst losses' while covering three-quarters of every pound lost would encourage councils to 'manage and minimise loss where they can'.

Conclusions

It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that the Council remains a going concern.

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Report of the Chief Audit and Control Officer

INTERNAL AUDIT PROGRESS REPORT

1. Purpose of report

To inform the Committee of the recent work completed by Internal Audit.

2. Detail

Under the Council's Constitution and as part of the overall corporate governance arrangements, this Committee is responsible for monitoring the performance of Internal Audit.

A summary of the reports issued and progress against the agreed Internal Audit Plan for 2020/21 is included at appendix 1. A summary narrative of the work completed by Internal Audit since the previous Committee is also included.

Internal Audit has reviewed progress made by management in implementing agreed actions within six months of the completion of the respective audits. Details of this follow-up work are included at appendix 2. Where agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

Further progress reports will be submitted to each future meeting of this Committee. A final report will be prepared for Members' consideration after the end of the financial year detailing the overall performance and productivity of Internal Audit for 2020/21.

Recommendation

The Committee is asked to NOTE the report.

Background Papers

Nil

APPENDIX 1

INTERNAL AUDIT REPORTS ISSUED SINCE APRIL 2020

No	Audit Title	Report Issued	Assurance Opinion	Actions - Significant	Actions - Merits Attention
01	Erewash BC – Safeguarding	01/04/20	n/a	-	-
29	Council Tax	17/04/20	Substantial	0	2
30	Independent Living	05/05/20	Reasonable	0	5
02	Erewash BC – Data Protection	21/05/20	n/a	-	-
31	Key Reconciliations	22/05/20	Reasonable	0	1
32	Cash Receipting (Payment Kiosk)	05/06/20	LIMITED	2	5
03	Discretionary Business Grants (#1)	18/06/20	n/a	-	-
04	Payroll	24/06/20	Substantial	0	1
33	Information Governance	24/06/20	Substantial	0	1
34	Whistleblowing Policy and Complaints	26/06/20	Reasonable	0	2
03	Discretionary Business Grants (#2)	26/06/20	n/a	-	-
35	Enforcement	30/06/20	Reasonable	0	5
36	Financial Resilience	03/07/20	Reasonable	0	4
37	Local Authority Trading Company	06/07/20	Reasonable	1	2
03	Discretionary Business Grants (#3)	08/07/20	n/a	-	-
03	Discretionary Business Grants (#4)	14/07/20	n/a	-	-
03	Discretionary Business Grants (#5)	21/07/20	n/a	-	-
03	Discretionary Business Grants (#6)	06/08/20	n/a	-	-
03	Discretionary Business Grants (#7)	18/08/20	n/a	-	-
05	Governance – Emergency Grant Schemes	19/08/20	Substantial	0	1
06	Council Tax Hardship Scheme	02/09/20	Substantial	0	0
07	Kimberley Depot (including Security)	04/09/20	Reasonable	0	4
08	Housing Repairs	04/09/20	LIMITED	1	4

REMAINING INTERNAL AUDIT PLAN 2020/21

No	Audit Title	Progress
	Leasehold Properties	Draft report issued – pending finalisation
	Housing Delivery Plan	Draft report issued – pending finalisation
	Creditors and Purchasing	Ongoing (Nearing completion)
	Sundry Debtors	Ongoing (Nearing completion)
	Garages	In progress
	Declarations of Interest	In progress
	Computer/ICT (including Cyber Risk)	In progress
	Public Health Funerals	In progress
	Car Parks (inspection/maintenance)	In progress
	Bank Reconciliation	In progress
	Neighbourhood Warden	Commenced

REMAINING INTERNAL AUDIT PLAN 2020/21 (CONTINUED)

No	Audit Title	Progress
	Planning Enforcement	Commenced
	Section 106 Agreements	Commenced
	Waste Management	Commenced
	Fuel Management	Expected to commence in Q3
	Housing Voids Management	Expected to commence in Q3
	Gas Servicing and Maintenance	Expected to commence in Q3
	Housing Management System	Expected to commence in Q3
	Operational Risk Management	Expected to commence in Q3
	Health and Safety	Expected to commence in Q3
	Planning and Building Control	Expected to commence in Q3
	Kimberley Leisure Centre	Expected to commence in Q3
	D H Lawrence Birthplace Museum	Expected to commence in Q3
	Treasury Management	Expected to commence in Q3
	Benefits	Expected to commence in Q3
	HiMO Licences	Expected to commence in Q3
	Cash Receipting	Expected to commence in Q3/Q4
	Corporate Governance	Expected to commence in Q3/Q4
	Climate Change	Expected to commence in Q3/Q4
	Human Resources	Expected to commence in Q3/Q4
	Utilities (Energy and Water)	Expected to commence in Q3/Q4
	NNDR	Expected to commence in Q3/Q4
	Rents (including Evictions)	Expected to commence in Q3/Q4
	Council Tax	Expected to commence in Q4
	Procurement and Contract Management	Expected to commence in Q4

COMPLETED AUDITS

A report is prepared for each audit assignment and issued to the relevant senior management at the conclusion of a review that will:

- include an overall opinion on the adequacy of controls within the system to provide assurance that risks material to the achievement of objectives are adequately managed – the opinion being ranked as either ‘Substantial’, ‘Reasonable’, ‘Limited’ or ‘Little’ assurance;
- identify inadequately addressed risks and non-effective control processes;
- detail the actions agreed with management and the timescales for completing those actions, and;
- identify issues of good practice.

Recommendations made by Internal Audit are risk assessed, with the agreed actions being categorised accordingly as follows:

- Fundamental – urgent action considered imperative to ensure that the Council is not exposed to high risks (breaches of legislation, policies or procedures)
- Significant – action considered necessary to avoid exposure to significant risk.
- Merits Attention (Necessary Control) – action considered necessary and should result in enhanced control or better value for money.
- Merits Attention – action considered desirable to achieve enhanced control or better value for money.

The following audit reports have been issued with key findings as follows:

These audits have taken place during the coronavirus pandemic lockdown, which has seen the audit process adapted accordingly to enable it to be completed remotely. It is pleasing to report that Internal Audit considers that it has not been restricted in terms of its access to systems, records and people. As a result, the audit conclusions and the strength of the opinion provided has not been overly impacted or qualified. The support of officers has been most welcome in successfully concluding the audit testing.

1. **Local Authority Trading Company** Assurance Opinion – **Reasonable**

The specific audit objectives sought to provide assurance regarding the purpose and objectives of the company being clearly defined and implemented; adequate governance arrangements for the company being in place and operating effectively; and the performance of the company in relation to its purpose and objectives being measured, monitored and reported.

Internal Audit reported that the Council has an appropriate framework in place for the administration of operations in respect of its Local Authority Trading Company, namely Liberty Leisure Limited. Overall, the Company is established with a clearly defined purpose and objectives, sound governance arrangements and adequate performance reporting mechanisms. In general, the company appears to operate within the terms of its Articles of Association and the Service Management Agreement. An annual Business Plan is also produced for Committee approval, in line with other Council departments.

The review has indicated areas for improvement and recommendations were proposed in order to ensure that the processes and controls are effective. Internal Audit proposed one 'significant' actions relating to the need to review and renew the Service Management Agreement following the adoption of the new Leisure Strategy; define the relationship, objectives and responsibilities; mutual expectations; and the bases of financial and budget arrangements including 'management fee'. The findings and agreed action is provided below:

Revision and Update of Service Management Agreement

The Service Management Agreement between the Council and Liberty Leisure Limited was entered into on 9 September 2016, shortly before the company began trading as the Council's primary provider of leisure services.

Since this time, the company and the market environment within which it operates has evolved. In order to reflect this, the Council has engaged an external leisure consultancy, Continuum Sport and Leisure, to perform extensive research, consultation and analysis in order to produce a fresh Leisure Centres Facilities Strategy. This strategy will provide the basis for future of leisure service provision within Broxtowe.

This, coupled with the potential termination of the Joint-Use Agreement with Kimberley School and the sudden impact of the Covid-19 pandemic will almost certainly result in significant transformation to the future of leisure services.

Once the strategic future of Broxtowe Leisure is determined, a revised and updated Service Management Agreement will be required in order to define the relationship and mutual expectations of the Council and the Company.

Internal Audit suggest the following areas of focus during this future review:

- **Management Fee** – This payment to the Company has not followed the budget outlined in the original business plan. An increased certainty over future years' management fee would assist both parties in budgeting and cash flow forecasting for future developments. It is further suggested that independent specialist advice regarding transfer pricing risk is sought to avoid potential challenges from HMRC or other interested parties.
- **Disposal of Assets** – Upon commencement of trading, the operational assets for leisure services were transferred to the Company for a nominal sum. Since then, the Company has disposed of some fitness related equipment (via sale). The Council could request that the proceeds from such asset disposals that were originally the property of the Council, should be passed to the Council. Alternatively, the sale proceeds may be allowed to remain with the Company as a profit (potentially taxable). A suitable policy regarding the ownership and disposal of assets/equipment should be determined and enshrined within the Service Management Agreement.
- **Other Areas of Clarity** – There should be specific clarity around the mutual expectations of the Council and the Company, including operational matters such as opening hours; delivery of events and the allocation of responsibility for utilities, maintenance (including asbestos management and legionella testing), insurance and other premises matters across all sites. These latter areas will, by necessity, require review alongside the outcome of the negotiations surrounding the Joint-Use Agreements with Kimberley School and Chilwell School.

Agreed Action (Significant)

The new Leisure Facilities Strategy is currently being developed, although its full adoption and implementation will be a long-term project. It is anticipated that the proposed Strategy will have been developed by late summer 2020, at which stage, the Strategy will be used as the starting point for an initial review of the Service Management Agreement between the Council and the Company.

Managers Responsible

Deputy Chief Executive

Managing Director – Liberty Leisure Limited Target Date: 31 October 2020

The review also proposed two ‘Merits Attention – Necessary Controls’) actions relating to the need to review, revise and agree the Joint-Use Agreement with Chilwell School; and the continued declaration of a potential conflict of interest and related party relationship with a Community Interest Company.

The actions were agreed by the Deputy Chief Executive and the Managing Director – Liberty Leisure Limited. Internal Audit will complete appropriate follow-up work at six months from the date of the audit report and will report back to Committee accordingly.

2. Discretionary Business Grants

Internal Audit has provided a series of reports (up to seven in total) to the Head of Revenues, Benefits and Customer Services in respect of the Discretionary Business Grants Scheme. This work involved the prompt completion of summary quality assurance and fraud checks of provisional awards prior to the grants being released.

Internal Audit was reasonably assured to support the awards in the majority of cases presented for scrutiny. It was recommended that in the ‘fail’ cases that these applications should not be awarded at this stage without further evidence and consideration. This was agreed by management.

One fraudulent application was intercepted after the Council receiving warnings from the regional Midlands Audit Group about fraudsters utilising the details of seemingly legitimate businesses but referring to empty premises in the local area or referring to recently established premises leases with limited paperwork. The relevant authorities have been informed of this attempted fraud.

3. Governance – Emergency Grant Schemes

Assurance – **Substantial**

A review of the governance, systems and procedures operating in respect of the various Covid-19 Emergency Grants Schemes was carried out as a special investigation at the request of the Governance, Audit and Standards Committee.

Internal Audit is pleased to report that the Council established an appropriate framework for the administration of operations in respect of the various Emergency Covid-19 Grants schemes.

The Head of Revenues, Benefits and Customer Services and the Head of Finance Services prioritised the effective delivery of their respective schemes. Much of what has been achieved in urgently establishing these schemes was done on an emergency footing and, as such, it may not have been feasible to follow established governance procedures in all cases.

Assurance was gained from the Chief Audit and Control Officer strategically supporting the Head of Revenues, Benefits and Customer Services with setting-up processes for flagging potential fraud and irregularities for business grant applications. Internal Audit was also operationally active in supporting the business support grants process with quality assurance and fraud checking.

Internal Audit is satisfied that the Council has delivered the best scheme possible given the timeframe and notwithstanding the tremendous pressure to pay these grants. It considered that controls within the systems provided substantial assurance that risks material to the achievement of objectives were managed.

Internal Audit made one recommendation being that the Emergency Support Grant scheme for local voluntary organisations (the Community Fund) is now closed. Management should consider presenting a final report to the Finance and Resources Committee for noting, to provide a summary of the grants awarded to local voluntary organisations under this scheme and include feedback from grant recipients as to how the grants were used for the benefit of local communities.

4. **Council Tax Hardship Scheme**

Assurance Opinion – **Substantial**

A review of the governance, systems and procedures operating in respect of the Council Tax Hardship Scheme was carried out as a special investigation at the request of the Governance, Audit and Standards Committee.

Internal Audit is pleased to report that an appropriate framework for the administration of the Council Tax Hardship Scheme has been established. The scheme is operating in accordance with government guidelines, with the governance and key controls in place being as expected. The majority of awards have been automatically identified based upon parameters within the Council Tax system. There are also appropriate controls in place for the administration of the Discretionary Support Scheme, albeit there has only been a limited number of requests and awards to date.

No significant areas of concern were noted during the course of the audit. The findings arising from this review did not indicate any significant areas for improvement and, accordingly, Internal Audit issued a clearance report.

5. Kimberley Depot (including Security) Assurance Opinion – Reasonable

Internal Audit has completed a review of the systems and procedures operating in respect of Kimberley Depot and Security. This audit was substantively completed before the coronavirus pandemic lockdown. The specific audit objectives sought to confirm whether adequate controls exist to provide assurance that:

- A depot security policy and/or guidance is in place, with access to the site being restricted to authorised personnel and invited visitors;
- Appropriate arrangements are in place relating to site security, including the provision of CCTV;
- Operations at the depot have a due regard to health and safety;
- Plant and equipment are securely stored and recorded in inventories; and
- Flood risk is assessed and mitigated.

This review has indicated areas for improvement and four recommendations further recommendations were made in order to ensure that the processes and necessary controls in place are effective. These included the:

- Production of a security policy and/or procedures guide for reference by officers with responsibilities relating to depot security.
- Completion of an assessment of flood risk; with mitigating actions identified and communicated to ensure the health and safety of employees and protection of plant, equipment and stock.
- Development of a site specific flood plan to identify key officers and responsibilities; basic strategies to protect employees, equipment and machinery and to mitigate risks from contamination (including hazardous chemicals). The plan should include actions to be completed when flooding is imminent, during the event and post-flood.
- Maintenance of an inventory of all plant and equipment held at the depot and/or used offsite by the Environment department.

Internal Audit will complete appropriate follow-up work at six months from the date of the audit report and will report back to Committee accordingly

6. Housing Repairs Assurance Opinion – LIMITED

The specific audit objectives sought to confirm whether adequate controls exist to provide assurance that:

- Repair works are completed within a reasonable timeframe and to an appropriate standard;

- Works deemed rechargeable to the tenant are promptly and accurately invoiced; and
- Adequate controls are in place to manage resource consumption, in particular operative working hours and stocks.

The review indicated further areas for improvement and recommendations were proposed in order to ensure that processes and controls in place are effective. Internal Audit included one 'significant' action relating to the requirement to review the job costing and stock control processes to improve key controls and management reporting, as follows:

Job Costing and Stock Control

The Council does not presently exercise total control over consumable supplies used in the course of performing Housing Repairs. Whilst stock is barcoded and controlled within the Stores facility at Kimberley Depot, once an item is issued to an operative, the stock is held on the vehicle until utilised as part of a repair job.

As a result, it is not possible to produce reliable costings for individual jobs and the uncontrolled stock held on vans is exposed to increased risk of misappropriation. Furthermore, it is not possible to prepare an accurate valuation of the stock held on the vans for accounts purposes.

A number of actions in the Housing Repairs Review Action Plan, produced in response to the Commercial Manager's report relate to these specific stock issues. The following actions are of particular relevance:

- *All materials and equipment procured to be analysed for suitability and cost effectiveness to minimise waste.*
- *Integration of the Housing and Financial systems is explored in order so stock usage transactions can be recorded promptly.*
- *The Stores System is used by the operatives to record materials that they have on their van.*
- *Full van stock check, prior to the Stores System implementation, with smaller scale checks undertaken on an annual basis.*

The most recent record of progress against the action plan notes all the above actions as "Not Started" although it is acknowledged that this was primarily the result of the impact of the Covid-19 pandemic. It is however recommended that actions are progressed at the earliest opportunity.

There are clear control weaknesses in terms of job costing and stock control and the lack of process makes it difficult to estimate the scale of the financial risk in this regard, hence the potentially significant risk.

Agreed Action (Significant)

The progress made in delivering the Housing Repairs Review Action Plan have stalled due to various circumstances, not least the coronavirus pandemic lockdown. This action plan will be revisited when resources and the lifting of restrictions allow.

The job costing and stock control processes will be reviewed and updated as planned for in the Housing Repairs Review Action Plan. The progress made on this will be regularly reported to management and the Housing Committee.

Managers Responsible

Head of Housing

Housing Repairs Manager

Target Date: 31 December 2020

The review also proposed four 'Merits Attention actions (including three considered to be 'Necessary Controls') relating to:

- A review of the reporting framework with the aim of implementing an effective system of 'post-inspection' and 'monitored inspection', with progress being regularly reported to management.
- Reinstating the process for invoicing rechargeable repair works and to review billing arrangements as part of a wider piece of work to bring all housing related debt into the Housing management system.
- Implementing the key recommendations identified from an earlier commercial review of the service relating to Customer Services.
- Reviewing expired contracts at the earliest opportunity via formal competitive tender or direct award from a recognised framework.

The actions were agreed by the Head of Housing and the Acting Housing Repairs Manager. Internal Audit will complete appropriate follow-up work at six months from the date of the audit report and will report back to Committee accordingly

Further reviews in respect of Bank Reconciliation; Car Parks; Computer/ICT (including Cyber Risk); Creditors and Purchasing; Declarations of Interest; Garages; Housing Delivery Plan; Leasehold Properties; Neighbourhood Warden; Planning Enforcement; Public Health Funerals; Section 106 Agreements; Sundry Debtors; and Waste Management are ongoing and the reports have yet to be finalised. These will be included in the next progress report to Committee.

Current Audit Performance

Overall, the level of performance for 2020/21 in terms of audits completed is below what was achieved at this stage in the previous year. Although there has been some focus on completing the outstanding audits from 2019/20, the main impact has been from the Covid-19 pandemic lockdown and the urgency of diverting Internal Audit resources towards supporting other areas of work. This has included vital work

associated with the quality assessment and fraud checking of grants paid under the Emergency Business Grants and Local Discretionary Grants schemes.

The Chief Audit and Control Officer has already verbally advised this Committee in May that it would be appropriate for the Internal Audit Plan 2020/21 to be revised at a later date. This will allow the Chief Audit and Control Officer to reconsider the Council's key strategic risks post-lockdown, in conjunction with senior management and Members, and revise the Internal Audit Plan to ensure that it remains current and appropriate. This will also allow progress to be made with the Internal Audit Plan and the target of 90% to be achieved from the resources available.

Once the revised planning work is completed, a revised Internal Audit Plan will be presented to this Committee.

APPENDIX 2

INTERNAL AUDIT FOLLOW-UP

Internal Audit has undertaken a review of progress made by management in implementing agreed actions within six months of the completion of the audit.

The table below provides a summary of the progress made with agreed actions for internal audit reports issued between June 2018 and January 2020 excluding clearance reports. Those audits where all actions have previously been reported as completed have also been excluded from this list.

Audit Title	Report Issued	Assurance Opinion	Number of Actions (Significant in brackets)	Progress
Cemeteries 2018/19	25/06/18	Substantial	1	1 Outstanding
Legionella Prevention and Testing 2018/19	11/09/18	Reasonable	5	2 Outstanding
Commercial Props/Industrial Units 2018/19	04/10/18	Substantial	1	1 Outstanding
Energy (including Procurement) 2018/19	16/11/18	LIMITED	2 (1)	1 Outstanding
Bramcote Crematorium 2019/20	21/10/19	Substantial	2 (1)	1 Outstanding
CCTV 2019/20	30/10/19	Substantial	1	1 Outstanding
Electrical Testing 2019/20	15/11/19	Substantial	1	1 Outstanding
Choice Based Lettings 2019/20	18/11/19	Reasonable	3	1 Outstanding
Human Resources 2019/20	20/12/19	Substantial	1	1 Outstanding
NNDR 2019/20	24/12/19	Substantial	2	2 Outstanding
Chilwell Olympia (Liberty Leisure Ltd)	28/01/20	Substantial	1	1 Outstanding

Further details of progress being made with agreed actions that have not yet been fully implemented are included below along with comments from management reflecting any updates on progress. Evidence of implementation will not be routinely sought for all actions as part of this monitoring process. Instead, a risk-based approach will be applied to conducting further follow-up work.

Where the agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

OUTSTANDING ACTIONS

1. Cemeteries	June 2018, Substantial Assurance, Actions – 1
1.1 Digitisation of Cemetery Records	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A timetable for developing an efficient solution for maintaining an effective and accurate electronic cemetery records will be produced. The progress made against the plan will be monitored by management and Bereavement Services Joint Committee. The replacement of the current software solution is considered to be a key part in this medium-term project.</p> <p><u>Manager Responsible</u> Head of Property Services</p> <p>Revised target date – 30 September 2020</p>	
<p><u>Management Progress Report of the Bereavement Services Manager and the Procurement and Contracts Officer</u></p> <p>Tenders for the provision of Bereavement Services Management Software have been received and evaluated. Due diligence is currently being carrying out with the preferred supplier, to ensure the solution proposed is suitable, as well as within budget. Unfortunately, this has been complicated and delayed by Covid-19 and the availability of key members of the project team. It is anticipated a contract will be awarded by 1 October 2020, with work to commence shortly afterwards.</p>	

2. Legionella	September 2018, Reasonable Assurance, Actions – 5
2.1 Health and Safety Audits	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>Health and Safety will carry out annual audits of processes relating to Legionella prevention/detection and report its findings to the Safety Committee. This process will include seeking assurances from Responsible Persons that appropriate testing has been undertaken and completing a sample of substantive reviews linked to the areas of highest risk.</p> <p>The review will cover all relevant Council properties, including premises managed by Liberty Leisure Limited and community facilities that are presently being tested by Property Services.</p> <p><u>Managers Responsible</u> Head of Property Services; Health and Safety Manager</p>	
<p><u>Management Progress Report of the Head of Property Services and the Health and Safety Manager</u></p> <p>The updated Legionella Policy was presented to the Safety Committee in February 2020. The designated persons list has been brought up-to-date and those with roles relating to Legionella testing have been made aware of their responsibilities.</p> <p>Refresher training had been arranged for May 2020 but is currently on hold due to Covid-19 and the need for the training to be hands-on and interactive. Online training would not give the interaction needed, so the Council is working with the training provider to carry out this training as soon as current restrictions allow.</p> <p>Whilst the audit programme has yet to be developed, this work should be substantively completed by December 2020.</p>	

2. Legionella (Continued)	
2.2 Tendering and Contracts	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A corporate review of the way that Legionella testing, risk assessment, cleaning, chlorination and training services are procured is being undertaken with a view to ensuring consistency, value-for-money and compliance with procurement regulations.</p> <p><u>Managers Responsible</u> Head of Property Services; Health and Safety Manager; Interim Senior Housing Manager</p>	
<p><u>Management Progress Report of the Head of Property Services</u></p> <p>This action is not considered to be a high risk/priority at this stage, given the ongoing pressure on resources. The action will be progressed later in the new year in conjunction with the Head of Housing and with support from the Procurement team.</p>	

3. Commercial Property/Industrial Units	
3.1 Invoices – Combined Rent and Insurance	Progressing
<p><u>Agreed Action</u> (Merits Attention)</p> <p>The potential to combine the annual billing process for rental and insurance recharges was considered. A wholesale change for all existing tenants was not considered appropriate at this stage as the action would require changing up to 60 system generated invoices as well as disrupting pre-arranged Direct Debits/Standing Orders for tenants.</p> <p>Instead, combined rent and insurance bills will be established for new tenancies and for existing tenants at the point of periodic rent reviews. The Estates Manager will liaise with the Insurance team to calculate a suitable fixed annual premium within the new lease term.</p> <p><u>Manager Responsible</u> Estates Manager</p> <p style="text-align: right;">Revised Target Date: 31 October 2020</p>	
<p><u>Management Progress Report of the Estates Manager</u></p> <p>Combined rent and insurance bills have been established for new tenants and existing tenants at the point of periodic rent reviews following discussions with the Insurance and Risk Management team to fix a suitable premium. So far, the Council has converted 22 units (36%) to a combined rent and insurance debt. This figure is unchanged as there has been limited tenancy changes during the Covid-19 crisis. As the market for letting property begins to move again, there will be opportunities to combine the rent and insurance charges.</p>	

4. Energy	November 2018, Limited Assurance, Actions – 2
4.1 Efficiency Improvements	Progressing
<p>Agreed Action (Significant)</p> <p>A risk-based approach will be adopted for the billing and checking process. This will consider the potential improvements outlined in the audit report.</p> <p>The analytical review of monthly billing could be facilitated by the procurement of an Energy Database, which would enable a greater and faster analysis and payment of the incoming invoices. Analysis of usage and charges on each site could be undertaken for both abnormal usage and comparison previous years bills and weather conditions, enabling greater efficiency of identifying potential refunds and credits, and helping to prevent overpayment.</p> <p>This greater efficiency will free up time spent on bill checking and processing by the Energy Officer to progress other proactive tasks such as updating the Carbon Management Plan, looking at further ways to reduce energy consumption and CO₂ emissions.</p> <p><u>Managers Responsible</u> Head of Property Services; Estates Manager; Energy Officer</p> <p style="text-align: right;">Revised Target Date: 30 September 2020</p>	
<p><u>Management Progress Report of the Head of Property Services and the Estates Manager</u></p> <p>The action is ongoing. The Council has considered a number of potential databases but has yet to fully evaluate a suitable option that meets with its requirements.</p> <p>The Council has ended the contract for water utility management and is working to consolidate all water invoices into one combined invoice with the current water supplier. Officers are still to agree terms with the supplier and when this is resolved, a fixed-term contract can be signed with confidence of the service that will be provided.</p> <p>Once this has been achieved, there should be a clearer picture of the type of database required to be compatible with the utilities' billing processes.</p>	

5. Bramcote Crematorium	October 2019, Substantial Assurance, Actions – 2 (1 Significant)
5.1 Bereavement Services Management System	Progressing
<p>Agreed Action (Merits Attention – Necessary Control)</p> <p>The purchase and installation of a new Bereavement Services Management System will be completed as a matter of priority with key support provided by the Council's Procurement and Business Transformation officers.</p> <p><u>Managers Responsible</u> Head of Property Services Bereavement Services Manager</p> <p style="text-align: right;">Revised Target Date: 30 September 2020</p>	
<p><u>Management Progress Report of the Bereavement Services Manager and the Procurement and Contracts Officer</u></p> <p>The provision of a new Bereavement Services Management System has been subject to formal tender, in conjunction with the Procurement and Contracts Officer. Tenders received and evaluated with due diligence currently being carrying out with the preferred supplier. It is anticipated a contract will be awarded by 1 October 2020, with work to commence shortly afterwards.</p>	

6. CCTV	October 2019, Substantial Assurance, Actions – 1
6.1 Application for the Third Party Certification of Compliance with the Surveillance Camera Code of Practice	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>The final areas of non-compliance with the Surveillance Camera Code of Practice are to be addressed, with the long-term aim of applying for the Third Party Certification of Compliance at an appropriate time in the future. In the meantime, the following actions are proposed:</p> <ul style="list-style-type: none"> • Works to progress to enable the systems operating at Kimberley Leisure Centre to be made fully compliant and brought under the full control of the Parking & CCTV/Security Manager. In order to facilitate this, a budget has been earmarked towards the review and upgrade of the existing camera system at the site. (Target date – 31 March 2020) • An approach will be made to the Head of Environment with a view to making progress towards CCTV systems operating at the Kimberley Depot (in particular those cameras operating from refuse freighters) being fully compliant with the Surveillance Camera Code of Practice. (Target date – 31 March 2020). It is recommended that the remote CCTV systems becomes the responsibility of the nominated single point of contact for CCTV surveillance and centralised in accordance with recommendation made by the Surveillance Camera Commissioner's Office. Alternatively, systems can be managed locally whereby compliance with the Commissioners Code of Practice and accreditation can be audited by the nominated senior responsible officer (SRO) for surveillance. • The existing CCTV policies will be refreshed and arrangements made for these to be formally adopted by the Council. (Target date – 31 March 2020) <p><u>Managers Responsible</u> Head of Property Services Parking and CCTV/Security Manager (in conjunction with the appropriate site managers)</p> <p style="text-align: right;">Target Date: As above</p>	
<p><u>Management Progress Report of the Head of Property Services and the Parking and CCTV/Security Manager</u></p> <p>Action 1 (Kimberley Leisure Centre) – This is on hold indefinitely pending the outcome of the Leisure Facilities Strategy and the future of the Centre.</p> <p>Action 2 (Kimberley Depot) – The refuse vehicle surveillance monitoring and reviewing equipment is now being managed centrally by the Parking and CCTV/Security Manager. There is still ongoing technical work to access the information securely from a central location. ICT will facilitate remote access to this system.</p> <p>Action 3 (Policy Updates) – The policies have been reviewed as a part of a recent RIPA inspection where it was deemed appropriate to develop separate policies where significant differences existed in separate systems. A CCTV update report was presented to the Community Safety Committee on 4 June 2020, which resolved to undertake an internal review of the effectiveness and value for money of Broxtowe's town centre CCTV. This may see a number of cameras removed. As such, this action is on hold as the outcome of this review will affect how the policies are further developed (Revised target date - 31 March 2021).</p>	

7. Electrical Testing		November 2019, Substantial Assurance, Actions – 1
7.1	Migration of Electrical Testing Schedule to Capita	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>The migration of the Electrical Testing schedule and associated data from manual records to the upgraded Capita Housing system will be completed at the earliest opportunity.</p> <p><u>Managers Responsible</u> Head of Housing; Acting Housing Repairs Manager</p> <p>Target Date: 30 April 2020</p>		
<p><u>Management Progress Report of the Acting Housing Repairs Manager</u></p> <p>Following the data load of the Electrical Testing components into the Capita Housing System, a number of issues were identified regarding the integrity of the data. These remain outstanding and officers are not currently able to use this for the purpose of a servicing schedule.</p> <p>Once these have been resolved, additional training on reporting and communication with tenants will be required in order to align the process with the current Gas Servicing standards.</p>		

8. Choice Based Lettings		November 2019, Reasonable Assurance, Actions – 3
8.1	Information Governance/Data Retention	Progressing
<p><u>Agreed Action</u> (Merits Attention)</p> <p>All third party users are systematically requested to confirm their ongoing agreement to system access on an annual basis. This helps to mitigate the risk of personal data being retained for longer than necessary.</p> <p>Historical data relating to allocations has been retained as evidence to support the decision making process. Management will review the current arrangements and devise an information governance procedure to ensure that system data retention periods are clearly defined and adhered to.</p> <p><u>Managers Responsible</u> Head of Housing; Housing Operations Manager; Lettings Manager</p> <p>Target Date: 31 March 2020</p>		
<p><u>Management Progress Report of the Housing Operations Manager</u></p> <p>This is a systems issue that has been raised with the software provider. Concerns over GDPR implications have been discussed across the partnership, involving the Chief Information Officers and the Information Governance Officer. The system upgrade and remodelling planned for 2020/21 will address these GDPR concerns.</p> <p>It is proposed to have significant consultancy time with the software provider in which training on reports and other matters will be done with teams, managers and certain operational requirements could be implemented in a bespoke way. The contract has been signed for the upgrade and remodelling. An initial meeting to start this work and timetabling with the software provider and the other local authorities has been held.</p>		

9. Human Resources	December 2019, Substantial Assurance, Actions – 1
9.1 Completeness of Records	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>The probationary process for new employees is currently being reviewing. An expected outcome will see the management of the probationary process returning under the direct control of the HR Manager, including chasing-up and escalation in instances of non-compliance. The HR Manager is due to deliver a briefing to a forthcoming Senior Management Team to emphasise the importance and benefits of completing the probationary process in accordance with Council policy.</p> <p>Officers will be reminded to ensure that all expected documentation for personal files relating to the induction process are received. In the medium-term, the potential for storing evidence of the induction process onto Broxtowe Learning Zone will be investigated.</p> <p><u>Managers Responsible</u> Head of Public Protection; Human Resources Manager Target Date: 31 March 2020</p>	
<p><u>Management Progress Report of the Human Resources Manager</u></p> <p>New processes for probation were to be piloted from April but due to the Covid-19 response this has not been fully implemented to date. Preparatory work was done but other pressing matters pushed this back. Many of the actions relate to physical documents, which again has had to be temporarily put on hold due to limited access.</p> <p>The Human Resources Manager has recently met with the Head of Administrative Services to discuss a roll out of the intended plan and how this will be managed going forward. As there is an ongoing restructure within the Business Support Unit team, including a vacant Team Leader/Manager post, planned implementation may be dependent upon the restructure and capacity within the Business Support Unit.</p>	

10. NNDR	December 2019, Substantial Assurance, Actions – 2
10.1 Business Rates Relief Guidance	Progressing
<p><u>Agreed Action</u> (Merits Attention ‘Necessary Control’)</p> <p>The website material, including the Business Rates Relief guidance publications, will be reviewed and updated as necessary. This will include consideration of consolidating the guidance where appropriate.</p> <p>This review will not be performed before 31 March 2020. There have been several proposals announced by the government that will need to be incorporated in the guidance when this further details become available.</p> <p><u>Manager Responsible</u> Head of Revenues, Benefits and Customer Services Revenues Team Leaders Revised Target Date: 30 September 2020</p>	
<p><u>Management Progress Report of the Head of Revenues, Benefits & Customer Services</u></p> <p>The Revenues team continue to review the content of the Council’s website and several new initiatives have been published over the previous few months to support businesses that have been impacted by Covid-19.</p>	

10. NNDR (Continued)	
10.2 NNDR1 and NNDR3 Returns	Progressing
<p><u>Agreed Action</u> (Merits Attention 'Necessary Control')</p> <p>A full breakdown of the difference between the NNDR1 and NNDR3 returns will be documented and the reasons for any significant and/or unexpected variances investigated. The Council has recently purchased software from Analyse Local that will more readily provide this information. This will now be installed, in conjunction with ICT Services, to support the recommendation.</p> <p><u>Managers Responsible</u> Head of Revenues, Benefits and Customer Services Revenues Team Leaders Revised Target Date: 30 November 2020</p>	
<p><u>Management Progress Report of the Head of Revenues, Benefits & Customer Services</u></p> <p>The NNDR1 and NNDR3 will be reviewed. The government has allowed an additional extension for the completion of the NNDR3 as a result of Covid-19. This means that the software supplier has not provided the Council with the updated version to allow this full comparison to be made. This will be made prior to completion.</p>	

11. Chilwell Olympia	January 2020, Substantial Assurance, Actions – 1
11.1 Operational Safety Risks – Joint-Use Agreement	Progressing
<p><u>Agreed Action</u> (Merits Attention 'Necessary Control')</p> <p>The current review of the Joint Use Agreement will incorporate the management of risk and allocation of responsibilities in respect of the key public health risk areas such as legionella, asbestos and fire.</p> <p>The first draft of the updated Joint Use Agreement is being prepared by the Council's Legal Services team. A timetable has been prepared and meetings programmed with representatives of the Chilwell School and Nottinghamshire County Council to consider the proposed Joint Use Agreement from February 2020.</p> <p><u>Manager Responsible</u> Managing Director, Liberty Leisure Limited Centre Manager Revenues Team Leaders Target Date: 31 March 2020</p>	
<p><u>Management Progress Report of the Managing Director, Liberty Leisure Limited</u></p> <p>Operationally legionella is managed by the school with Liberty Leisure Limited contributing by completing and recording daily flushing of all water outlets. An asbestos assessment of the building was completed prior to lockdown.</p> <p>An initial meeting was held with the school to discuss the Joint Use Agreement. The Council's Legal section was involved in this and had drafted a revised agreement that was shared with the school. Further meetings have not taken place during lockdown, although a meeting to discuss the wider Joint Use arrangements is due to take place on 7 September.</p>	

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Report of the Chief Audit and Control Officer

ANNUAL COUNTER FRAUD REPORT

1. Purpose of report

To provide the Committee with the annual report on counter fraud and corruption and money laundering prevention activity in 2019/20.

2. Detail

Fraud and corruption are a serious and ongoing threat to the financial health of the public sector. It is estimated that over £40bn each year is lost as a result of fraudulent acts both against and within public sector organisations, of which £7.8bn is specifically in local government. The Council acknowledges the significant negative impact fraudulent and corrupt acts can have on the Council, the delivery of its Corporate Plan and the services provided to residents.

The Fraud and Corruption Prevention Policy was approved by this Committee in March 2017. The Policy Statement is that the Council takes a zero-tolerance approach to fraud and corruption. The Council is committed to establishing a strong anti-fraud and corruption culture and will take all necessary steps to prevent, detect and punish fraudulent and corrupt acts. The Policy also recognises that Internal Audit will take a more prominent role in leading and co-ordinating anti-fraud and corruption activities.

There are national and local processes in place to help the Council identify and tackle fraud. This is underpinned by the Fraud and Corruption Prevention Policy. In addition, the examination of the risk of fraud is integral to the Council's governance and risk management arrangements. As part of the process, reports relating to fraud and corruption prevention activity are submitted to this Committee. Further details of activity for the forthcoming year are included in appendix 1. The delivery of these actions will help to further strengthen the arrangements in place.

Internal Audit has completed a fraud risk assessment exercise, in conjunction with senior management, taking into account published guidance and reports from CIPFA; National Fraud Initiative (NFI), Government; external auditors and other relevant organisations. An outcome of this process is the production of a Fraud and Corruption Risk Register, which is included in appendix 2

Recommendation

The Committee is asked to NOTE the Annual Counter Fraud Report.

Background papers

Nil

APPENDIX

ANNUAL COUNTER FRAUD REPORT 2019/20

1. Introduction

Fraud and corruption are a serious and ongoing threat to the financial health of the UK public sector. The latest report from the Chartered Institute of Public Finance and Accountancy (CIPFA) estimates that fraud costs the public sector at least £40.3bn each year of which £7.8bn is specifically in local government.

CIPFA published the results of its fifth annual Fraud and Corruption Tracker survey from May 2019. This survey focused on local government and shows how the sector is dealing with the fraud threat. The responses received provided a spread of results from across all regions, enabling it to estimate the total figures for fraud across English, Welsh and Scottish local authorities.

The key findings were that:

- An estimated 71,000 frauds were detected or prevented across local authorities in 2018/19 with a total value of £253m (down from £302m).
- The number of fraud cases investigated or prevented decreased in the year although the average value of each fraud remained at £3,600.
- The number of serious and/or organised crime cases decreased to 24.
- Procurement, council tax single person discount and adult social care are still perceived as the three greatest fraud risk areas
- The four main types of fraud by volume that affect local authorities remain council tax, housing, blue badge fraud and business rates.
- The highest number of investigations related to council tax fraud (78%) with a value of £30.6m
- The highest value area of fraud is housing and tenancy fraud, including right-to-buy, illegal sub-letting and other tenancy frauds including succession and false applications.
- Business Rates fraud represents 2% of the total estimated number of fraud cases detected or prevented. This represents a marginal increase from the previous year and is reported it as the third highest fraud risk area for district councils.
- 40% of responding local authorities had a dedicated counter fraud service, with 24% of other responders referring to the counter fraud work completed by their Internal Audit teams.

- Other notable types of fraud (but which did not emerge as major types of fraud nationally) include insurance; welfare assistance; economic and voluntary sector support; payroll, recruitment, expenses and pension; and mandate fraud and manipulation of data.

2. Local Context

The Council acknowledges the significant negative impact fraudulent and corrupt acts can have on the delivery of services provided to residents.

The Policy Statement, as set out in the Fraud and Corruption Prevention Policy approved by this Committee in March 2017, is that the Council takes a zero-tolerance approach to fraud and corruption. The Council is committed to establishing a strong anti-fraud and corruption culture and will take all necessary steps to prevent, detect and punish fraudulent and corrupt acts.

Where a fraudulent or corrupt act is proven to have taken place, the Council will take all appropriate action against the perpetrator and pursue all available options to recover any losses.

3. Role of Internal Audit

Internal Audit traditionally plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. It may be requested to investigate cases of suspected financial irregularity, fraud or corruption, in accordance with agreed procedures. The authority of the Deputy Chief Executive and his authorised representatives to access premises, documents, records and explanations, if required for the purposes of the Internal Audit, are supported within the Financial Regulations.

a. Risk Assessment

The Deputy Chief Executive (as the Section 151 Officer) is responsible for the ongoing assessment of the risk to the Council of financial or other loss resulting from fraud and corruption. Whilst the focus of the risk assessment will be the potential financial loss and/or disruption to services, other important areas such as reputational risk and impact on employee welfare are also considered.

A fraud risk assessment was completed by the Chief Audit and Control Officer, in conjunction with senior management, that has taken into account published guidance and relevant information from Central Government, CIPFA, the National Fraud Initiative and other relevant organisations.

The resulting Fraud Risk Register is provided at appendix 2.

b. Detection and Prevention

The fraud risk assessment provides the basis for an ongoing detection and preventative audit work programme to be performed. Internal Audit will liaise with management to recommend changes in procedures to reduce risks and prevent losses to the Council.

c. Response

The role of Internal Audit extends to acting as a co-ordinating and investigating service for all non-benefit related fraud and corruption reports and to manage the Council's response to such reports. Benefit fraud alerts are referred to the Single Fraud Investigation Service of the Department for Work and Pensions.

4. Summary of Activity

a. Training and Awareness

Fraud prevention has to be underpinned by a strong anti-fraud culture that is driven by senior management. It requires active promotion to include officers, members, key stakeholders and the public.

This culture should seek to motivate employees and ensure that they understand the importance of tackling fraud; are able to recognise fraud; and know how to report any suspicions of fraud. The most effective anti-fraud culture changes people's attitudes and behaviours towards fraud, positively reinforcing their responsibility in preventing, detecting and reporting fraud and deterring would-be criminals from committing fraud in the first place.

Internal Audit has been positive in sharing general fraud awareness updates with employees, in addition to providing more targeted fraud information to relevant officers. Internal Audit is developing a fraud web-page for the intranet to complement information already provided on the Council's website.

The Council is also considering training opportunities in terms of fraud awareness and money laundering, which could be developed as an e-Learning package for employees on Broxtowe Learning Zone.

b. National Fraud Initiative (NFI)

The Council regularly participates in the Cabinet Office's National Fraud Initiative programme (NFI). The NFI matches electronic data within and between public and private sector bodies to assist in the prevention and detection of fraud. These bodies include local authorities, police authorities, local probation boards, fire and rescue authorities as well as a number of private sector bodies. The NFI tool is helpful in assisting local authorities to identify potential fraud in areas such as council tax, housing benefit, pensions, payroll and housing tenancy. Since its introduction in 1996, the NFI programme has helped identify £1.2bn nationally in fraud or error.

The Council periodically provides specified sets of data to the Cabinet Office for matching. The data provided can include records relating to council tax, creditors, payroll, electoral register, housing tenants, housing waiting lists, insurance claims and licences. Whilst Internal Audit is the single point of contact for participation in the NFI data matching programme, the process does require the support of the respective service managers with responsibilities for

the service/system being subjected to review under the scheme. A network has been established to enable departments to support Internal Audit with this work.

The most recent NFI exercises generated over 2,500 matches across the various data sets. These included 947 priority matches for further scrutiny (216 high risk and 731 medium risk). Investigation work is ongoing with the target of completing 100% of the recommended priority matches by December 2020.

In February 2020 the Council was part of a countywide initiative to engage with the NFI Premium Service for reviewing Council Tax Single Person Discounts (CTSPD). In addition to checking Council Tax records against the Electoral Register, the premium service also compared records against credit reference data to generate further matches for scrutiny.

The exercise identified 755 priority positive matches for further scrutiny (66 high risk and 689 medium risk). These included claimants suspected of having undisclosed occupants in the household; claimants with 'rising 18's'; and others with other occupants matching deceased data.

Immediately before the pandemic lockdown, the Revenues team had reviewed all the high risk cases, of which 48 have been processed. This resulted in eight changes which will see £4,454 additional Council Tax being collected this year. Unfortunately, further work (in pursuing cases unreturned and reviewing medium risk cases) had to be put on hold as a result of Covid-19 so this work has not yet been as successful as anticipated. This will be revisited in due course.

c. Internal Audit – Special Investigations

No major fraud investigations were undertaken by Internal Audit in 2019/20.

d. Revenues and Benefits

In addition to the programmes relating to discounts awarded for Council Tax utilising the NFI Premium Service, much of the current fraud activity within the Revenues and Benefits teams is in support of the DWP. In 2019 this activity included:

- Issuing 6 fraud referrals to the DWP
- Completing 43 Local Authority Information Exchange Forms (LAIEF), being requests for information from the DWP to support their ongoing investigations
- Undertaking two adjudications.

A sample of successful Housing Benefits cases in the year included:

- An overpayment of Housing Benefit totalling £197 relating to working.

It should be noted that there are currently 20 LAIEFs still awaiting outcomes from the DWP and one further claim to adjudicate.

There have been no further specific programmes relating to discounts, exemptions and reliefs awarded for Business Rates, although the regular inspection activity is ongoing.

e. Emergency Covid-19 Business Grants Schemes

A key piece of counter fraud work undertaken by Internal Audit was in respect of the various emergency Covid-19 Business Grants schemes.

Predictably, the UK has seen a surge in fraudulent activity during the coronavirus pandemic, especially cyber-crime. The first Covid-19 case in the UK was reported on 31 January 2020 and the first Covid-19 fraud case was recorded just nine days later. It is a sad reality that fraudsters appear the instant that an opportunity presents itself ready to exploit the crisis.

The Chief Audit and Control Officer supported the Head of Revenues, Benefits and Customer Services in setting-up processes for flagging potential fraud and irregularities with business grant applications. Internal Audit was also active in supporting the grants process with quality assurance and fraud checking.

One attempted fraudulent application was intercepted after the Council receiving warnings from the regional Midlands Audit Group about fraudsters utilising the details of seemingly legitimate businesses but with reference to empty premises in the local area or recently established premises leases with limited paperwork. The relevant authorities have been informed of this attempted fraud.

The Council will now undertake further post-scheme fraud checking utilising the NFI functionality, which will include cross-checking of bank account details.

f. Finance

The Finance Services team engages with banks and other financial institutions to prevent fraudulent activity. This includes both treasury management activity and creditors payments. Barclays Bank has provided officers with fraud awareness briefing sessions, including a session relating to the payment of the emergency Covid-19 business grants.

g. Housing

Nationally, the risk of fraud relating to housing has been identified as high value. Locally, the risks for this Council include the potential for tenancy fraud, sub-letting and risk associated with the 'Right to Buy'.

In respect of 'Right to Buy' applications, appropriate checks are undertaken to prevent and detect potential fraud, including:

- Requesting identity and proof of address for each applicant
- Checking if the applicant is in receipt of Housing Benefit and referring this on for enquiry (particularly where the sale is expected to be financed without a mortgage)
- Checking each applicant's details with appropriate agencies (including the National Anti-Fraud Network) to see if the applicant has other mortgages and to check the persons registered at the address from electoral records
- Requiring applicants to provide details as to how they intend to finance the purchase. If monies are being gifted, the Council will require the applicant to provide confirmation from the third party that these funds are available and seek proof of identification.

h. Licensing

The Licencing service continues to check right-to-work status for all new taxi/private hire drivers and for relevant alcohol licensing applications.

Following the advent of the Immigration Act 2016, these measures assist in preventing illegal working, unlawful employment of workers and unlawful payments to employees.

i. Insurance

The Council continues to work with its insurers who regularly provide briefings and advice to enable officers to remain vigilant to potential fraudulent claims. All claims continue to be rigorously reviewed at every stage to ensure that anything suspicious is identified and the appropriate outcome is achieved. Claimants are advised that the information provided may be shared by the insurers with other appropriate bodies responsible for the prevention and detection of fraud, such as the Claims and Underwriting Exchange Register and the Theft Register.

5. Plans for 2020/21

The focus of activity will remain on prevention and deterrence as Internal Audit looks to develop the Counter Fraud Hub. The following actions are planned:

- Review the Fraud and Corruption Prevention Policy and the Money Laundering Prevention Policy was updated to ensure that they remain fit for purpose and are in line with current legislation and best practice (Target completion – March 2021).
- Periodically revisit the Fraud Risk Assessment exercise (in conjunction with senior management and taking into account published guidance from central government, CIPFA, NFI and other relevant organisations) and update the Fraud Risk Register accordingly (Target – January 2021).

- Management will continue to work with Internal Audit to review and improve the systems and key controls in areas where fraud risk is assessed as high or medium.
- Continue to raise awareness amongst employees, members, key stakeholders and local community about the risk of fraud in all areas of the Council's operations, to include:
 - Development of webpages for the intranet and internet
 - Regular circulation of fraud awareness emails
 - Introduction of a counter fraud e-Learning package.
- Complete further post-scheme fraud checking of the Emergency Covid-19 Business Grants and Discretionary Grant schemes utilising the NFI functionality (Target – December 2020).
- Undertake the latest NFI exercise; complete the priority NFI data matching work; and follow-up on the actions undertaken in respect of the Council Tax Single Person Discount exercise (Target – December 2020).
- Keep informed of national developments in counter fraud so that the Council can continue to respond positively to new ideas, initiatives and examples of best practice.

APPENDIX 2

FRAUD AND CORRUPTION RISK REGISTER – AUGUST 2020Introduction and Background

Internal Audit has undertaken a fraud risk assessment with a view to establishing a Fraud and Corruption Risk Register.

The risk assessment has been informed by national data on fraud risks and local knowledge to establish and categorise a suite of potential fraud risks. The ongoing review with key officers will better determine the extent to which potential fraud risk could actually occur within the compass of their operations. It is expected that such risks will be periodically reviewed and considered, along with other areas identified as being vulnerable to the risk of fraud, as part of ongoing Internal Audit and risk management work.

Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption is widely recognised as a key component of a quality governance framework. One of the key principles of the Code is to identify the fraud and corruption risks within the organisation; understand the exposure to these risks and routinely consider these as part of risk management arrangements.

The preparation of the fraud risk assessment, as presented in the appendix, satisfies this key principle of the Code. The Fraud and Corruption Risk Register has been considered by General Management Team (GMT) and will be published in the Annual Counter Fraud Report to this Committee.

The production of a Fraud and Corruption Risk Register should facilitate consideration and action to address specific fraud risks throughout the Council. It is recognised that the Council has developed an anti-fraud culture and some of the risks noted present low levels of risk due to the established control framework or other mitigating measures. Nevertheless, it is important to periodically review these and consider if any further actions are needed. The risks identified present a mix of corporate/cross-cutting and service specific risks. The register will be a live document intended to support managers in considering and reducing the exposure to these risks in their service areas.

Fraud Risk Matrix

The corporate 5x5 risk matrix is used for assessing the threats for each fraud risk in terms of both the likelihood and impact. A score is provided for both the inherent risk and the assessed residual risk. This matrix reflects the direction of travel in terms of the effect of mitigation measures implemented to help manage a particular risk. It also assists in directing resources to areas where they will have the most influence.

		Risk – Threats				
Likelihood	Almost Certain - 5	5	10	15	20	25
	Likely – 4	4	8	12	16	20
	Possible - 3	3	6	9	12	15
	Unlikely - 2	2	4	6	8	10
	Rare – 1	1	2	3	4	5
		Insignificant – 1	Minor – 2	Moderate – 3	Major – 4	Catastrophic – 5
		Impact				

Risk Rating	Value	Action
Red Risk	25	Immediate action to prevent serious threat to provision and/or achievement of key services or duties
	15 to 20	Key risks which may potentially affect the provision of key services or duties
Amber Risk	12	Important risks which may potentially affect the provision of key services or duties
	8 to 10	Monitor as necessary being less important but still could have a serious effect on the provision of key services
	5 to 6	Monitor as necessary to ensure risk is properly managed
Green Risk	1 to 4	No strategic action necessary

In applying the matrix to the fraud and corruption risks posed, reference has been made to published guidance and reports from CIPFA, the National Fraud Initiative (NFI), the Government, the external auditors and other relevant organisations and inspectorates. Existing knowledge of the Council's operations derived from previous counter fraud and Internal Audit work has also been drawn upon as appropriate.

This risk register will serve as a 'living document' and evolve over time as the nature of the services provided by the Council and the environment within which it operates changes, giving rise to variations in the Council's risk profile.

Fraud and Corruption Risk Register

Risk Area	Risk	Mitigation	Inherent Score	Residual Score
Housing Tenancy (Applications)	Fraudulent applications for new or successive tenancies	Documentary evidential requirements Checking, review and authorisation procedures Data-matching exercises through NFI	12	6
Housing Tenancy (Subletting)	Sub-letting of Housing properties	Direct and indirect monitoring of tenanted properties Data-matching exercises through NFI	10	6
Right to Buy	Fraudulent Right-to-Buy applications	Documentary evidential requirements Checking, review and authorisation procedures Data-matching exercises through NFI	16	4
Benefits	Fraudulent applications for Housing Benefit	Documentary evidential requirements Checking, review and authorisation procedures Data-matching exercises through NFI Risk Based Verification of Claims	10	4
Disabled Facility Grants	Fraudulent applications for new or additional grants	Documentary evidential requirements Officer site visits Checking, review and authorisation procedures	12	3
Council Tax	Fraudulent applications for discounts and reliefs, including Single Occupier Discount and Local Council Tax Support	Documentary evidential requirements Checking, review and authorisation procedures Data-matching exercises through NFI	15	4

Risk Area	Risk	Mitigation	Inherent Score	Residual Score
Business Rates (Discounts/Relief)	Fraudulent applications for discounts and reliefs including Small Business Rate Relief and Charitable Relief	Documentary evidential requirements Checking, review and authorisation procedures Property Inspector visiting properties	12	4
Business Rates (Properties)	Unlisted / Concealed Properties	Officer knowledge of borough development Data-matching exercises through NFI Working with third party company to identify gaps	6	4
Emergency Covid-19 Support Grants	Fraudulent applications for grants resulting in inappropriate distribution of grant monies	Formal application process Evidential requirements Established checking and review processes	20	6
Procurement and Commissioning (Contract Awards)	Improper award of contracts due to lack of tendering and/or collusion with or between potential suppliers	Procurement and Commissioning Strategy Procurement and Contracts Officer Internal monitoring of supplier spends Publication of Contracts Register Code of Conduct Register of interests, gifts and hospitality Contract Monitoring	16	8
Procurement and Commissioning (Purchases)	Purchase of items for personal use or profit through resale	Authorisation controls through Civica Financials Purchasing and Creditors systems Monitoring of Purchase Card transactions Inventories Budget Monitoring	12	4

Risk Area	Risk	Mitigation	Inherent Score	Residual Score
Procurement and Commissioning (Payments)	Redirection of payments to third party bank accounts through fraudulent submission of changes in bank details	Restrictions on officer abilities to modify supplier bank details Checking, review and authorisation procedures	16	4
Payroll (Bogus employees)	Creation of bogus ('ghost') employees	Documentary evidential requirements Checking, review and authorisation procedures Independent headcount reconciliation	9	3
Payroll (Overtime/Claims)	Fraudulent overtime or expenses claims	Documentary evidential requirements Checking, review and authorisation procedures	9	4
Human Resources (Applications)	False employment applications	Documentary evidential requirements Checking, review and authorisation procedures	12	4
Human Resources (Sickness)	False claims for sickness absence	Documentary evidential requirements Checking, review and authorisation procedures	12	4
Planning	Intentionally false or misleading information contained within planning applications	Documentary evidential requirements Officer site visits Checking, review and authorisation procedures	12	4
Grant Aid	Fraudulent grant applications for work or activities not carried out or by ineligible groups or individuals	Documentary evidential requirements Knowledge of local community groups and individuals	9	3
Money Laundering	Money Laundering, often in the form of significant cash overpayments then followed by an electronic or cheque refund	Anti-Money Laundering Policy and Procedures Reporting channels to Money Laundering Reporting Officer (MLRO) and Internal Audit Reviews of customer account credit balances Upper limit on receipt of cash transactions	12	4

Risk Area	Risk	Mitigation	Inherent Score	Residual Score
Internal Fraud and Corruption (Inducements)	Inappropriate favourable treatment of a supplier/customer/ applicant by a Council officer, often in exchange for financial reward.	Code of Conduct Disciplinary Procedure Whistleblowing Procedure Declarations of Interest Review/authorisation processes for decision making	9	4
Internal Fraud and Corruption (Theft)	Theft of cash or other physical assets	Limited Petty Cash floats Bank Reconciliation Inventories	9	4
Internal Fraud and Corruption (Payments)	Redirection of payments to personal bank accounts	Restrictions on officers modifying supplier bank details Checking, review and authorisation procedures	9	3
Internal Fraud and Corruption (Improper Use)	Improper personal use of Council assets (such as vehicles and fuel)	Code of Conduct Tachographs Monitoring of fuel usage Vehicle Tracking (Masternaut)	9	4
Licensing	Fraudulent applications for new or renewed licences	Documentary evidential requirements Checking, review and authorisation procedures Data-matching exercises through NFI	12	4
Insurance Fraud (Claims)	False, inflated or duplicate claims	Documentary evidential requirements Checking, review and authorisation procedures Internal and external (insurance company) monitoring of claims	12	4

Risk Area	Risk	Mitigation	Inherent Score	Residual Score
Cybercrime (System Outage)	System outage, operational disruption, financial loss and / or reputational damage as a result of a targeted cyber attack	Firewalls and similar ICT security systems Disaster Recovery and Business Continuity Plans Frequent initial and refresher training for all staff	25	5
Cybercrime (Data Breach)	Loss of data and / or data breach as a result of targeted cyber attack	Firewalls and similar ICT security systems Disaster Recovery and Business Continuity Plans Frequent initial and refresher training for all staff	20	4
Cybercrime (Internal Theft)	Intentional theft of data by an employee	Code of Conduct Disciplinary Procedure Frequent initial and refresher training for all staff	12	6

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Report of the Chief Audit and Control Officer

GOVERNANCE DASHBOARD – MAJOR PROJECTS

1. Purpose of Report

To provide the Committee with a governance dashboard report relating to the Council's major and key projects.

2. Background

Members have requested that a regular governance dashboard report should be provided to this Committee on the Council's major projects, such as the Beeston Town Centre Development, Stapleford Towns Fund and the Housing Delivery Programme, to include a governance checklist and an independent assurance opinion from Internal Audit.

The need to have strong effective governance in place is vital, with the necessary levels of transparency and openness in decision making which align with the Council's Constitution, including the Scheme of Delegation, Standing Orders and Financial Regulations.

Internal Audit will complete a robust and professional challenge of these governance arrangements as part of its revised Internal Audit Plan. In the meantime, a 'Governance – Compliance Checklist' has been developed to enable scrutiny of the effectiveness of governance arrangements for these major projects. A summary of the responses provided by the Project Sponsor, Senior Responsible Owner and/or the Project Manager is included in the appendix.

Recommendation

The Committee is asked to NOTE the report.

Background Papers

Nil

APPENDIX

MAJOR PROJECTS – GOVERNANCE CHECKLIST

A summary of the governance arrangements established for the major projects are provided below as part of the regular 'Governance Dashboard' report to this Committee.

The responses provided below to the 'Governance – Compliance Checklist' used to establish and enable scrutiny of the effectiveness of governance arrangements for major projects have come directly from the respective Project Sponsor; Senior Responsible Owner; and/or the Project Manager.

These arrangements will be subjected to robust and professional challenge by Internal Audit as part of its revised audit plan, with the outcomes of these governance reviews being reported to this Committee.

Major Project:	Beeston Square Redevelopment Phase II	Housing Delivery Plan	Stapleford Towns Fund
Project Board:	Beeston Square Project Board	Housing Committee	Towns Fund Board
Officer Working Group or other Stakeholder Group:	As above	Housing Delivery Group	The Board is supplemented by a wider stakeholder group as agreed by the Jobs and Economy Committee.
Project Sponsor and/or Senior Responsible Owner:	Deputy Chief Executive Head of Property Services	Deputy Chief Executive	Chief Executive
Project Manager:	Faithful and Gould (<i>external</i>) Interim Project Manager (<i>client</i>)	Interim Housing Delivery Manager	Major Projects Officer
Business Case/Project Plan: Has the business plan been approved by a Committee(s)?	Yes	The Housing Delivery Plan (including the business plan) was approved by Housing Committee in June 2019.	A bid is being developed by the Board in accordance with the statutory guidance issued by the government.

Major Project:	Beeston Square Redevelopment Phase II	Housing Delivery Plan	Stapleford Towns Fund
Has the project vision, objectives, delivery strategy been defined?	Yes – Project Execution Plan in place.	Project vision, objectives and delivery/action plan identified in the Housing Delivery Plan.	A draft project vision has been agreed by the Board. The project is at the stage where individual business cases for each potential project are being developed. The projects will be subject to a final selection process and consultation.
Is there a delivery/action plan?	Yes – Project Execution Plan in place.	A delivery/action plan was identified in the Housing Delivery Plan.	A timeline for delivery of the bid has been agreed. There will be an outline business case for the projects. We are not yet at the stage where detailed action plans exist.
Have outcome targets been set and is performance regularly monitored?	Yes	Targets are identified and monitored through the Housing Delivery Group meetings, the Housing Capital Programme and Housing Committee reports.	The main outcome anticipated is the submission of the bid by the deadline.
Is the Business Case subject to regularly review and updated?	Yes – at Project Board	Yes through the Housing Delivery Group and Housing Committee reports.	Business cases for projects are in the process of being developed.
Project Board: Has a project board been established?	Yes	Yes – the Housing Delivery Group	Yes
What is its meeting frequency?	Monthly	The Housing Delivery Group meets monthly.	A programme of meetings has been set – at least monthly.

Major Project:	Beeston Square Redevelopment Phase II	Housing Delivery Plan	Stapleford Towns Fund
Who attends the meetings?	Members; officers; external advisors (non-executive)	The Group is chaired by Deputy Chief Executive and comprises of officers from Housing, Finance, Planning, Legal, Estates and Procurement.	Meetings are well attended by those who are on the Board and are always quorate.
How have Board Members been identified and appointed – is this based upon any particular skillset?	Cross-party political representation, officer responsibilities, external skills	Officers from Housing, Finance, Planning, Legal, Estates and Procurement.	Approved by Jobs and Economy Committee in accordance with the requirements of the criteria set by the fund guidance. Representativeness of tiers of government and private sector leadership is crucial.
Have roles been established and has authority and responsibilities been defined?	Yes	Roles have been established and responsibilities identified.	A chair/vice-chair have been appointed. Their powers are as agreed by the Board. Otherwise they have no individual decision making authority
Has decision making authority been defined to comply with Standing Orders/Scheme of Delegation (committee approval or delegated powers)?	Yes	All proposals are agreed by the Group and then taken to GMT and the respective Committee as required or dealt with under Delegated Powers and Standing Orders.	Yes. Any expenditure complies with Standing Orders and work is subject to tendering as required by Standing Orders.

Major Project:	Beeston Square Redevelopment Phase II	Housing Delivery Plan	Stapleford Towns Fund
Have any potential conflicts of interest been identified and duly declared?	Yes – these are reviewed at each Project Board	Yes	Declarations of interest is a regular item on the agenda. Board membership includes developers and an estate agent. If there be a failure to declare any conflict, the Standards regime would be unable to hold private sector Board members to account. However, criminal law would apply if a fraud had occurred.
Is an agenda prepared and are meeting minutes taken?	Yes	Agendas and minutes are prepared for each monthly meeting. A report is taken to every Housing Committee meeting which includes a programme update, finance update and covers items for Committee approval.	Yes. Every meeting has an agenda and is minuted.
Project/Delivery Plan: Has a project/delivery plan been prepared?	Yes	The project has an approved Housing Delivery Plan which will be updated at key trigger dates (end of phase 1 in late 2021).	Yes. There is a project plan up to the date of submission which will be replaced by a programme of work once projects have been approved for funding
Are these plans regularly reviewed and updated?	Yes	The plans are reviewed by the Housing Delivery Group and Housing Committee.	The current plan is reviewed on a monthly basis in line with Executive Board meetings

Major Project:	Beeston Square Redevelopment Phase II	Housing Delivery Plan	Stapleford Towns Fund
Reporting to Key Stakeholders and Members:			
Is there any scrutiny of strategic decision making by Members?	Yes – at Project Board and at Committee(s)	Yes – at Housing Committee	Members are included on the Board (including opposition group members). Progress is reported to Jobs and Economy Committee where scrutiny occurs
What is the lead Committee?	Policy and Performance Committee (on to Full Council and the Finance and Resources Committee, where appropriate)	The Housing Committee is the lead committee.	Jobs and Economy Committee
Are the outcomes of the Project Board meeting (i.e. minutes, action plans, risk registers) reported to GMT, political leaders and/or the appropriate Committee(s)?	Yes	An update report on the Housing Delivery Plan has been prepared for every Housing Committee since October 2019. Main outcomes from the Housing Delivery Group are reported to GMT, Committee Chairs or the relevant committee. Senior officers have most of the authority required to approve the mechanics of delivering the programme within the agreed budget.	Yes. The Jobs and Economy Committee receive reports on progress. GMT see all papers on their way to Committee.
What is the frequency of these update reports?	As per the appropriate Committee cycles	As per the appropriate Committee cycles	Every meeting.

Major Project:	Beeston Square Redevelopment Phase II	Housing Delivery Plan	Stapleford Towns Fund
Budget/Financial Management:			
Do operations take due regard of the Council Financial Regulations?	Yes	All operations take regards of the Council's Financial Regulations	Yes. Expenditure is in accordance with the Council's Standing Orders
Has the budget been approved? By whom and when?	Yes. Policy and Performance Committee on 3 July 2019 (and Full Council on 17 July 2019)	Budget approved by Finance and Resources Committee on 19 October 2019 and June 2020	The budget for the project is reported regularly to the Towns Fund Board. Any additional expenditure outside the budget is requested from Finance and Resources Committee
What are the arrangements for monitoring and reporting financial performance?	By the Project Manager to the Project Board and then onto the relevant Committee(s)	Monitoring and report of Financial performance is undertaken by the Head of Finance Services and the Project Manager on bi-monthly basis for Housing Committee.	Reported to every meeting of the Board and progress reported to the Jobs and Economy Committee.
Is financial performance considered by Project Board, GMT and/or Committee(s)?	Yes	Yes, the Housing Committee.	Financial performance is a matter covered in progress reports to Jobs and Economy Committee
Procurement/Contracts/Legal			
How do you ensure compliance with procurement regulations and internal process (Contract Standing Orders)?	Procurement decisions taken in consultation with the Procurement and Contracts Officer.	The procurement of contracts is carried out in line with procurement regulations and the Council's Standing Orders.	Tendering in accordance with Standing Orders

Major Project:	Beeston Square Redevelopment Phase II	Housing Delivery Plan	Stapleford Towns Fund
How do you ensure compliance with contractual terms and other legal matters?	External Project Managers monitors and advises the Project Board. Legal advice taken as required.	All contracts are signed by the appropriate officer under delegated powers. The Legal department are consulted on significant contracts. Committee approval is also sought if required for the contracts.	Written agreement as to the work that is required is agreed prior to the commencement of work. Should anything deviate from this, the agreed reporting procedures are used.
Risk Management: Has the project 'risk appetite' been defined considering the acceptable levels of risk in strategic, financial, operational, regulatory and reputational terms, and is this used to inform risk management?	Yes	Risk is discussed at length at the Housing Delivery Group and considered in Committee reports on a scheme by scheme basis.	Yes, this is in line with the Council's 'risk appetite'.
How are risks managed at project level? Do these feed into the Council's strategic risks?	Risks managed by the Project Board, with external advice (legal, project manager) as required.	Risk is discussed at length by the Group. Schemes have to work within the constraints of the HRA Business Plan and the Housing Capital Programme. Work is being undertaken to agree a financial appraisal for housing delivery programme. Risk for new opportunities is carefully considered by the Project Manager on a scheme by scheme basis.	We have not yet reached the stage in which this will need to be considered. Management will be in line with the PRINCE2 risk management technique.

Major Project:	Beeston Square Redevelopment Phase II	Housing Delivery Plan	Stapleford Towns Fund
Is a risk register prepared and is this regularly maintained and reviewed by the Project Board?	Yes. This is a standing agenda item for the project board	The project would benefit from a formal risk register.	Again, we are not yet at this point of the project. However, an informal risk register will be kept to understand landscape when applying for funding.
Is the risk register more widely reported and reviewed?	Yes. Top-level risks shared with the Policy and Performance Committee	Not currently	Not currently
Have risk tolerances been agreed in terms of cost, time and quality and are there clear escalation levels should the level of risk be outside these limits.	Yes, as defined in the Project Execution Plan	Schemes are not progressed where the likelihood of securing planning permission is not viable. The nature of residential development is that abortive costs will be accrued for development opportunities that are initially worked up but which are not ultimately developed. The level of acceptable abortive costs for sites (both Council owned and privately owned) needs to be agreed.	Not at this stage. This will be done at the Full Business Case stage of the process and in line with government requirements
Other Considerations			
Any other considerations for inclusion in the dashboard report.	None	None	None

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Report of the Deputy Chief Executive

REVIEW OF STRATEGIC RISK REGISTER

1. Purpose of report

To recommend approval of amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

2. Detail

Further to earlier reports to this Committee and in accordance with the timescales set out in the Risk Management Strategy approved by this Committee in December 2018, the Strategic Risk Management Group met on 5 August 2020 to review the Strategic Risk Register. General Management Team (GMT) has since considered the proposals from the Strategic Risk Management Group. The objectives of the review were to:

- Identify the extent to which risks included in the Strategic Risk Register are still relevant
- Identify any new risks to be included in the Strategic Risk Register
- Review action plans to mitigate risks.

A summary of the risk management process is included in appendix 1. The Risk Management Strategy includes a '5x5' risk map matrix to assess both the threats and opportunities for each strategic risk in terms of both the likelihood and impact. The risk map is included to assist the understanding of the inherent and residual risk scores allocated to each strategic risk. These scores will be considered further and amended as necessary in due course.

Details of proposed amendments to the Strategic Risk Register and the actions resulting from the process are attached in appendix 2. The revised Strategic Risk Register incorporating the proposed amendments is available on the intranet. Further reviews of the Strategic Risk Register will be reported to future meetings of this Committee.

Recommendation

The Committee is asked to RESOLVE that the amendments to the Strategic Risk Register and the actions to mitigate risks as set out in appendix 2 be approved.

Background Papers

Nil

APPENDIX 1**REVIEW OF STRATEGIC RISK REGISTER****Introduction**

The Risk Management Strategy, as revised in December 2018, aims to improve the effectiveness of risk management across the Council. Effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving its ability to deliver priorities, improve outcomes for residents and mitigating legal action and financial claims against the Council and subsequent damage to its reputation.

The Strategy provides a comprehensive framework and process designed to support both Members and Officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The Strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that the Council has in place to manage risk successfully. The risk management process outlined within the Strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This covers both strategic priorities, operational activities and the delivery of projects or programmes.

The Council defines risk as "the chance of something happening that may have an impact on objectives". A risk is an event or occurrence that would prevent, obstruct or delay the Council from achieving its objectives or failing to capture business opportunities when pursuing its objectives.

Risk Management

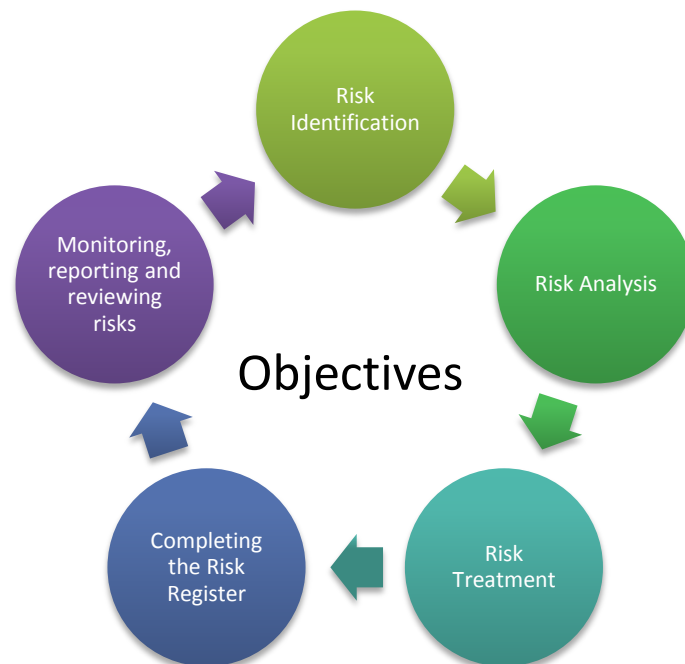
Risk management involves adopting a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the objectives, assets, or financial wellbeing of the Council. It is a means of minimising the costs and disruption to the Council caused by undesired events.

Risk management covers the whole range of risks and not just those associated with finance, health and safety and insurance. It can also include risks as diverse as those associated with reputation, environment, technology and breach of confidentiality amongst others. The benefits of successful risk management include:

- Improved service delivery with fewer disruptions, efficient processes and improved controls
- Improved financial performance and value for money with increased achievement of objectives, fewer losses, reduced impact and frequency of critical risks
- Improved corporate governance and compliance systems with fewer legal challenges, robust corporate governance and fewer regulatory visits
- Improved insurance management with lower frequency and value of claims, lower impact of uninsured losses and reduced premiums.

Risk Management Process

The Council's risk management process has five key steps as outlined below.



Process Step	Description
Risk Identification	Identification of risks which could significantly impact the Council's aims and objectives – both strategic and operational.
Risk Analysis	Requires consideration to the identified risks potential consequences and likelihood of occurring. Risks should be scored against the Council's risk matrix
Risk Treatment	Treat; Tolerate; Transfer; Terminate – Identify which solution is best to manage the risk (may be one or a combination of a number of treatments)
Completing the Risk Register	Document the previous steps within the appropriate risk register. Tool for facilitating risk management discussions. Standard template to be utilised to ensure consistent reporting.
Monitoring, reporting and reviewing the risks	Review risks against agreed reporting structure to ensure they remain current and on target with what is expected or manageable.

Risk Matrix

		Risk – Threats				
Likelihood	Almost Certain – 5	5	10	15	20	25
	Likely – 4	4	8	12	16	20
	Possible – 3	3	6	9	12	15
	Unlikely – 2	2	4	6	8	10
	Rare – 1	1	2	3	4	5
		Insignificant – 1	Minor – 2	Moderate – 3	Major – 4	Catastrophic – 5
		Impact				



Risk Rating	Value	Action
Red Risk	25	Immediate action to prevent serious threat to provision and/or achievement of key services or duties
	15 to 20	Key risks which may potentially affect the provision of key services or duties
Amber Risk	12	Important risks which may potentially affect the provision of key services or duties
	8 to 10	Monitor as necessary being less important but still could have a serious effect on the provision of key services
	5 to 6	Monitor as necessary to ensure risk is properly managed
Green Risk	1 – 4	No strategic action necessary



APPENDIX 2



Strategic Risk Register – Summary of Proposed Changes




Inherent Risk – Gross risk **before** controls and mitigation





Residual Risk – Risk remaining **after** application of controls and mitigating measures





Risk	Inherent Risk	Residual Risk	Changes
<p>1. Failure to maintain effective corporate performance management and implement change management processes</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i></p>	20	<p>4</p> 	<p>The action to adopt the Corporate Plan 2020-2024 has been completed.</p> <p>The action to prepare for the Local Government Association (LGA) peer review was amended to refer to 2021.</p> <p>As the level of uncertainty facing the Council has reduced following the conclusion of the Borough elections and with approval of the Corporate Plan, it was agreed that the residual risk score be reduced from 6 to 4.</p>
<p>2. Failure to obtain adequate resources to achieve service objectives</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had worsened.</i></p>	25	<p>16</p> 	<p>New action points have been added:</p> <ul style="list-style-type: none"> Assess the implications of the Spending Review 2020. Utilise the available 'Reopening the High Streets Safely' funding. Produce a new Commercial Strategy. <p>The following actions were deleted:</p> <ul style="list-style-type: none"> Address the areas identified in the LGA review of the Council's finances. Assess the implications of the outcome of the Oakervee Review into the future of HS2. <p>An action has been updated to submit a 'Town Deal' bid for Stapleford in accordance with MHCLG deadlines.</p> <p>Given the financial impact upon both the Council and the wider economy of the coronavirus outbreak and the resulting uncertainty going forward, it was agreed that the residual risk score be increased from 12 to 16.</p>




Risk	Inherent Risk	Residual Risk	Changes
<p>3. Failure to deliver the Housing Revenue Account (HRA) Business Plan</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i></p>	25	<p>9</p> 	<p>New action points have been added:</p> <ul style="list-style-type: none"> • Implement a new approach for services charges in Independent Living accommodation. • Provide permanent accommodation for former service personnel at the former garage site at Oakfield Road, Stapleford. <p>An action to monitor progress of the consultation on greater flexibility in the use of Right-to-Buy receipts was deleted.</p> <p>An action was updated to review the 30-year Housing Asset Management Plan to incorporate the results of the stock condition survey.</p> <p>As new strategies/policies relating to the Council's housing stock have been introduced in response to long-standing issues and progress is being made with the Housing Delivery Plan, it was agreed that the residual risk score be reduced from 12 to 9.</p>
<p>4. Failure of strategic leisure initiatives</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had worsened.</i></p>	25	<p>20</p> 	<p>External legal advice and support was added as a key control.</p> <p>An action was amended to present a new Leisure Facilities Strategy for review, consultation and approval.</p> <p>An action was updated to liaise with Kimberley School following receipt of notice of termination of the joint-use agreement governing the operation of Kimberley Leisure Centre and to determine an approach to leisure provision in the north of the Borough.</p> <p>An action to utilise external legal advice and support as required from Continuum was added.</p> <p>Given a Leisure Facilities Strategy has yet to be approved and the uncertainty concerning the continued use of Kimberley Leisure Centre, it was agreed that the residual risk score be increased from 15 to 20.</p>





Risk	Inherent Risk	Residual Risk	Changes
<p>5. Failure of Liberty Leisure trading company</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had worsened.</i></p>	25	<p>16</p> 	<p>External legal advice and support was added as a key control.</p> <p>New action points have been added:</p> <ul style="list-style-type: none"> • Provide a safe environment for users, visitors and staff in accordance with the latest official guidance in response to the coronavirus outbreak. • Maximise financial support towards staff costs from the Coronavirus Job Retention Scheme • Address the impact of reduced income from member subscriptions and other sources. • Utilise external legal advice and support from Continuum. <p>Given the impact of the coronavirus outbreak upon Liberty Leisure in terms of its ability to provide leisure and cultural services as well as the significant financial implications, it was agreed that the residual risk score be increased from 12 to 16.</p>
<p>6. Failure to complete the re-development of Beeston town centre</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had worsened.</i></p>	25	<p>16</p> 	<p>The action to complete the sale of part of the site for residential development was updated to refer to the anticipated completion date of November 2020.</p> <p>An action to consider initial 'pop-up' uses for the proposed food and beverage outlets to generate activity and footfall needs before tenants can be secured was added.</p> <p>Given economic impact of the coronavirus outbreak and how this may impact upon the cinema operator and the ability to secure tenants for the food and beverage outlets, it was agreed that the residual risk score be increased from 15 to 16.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>7. Not complying with domestic or European legislation</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i></p>	25	<p>8</p> 	<p>An action to conduct a review of Council premises to ensure measures are in place to mitigate the risk of legionella was deleted.</p> <p>Whilst there is an action to react to the impact of legislative changes arising from the UK leaving the EU, the uncertainty surrounding this process and its potential legislative, financial and other implications will require close scrutiny. There may be a significant impact upon a number of strategic risks and these will have to be addressed in due course.</p> <p>Given the effectiveness of the key controls and risk indicators in place for this risk and the progress being made in addressing the actions, it was agreed that the residual risk score be reduced from 12 to 8.</p>
<p>8. Failure of financial management and/or budgetary control and to implement agreed budget decisions</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i></p>	25	<p>8</p> 	<p>New action points have been added:</p> <ul style="list-style-type: none"> • Present an updated Medium Term Financial Strategy and a revised Business Strategy to the Finance and Resources Committee on 8 October 2020. • Complete monthly returns to MHCLG on the additional costs incurred and income lost as a result of the coronavirus outbreak. <p>Given the effectiveness of the key controls/risk indicators in place and the progress made in addressing the action points, it was agreed to reduce the residual risk score from 12 to 8.</p>
<p>9. Failure to maximise collection of income due to the Council</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had worsened.</i></p>	20	<p>12</p> 	<p>An action was added to recommence debt recovery activity following the temporary suspension in response to the coronavirus outbreak.</p> <p>Given the potential financial impact of the coronavirus outbreak upon many debtors' ability to meet their liabilities it was agreed to increase the residual risk score from 9 to 12.</p>

Risk	Inherent Risk	Residual Risk	Changes
10. Failure of key ICT systems <i>Although the residual risk score does not need to change, it was considered that the position with regards to this risk had improved.</i>	25	10 	The key ICT systems have been rigorously tested by the coronavirus pandemic outbreak, particularly with the move to agile working and the introduction of virtual committees. There has been negligible impact upon service delivery with few major difficulties encountered.
11. Failure to implement Private Sector Housing Strategy in accordance with Government and Council expectations <i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i>	20	4 	The action to present a report to the Jobs and Economy Committee on 27 February 2020 on proposals to further regulate houses in multiple occupation (HMOs) was completed. Given the effectiveness of the key controls and risk indicators in place for this risk and the progress that is being made in addressing the action points, it was agreed that the residual risk score be reduced from 8 to 4.
12. Failure to engage with partners/community to implement the Broxtowe Borough Partnership Statement of Common Purpose 2018-2020 <i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i>	15	4 	No changes. Given the effectiveness of the key controls and risk indicators in place for this risk and the progress that is being made in addressing the action points, it was agreed that the residual risk score be reduced from 6 to 4.
13. Failure to contribute effectively to dealing with crime and disorder <i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i>	15	3 	The action to present a Knife Crime Action Plan to the Community Safety Committee on 4 June 2020 was completed. Given the effectiveness of the key controls and risk indicators in place for this risk and the progress that is being made in addressing the action points, it was agreed that the residual risk score be reduced from 6 to 3.

Risk	Inherent Risk	Residual Risk	Changes
<p>14. Failure to provide housing in accordance with the Local Development Framework</p> <p><i>The position with regards to this risk is unchanged.</i></p>	20	12 	<p>Development Corporation Working Groups was added as a key control.</p> <p>The action to consider the outcome of the Government's review of the Community Infrastructure Levy was replaced with one to consider the possible implications of the Government's proposals to deliver new housing by overhauling the planning system, including a new Infrastructure Levy.</p>
<p>15. Natural disaster or deliberate act, which affects major part of the Authority</p> <p><i>The position with regards to this risk is unchanged.</i></p>	15	12 	<p>New action points have been added:</p> <ul style="list-style-type: none"> • Review the Flu Pandemic Plan • Prepare for a potential second wave of coronavirus over the winter months. <p>Actions to brief Senior Management Team on the Flu Pandemic Plan and to provide a coronavirus awareness training to staff were completed.</p> <p>Given the Council's response to the threat from the coronavirus outbreak across all services, including the Recovery Plans that have been presented to various committees, it was felt that the risk scores did not need to change.</p>
<p>16. Failure to mitigate the impact of the Government's welfare reform agenda</p> <p><i>Although the residual risk score does not need to change, it was considered that the position with regards to this risk had worsened.</i></p>	20	6 	<p>Whilst it was felt that the inherent and residual risk scores did not need to change, it was considered that the potential economic impact of the coronavirus outbreak upon the local community meant that the position with regards to this particular risk had worsened since the previous meeting.</p>
<p>17. Failure to maximise opportunities and to recognise the risks in shared services arrangements</p> <p><i>The position with regards to this risk is unchanged.</i></p>	20	9 	<p>The Integrated Revenues and Benefits Service Framework Agreement has been removed as a key control.</p> <p>An action point to present the Shared Services Annual Report to Policy and Performance Committee on 1 October 2020 was added.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>18. Corporate and/or political leadership adversely impacting upon service delivery</p> <p><i>Although the residual risk score does not need to change, it was considered that the position with regards to this risk had improved.</i></p>	20	8 	<p>The new Corporate Plan 2020-2024 is added as a key control.</p> <p>The actions to address the findings of the external investigation into complaints and grievances involving the conduct of officers of the Council and to recruit to the vacant Monitoring Officer position have been deleted.</p>
<p>19. High levels of sickness</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i></p>	16	6 	<p>An action point to present a report on employee wellbeing and wellbeing at work to Personnel Committee on 29 September 2020 was added.</p> <p>Sickness absence levels improved considerably since staff were instructed where possible to work from home in response to the coronavirus pandemic. This has been a real positive of the agile working arrangements introduced as part of the New Ways of Working Project.</p> <p>Given the effectiveness of the key controls and risk indicators in place and the progress made in addressing the action points, the residual risk score has been reduced from 9 to 6.</p>
<p>20. Lack of skills and/or capacity to meet increasing initiatives and expectations.</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i></p>	20	12 	<p>The Organisational Development Strategy is added as a key control.</p> <p>An action was added to present a coaching and mentoring report to Personnel Committee.</p> <p>An action to present a report on future skills requirements and a Learning and Development Strategy to Personnel Committee was completed.</p> <p>Given the effectiveness of the key controls and risk indicators in place and the progress made in addressing the actions, the residual risk score has been reduced from 16 to 12.</p> <p>There is significant overlap with Risk 21 below. Consideration will be given to consolidating these risks.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>21. Inability to attract/retain key individuals or groups of staff</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i></p>	20	<p>12</p> 	<p>The Organisational Development Strategy was added as a key control.</p> <p>The completed action to present the findings of East Midlands Councils review of the Broxtowe pay and reward model to Personnel Committee in June 2020 is deleted.</p> <p>Given the effectiveness of the key controls and risk indicators in place for this risk and the progress that is being made in addressing the action points, it was agreed that the residual risk score be reduced from 16 to 12.</p> <p>There is significant overlap with Risk 20 above. Consideration will be given to consolidating these risks..</p>
<p>22. Failure to comply with duty as a service provider and employer to groups such as children, the elderly, vulnerable adults etc.</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i></p>	20	<p>6</p> 	<p>Actions to develop Fuel Poverty and Food Poverty Strategies were added.</p> <p>Given the response of the Council to the coronavirus outbreak it was considered that the position with regards to this particular risk had improved since the previous meeting and it was agreed that the residual risk score be reduced from 9 to 6.</p>
<p>23. Unauthorised access of data</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i></p>	20	<p>6</p> 	<p>No changes.</p> <p>Given the effectiveness of the key controls and risk indicators in place and the progress being made in addressing the actions, the residual risk score was reduced from 9 to 6.</p>
<p>24. High volumes of employee or client fraud</p> <p><i>Although the residual risk score does not need to change, it was considered that the position with regards to this risk had worsened.</i></p>	20	<p>9</p> 	<p>The action to conduct a fraud risk assessment exercise, in conjunction with GMT, and develop a fraud risk register has been completed.</p> <p>An action to undertake fraud risk assessments for the Small Business Grant Fund; Retail Hospitality/Leisure Grant Fund; and Local Discretionary Grant Fund awards and planned post-assurance work was added.</p>

Further Details

The following items are highlighted for the attention of Members.

1. Coronavirus Outbreak

The impact of the coronavirus outbreak upon the Council's strategic risks was the main issue for discussion. The majority of residual risk scores were subsequently amended (upwards or downwards) as a result.

The coronavirus outbreak and the notice of termination by Kimberley School of the joint-use agreement governing the operation of Kimberley Leisure Centre were considered to be particularly significant for Risk 4 (Failure of Strategic Leisure Initiatives) and Risk 5 (Failure of Liberty Leisure Trading Company).

2. Horizon Scanning – July 2020

It was noted that the Devolution and Local Recovery White Paper due to be published in the autumn could, in theory, pose an existential threat to the Council. The Strategic Risk Management Group will consider how this might be addressed in the Strategic Risk Register once the White Paper has been published.

3. Business Continuity Planning

The coronavirus outbreak has tested departmental business continuity plans in a manner that few could have expected and they have been proved robust and capable of adapting to changing circumstances as required. Most services continued to operate in some form with additional capacity provided in areas such as Bramcote Crematorium and feedback has been overwhelmingly positive.

The Council should not neglect the opportunity to learn from this experience and steps should be taken to review departmental business plans to see how they may be enhanced, particularly in view of a potential second wave of coronavirus over the winter months.

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Report of the Strategic Director

WORK PROGRAMME

1. Purpose of report

To consider items for inclusion in the Work Programme for future meetings.

2. Background

Items which have already been suggested for inclusion in the Work Programme of future meetings are given below. Members are asked to consider any additional items that they may wish to see in the Programme.

30 November 2020	<ul style="list-style-type: none"> Internal Audit Plan 2020/21 Revision Internal Audit Progress Report Audit of Accounts 2019/20 and Associated Matters Review of Strategic Risk Register Review of Whistleblowing Policy Review of Governance of Parish and Town Councils Review of the Council's Arrangements for Dealing with Standards Complaints
15 March 2021	<ul style="list-style-type: none"> External Audit Plan 2020/21 Statement of Accounts 2020/21 – Accounting Policies Statement of Accounts 2020/21 – Underlying Pension Assumptions Internal Audit Plan 2021/22 Internal Audit Progress Report Review of Strategic Risk Register

Recommendation

The Committee is asked to CONSIDER the Work Programme and RESOLVE accordingly.

Background papers

Nil

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