



Friday, 5 March 2021

Dear Sir/Madam

A meeting of the Governance, Audit and Standards Committee will be held on Monday, 15 March 2021 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 Monitoring Officer at your earliest convenience.

Yours faithfully

Chief Executive

To Councillors: S A Bagshaw (Vice-Chair)  
E Cubley  
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)  
J C Patrick

## AGENDA

### 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 30 November 2020.

4. AUDIT COMPLETION REPORT - FOLLOW UP LETTER (Pages 5 - 10)

5. ANNUAL AUDIT LETTER 2019/20 (Pages 11 - 24)

6. BROXTOWE AUDIT STRATEGY MEMORANDUM (Pages 25 - 60)

This report provides the Committee with an overview on progress in delivering Mazar's responsibilities as the Council's external auditors.

7. AUDIT COMPLETION REPORT 2019/20- MANAGEMENT RESPONSES (Pages 61 - 64)

To provide additional details of actions being undertaken in response to the recommendations made by the external auditors in their Audit Completion Report on the external audit of the Council's 2019/20 accounts.

8. STATEMENT OF ACCOUNTS 2020-21 - ACCOUNTING POLICIES (Pages 65 - 84)

To provide Members with any updates made to the Council's accounting policies in relation to the production of the 2020/2021 financial statements.

9. STATEMENT OF ACCOUNTS 2020/2021 - UNDERLYING PENSION ASSUMPTIONS (Pages 85 - 88)

To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2020/2021 Statement of Accounts.

10. INTERNAL AUDIT PROGRESS REPORT (Pages 89 - 110)

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

11. INTERNAL AUDIT PLAN 2021/21 (Pages 111 - 118)

To approve the Internal Audit Plan for 2021/22.

12. REVIEW OF STRATEGIC RISK REGISTER (Pages 119 - 130)

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

13. WORK PROGRAMME (Pages 131 - 132)

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

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## GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

**MONDAY, 30 NOVEMBER 2020**

Present: Councillor S A Bagshaw, Vice Chair in the Chair

Councillors: S J Carr (substitute)  
E Cubley  
D A Elliott  
J M Owen  
J P T Parker  
P D Simpson  
D K Watts

Apologies for absence were received from Councillors M Hannah, M Handley, H G Khaled MBE, M Radulovic MBE, I L Tyler and E Williamson.

21 DECLARATIONS OF INTEREST

There were no declarations of interest.

22 MINUTES

The minutes of the meeting held on 21 September 2020 were confirmed as a correct record.

23 REPORT OF THE MONITORING OFFICER

The Committee noted the Monitoring Officer's report.

24 REPORT OF THE MONITORING OFFICER

The Committee noted the Monitoring Officer's report.

25 AUDIT OF ACCOUNTS 2019/20 AND ASSOCIATED MATTERS

The Committee considered letter of representation and the process for the approval of the Statement of Accounts for the 2019/20 financial year and received an update on the Audit Completion Report for the year ending 31 March 2020 from the Council's external auditors.

**RESOLVED that:**

- (i) the Statement of Accounts 2019/20 as circulated and the letter of representation as attached be approved and**
- (ii) delegation be given to the Deputy Chief Executive and Section 151 Officer along with the Chair of this Committee to approve any further changes required to the Statement of Accounts 2019/20.**

26 ANNUAL GOVERNANCE STATEMENT

The Committee considered the revised Annual Governance Statement.

**RESOLVED** that the revised draft Annual Governance Statement in appendix 1 of the report be approved for inclusion in the Council's Statement of Accounts 2019/20.

27 INTERNAL AUDIT PROGRESS REPORT

The Committee were informed of recent work completed by Internal Audit. It was noted that the level of performance in terms of audits completed is below what should have been achieved at this stage. The main impact has been from the Covid-19 pandemic and the urgency of diverting Internal Audit resources towards supporting other areas.

**RESOLVED** that revisions to the Internal Audit Plan for 2020/21, as set out in appendix 2 of the report, be approved.

28 REVIEW OF STRATEGIC RISK REGISTER

The Committee considered amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

**RESOLVED** that the amendments to the Strategic Risk Register and the actions to mitigate risks as set out in appendix 2 of the report, be approved.

29 COMPLAINTS PROCEDURE

The Committee were updated on the Council's requirement to enhance its complaints procedure, following notification from the Housing Ombudsman.

The Housing Ombudsman introduced a new complaint handling Code in July 2020, which was subsequently revised in September 2020. The new Code is a legal requirement for all landlords to adopt following the findings of the Grenfell White Paper report.

**RESOLVED** that the non-housing related complaints be administered in accordance with the Housing Ombudsman's Code.

30 REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR DEALING WITH STANDARDS COMPLAINTS

The Committee were updated on the arrangements for dealing with Code of Conduct complaints. It was noted that the review would consult with other district and borough Councils to establish best practice and Members would be consulted.

**RESOLVED that that a politically proportionate task and finish group be set up to review the arrangements for dealing with Code of Conduct Complaints and that the same task and finish group be set up to review the new National Code of Conduct.**

31 REVIEW OF WHISTLEBLOWING POLICY

The Committee noted the review of the Whistleblowing Policy and the outcome of the recent internal audit report relating to this policy.

32 WORK PROGRAMME

The Committee consider the Work Programme. It was requested that a report on the audit of business support grants be included at a future meeting.

**RESOLVED that, with the addition of an item to consider an audit trail for business support grants, the Work Programme be approved.**

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Mazars LLP

45 Church Street  
Birmingham  
B3 2RT

Tel: +44 (0)121 232 9500  
[www.mazars.co.uk](http://www.mazars.co.uk)

Governance, Audit and Standards Committee Members  
Broxtowe Borough Council,  
Town Hall,  
Foster Avenue  
Beeston  
Nottingham  
NG9 1AB

Direct line 07875 974 291  
Email [mark.surrIDGE@mazars.co.uk](mailto:mark.surrIDGE@mazars.co.uk)

02 December 2020

Dear Members

## Audit Completion Report – follow-up letter

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report as discussed with you on 30 November 2020.

The outstanding matters and the conclusions reached are detailed below:

Audit area	Status	Description of outstanding matters
Property, plant and equipment	Complete	<p>We have received the residual audit evidence and our work is complete.</p> <p>As highlighted previously a 'material valuation uncertainty' has been disclosed by the Council's valuer in respect of its property, assets. This has been disclosed in the Council's financial statements within Note 4.</p> <p>As the value of these assets as recorded on the balance sheet is material, this requires us to include an 'emphasis of matters' paragraph in our Audit Report.</p> <p>For clarity, we have included the full text of our Audit Report at Appendix 2.</p>
Pensions	Complete	<p>As discussed with you at our meeting, the pension fund assurance letter was not received until 26 November 2020 leaving us insufficient time to review and complete our work.</p> <p>There are a number of matters arising from our review, including:</p> <ul style="list-style-type: none"><li>The Pension Fund submitted asset information to the actuary as at 31 December 2019 and not 31 March 2020. The actuary then estimated asset investment returns as -7%, whereas the actual return for the period was -6.4%. The movement in asset values in the pension fund leads to an estimated £0.579m understatement of the Council's share of pension fund assets. This has been recorded as an unadjusted audit misstatement.</li></ul>

Mazars LLP

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Audit area	Status	Description of outstanding matters
		<ul style="list-style-type: none"> <li>• An £18m difference has been reported between the value of scheme assets per the 2019 Triennial Actuarial Report (£5,415m) and the value of scheme assets per the Pension Fund audited financial statements as at 31 March 2019 (£5,433m).</li> <li>• Pension benefits payable were reported as £4.248m, whereas the actuary estimated £4.39m. This has no impact on the net pension liability in the Council's balance sheet.</li> </ul> <p>We have identified a disclosure error that management has decided not to adjust. This is detailed in Appendix 1.</p> <p>As previously discussed with you, a 'material valuation uncertainty' has been disclosed on the Pension Fund's holding of property assets. This has subsequently been disclosed in the Council's financial statements within Note 4. As the Council's share of those assets as recorded on the balance sheet is material, this requires us to include an 'emphasis of matters' paragraph in our Audit Report extending to cover those pension assets.</p>
Whole of Government Accounts (WGA)	Complete	We have completed the appropriate procedures on the WGA Assurance Return with no matters to report to you.
Audit quality control and completion procedures	Complete	We have undertaken the outstanding procedures and received the residual audit documentation required and our work is complete.

If you wish to discuss these or any other points, then please do not hesitate to contact me.

Yours sincerely

**Mark Surridge**  
Mazars LLP

## Appendix 1 – Summary of Audit Misstatements

We set out below the complete set of audit adjustments arising through the audit.

### Unadjusted misstatements 2019/20

*As previously reported*

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Short-Term Creditors Cr: Long-Term Creditors			71	71
	Reclassification to split the value of a creditor between its short-term and long-term elements. No impact on the Council's net assets.				
2	Dr: Pension Reserve Cr: Pension Liability			45	45
	Variance in the actuarial report relating to the 'return on plan assets' for consolidation of Liberty Leisure. No impact on the Council's net asset position.				
3	Dr: Deferred income Cr: Grant Income		51	51	
	Correct recognition of Covid19 first tranche of income into 2019/20 and not 2020/21				
4	Dr: HRA - Depreciation Cr: HRA – Council dwellings	275			275
	Component depreciation was understated by £275k due to incorrect component values used.				
<b>Total unadjusted misstatements</b>		<b>275</b>	<b>51</b>	<b>167</b>	<b>391</b>

### Additional Matters

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	Dr: Net Pension Liability Cr: Pension Reserve			579	579
	Reflecting the estimated impact in the movement of the Council's share of pension fund assets through to 31 March 2020				
6	Plus Impact of above	275	51	167	391
<b>Total unadjusted misstatements</b>		<b>275</b>	<b>51</b>	<b>746</b>	<b>970</b>

### Adjusted misstatements

There have been no audit misstatements resulting in adjustments to the primary statements since issuing our Audit Completion Report.

## Appendix 2 – Final Form of Audit Report

*Consultation completed*

**Independent auditor's report to the members of Broxtowe Borough Council**

### **Report on the financial statements**

#### **Opinion**

We have audited the financial statements of Broxtowe Borough Council ('the Council') and its subsidiary ('the Group') for the year ended 31 March 2020, which comprise the Council and Group Comprehensive Income and Expenditure Statement(s), the Council and Group Movement in Reserves Statement(s), the Council and Group Balance Sheet(s), the Council and Group Cash Flow Statement(s), and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Broxtowe Borough Council and the Group as at 31<sup>st</sup> March 2020 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

#### **Basis for opinion**

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

#### **Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land & buildings and pension fund property assets**

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's property assets and the valuation of the Council's share of Nottinghamshire Pension Fund's property assets. As disclosed in Note 4 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Deputy Chief Executive's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's or the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The Deputy Chief Executive is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **Responsibilities of the Deputy Chief Executive for the financial statements**

As explained more fully in the Statement of the Deputy Chief Executive's Responsibilities, the Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Deputy Chief Executive is also responsible for such internal control as the Deputy Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Deputy Chief Executive is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

We have nothing to report in these respects.

## **Conclusion on Broxtowe Borough Council's arrangements for securing economy, efficiency and effectiveness in**

## **the use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Broxtowe Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Basis for conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether 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. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Responsibilities of the Council**

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

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

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

### **Use of the audit report**

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

### **Certificate**

We certify that we have completed the audit of Broxtowe Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Surridge  
For and on behalf of Mazars LLP

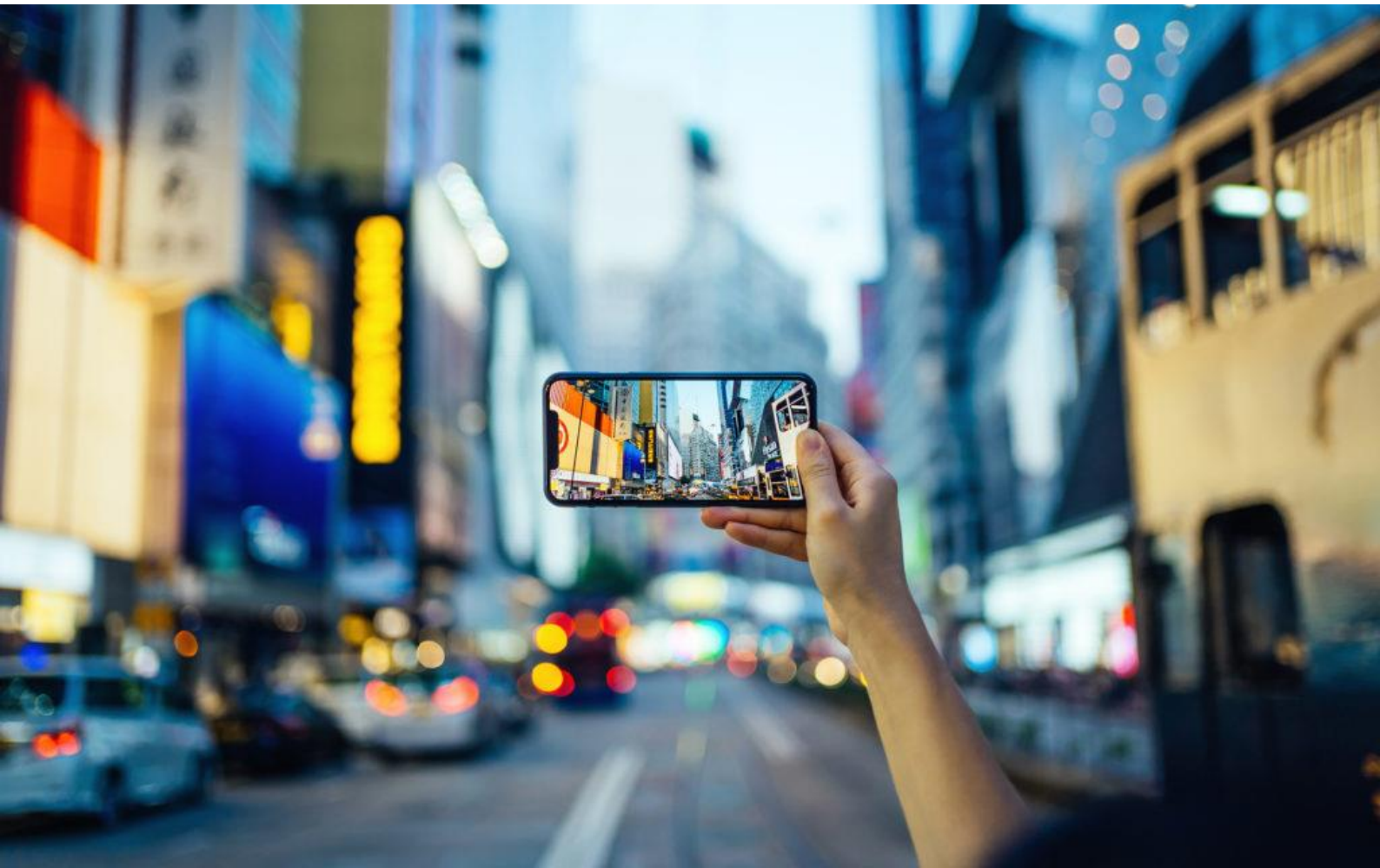
45 Church Street, Birmingham, UK, B3 2RT



# Annual Audit Letter

## Broxtowe Borough Council

Year ending 31 March 2020





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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

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# 1. EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Broxtowe Borough Council (the Council) for the year ended 31 March 2020. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Assessment	Summary
Audit of the financial statements	●	<p>Our auditor's report issued on 4 December 2020 included our opinion that the financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and</li><li>• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20</li></ul>
Other information published alongside the audited financial statements	●	<p>Our auditor's report included our opinion that:</p> <ul style="list-style-type: none"><li>• the other information in the Statement of Accounts is consistent with the audited financial statements.</li></ul>
Value for money conclusion	●	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020</p>
Reporting to the group auditor	●	<p>In line with group audit instructions, issued by the NAO on 4<sup>th</sup> November, we reported to the group auditor in line with the requirements applicable to the Council's Whole of Government Accounts return.</p>
Statutory reporting	●	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

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

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the National Audit Office and International Standards on Auditing. These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our auditor's report was modified to include an emphasis of matters paragraph. This drew attention to the financial statement disclosure explaining that COVID-19 had contributed to 'material valuation uncertainty' in the valuation of the Council's land and buildings, and in the Council's share of Nottinghamshire Pension Fund's property assets included in the estimated net Pension Liability.

Our report was issued on 4 December 2020, which is after the expected reporting date of 30 November. The reasons for the delay were reported to the Governance, Audit and Standards Committee and related to delays in the receipt of audit evidence relating to the Pension Fund.



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. We set materiality for the financial statements as a whole (financial statement materiality) and set a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Governance, Audit & Standards Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

Financial statement materiality	Our financial statement materiality is based on 2% of Gross Operating Expenditure.	£1.45m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£43k
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: <ul style="list-style-type: none"><li>• Senior Officer Remuneration</li><li>• Members Allowances</li><li>• External Audit Fee</li></ul>	<div>£5k</div> <div>£57k</div> <div>£8k</div>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant audit risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Governance, Audit & Standards Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<b>Management override of controls</b> In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of 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	We addressed this risk through performing audit work over accounting estimates and financial journal entries and significant transactions outside the normal course of business or otherwise unusual.	Our audit procedures did not identify any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.
<b>Valuation of Property, Plant and Equipment</b> The Council's accounts contain material balances and disclosures relating to its holding of Property, Plant and Equipment with the majority of these assets required to be carried at valuation.	We performed a range of audit tests, including, but not limited to: <ul style="list-style-type: none"><li>• Reviewing the valuer's qualifications, objectivity and independence to carry out the required programme of revaluations.</li><li>• Testing a sample of valuations to ensure the correct methodology had been applied and were supported by appropriate evidence.</li><li>• Considering the impact of assets not revalued in 2019/20 to ensure these remained materially correct at the balance sheet date.</li></ul>	The Council's valuer declared that the valuation of the Council's property assets were subject to 'material valuation uncertainty' as a result of COVID-19 and this was disclosed in Note 4 of the financial statements and referred to in the 'emphasis of matter' paragraph in our audit report. A 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon, only that, because of the extraordinary circumstances arising from COVID-19, less certainty can be attached to the valuation.

## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant audit risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<b>Valuation of the Net Pension Liability</b> The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there to be a significant audit risk in this area.	We performed a range of audit tests, including, but not limited to: <ul style="list-style-type: none"> <li>• Liaising with the auditor of the Nottinghamshire Pension Fund to obtain direct assurance over the controls surrounding membership, contributions and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> <li>• Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation.</li> <li>• Considered the impact of the remedy solution for the McCloud legal judgement on the net pension liability.</li> </ul>	'Material valuation uncertainty' was disclosed on the Pension Fund's property investment assets as a result of COVID-19. As the Council's share of those assets in the net Pension Liability in its own balance sheet is material, the Council has disclosed this in Note 4 of the financial statements and we have reflected this in the 'emphasis of matters' paragraph in our Audit Report.

### Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. The matters we report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported.

We reported three control deficiencies in our Audit Completion Report presented to the Governance, Audit & Standards Committee in November 2020. None were ranked as a significant control weakness.



### 3. VALUE FOR MONEY CONCLUSION

Value for money conclusion	Unqualified
----------------------------	-------------

#### Our audit approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out 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; and
- working with partners and other third parties.

#### Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our 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.

When we perform our work, we consider whether there are any areas requiring additional audit attention as a "Significant Audit Risk", which we report to the Governance, Audit & Standards Committee prior to finalising our conclusion. For 2019/20, we identified one significant audit risk:

- Whether the Council had put in place adequate arrangements to secure its financial resilience.

Our detailed findings were reported to the Governance, Audit & Standards Committee on 30 November 2020, with a summary of findings on the following page.



### 3. VALUE FOR MONEY CONCLUSION

#### Significant audit risks

Risk	Financial Resilience
Description	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 £0.6m was to be met from General Fund reserves and this was approved by the Council in February 2019
Key Observations	<p>During the 2019/20 financial year the Council achieved an underspend against the revised General Fund budget of £0.4m. This resulted in the Council's net deficit and the expected utilisation of reserves reducing from £1.3m to £0.6m and £0.45m less General Fund reserves being used than planned. The Housing Revenue Account delivered a £0.6m surplus, being a £0.9m 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"> <li>• Although £1.187m has been received in funding there will be a shortfall in the 2020/21 budget.</li> <li>• Savings and income generation included in the original 2020/21 budget are unlikely to be realised.</li> <li>• Between April and July 2020, the Council lost £2.4m of income, the longer-term impact is also to be determined.</li> <li>• 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.</li> <li>• 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.</li> </ul> <p>An updated Medium Term Financial Strategy 2020/21 to 2024/25 was presented to the Finance and Resources Committee on 8 October 2020 and an updated Business Strategy 2021/22 to 2022/23 approved at the same meeting.</p> <p>The Council anticipates that General Fund reserves may drop below the internally set target of £1.5m in 2021/22 and so managing the medium-term finances of the Council will be crucial with clear, costed, plans in place before March 2021 for consideration as part of our 2020/21 value for money conclusion.</p>
Conclusion	Based on the work performed, the Council's arrangements for the financial year ending 31 March 2020 are adequate.

#### Overall Conclusion

Our auditor's report stated that that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31<sup>st</sup> March 2020.



## 4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below testing threshold
Other information published alongside the audited financial statements	Consistent

The Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

### Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

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

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

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

The National Audit Office, as group auditor, requires us to complete a Whole of Government Accounts Assurance Statement in respect of financial consolidation data produced by the Council. We submitted this information to the NAO on 4 December 2020.

### Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.





## 5. OUR FEES

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

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum in March 2020 as £39,307, plus amounts to be confirmed to cover the additional testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	2019/20 proposed fee	2019/20 Final fee
Delivery of audit work under the NAO Code of Audit Practice (including Liberty Leisure)	£35,807	
Fee Variations*:		
• Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes		£7,067
• Additional costs associated with 2019/20, including, but not limited to:		£5,032
• Impact of 'Material Valuation Uncertainty' in Council's Property Assets and its share of Pension Fund Assets		
• Updating audit risk assessments, including the value for money conclusion		
• Additional considerations of estimation uncertainty and the Going Concern assertion		
• Changes impacting pension liabilities through McCloud and Goodwin		
• Additional Testing required for the consolidation of Liberty leisure	£3,500	£2,000
<b>Final audit fee</b>		<b>£49,906</b>
Other non-Code work	Nil	Nil

\*Fee variations subject to confirmation from PSAA.

### Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.



## 6. FORWARD LOOK: AUDIT CHANGES 2020/21

### Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1<sup>st</sup> April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are however significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

#### The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work will focus on three criteria specified in the revised Audit Code:

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

Under the new Audit Code, we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

#### Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and our view as to whether recommendations have been implemented satisfactorily.

The new Audit Code will result in additional officer time and auditor time and therefore audit fees.



## 6. FORWARD LOOK: AUDIT CHANGES 2020/21

### Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Governance, Audit & Standards Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Ministry of Housing, Communities and Local Government and we look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>



## CONTACT

### **Mark Surridge**

Director

Email: [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk)

### **Anita Pipes**

Manager

Email: [anita.pipes@mazars.co.uk](mailto:anita.pipes@mazars.co.uk)

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# Audit Strategy Memorandum

Broxtowe Borough Council

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Year ending 31 March 2021



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

Governance, Audit and Standards Committee  
Broxtowe Borough Council  
Town Hall,  
Foster Avenue  
Beeston  
Nottingham  
NG9 1AB

Mazars LLP  
2 Chamberlain Square  
Birmingham  
B3 3AX

February 2021

Dear Committee Members

## Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Broxtowe Borough Council for the year ending 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 8 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

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

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

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk)

Yours faithfully

Mark Surridge

Mazars LLP

Mazars LLP – 2 Chamberlain Square, Birmingham, B3 3AX

Tel: 0121 2329500 – [www.mazars.co.uk](http://www.mazars.co.uk)

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

# 01

Section 01:

## **Engagement and responsibilities summary**

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# 1. Engagement and responsibilities summary

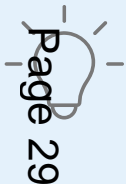
## Overview of engagement

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



### Audit opinion

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



### Going concern

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



### Value for money

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



### Electors' rights

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



### Fraud

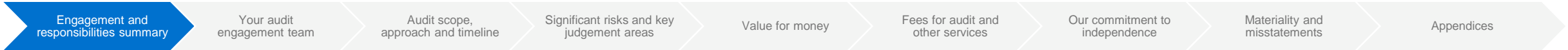
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

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



### Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.



# 02

Section 02:

**Your audit engagement team**

## 2. Your audit engagement team

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

Who	Role	E-mail
Mark Surridge	Engagement Lead	<a href="mailto:mark.surridge@mazars.co.uk">mark.surridge@mazars.co.uk</a>
Alex Campbell	Engagement Assistant Manager	<a href="mailto:alex.campbell@mazars.co.uk">alex.campbell@mazars.co.uk</a>

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# 03

Section 03:

## **Audit scope, approach and timeline**

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# 3. Audit scope, approach and timeline

## Audit scope

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

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

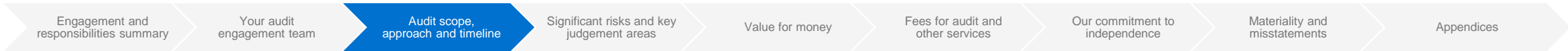
## Audit approach

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

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

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

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



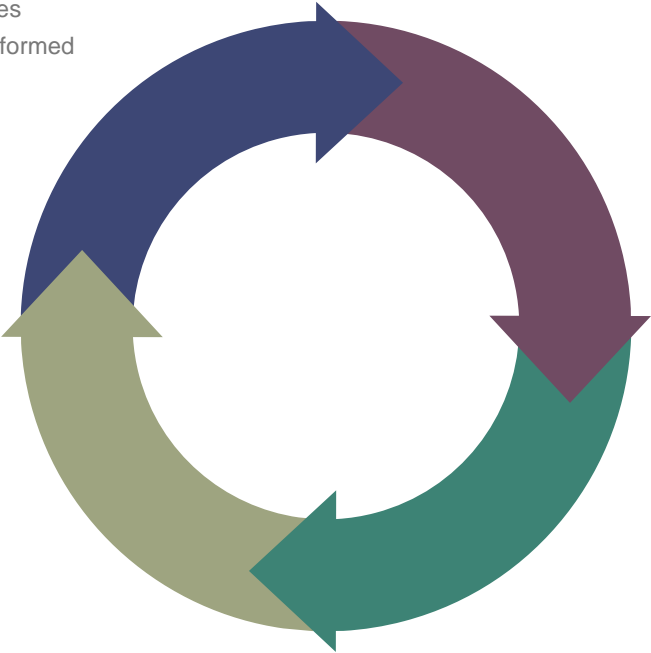
# 3. Audit scope, approach and timeline

## Planning January 2021 – February 2021

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

## Interim March 2021

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



## Completion September 2021

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Governance, Audit & Standards Committee
- Reviewing subsequent events
- Signing the auditor's report

## Fieldwork July - August 2021

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

### 3. Audit scope, approach and timeline

#### Reliance on internal audit

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

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

#### Management’s and our experts

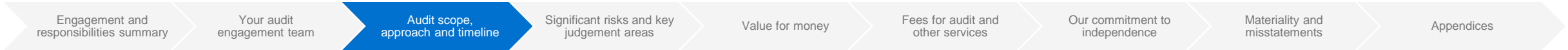
Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management’s expert	Our expert
Property, plant and equipment	<b>Internal Valuer</b>  Broxtowe Borough Council	None. Third party evidence provided via the NAO to support our challenge of valuation assumptions.
Pensions	<b>Barnett Waddingham</b>  Actuary for Nottinghamshire Pension Fund	PwC LLP (Consulting actuary appointed by the NAO).
Financial instrument disclosures	<b>Arlingclose</b>  Treasury management advisors	None.

#### Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the [Council] that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Pension cost (cost of services)  Net interest on defined benefit liability  Re-measurements of the net defined benefit liability (OCI)  Net pension liability	<b>Nottinghamshire Pension Fund</b>  <i>The IAS 19 pension entries that form part of the Council's financial statements are material and are derived from actuarial valuations. The process of obtaining these is co-ordinated by and uses information held and processed by the service organisation.</i>	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation.  Where we conclude that we do not have a sufficient understanding of the services by the service organisation we will seek to obtain assurance by using another auditor to perform procedures that will provide the necessary information about relevant controls at the service organisation.



# 3. Audit scope, approach and timeline

## Group audit approach

Broxtowe Borough Council needs to consider whether it is required to produce consolidated financial statements. Based on the information we have to date, we expect there to be group accounts compiled in the current financial year.

The consolidated financial statements cover the following entities:

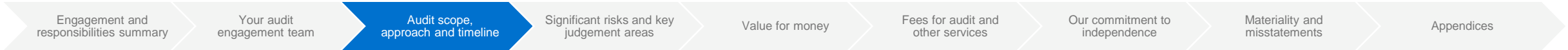
- Broxtowe Borough Council = Parent Company
- Liberty Leisure Limited = 100% owned Subsidiary

At the planning stage of the audit, we do not anticipate that the subsidiary will represent a significant component within the group structure however this will be monitored throughout the audit process and any changes to our assessment will be reported to the Governance, Audit & Standards Committee.

Although not significant, the subsidiary does contain individually material balances to the Parent company (the Council), therefore specific audit procedures will be required to be undertaken by the local audit team to gain the assurance on the overall group opinion.

Therefore, the extent of our work on the group accounts will cover a review of the consolidation of the subsidiary in to the group accounts, supported by further testing if judged necessary.

This work will require an extra fee over and above the agreed scale fee. This fee will be subject to approval by Public Sector Audit Appointments (PSAA).





# 04

Section 04:

**Significant risks and other key  
judgement areas**

Page 37

# 4. Significant risks and other key judgement areas

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

## Significant risk

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

## Enhanced risk

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

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

## Standard risk

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

## Summary risk assessment

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



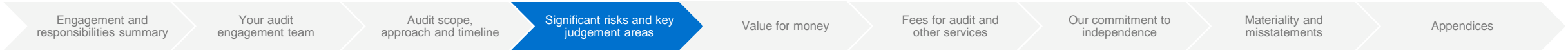
# 4. Significant risks and other key judgement areas

## Specific identified audit risks and planned testing strategy

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

## Significant risks

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



# 4. Significant risks and other key judgement areas

## Significant risks (continued)

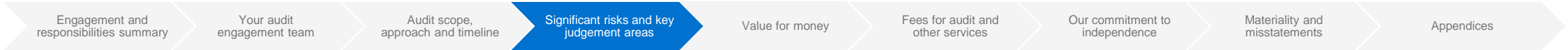
	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Net defined benefit liability valuation</b></p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary to provide an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

# 4. Significant risks and other key judgement areas

## Significant risks (continued)

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

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# 4. Significant risks and other key judgement areas

## Significant risks (continued)

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

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# 05

## Section 05: **Value for Money**

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# 5. Value for Money

## The framework for Value for Money work

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

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

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

## Specified reporting criteria

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

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

## Our approach

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

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: <ul style="list-style-type: none"><li>• NAO guidance and supporting information</li><li>• Information from internal and external sources including regulators</li><li>• Knowledge from previous audits and other audit work undertaken in the year</li><li>• Interviews and discussions with staff and members.</li></ul>
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.  Our commentary will also highlight: <ul style="list-style-type: none"><li>• Significant weaknesses identified and our recommendations for improvement</li><li>• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.</li></ul>





# 5. Value for money conclusion

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

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

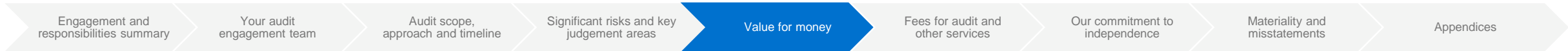
- how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them
- how the body plans to bridge its funding gaps and identifies achievable savings
- how the body plans finances to support the sustainable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

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

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

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

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



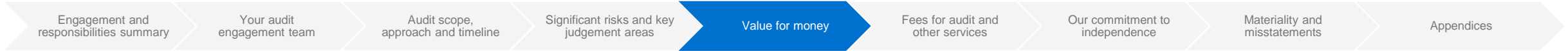
# 5. Value for Money

## Identified risks of significant weaknesses in arrangements

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

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

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# 06

Section 06:

## **Fees for audit and other services**

# 6. Fees for audit and other services

## Fees for work as the Council’s appointed auditor

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

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Scale audit fee	£35,807	£35,807
<i>Fee variations:</i>		
Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	£7,067 <sup>1</sup>	£7,067
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern; and ISA 600 (Revised): Specific considerations – audit of group financial statements.	£2,000 <sup>2</sup>	-
Other additional costs	TBC	£5,032 <sup>3</sup>
Group accounts	£2,000	£2,000
<b>Sub-total</b>	<b>£44,874</b>	<b>£49,906</b>
Additional work arising from the change in the Code of Audit Practice	£10,000 <sup>4</sup>	-
<b>Total</b>	<b>£54,874 <sup>5</sup></b>	<b>£49,906</b>

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

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

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

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

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

# 07

Section 07:

**Our commitment to independence**

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# 7. Our commitment to independence

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

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

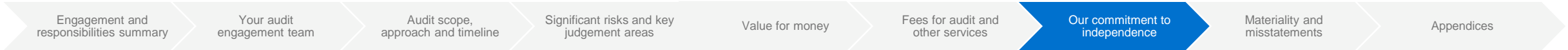
We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

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

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

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

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



# 08

Section 08:

## **Materiality and other misstatements**

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# 8. Materiality and misstatements

## Summary of initial materiality thresholds

Broxtowe Borough Council: Threshold	Initial threshold £'000s
Overall materiality	1,306
Performance materiality	979
Trivial threshold for errors to be reported to Governance, Audit & Standards Committee	39
Specific materiality:	
Officer remuneration (on the basis this is qualitatively material owing to public interest)	5*
External Audit fee (on the basis this is qualitatively material owing to auditor independence)	8

\*Reflecting movement from one salary band to another

Group Thresholds	Initial threshold £'000s
Overall materiality	1,448
Performance materiality	1,086
Trivial threshold for errors to be reported to Governance, Audit & Standards Committee	43

## Materiality

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

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

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

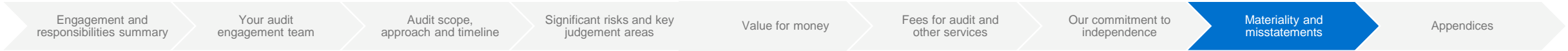
The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

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

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

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

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





# 8. Materiality and misstatements

## Materiality (continued).

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

Our provisional materiality is set based on a benchmark of Gross Revenue Expenditure at Surplus/deficit on Provision of Services level for 2019/20. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to Governance, Audit & Standards Committee:.

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

We expect to set a materiality threshold at 2% of total gross expenditure. Based on prior year financial statements we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £1,366k.

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

## Performance Materiality

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

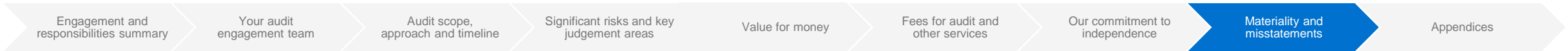
## Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Governance, Audit & Standards Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £39k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Surridge.

## Reporting to Governance, Audit & Standards Committee.

The following three types of audit differences will be presented to the Governance, Audit & Standards Committee:

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





Appendix: Key communication points

# Appendix: Key communication points

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

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

## Form, timing and content of our communications

We will present the following reports:

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

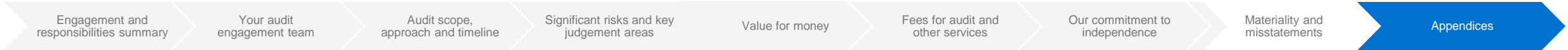
These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

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

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

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

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



# Appendix: Key communication points

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

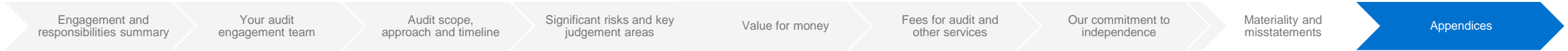
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant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

# Appendix: Key communication points

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

# Appendix: Key communication points

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



# Mark Surridge

## Mazars

2 Chamberlain Square

Birmingham

B3 3AX

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

\*where permitted under applicable country laws.

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## Report of the Deputy Chief Executive

### AUDIT COMPLETION REPORT 2019/20 – MANAGEMENT RESPONSES UPDATE

#### 1. Purpose of report

To provide additional details of actions being undertaken in response to the recommendations made by the external auditors in their Audit Completion Report on the external audit of the Council's 2019/20 accounts.

#### 2. Detail

The Audit Completion Report 2019/20, presented by the external auditors (Mazars) to the Governance, Audit and Standards Committee on 30 November 2020, followed their work on the Council's 2019/20 accounts. This included three recommendations intended to strengthen the internal control or enhance business efficiency.

The management responses provided to the external auditor's recommendations were included in the Audit Completion Report 2019/20. However, further detail as to the nature of the recommendations and how they are being addressed is set out in the appendix.

It should be noted that the external auditors regard none of the recommendations as high priority. Recommendations 1 and 2 are considered to be medium priority whilst recommendation 3 has been categorised as low priority. However, addressing all the recommendations should result in improvements to the internal control framework as well as enhance business efficiency.

Mazars' interim audit of the 2020/21 accounts commenced on 8 March 2021 and lasted for one week with a further week scheduled to commence on 29 March 2021. The final audit of the 2020/21 accounts is presently scheduled to commence on 26 July 2021.

#### Recommendation

**The committee is asked to NOTE the work being undertaken to respond to the recommendations made in the Audit Completion Report 2019/20 as set out in the appendix.**

#### Background papers

Nil

## APPENDIX

**Audit Completion Report 2019/20 – Management Responses Updates****Recommendation 1 – Related Party Transactions: Declarations of Interest**Description of Deficiency

Whilst we recognise there are procedures for members to declare an interest in any matters during committee meetings, in our testing of related party disclosures we identified 2 members did not return a signed declarations of interest form for 2019/20.

Potential Effects

Incomplete disclosures and governance transparency

Recommendation

The Council must ensure annual signed declarations are received, even for nil responses.

Management Response Update

The related party disclosure forms for 2020/21 have been circulated to all members along with the papers for the Council meeting on 3 March 2021. Reminders will be sent to members if the forms are not returned by the deadline. If they are still not returned then this will be brought to the attention of the respective Group Leaders to encourage a response.

**Recommendation 2 – Asset Valuations**Description of Deficiency

The Council's valuer rightly applies professional judgement to determine the carrying value of assets subject to valuation. Our responsibilities as your auditor, which have significantly increased through regulator expectations, is to apply professional scepticism and professionally challenge those judgements. Compared to other local authorities, the underlying records and the documentation trail to support the Council's valuations needs improvement. For example:

- Some adjustments applied to the valuation were not what were documented on the valuation calculation e.g. the valuation for a property was said to be adjusted from a 2 bed house to a 3 bed house but in reality the adjustment was made for the condition of the property.
- There was little evidence, other than the valuer's own judgement, as to why HRA Beacon Values were adjusted by +/- 10%, whereas we would expect a qualitative or quantitative justification based on historic trends or comparable evidence.

This level of testing and our need to receive satisfactory evidence has meant our work has taken longer this year.

#### Potential Effects

Incomplete disclosures and governance transparency.

#### Recommendation

The Council must review the documentation supporting valuations to ensure there is a clear audit trail and supporting explanations.

#### Management Response Update

The instructions provided to the Council's valuer for the 2020/21 valuations will state that the valuations provided will be subject to close scrutiny to ensure that they are supported by a clear audit trail with accompanying evidence and proper documentation. This scrutiny will involve internal audit and other staff from the finance team as necessary. Particular attention will be given to those valuations that have changed significantly or which are considered to have a material impact upon the Council's financial statements.

### **Recommendation 3 – Rolling Programme of Valuations**

#### Description of Deficiency

The Council ensures that all assets are revalued at least once every five years as part of a rolling programme. In our testing of completeness, we reconciled the fixed asset register to the rolling programme, which identified a number of reconciling items where asset names and identifiers were different between the two.

#### Potential Effects

Risk of omission and/or incomplete records.

#### Recommendation

The Council should reconcile and update the fixed asset register and rolling programme of revaluations prior to 31 March 2021.

#### Management Response Update

The fixed asset register has been reviewed in advance of the 31 March 2021 year end date to ensure that it aligns correctly with the rolling programme for asset valuations issued to the Council's valuer. Properties sold in recent years have been removed and identifiers updated as necessary.

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## Report of the Deputy Chief Executive

### **STATEMENT OF ACCOUNTS 2020/2021 – ACCOUNTING POLICIES**

#### 1 Purpose of Report

To provide Members with any updates made to the Council's accounting policies in relation to the production of the 2020/2021 financial statements.

#### 2 Introduction

Prior to the completion of the Statement of Accounts 2020/2021, it is considered good practice that Members are given the opportunity to discuss and comment on the accounting policies to be used in the production of the financial statements. These policies will be applied to the treatment of all transactions that make up the Statement of Accounts to ensure the accounts present a true and fair view of the financial position of the Council as at 31 March 2021.

The 2020/2021 Statement of Accounts will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the Code), based upon International Financial Reporting Standards (IFRS).

#### 3 Updates to the Statement

The 2020/2021 Code introduces amendments to:

- IAS 28 Investments in Associates and Joint Ventures
- IAS 19 Employee Benefits
- IFRS 3 Business Combinations
- Annual improvements to IFRS Standards Cycle

These changes do not impact on any of the Council's policies.

The proposed Accounting Policies for 2020/2021 are set out in the appendix.

#### 4 Financial Implications

There are no direct financial costs associated with the accounting policy updates.

#### **Recommendation**

**The Committee is asked to RESOLVE that the Accounting Policies for 2020/2021 be approved.**

#### Background Papers

Nil

**APPENDIX****Accounting Policies****(i) General Principles**

The Statement of Accounts summarises the authority's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting 2020/21 supported by International Financial Reporting Standards (IFRS), International Accounting Standards and statutory guidance issued under section 12 of the Local Government Act 2003.

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

The Statement of Accounts has been prepared on a going concern basis. As required by IAS 1, it has been assumed that the Council will continue in operation for the foreseeable future.

**(ii) Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

An exception to the above relates to electricity and other similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

As regards private sector housing benefits, payments can relate to periods partly in advance and partly in arrears. The cut-off date applied to such payments is as near to the year end as possible and ensures consistency with the figures used to calculate government subsidy received on such payments.

Council housing rents become chargeable on the Monday of each week for the week ahead. Rent income is accounted for up to and including the last Monday in the financial year. This can therefore include an element relating to the following year for which no adjustment is made.

### **(iii) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **(iv) Exceptional Items**

When items of income and expense are material, their nature and amounts is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### **(v) Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. See note 2 for more details.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. See note 6 for more details.

### **(vi) Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service

With the exception of works vehicles, depreciation is calculated on a straight line basis over the estimated useful life of the asset. The following useful lives have been used in the calculation of depreciation:

- Council Dwellings (Non Components) – 80 years
- Council Dwellings (Components) – 15 to 40 years
- Other Land and Buildings:
  - Council Offices - 60 years
  - Pavilions - 30 years
  - Cemetery Chapels - 30 years
  - Other - 40 years
- Vehicles, Plant, Furniture and Equipment – 5 years
- Infrastructure – 40 years

Any significant components identified in the revaluation of an asset are depreciated separately over their estimated useful life.

Works vehicles are depreciated over their estimated useful lives but with a greater depreciation charge in the early years to reflect the use and diminishing value of these assets.

Where an impairment loss is charged to the Comprehensive Income and Expenditure Statement, but there were accumulated revaluation gains in the Revaluation Reserve for that particular asset, an amount up to the value of that loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

The Council is not required to raise council tax or council housing rents to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. This is known as the Minimum Revenue Provision (MRP).

Depreciation, revaluation and impairment losses and amortisations are therefore reversed out of the General Fund (and Housing Revenue Account (HRA)) and replaced by the MRP. This is completed with an adjusting transaction with the Capital Adjustment Account within the Movement in Reserves Statement for the difference between the two. This ensures that depreciation, revaluation and impairment losses and amortisations have no overall effect on council tax or housing rent levels.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require local authorities to approve an MRP policy at the beginning of each financial year on setting aside a sum of money from revenue for the repayment of principal on outstanding debt. From 2012/13 onwards the Council has approved a policy such that, for capital expenditure incurred before 1 April 2008, the MRP is based on 4% of the authority's Capital Financing Requirement for the General



Fund. For General Fund capital expenditure incurred after 1 April 2008, the MRP is based upon the estimated life of those assets where the financing was provided by borrowing. The Council has also decided that no voluntary provision for the repayment of debt relating to the HRA should be made in 2020/21.

## **(vii) Employee Benefits**

### **Benefits Payable During Employment**

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and sick leave and are recognised as an expense for service in the year in which employees render service to the Council.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post-Employment Benefits**

Employees of the Council are members of the Local Government Pension Scheme, administered by Nottinghamshire County Council. The scheme is a defined benefit scheme in that it provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

### **The Local Government Pension Scheme**

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Nottinghamshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate that reflects the time value of money and the characteristics of the liability.

- The assets of the Nottinghamshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

The change in the net pension's liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year (allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked).
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years (debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Resources).
  - Net interest on the net defined benefit liability or asset (i.e. the net interest expense for the Council) – the change during the period in the net defined liability or asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement). This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset at the beginning of the period after taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - The return on plan assets (excluding amounts included in net interest on the net defined benefit liability or asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses (changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities (not accounted for as an expense).

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

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **(viii) Events after the Balance Sheet Date**

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **(ix) Financial Instruments**

##### **Financial Liabilities**

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

All borrowings shown in the Balance Sheet consist of the outstanding principal repayable plus accrued interest. Annual interest is charged to the Comprehensive Income and Expenditure Statement in accordance with the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement or the Housing Revenue Account, regulations allow the impact on the General Fund and Housing Revenue Account Balance respectively to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement or the Housing Revenue Account to the net charge required against the General Fund or Housing Revenue Account Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

Certain reserves are kept to manage the accounting processes for non-current fixed assets and retirement benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies below.

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

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

### Financial Assets measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

All such assets held on the Balance Sheet consist of the outstanding principal receivable plus accrued interest. Annual interest is credited to the Comprehensive Income and Expenditure Statement in accordance with the loan agreement.

The Council has provided a number of "soft loans" to employees at less than market rates for the purchase of motor vehicles. These should be correctly shown in the Balance Sheet at fair value. However, the value of these loans is not considered to be material. Accordingly, the value as shown in the Balance Sheet represents the value of any loans made less any repayments that have been received.

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

#### Expected Credit Loss Model

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

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

#### Financial Assets measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they occur in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

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

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

The inputs to the measurement technique are categorised in accordance with the following:

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

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

#### Financial Assets measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Annual income received from the financial instrument is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

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

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

The inputs to the measurement technique are categorised in accordance with the following:

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

The Council can elect to classify certain instruments as Fair Value through Other Comprehensive Income, dependent on the contractual arrangements for the instrument.

For an elected financial asset fair value gains and losses are recognised as they occur in Other Comprehensive Income within the Comprehensive Income and Expenditure Statement but are balanced by an entry in the Financial Instrument Revaluation Reserve. In all other circumstances the gain or loss is recognised in the Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement before being transferred to the Financial Instrument Revaluation Reserve via the Movement in Reserve Statement

On derecognition of an elected financial asset the balance on the Financial Instrument Revaluation Reserve is transferred to the General Fund via the Movement in Reserves Statement. In all other circumstances the balance on the Financial Instrument Revaluation Reserve is transferred to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

#### **(x) Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired by using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

#### **(xi) Heritage Assets**

The Council's Heritage Assets consist of the DH Lawrence Birthplace Museum building and a painting by Dr Ala Bashir, a respected sculptor and painter, of DH Lawrence which is linked to his most famous novel, Lady Chatterley's Lover. The museum building is held for its historical and artistic significance and to promote knowledge and culture. The DH Lawrence Birthplace Museum is recognised and measured (including the treatment of depreciation and revaluation gains and losses) in accordance with the Authority's accounting rules on property, plant and equipment. The building was revalued at 31 March 2017 in accordance with the Council's 5 year revaluation cycle for such assets. The painting was donated to the Council in 2008.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. For example, this may be where the asset has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

#### **(xii) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Research expenditure cannot be capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the

Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) the Capital Receipts Reserve.

#### **(xiii) Interests in Companies and Other Entities**

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. Liberty Leisure Ltd is a wholly owned subsidiary of the authority which manages the provision of leisure and culture services and its accounts are consolidated with the authority's in accordance with IAS 27. See also policy xvi below.

#### **(xiv) Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at cost. Whilst the Code of Practice on Local Authority Accounting 2019/20 requires inventories to be shown at the lower of cost and net realisable value, a departure from this is permitted under IFRS due to:

- the value of inventories not being considered to be material.
- the cost of analysing inventories between cost and net realisable value outweighing the value to the user of the accounts.

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

#### **(xv) Investment Property**

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment income and expenditure line in the Comprehensive Income and



Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The Council does not currently have any investment properties.

#### **(xvi) Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Whilst the Council does not strictly have any jointly controlled operations and jointly controlled assets in line with the definitions above, the Council has a 50% interest in the Bramcote Bereavement Services Joint Committee with the other 50% relating to Erewash Borough Council. Whilst the Bramcote Bereavement Services Joint Committee is a separate entity in its own right, its decision making and operational arrangements fulfil many of features associated with a jointly controlled operation. Therefore, the Council recognises 50% of the assets and liabilities of the Joint Committee on its Balance Sheet and debits and credits the Comprehensive Income and Expenditure Statement with 50% of the expenditure and income of the Joint Committee. This is also recognised in the Movement in Reserves Statement and the Cash Flow Statement as appropriate.

#### **(xvii) Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent upon the use of specific assets.

#### **The Council as Lessee**

### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred. All assets acquired through finance leases have been fully written down at the Balance Sheet date.

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

### The Council as Lessor

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

#### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

New standards in respect to leasing come into effect from 1 April 2022 which will change the accounting treatment of finance and operating leases. The Council is assessing the implications but considering the low number of leases the Council currently holds as lessee the impact is not considered to be material.

### **(xviii) Overhead and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early

These two cost categories are defined in the Service Reporting Code of Practice but are accounted for under Resources in the Comprehensive Income and Expenditure Statement.

### **(xix) Property, Plant and Equipment**

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

The Council operates a de minimis level in valuing assets. Any assets valued at less than £5,000 are excluded from Balance Sheet values.

### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both) are involved, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from a reversal of a loss previously charged to a service).

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

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

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

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

### Depreciation

Depreciation is provided on all property, plant and equipment assets held by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset. New specialist vehicles may also have an additional

depreciation provision made from the year following acquisition as advised by a suitably qualified officer.

- Infrastructure - straight line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This applies particularly in respect of council house dwellings.

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

### Disposals and Non-Current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

If part of an asset is replaced with a similar identifiable component, the carrying amount of the replaced or restored component is derecognised with the carrying amount of the new component being recognised. Any gain or loss arising from this process is credited or debited to the Comprehensive Income and Expenditure Statement as appropriate.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The Council has committed to a government scheme whereby, as from

2012/13, housing capital receipts from right to buy sales can only be used towards new affordable council housing, and within three years of their receipt, otherwise they become payable to the government. The balance of receipts held is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment on council housing or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax or housing rents, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **(xx) Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured as the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

A provision exists in relation to outstanding insurance claims, based upon information supplied by the Council's insurers. All insurance claims transactions during the course of the year are passed through the provision with the appropriate charge being made against the service lines within the Comprehensive Income and Expenditure Statement.

### Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. Further details can be found in note 43 to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. Further details can be found in note 44 to the accounts.

### **(xxi) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund or Housing Revenue Account balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund or Housing Revenue Account balance in the Movement in Reserves Statement so that there is no net charge against council tax or housing rents for the expenditure.

### **(xxii) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund or Housing Revenue Account balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax or council house rents.

### **(xxiii) VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **(xxiv) Collection Fund**

Billing authorities are required to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates. The Council acts as an agent, collecting and distributing council tax and business rates income on behalf of the major precepting authorities and central government as well as itself.

The difference between the income collected in the Comprehensive Income and Expenditure Statement and the amount by regulation to be credited to the General

Fund is taken to the Collection Fund Adjustment Account and included as reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of year end balances in respect of Council Tax and Non Domestic Rates relating to arrears, impairment allowances for doubtful debts and overpayments and prepayments and appeals.

Non Domestic Rates amounts are collected on behalf of the other partners of Central Government, Nottinghamshire County Council and Nottinghamshire Fire Authority.

Council Tax amounts are collected on behalf of the other preceptors of Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority.

As the Collection Fun is conducted on an agency basis, there is a debtor or creditor position between the Council and the major precepting authorities and central government.

#### Council Tax

The Local Council Tax Support Scheme is reviewed by the Finance and Resources Committee prior to the commencement of the financial year and any amendments are approved by full Council.



## Report of the Deputy Chief Executive

### **STATEMENT OF ACCOUNTS 2020/2021 – UNDERLYING PENSION ASSUMPTIONS**

#### 1. Purpose of Report

To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2020/2021 Statement of Accounts.

#### 2. Introduction

IAS 19 - Employee Benefits is one of the financial reporting standards with which the Council must comply when producing its annual Statement of Accounts. The basic requirement of IAS 19 is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.

To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries use certain assumptions to reflect expected future events which may affect the cost. The assumptions used should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date. The proposed assumptions for 2020/21 are shown in the appendix.

The Council will use the calculated costs and the underlying assumptions based upon the advice of the actuary of the Nottinghamshire County Council Pension Fund, Barnett Waddingham, and the administering authority (Nottinghamshire County Council), in preparing the annual Statement of Accounts. A formal actuarial valuation is carried out every three years, the last being as at 31 March 2019. The Actuary's final report for 2020/2021 is due to be received on 23 April 2021. All of the figures relating to IAS 19 are simply accounting adjustments made to comply with accounting standards and have no direct impact on resources. The amount charged to the General Fund Balance is the actual amount paid out in employers' contributions and not the charge calculated in accordance with IAS 19. The liability shown in the balance sheet is an estimate based on assumptions and would only ever become payable if the Council ceased as a going concern.

#### **Recommendation**

**The Committee is asked to NOTE the assumptions to be used in the calculation of pension figures for 2020/2021.**

#### Background papers

Nil.

## APPENDIX

Proposed Financial Assumptions for 2020/2021

The value of the Pension Fund's assets and liabilities are heavily dependent on the underpinning assumptions. The Employer is ultimately responsible for the assumptions used and this year's proposed assumptions are listed below:

- **Corporate bond yields.** This is used to derive the discount rate which is applied to the employer's liabilities to calculate their future values. The rates used are those that match the duration of the employer's liability.
- **Expected Return on Assets.** The actuaries anticipate that a typical local Government Pension Fund might achieve a positive return of 28% in the year to 31 March 2021 although this may vary depending on the individual funds investment strategy.
- **Inflation Expectations.** The levels of future Retail Prices Inflation (RPI) are assessed on the basis of the yields on fixed interest and index linked government securities over the period of the duration of the liabilities. The increases in pensions in the Local Government Pension are based on the Consumer Prices Index (CPI) which historically is lower than the Retail Prices Index. The Actuary has assessed the gap between RPI and CPI going forward to be a reduction of between 0.25% and 0.9% dependent on the duration of the employer's liabilities
- **Salary Increases** – The actuaries have proposed that salary increases are in line with CPI plus 1%.

The overall impact of the assumptions for an average employer is set out below but it should be noted that individual employer's circumstances vary, in particular the average age of their overall liabilities and therefore the results for Broxtowe may be different from the assessment below.

Changes in Actuary's Assumptions upon Employer's Liability from 2019/2020

Assumption	Duration of Individual Employee Liability (Years)			
	Less than 10	10 to 15	15 to 20	Greater than 20
Effect of change in discount rate on employer's liability	Increase of 11%	Increase of 16%	Increase of 19%	Increase of 23%
Change in inflation on employer's liability	Increase of 7%	Increase of 8%	Increase of 11%	Increase of 17%
Overall impact	Increase of 18%	Increase of 26%	Increase of 33%	Increase of 44%

Supreme Court ruling in McCloud/Sargeant cases

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015.

The first case (McCloud) ruled in favour of the claimants whilst the second (Sargeant) was ruled against. Both rulings were appealed and subsequently linked by the Court of Appeal. In December 2018 the Court of Appeal ruled the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. An adjustment to reflect the decision of the Supreme Court was made in Broxtowe's accounts for 2019/20.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The Actuary does not believe there will be any material differences between their approach underlying the estimated adjustment included in the Council's accounts and the proposed remedy.

#### Impact of Goodwin case

Following a case involving the Teachers' Pension scheme, known as the Goodwin case, differences between survivor benefits payable to members with same-sex or opposite-sex survivors have been identified within a number of public sector pension schemes. As a result, the Government have confirmed that a remedy is required in all affected public sector pension schemes, which includes the LGPS.

As this has just recently been announced, the Actuary does not yet have an accurate indication of the potential impact this may have on the value of employers' liabilities or the cost of the scheme. Any indication of cost at this stage will only be a rough estimate as in a lot of cases, funds will not have this information or data to hand. However, the Actuary believes the impact will very small and not material for the vast majority of employers.

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## Report of the Deputy Chief Executive

### **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
38	Kimberley Depot (including Security)	04/09/20	Reasonable	0	4
39	Housing Repairs	07/09/20	LIMITED	1	4
07	Public Health Funerals	16/10/20	Reasonable	0	4
08	Leasehold Properties	03/11/20	Reasonable	1	2
09	Garages	09/11/20	Substantial	0	2
10	Car Parks	12/11/20	Substantial	0	0
11	Section 106 Agreements	16/11/20	Reasonable	0	3
12	<b>Financial Appraisal (Durban House)</b>	<b>04/11/20</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
13	<b>HiMO Licences</b>	<b>09/12/20</b>	<b>Substantial</b>	<b>0</b>	<b>1</b>
14	<b>Rents (including Evictions)</b>	<b>06/01/21</b>	<b>Substantial</b>	<b>0</b>	<b>1</b>
15	<b>Council Tax</b>	<b>06/01/21</b>	<b>Reasonable</b>	<b>0</b>	<b>2</b>
16	<b>Neighbourhood Warden</b>	<b>23/02/21</b>	<b>Reasonable</b>	<b>1</b>	<b>0</b>
17	<b>Fuel Management</b>	<b>03/03/21</b>	<b>Substantial</b>	<b>0</b>	<b>1</b>
18	<b>Waste Management</b>	<b>03/03/21</b>	<b>Substantial</b>	<b>0</b>	<b>3</b>
19	<b>Benefits</b>	<b>03/03/21</b>	<b>Reasonable</b>	<b>0</b>	<b>3</b>

**REMAINING INTERNAL AUDIT PLAN 2020/21**

No	Audit Title	Progress
	Housing Delivery Plan	Draft report issued – pending finalisation
	Creditors and Purchasing	Draft report issued – pending finalisation
	Sundry Debtors	Draft report issued – pending finalisation
	Declarations of Interest	Draft report issued – pending finalisation
	Gas Servicing and Maintenance	Draft report issued – pending finalisation
	Governance - Covid-19 Grants Schemes	Ongoing (Nearing completion)
	Crematorium and Cemeteries	Ongoing (Nearing completion)
	Computer/ICT (including Cyber Risk)	In progress
	Housing Voids Management	In progress
	Utilities (Energy and Water)	In progress
	Bank Reconciliation	Commenced
	Planning Enforcement	Commenced
	Kimberley Leisure Centre (LLL)	Commenced
	Online Payments System (LLL)	Commenced
	Corporate Governance	Expected to commence in Q4
	Operational Risk Management	Expected to commence in Q4
	Health and Safety	Expected to commence in Q4
	Business Rates (NNDR)	Deferred by GAS Committee (30/11/20)
	Cash Receipting	Deferred by GAS Committee (30/11/20)
	Climate Change	Deferred by GAS Committee (30/11/20)
	Housing Management System	Deferred by GAS Committee (30/11/20)
	Human Resources	Deferred by GAS Committee (30/11/20)
	Planning and Building Control	Deferred by GAS Committee (30/11/20)
	Procurement and Contract Management	Deferred by GAS Committee (30/11/20)
	Treasury Management	Deferred by GAS Committee (30/11/20)

**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. **Financial Appraisal (Durban House)**

Internal Audit produced a financial appraisal of a company which had expressed an interest to lease Durban House, Eastwood, for the purposes of opening a school. This review was requested by the Deputy Chief Executive and the Estates Manager, with management wanting consideration of the financial viability of the business in order to assess the level of risk to the Council.

The specific findings and suitable recommendations were reported to senior management including the Deputy Chief Executive and the Estates Manager.

2. **HiMO Licences**

Assurance Opinion – **Substantial**

The specific objectives for the audit of Houses in Multiple Occupancy (HiMO) sought to confirm whether adequate controls exist to provide assurance that:

- Guidance and procedure notes are available with licence holders and tenants being made aware of expectations;
- Appropriate steps are taken to ensure that HiMO properties are identified, assessed and issued a licence;
- Protocols allow for enforcement action, were required, and that any such activity/remedies are recorded and communicated to the licence holder.
- Income is recorded, reconciled and associated costs are recovered.



- Performance management arrangements are in place.

The Council has an established framework in place for the management and administration of HiMO Licences. The review indicated an area for potential improvement with the information available from the Tenancy Deposit Scheme being assessed to determine its accuracy and potential to provide further assistance in the detection of unlicensed HiMO properties within the local authority area.

The proposed 'Merits Attention' action was duly agreed by the Head of Public Protection and the Senior Private Sector Housing Officer.

3. **Housing Rents** Assurance Opinion – **Substantial**

Internal Audit reports that the Council has an appropriate framework in place for the administration of operations in respect of Rents. One 'Merits Attention - Necessary Control' action was proposed to evidence the review and approval of reconciliations and refunds. During the present agile working arrangements, this process have been converted to an electronic authorisation via email.

The action was duly agreed by the Income and Housing Manager and the Income Collection Manager.

4. **Council Tax** Assurance Opinion – **Reasonable**

Internal Audit reported that the Council has an appropriate framework in place for the administration of Council Tax.

The review did indicate areas for improvement and two 'Merits Attention - Necessary Control' actions were recommended in order to ensure that processes and controls in place are effective.

The first proposed action related to the manual checking of accounts before submission for write-off, particularly for those accounts where the debt spans multiple billing periods, to ensure that each case is channelled to the appropriate level of authorisation in accordance with Financial Regulations.

This action was partially agreed by the Head of Revenues, Benefits and Customers Services. Officers will continue to monitor the accounts subject to write-off to ensure that each case is channelled to the appropriate level of authorisation. The justification for considering annual debts separately however is due to the way accounts are billed and recovered separately. The Council is not able to amalgamate the debt from a court perspective and has to summons debtors for each billing period individually. This provides the basis for keeping debts from different billing periods separate when considering a write-off. Whilst Internal Audit's view that the debts should be amalgamated is clearly in the spirit of the Financial Regulations, this would not be consistent with Council Tax recovery legislation.

The second 'Merits Attention - Necessary Control' action was regarding the need to complete follow-up action on an account regarding the application of discounts and reliefs in a timely manner following the recognised procedure. This action was agreed by the Head of Revenues, Benefits and Customers Services.

Internal Audit made further observations regarding the recommencement of recovery action, which had been put on hold at the start of the Covid-19 pandemic and the need to pick up with the review of the outcomes of the Single Person Discount data-matching exercise with the National Fraud Initiative Premium Service, which has been placed on-hold while resources have been transferred to support other priority areas during the pandemic crisis (such as the various emergency business grants schemes).

## 5. **Neighbourhood Wardens**

Assurance Opinion – **Reasonable**

The specific audit objectives sought to confirm whether adequate controls exist to provide assurance that environmental crime (fly-tipping, fly-posting, dog fouling etc.) is effectively managed; dog control is effectively managed; incidents involving potentially dangerous dogs are investigated and appropriate intervention made; and that arrangements with the service partner for invoicing, payments and receipts are robust and efficient.

The Council has an appropriate framework in place for the administration of operations in respect of the Neighbourhood Warden Service. The review did indicate an area 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 need to improve financial management arrangements relating to the services provided by the Council's service partner, as follows:

### **Service Partner – Financial Arrangements**

Audit testing of the recent transactional activity of invoicing, payments and receipts with the 'service partner' revealed a small number of errors. These included the misapplication of VAT; a lack of purchase order to invoice matching and the incorrect input of an income remittance into the purchasing system.

Internal Audit is pleased that prompt action has been taken by the Head of Environment to correct these errors, refine procedures and strengthen controls so as to prevent reoccurrence.

It is further noted that the current system for receiving income from the service partner remains cheque based following submission of a remittance rather than by bank transfer in settlement of a formal Council invoice.

Agreed Action (Significant)

The recent financial activity with the service partner has been fully reviewed to ensure that the correct payments and receipts have been made and recorded. Furthermore, improvements are being made to processing arrangements, which includes the three-way matching of purchase orders (via Business Support), the reinstatement of the monthly reconciliation process and officer training being provided to prevent further anomalies occurring.

It is also proposed that the income received from the service partner will be managed through the Sundry Debtors system going forward (subject to agreeing the details). The service partner will submit regular data in the usual format, which will be verified by officers and then a monthly sundry debtor invoice be raised to allow the service provider to pay the invoice via bank transfer.

Managers Responsible

Head of Environment

Waste Services and Strategy Manager

Target Date: 31 March 2021

The action was agreed by the Head of Environment. 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. **Fuel Management**Assurance Opinion – **Substantial**

The specific audit objectives sought to provide assurance that fuel procurement is cost-effective and efficient; fuel is safely and securely stored; fuel is issued and consumed solely for Council operations; contingency arrangements in the event of fuel supply disruption are practical and robust; and that fuel management arrangements reflect the corporate objectives in relation to Climate Change.

Internal Audit reported that the Council has an established framework for the management and administration of fuel supplies. The review did suggest an area for improvement with one 'merits attention – necessary control' action proposed to periodically analyse fuel consumption reports and vehicle miles travelled to compare the actual and expected vehicle economy to highlight anomalies requiring further investigation.

The action was duly agreed by the Head of Environment and the Transport and Stores Manager.

7. **Waste Management**Assurance Opinion – **Substantial**

The waste streams reviewed as part of this audit were general household waste (excluding garden waste), trade waste and bulky waste collections. The specific audit objectives sought to provide assurance that income is collected and accounted for; collection rounds are designed and implemented to ensure efficient use of resources; key regulatory and contractual requirements are met

regarding the collection and transfer of waste; and that risk assessments for collection operations are carried out and up-to-date.

The Council has established an appropriate framework for the administration of its waste management operations. The review indicated areas for improvement and Internal Audit proposed three 'Merits Attention actions (including two considered to be 'Necessary Controls') to ensure that processes and controls in place remain effective. These related to the need to regularly complete income reconciliation of bulky waste collections; to collect 'Duty of Care Controlled Waste Transfer Notes' to ensure and enhance assurance over customer compliance; and to ensure that all current risk assessments are up-to-date and formally reviewed and authorised.

The actions were duly agreed by the Head of Environment.

8. **Benefits**

Assurance Opinion – **Reasonable**

The Council has an established framework in place for the management and administration of Benefits. It was pleasing to acknowledge the positive outcome of the last review of the Benefits Subsidy claim by the external auditors where an unqualified audit report was provided for the fourth consecutive year. The positive outcome provides further management assurance that the DWP are comfortable with the adequacy of the arrangements in place.

The review did indicate areas for improvement and three 'Merits Attention actions (including two considered to be 'Necessary Controls') were proposed by Internal Audit to ensure that processes and controls in place remain effective. These related to maintaining up-to-date procedure notes for the housing benefits payments process; ensuring that checking of claim assessments is completed as prescribed to increase the prospect of identifying and correcting errors; and the practical use of the operational system tool for data cleansing purposes.

The actions were duly agreed by the Head of Revenues, Benefits and Customer Services.

9. **Governance Covid-19 Grants Schemes (including Self-Isolation Payments)**

Internal Audit is nearing completion of its review of the latest business grants process with a view to providing assurance to management and members. The outcome of the audit will include the production of a governance report for this Committee showing the audit trail for the payment of business support grants and all the relevant safeguards (key controls) and fraud checks.

Although the audit has not yet been concluded (with sample checking on key controls taking slightly longer than anticipated), early indications are that there will be no significant governance issues to report. The governance report will be presented at the next meeting.

In the meantime, Members will recall that Internal Audit has also been completing work in respect of the Covid-19 'Self-Isolation Payments' scheme which allows for awards of £500 to people on a low income that will lose money if requested to self-isolate by the NHS Test and Trace process.

The system went live in October 2020, with processes being established to be largely consistent with existing Benefits processes. The Benefits team are administering the scheme, supported by Quality and Control, using the software supplier's dedicated module to assist with administration and payment. Internal Audit has been providing ongoing support with scrutiny and quality checking.

It is pleasing to report that the scheme continues to run well. There are adequate levels of scrutiny and challenge in the process, which is balanced against the need to promptly award these payments. Internal Audit checked 100% of proposed payments made before 27 January 2021 (over 120 cases). A number of potential awards were challenged by Internal Audit and removed from payment runs pending further enquiry. Only two applications were subsequently declined following further investigation into the eligibility of the applicant.

In the opinion of Internal Audit, the scheme continues to be 'administratively sound', with all bank account details being checked and accurately transferred onto systems to enable efficient payment of the grants. In view of the way that officers had developed the framework for receiving applications, assessing eligibility and processing payments, it was agreed with the Head of Revenues, Benefits and Customer Services that Internal Audit would no longer be required to check all cases prior to being paid. This is a positive move that acknowledges the progress made and the robustness of systems and key controls in place. Internal Audit will still complete some sample checking in due course and remain available for advice and support if required.

Further reviews in respect of Computer/ICT (including Cyber Risk); Creditors and Purchasing; Crematorium and Cemeteries (Financial Management); Declarations of Interest; Gas Servicing and Maintenance; Housing Delivery Plan; and Sundry Debtors are ongoing and the reports have yet to be finalised. These will be included in the next progress report to Committee.

### **Current Audit Performance**

The revision of the Internal Audit Plan, approved by this Committee on 30 November 2020, has allowed for suitable progress to be made in the year and the target of 90% of the revised plan is expected to be achieved from the resources available.

## 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 July 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	Original 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)	Next audit
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	Completed
Human Resources 2019/20	20/12/19	Substantial	1	1 Outstanding
NNDR 2019/20	24/12/19	Substantial	2	Completed
Chilwell Olympia (Liberty Leisure Ltd)	28/01/20	Substantial	1	1 Outstanding
Procurement and Contract Management	02/03/20	LIMITED	6 (1)	3 Outstanding
Independent Living	05/05/20	Reasonable	5	3 Outstanding
Cash Receipting (Payment Kiosk)	05/06/20	LIMITED	7 (2)	7 Outstanding
Information Governance	24/06/20	Substantial	1	Completed
Payroll	24/06/20	Substantial	1	Completed
Whistleblowing Policy and Complaints	26/06/20	Reasonable	2	Completed
Enforcement	30/06/20	Reasonable	5	Completed
Financial Resilience	03/07/20	Reasonable	4	2 Outstanding
Local Authority Trading Company	06/07/20	Reasonable	3 (1)	2 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**

<b>1. Cemeteries</b>	June 2018, Substantial Assurance, Actions – 1
<b>1.1 Digitisation of Cemetery Records</b>	<b>Progressing</b>
<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 style="text-align: right;"><b>Revised target date – 30 April 2021</b></p>	
<p><b><u>Progress Report of the Bereavement Services Manager and the Procurement and Contracts Officer</u></b></p> <p>Tenders received for the provision of Bereavement Services Management Software were evaluated, with due diligence carried out with the preferred supplier to ensure the proposed solution is suitable and within budget. Whilst the implementation has been further delayed by the pandemic crisis, the contract documentation has been prepared and agreed with the supplier. Once the details of the data processing agreement are finalised, the contract will be awarded and the mobilisation can commence.</p>	

<b>2. Legionella</b>	September 2018, Reasonable Assurance, Actions – 5
<b>2.1 Health and Safety Audits</b>	<b>Progressing</b>
<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 Asset Management; Health and Safety Manager</p> <p style="text-align: right;"><b>Revised target date – 30 June 2021</b></p>	
<p><b><u>Progress Report of the Health and Safety Manager</u></b></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 now been cancelled twice due to Covid-19 with the need for 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>Unfortunately, the audit programme has yet to be developed and has had to be pushed back as other work has taken priority. The action will be progressed during 2021/22.</p>	

## 2. Legionella (Continued)

### 2.2 Tendering and Contracts

**Progressing**

#### Agreed Action (Merits Attention – Necessary Control)

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.

#### Managers Responsible

Head of Asset Management; Health and Safety Manager;  
Interim Senior Housing Manager

**Revised target date – 30 June 2021**

#### Progress Report of the Head of Asset Management

**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 during in 2021/22 with support from the Procurement team.**

## 3. Commercial Property/Industrial Units

### 3.1 Invoices – Combined Rent and Insurance

**Progressing**

#### Agreed Action (Merits Attention)

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.

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.

#### Manager Responsible

Estates Manager

**Revised Target Date: 31 May 2021**

#### Progress Report of the Estates Manager

**Combined rent and insurance bills continue to be 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 a further six tenancies to 28 units (47%) to a combined payment.**



<b>4. Bramcote Crematorium</b>	October 2019, Substantial Assurance, Actions – 2
<b>4.1 Bereavement Services Management System</b>	<b>Progressing</b>
<p><u>Agreed Action</u> (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;"><b>Revised Target Date: 30 April 2021</b></p>	
<p><b><u>Progress Report of the Bereavement Services Manager</u></b></p> <p>Tenders received for the provision of Bereavement Services Management Software were evaluated, with due diligence carried out with the preferred supplier to ensure the proposed solution is suitable and within budget. Whilst the implementation has been further delayed by the pandemic crisis, the contract documentation has been prepared and agreed with the supplier. Once the details of the data processing agreement are finalised, the contract will be awarded and the mobilisation can commence.</p>	

<b>5. Human Resources</b>	December 2019, Substantial Assurance, Actions – 1
<b>5.1 Completeness of Records</b>	<b>Progressing</b>
<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</p> <p style="text-align: right;"><b>Revised Target Date: 30 April 2021</b></p>	
<p><b><u>Progress Report of the Human Resources Manager</u></b></p> <p>New processes for probation were to be piloted from April 2020 but due to the Covid-19 response this has not been fully implemented. Preparatory work was completed but other pressing matters pushed this work back. The HR Manager met with the Head of Administrative Services and Business Support Manager in December 2020 to discuss the rollout programme and practicalities. It was agreed that due to some staffing/structure matters, the implementation programme would be re-visited in Spring 2021 (dependent upon the ongoing pandemic).</p>	

6. CCTV	October 2019, Substantial Assurance, Actions – 1
<b>6.1 Application for the Third Party Certification of Compliance with the Surveillance Camera Code of Practice</b>	<b>Progressing</b>
<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"> <li>• 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 &amp; 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)</li> <li>• 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.</li> <li>• The existing CCTV policies will be refreshed and arrangements made for these to be formally adopted by the Council. (Target date – 31 March 2020)</li> </ul> <p><u>Managers Responsible</u>  Head of Property Services  Parking and CCTV/Security Manager (in conjunction with the appropriate site managers)</p>	
<p><b><u>Progress Report of the Head of Governance and the Parking and CCTV/Security Manager</u></b></p> <p><b>Action 1 (Kimberley Leisure Centre) – This is on-hold indefinitely pending the outcome of the Leisure Facilities Strategy, the joint-use agreement negotiations with the School and hence the future of the Centre.</b></p> <p><b>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.</b></p> <p><b>A new re-deployable surveillance system is being purchased by the Environment team to assist with fly-tipping cases. It is currently unclear as to who will be responsible for managing the system to ensure compliance with the Commissioner Code of Practice.</b></p> <p><b>Action 3 (Policy Updates) – Policies were reviewed following a 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 in June 2020, which resolved to undertake an internal review of the effectiveness and value for money of town centre CCTV. As such, any significant advancement until the CCTV Review report has been considered by the Community Committee in March 2021.</b></p>	

<b>7. Electrical Testing</b>	November 2019, Substantial Assurance, Actions – 1
<b>7.1 Migration of Electrical Testing Schedule to Capita</b>	<b>Progressing</b>
<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><u>Progress Report of the Housing Repairs Manager</u></p> <p>The Council will be fully utilising the Capita module from April 2021 to run its electrical testing programmes going forward. Following the initial data load of components into Capita, a number of issues were identified regarding the integrity of the data. Whilst these have been largely resolved, the checking of records to ensure that uploads are correct will continue on a weekly basis as and when certificates are presented.</p>	
<b>8. Chilwell Olympia</b>	January 2020, Substantial Assurance, Actions – 1
<b>8.1 Operational Safety Risks – Joint-Use Agreement</b>	<b>Progressing</b>
<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>Managers Responsible</u> Managing Director, Liberty Leisure Limited Centre Manager</p> <p style="text-align: right;"><b>Revised Target Date: 30 June 2021</b></p>	
<p><u>Progress Report of the Managing Director, Liberty Leisure Limited</u></p> <p>Operationally legionella is managed by the school with Liberty Leisure Limited (LLL) contributing by completing and recording daily flushing of all water outlets. An asbestos assessment of the building was completed in 2020.</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. Operational meetings have been held with the school Head Teacher which focussed on the safe reopening of the school and leisure centre in relation to Covid-19. On 7 September 2020, a joint-use meeting was held with the school, LLL and senior Council representatives which discussed the wider future of the site and leisure centre. The specific health and safety issues detailed in the audit report have not been discussed but are being jointly managed by the school and LLL to ensure the safety of all users of the site.</p>	

9. Procurement and Contract Management	
March 2020, Limited Assurance, Actions – 6	
9.1 Procurement Training	Progressing
<p><u>Agreed Action</u> (Merits Attention)</p> <p>A procurement e-learning module will be developed, in conjunction with the Training Officer, to support the embedding of the Procurement and Commissioning Strategy. This will complement the existing support and guidance that is already available on the intranet and website.</p> <p><u>Manager Responsible</u> Chief Audit and Control Officer Interim Procurement and Contracts Officer</p> <p style="text-align: right;"><b>Revised Target Date: 31 May 2021</b></p>	
<p><b><u>Progress Report of the Procurement and Contracts Officer</u></b></p> <p><b>A briefing on the new Procurement Strategy was provided to all affected managers and officers. There has been some initial liaising with the Learning and Development Officer to develop an e-learning course for the Broxtowe Learning Zone.</b></p>	
9.2 Structured Contract Management	Progressing
<p><u>Agreed Action</u> (Significant)</p> <p>A Contract Management Strategy and Framework is being developed to expand upon the adopted Procurement and Commissioning Strategy. This will incorporate both strategic and operational contract management and a multi-layered approach for the 'softer' elements of supplier management and monitoring. A proposal was presented to General Management Team in February 2020 and will now be developed further.</p> <p>The strategy proposed a three stage process: advising suppliers that the relevant Council's policies as listed in tender documentation will provide the minimum standards required for suppliers engaged by the Council; monitoring progress with suppliers providing reports on performance; and undertake annual strategic reviews for major contracts (by value and/or strategic importance) to consider all aspects of contract performance and compliance and to carry out value engineering where appropriate. The framework will require stakeholders to periodically meet with contractors to discuss contract performance, with appropriate records maintained. Any issues can then be escalated accordingly. The process will also include regular dashboard and exception reporting to GMT.</p> <p>An action plan is being developed as part of the rollout of the framework.</p> <p><u>Manager Responsible</u> Head of Finance Services; Chief Audit and Control Officer; Interim Procurement and Contracts Officer</p> <p style="text-align: right;"><b>Revised Target Date: 30 April 2021</b></p>	
<p><b><u>Progress Report of the Procurement and Contracts Officer</u></b></p> <p><b>A Contract Management Strategy was approved by GMT on 1 October 2020. A series of virtual briefing sessions will be provided to stakeholders. Unfortunately, the launch of this strategy has been delayed as a result of other priorities linked to the pandemic.</b></p>	

9. Procurement and Contract Management (Continued)	
9.3 Contract Transparency Requirements	Progressing
<p><u>Agreed Action</u> (Merits Attention)</p> <p>A document has been prepared that will satisfy the Local Government Transparency Code 2015 publishing requirements for procurement and this will be adopted from 2020/21.</p> <p><u>Manager Responsible</u>  Chief Audit and Control Officer  Interim Procurement and Contracts Officer</p> <p style="text-align: right;"><b>Revised Target Date: 30 April 2021</b></p>	
<p><b><u>Progress Report of the Procurement and Contracts Officer</u></b></p> <p><b>A pro-forma and explanatory note has been prepared for Heads of Service to complete a quarterly return for the Transparency Code detailing their respective procurement activity. Unfortunately, the launch of this publication has been delayed as a result of other priorities linked to the coronavirus pandemic.</b></p>	
10. Independent Living	
10.1 Independent Living Plans (I-plans)	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>The process for completing I-plans would be significantly enhanced by the Independent Living Coordinators utilising laptops or tablets. This would provide improvements in terms of data security (by going paper-light) and efficiencies in terms of data collection, analysis and reduced travel time. ICT Services will be approached to provide the necessary facility.</p> <p><u>Managers Responsible</u>  Head of Housing; Income and Housing Manager  Independent Living Manager</p> <p style="text-align: right;"><b>Revised Target Date: 30 September 2021</b></p>	
<p><b><u>Progress Report of the Income and Housing Manager</u></b></p> <p><b>This action has been delayed by the Covid-19 pandemic. The Independent Living Coordinators are currently working from home with only limited ICT capability. This matter will be progressed at a suitable time later in the year.</b></p>	
10.2 Inventories	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A central inventory record will be produced for all Council owned equipment, furniture and fittings at each of the schemes.</p> <p><u>Managers Responsible</u>  Income and Housing Manager  Independent Living Manager</p> <p style="text-align: right;"><b>Revised Target Date: 31 March 2021</b></p>	
<p><b><u>Progress Report of the Income and Housing Manager</u></b></p> <p><b>This action is in progress and should be completed by 31 March 2021.</b></p>	

**10. Independent Living (Continued)****10.3 Guest Room Income****Progressing**Agreed Action (Merits Attention – Necessary Control)

The design of the spreadsheet used by the Independent Living Co-ordinators to record guest rooms bookings is thought to be adequate. However, it is the inconsistent and untimely recording of transactions that is making reconciliations to the general ledger inefficient.

The Independent Living Coordinators will be reminded to fully complete the guest room booking calendar and the spreadsheet in a timely manner and to return all completed booking forms to the Administrative Assistant including payment receipt details.

The chargeable bookings recorded in the calendar will be reconciled against the income noted in the general ledger on a monthly basis.

Booking forms will be completed for all bookings, with gratis bookings being formally authorised by an Independent Living Team Leader.

Managers Responsible

Income and Housing Manager

Independent Living Manager

**Revised Target Date: 31 July 2021****Progress Report of the Income and Housing Manager**

**This action has been delayed due to the Covid-19 pandemic, with the guest rooms being closed due to government restrictions in place. A new/edited procedure for booking will be introduced before the guest rooms open later in the year.**

**11. Cash Receipting (Payment Kiosk)****11.1 Balancing and Reconciliation Differences****Progressing**Agreed Action (Merits Attention – Necessary Control)

An Officer Working Group will be established, with representation from key stakeholders across the business, to consider, respond, track and resolve the issues raised in respect of the payment kiosk.

The procedure for processing discrepancies identified during cashing-up will be reviewed and updated to allow for any differences to be accounted for in an appropriate manner pending further investigation.

Managers ResponsibleHead of Administrative Services; Senior Support Officer/Business Support Team Leader  
Officer Working Group**Revised Target Date: 30 June 2021****Progress Report of the Head of Administrative Services**

**The payment kiosk has been closed to the public since the first pandemic lockdown in March 2020 and has only being used on a few occasions by Support Services. At this stage, there has been little need to establish an Officer Working Group to receive, manage and resolve the historical issues raised in respect of the payment kiosk.**

**The procedure for processing discrepancies identified during cashing-up will be reviewed and updated when the kiosk facility is re-opened to the public.**



11. Cash Receipting (Payment Kiosk) (Continued)	
11.2 Accuracy of Transaction Recording	Progressing
<p><u>Agreed Action (Significant)</u></p> <p>An Officer Working Group will be established, with representation from key stakeholders across the business, to consider, respond, track and resolve the issues raised in respect of the payment kiosk.</p> <p>A review of the systems and the effectiveness of how they interact will be undertaken to ensure the accuracy and integrity of the data and management information the systems are expected to produce.</p> <p><u>Managers Responsible</u> Head of Administrative Services; Officer Working Group <b>Revised Target Date: 30 June 2021</b></p> <p><b><u>Progress Report of the Head of Administrative Services</u></b></p> <p><b>At a suitable point when the kiosk facility is re-opened to the public, the Officer Working Group will review of the effectiveness of how the systems interact with each other to ensure the accuracy and integrity of the data and management information.</b></p>	
11.3 Kiosk Receipts and Automated Reports	Progressing
<p><u>Agreed Action (Significant)</u></p> <p>An Officer Working Group will be established, with representation from key stakeholders across the business, to consider, respond, track and resolve the issues raised in respect of the payment kiosk. A review will be conducted to identify improvements to the management information provided by the kiosk. Consideration will be given to skills and training needs to enable clear understanding of the data provided.</p> <p><u>Managers Responsible</u> Head of Administrative Services; Officer Working Group <b>Revised Target Date: 30 June 2021</b></p> <p><b><u>Progress Report of the Head of Administrative Services</u></b></p> <p><b>At a suitable point when the kiosk facility is re-opened to the public, the Officer Working Group will review the management reports produced by the software with a view to having a clear understanding of the data provided and to make improvements based upon respective needs.</b></p>	
11.4 Contract Management – Reporting of Issues	Progressing
<p><u>Agreed Action (Merits Attention – Necessary Control)</u></p> <p>Any concerns identified with the kiosk system will be escalated to GMT and the service provider as required.</p> <p><u>Managers Responsible</u> Head of Administrative Services; Officer Working Group <b>Revised Target Date: 30 June 2021</b></p> <p><b><u>Progress Report of the Head of Administrative Services</u></b></p> <p><b>The matters identified will be returned to once the kiosk facility is reopened to the public. The Officer Working Group will consider, respond, track and resolve the issues raised with matters escalated to GMT and the service provider as required.</b></p>	

11. Cash Receipting (Payment Kiosk) (Continued)	
11.5 Payment Details	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>Enquiries will be made with the service provider as to the options for enhancing the controls within the kiosk to make mandatory fields for the payee to enter their details and for the kiosk to only process payments when a correct payment reference has been entered.</p> <p><u>Managers Responsible</u> Head of Administrative Services; Officer Working Group <b>Revised Target Date: 30 June 2021</b></p> <p><b><u>Progress Report of the Head of Administrative Services</u></b></p> <p>The enquiries to be made with the service provider regarding the use of mandatory fields for the payee to enter their details will be reconsidered at a suitable point after the kiosk is reopened to the public.</p>	
11.6 Card Payments – Refunds Processing	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>The option to process card payment refunds (for duplicate or erroneous payments) onto the original payment card used will be considered in conjunction with the service provider.</p> <p><u>Managers Responsible</u> Head of Administrative Services; Officer Working Group <b>Revised Target Date: 30 June 2021</b></p> <p><b><u>Progress Report of the Head of Administrative Services</u></b></p> <p>Options for processing card payment refunds onto the original card used will be considered with the service provider when the kiosk is reopened to the public.</p>	
11.7 Usage Reviews and Future Viability	Progressing
<p><u>Agreed Action</u> (Merits Attention)</p> <p>The statistics reports produced in relation to the kiosk will continue to be reviewed. Proactive work will continue to encourage customers to consider alternative cost effective payment channels such as Direct Debit and card payment via the website. This work will include direct contact at the kiosk and scrutiny of payments data (via reports analysed by fund) to identify customers who regularly use the kiosk.</p> <p>The ongoing viability of the payment kiosk will be reviewed undertaken in terms of cost effectiveness and customer satisfaction, with comparison to alternative external solutions.</p> <p><u>Managers Responsible</u> Head of Revenues, Benefits and Customer Services Head of Administrative Services; Officer Working Group <b>Revised Target Date: 30 June 2021</b></p> <p><b><u>Progress Report of the Head of Revenues, Benefits and Customer Services</u></b></p> <p>The kiosk has been closed to the public during the Covid-19 pandemic, only being used on a few occasions by Support Services as a matter of urgency. In view of this, it has been difficult to target individuals that use the kiosk and promote other services.</p> <p>A team was established to evaluate the other cash payment options. A report is due to be presented to the Finance and Resources Committee in March 2021 to recommend procuring cash payment facilities in each area of the borough.</p>	



12. Financial Resilience	
<b>12.1 CIPFA Financial Resilience Index</b>	<b>Progressing</b>
<p><u>Agreed Action</u> (Merits Attention 'Necessary Control')</p> <p>It is anticipated that the CIPFA Financial Resilience Index will be refined post Covid-19 to ensure that it remains fit for purpose. The benefits of using this analytical tool to support good financial management and provide a common understanding amongst managers and members of the current financial position and potential risks are acknowledged.</p> <p>Further work in developing this for Broxtowe, at least in the short-term, will be dependent upon further updates from CIPFA.</p> <p><u>Manager Responsible</u> Deputy Chief Executive</p> <p style="text-align: right;"><b>Revised Target Date: 31 July 2021</b></p>	
<p><b><u>Progress Report of the Deputy Chief Executive</u></b></p> <p>This action is still progressing. CIPFA has recently published the latest update of its Financial Resilience Index based upon the 2019/20 financial outturn. This will provide a useful pre-Covid baseline assessment of the financial position of local authorities. The outcomes will be reviewed shortly, with any significant action needed being reported through GMT and to the relevant Committee accordingly.</p>	
<b>12.2 Prioritisation of Schemes – Capital Project Appraisals</b>	<b>Progressing</b>
<p><u>Agreed Action</u> (Merits Attention 'Necessary Control')</p> <p>A review of the current arrangements for prioritising capital schemes will be completed in time for the 2021/22 budget preparation, with the outcomes reported to GMT for approval and adoption. This review will consider the development of a rolling three-year Capital Strategy, linked to corporate priorities, and the introduction of robust business plans/capital project appraisal framework for individual schemes to support decision making and the prioritisation of limited capital resources.</p> <p><u>Manager Responsible</u> Deputy Chief Executive; Head of Finance Services</p> <p style="text-align: right;"><b>Revised Target Date: 30 September 2021</b></p>	
<p><b><u>Progress Report of the Deputy Chief Executive</u></b></p> <p>A Capital Strategy is approved annually by the Finance and Resources Committee. Further work will be undertaken to refine the process to prioritise capital schemes although for the latest capital programme the priority schemes have been linked to the corporate objectives, such as Housing, and the high-risk health and safety schemes relating to public buildings.</p>	

13. Local Authority Trading Company	
13.1 Revision and Update of Service Management Agreement	Progressing
<p><u>Agreed Action (Significant)</u></p> <p>The Council's new Leisure Facilities Strategy is currently being developed, although its full adoption and implementation will be a long-term project. In the meantime, it is anticipated that the proposed Strategy will have been developed by late summer 2020. At this 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.</p> <p><u>Managers Responsible</u> Deputy Chief Executive Managing Director – Liberty Leisure Limited</p> <p style="text-align: right;"><b>Revised Target Date: 30 September 2021</b></p>	
<p><u>Progress Report of the Deputy Chief Executive</u></p> <p>The new Leisure Facilities Strategy is still being developed. Some minor adjustments have been proposed for the Service Management Agreement between the Council and the Company that are currently being worked through in conjunction with Legal Services. A fundamental review of the agreement will be deferred until beyond the pandemic with current the priority being the financial stability of the company.</p>	
13.2 Review of Joint-Use Agreement with Chilwell School	Progressing
<p><u>Agreed Action (Merits Attention 'Necessary Control')</u></p> <p>The ongoing review and re-negotiation of the Joint-Use Agreement with Chilwell School will recommence, in conjunction with Legal Services, with a view to finalising the agreement at the earliest opportunity.</p> <p><u>Manager Responsible</u> Deputy Chief Executive</p> <p style="text-align: right;"><b>Revised Target Date: 30 September 2021</b></p>	
<p><u>Progress Report of the Deputy Chief Executive</u></p> <p>Some matter is still progressing although some preliminary work has been undertaken, in conjunction with Legal Services, on the Joint Use Agreement with Chilwell School.</p>	

## Report of the Deputy Chief Executive

### **INTERNAL AUDIT PLAN 2021/22**

#### 1. Purpose of report

To approve the Internal Audit Plan for 2021/22.

#### 2. Detail

The Public Sector Internal Audit Standards (the 'Standards') requires the Chief Audit and Control Officer, as the Council's designated 'chief audit executive', to prepare an annual risk based audit plan.

The Internal Audit Plan governs the activity for the year. An audit report is produced at the completion of each assignment with recommendations for improvement. Regular progress reports covering all internal audit activities are submitted to this Committee for scrutiny. The Committee can request further audit reviews to be undertaken and can request other Committees to investigate matters arising from any activities within their remit.

The proposed Internal Audit Plan for 2021/22 is included in the appendix for consideration. The plan has been prepared in accordance with the principles of the Internal Audit Charter. The plan has recognised the Council's priorities as outlined in the Corporate Plan and links closely to the corporate risk management and business planning processes having been prepared with due consideration to the identified strategic risks. The Chief Audit and Control Officer has also considered the valuable input from individual members of the General Management Team and Heads of Service regarding key risks and sources of assurance.

#### **Recommendation**

**The Committee is asked to RESOLVE that the Internal Audit Plan for 2021/22 be approved.**

#### Background papers

Nil

## APPENDIX

## INTERNAL AUDIT PLAN 2021/22

## 1. INTRODUCTION

1.1 Background

The Internal Audit Plan sets out the proposed coverage for Internal Audit work in 2021/22. The mandate for the plan is derived from the Public Sector Internal Audit Standards ('the Standards') produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors (IIA).

The Standards require the periodic preparation of a risk-based plan, which must be linked to a strategic high-level statement of how the service will be delivered and developed in accordance with the Internal Audit Charter and how this links to the Council's objectives and priorities.

The core work of Internal Audit is derived from the statutory responsibility in the Accounts and Audit Regulations 2015 that requires the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. The Standards and the Local Government Application Note constitute proper practices so as to satisfy the requirements for larger relevant bodies as set out in the Regulations.

The Governance, Audit and Standards Committee (the designated 'audit board') should review and assess the annual internal audit work plan, although the development of the risk-based plan remains the responsibility of the Chief Audit and Control Officer after consultation with senior management and the Committee.

1.2 Internal Audit Charter

The Standards require the purpose, authority and responsibility of internal audit activity to be formally documented in a charter document. The current Internal Audit Charter was approved by the Governance, Audit and Standards Committee on 29 November 2017.

Internal Audit will govern itself by adhering to the Standards, which are based upon the Institute of Internal Auditors' mandatory guidance including the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing*. Supplementary guidance issued and endorsed by the relevant internal audit standard setters as applicable to local government will also be adhered to along with the Council's relevant policies and procedures and the internal audit manual. Non-conformance with the Standards shall be reported to the Deputy Chief Executive and the Governance, Audit and Standards Committee.

### 1.3 Aims of the Plan

Internal Audit activity is planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources. The Internal Audit Plan will support an opinion based on an assessment of the design and operation of the internal control environment and the adequacy and effectiveness of controls noted from risk-based audit assignments carried out during the year. The aim of the plan is to:

- Deliver a risk-based audit programme through a detailed risk assessment of systems and services across the Council
- Be proactive in looking at what risks the Council is facing and trying to minimise the impact of these risks through audit work
- Add value by providing practical, value-added recommendations in areas of significant risk and by working with senior management in attempting to save resources and enhance controls wherever possible
- Provide assurance to senior management and the Governance, Audit and Standards Committee.

### 1.4 Developing the Plan

The Internal Audit Plan is designed to support the Chief Audit and Control Officer's annual opinion on the overall adequacy and effectiveness of the control environment. The required basis for forming this opinion is:

- An assessment of the design and operation of the overall internal control environment, governance and risk management arrangements
- An assessment of the adequacy and effectiveness of controls, based upon the results of the risk-based audit assignments that are reported during the course of year.

It follows that an effective risk-based audit plan should focus resources into areas of principal risk. The plan has been prepared in accordance with the requirements of the Internal Audit Charter and has been informed by:

- A review of the risks contained within the Strategic Risk Register, Horizon Scanning Documents and Business Plans;
- Consideration of progress made with the action generated by the Annual Governance Statement process;
- Consultation with Chief Officers and other senior managers to identify key auditable areas based on an assessment of corporate priorities and current and anticipated future issues and risks; and
- An understanding of the challenges to the Council to deliver its objectives within legislation and the current environment.

The allocations set out in the plan for each review will include time spent on researching and preparing the audit programme, terms of reference, completing site work, testing and the drafting and reviewing of the audit report. The timings assume that the expected key controls are in place and working effectively. Further substantive testing may be required should an assessment of key controls provide limited assurance and additional time may be required to carry out such testing.

The Internal Audit Plan will be regularly reviewed. If additional risks are identified and/or there are changes to priorities during the year, the plan will be reconsidered in conjunction with the Deputy Chief Executive. Any significant changes to the plan will be reported back to the Governance, Audit and Standards Committee for approval.

### **1.5 Resourcing the Plan**

The net resources available in 2021/22 are 361 audit days.

The amount of assurance work proposed is set at 286 days. This is at a similar level to the planned assurance work that was expected to be delivered in the current year (prior to revisions required due to the pandemic), with a full establishment being anticipated in 2021/22. The coverage in terms of the number of high risk assurance audits proposed to be delivered will be similar.

A further 10 days will be provided to support the Council and its wholly owned leisure company, Liberty Leisure Limited, with assurance work relating to its leisure centre operations and the museum. The plan currently includes provision for 30 days to be completed as part of the Internal Audit collaboration with Erewash Borough Council.

In addition, the plan includes 40 days for corporate fraud and corruption prevention activity. The Governance, Audit and Standards Committee approved the latest Fraud and Corruption Policy in March 2017. The Council's approach to fraud and corruption proposes that Internal Audit will take a prominent role in leading and co-ordinating anti-fraud and corruption activities. Internal Audit will be supported in this by engaging specialist fraud investigation services as necessary from local authority partners.

Finally, 25 days are allocated towards audit follow-up work and 'contingency' for special investigations, projects, value for money work and consultancy.

### **1.6 Reporting and Relationships**

The Internal Audit Charter establishes the reporting and relationships, including the reporting arrangements for individual assignments and for the periodic reporting of activities to the Governance, Audit and Standards Committee. The relationships with elected Members; Chief Officers and Senior Management Team; the external auditors; and other assurance providers are also determined in the Charter.

In accordance with the Standards, the Chief Audit and Control Officer will deliver a formal assessment of the design and operation of the overall internal control environment, governance and risk management arrangements and an opinion on the adequacy and effectiveness of controls, based upon the results of the risk-based audit assignments reported during the year. This opinion will be formally recorded in the Internal Audit Annual Review Report to be presented to the Governance, Audit and Standards Committee.

Internal Audit will bring to the attention of the Deputy Chief Executive and the Committee any significant internal control issues that it feels should be declared in the Council's Annual Governance Statement.

#### 1.7 Performance Monitoring

The work of Internal Audit is regularly reviewed to provide assurance that it complies with the Standards, conforms to other relevant professional standards and meets the requirements of the Internal Audit Charter.

Service delivery will be monitored as part of a quality assurance and improvement programme. This will include the regular reporting of progress to the Governance, Audit and Standards Committee, self-assessment and external quality assessment against the Standards, assessment of client feedback and production of performance indicators.

## 2. SUMMARY OF AUDIT DAY ALLOCATIONS

The following table summarises the allocation of days to each department.

	<u>Audit Days</u>
Deputy Chief Executive's Department	
- Corporate	36
- Revenues, Benefits and Customer Services	50
- Finance Services	18
- Other Department	38
Chief Executive's Department	
- Corporate	8
- Housing	30
- Other Department	38
Strategic Director's Department	
- Corporate	18
- Environment	32
- Other Department	18
<b>Assurance Work</b>	<b>286</b>
Trading Company – Liberty Leisure Limited	10
Corporate Counter Fraud Activities	40
Contingency (including Internal Audit Follow-up Work, Special Investigations, Projects, Value for Money and Consultancy)	25
<b>Net Audit Days</b>	<b>361</b>



### 3. DETAILED INTERNAL AUDIT PLAN

The following tables provide a detailed breakdown of the audits planned for 2021/22. These reviews have been categorised as follows:

- Category A, being the review of key financial systems, such as Council Tax, Rents and Benefits that are the Section 151 Officer's audit priority areas and which are reviewed annually.
- Category B, being high risk/profile areas that should be reviewed and followed-up on a yearly basis.
- Category C, being the audit of operational activities that have been identified as medium to high risk that should be reviewed on at least a cyclical basis.

DEPUTY CHIEF EXECUTIVE'S DEPARTMENT	Category	Days
<b>Corporate</b>		
Financial Resilience	A	10
Procurement and Contract Management	B	10
Stapleford Towns Fund (Major Project)	B	8
Local Authority Trading Company	B	8
<b>Revenues, Benefits and Customers Services</b>		
Benefits	A	12
Business Rates	A	10
Cash Receipting	A	8
Council Tax	A	12
Customer Services	C	8
<b>Finance Services</b>		
Bank Reconciliation	A	2
Creditors and Purchasing	A	10
Treasury Management	A	6
<b>Asset Management</b>		
Housing Repairs	B	12
Capital Works	C	10
Public Buildings Maintenance	C	8
Commercial Properties (incl. The Square and Industrial Units)	C	8
<b>Total Deputy Chief Executive's Department</b>		<b>142</b>

<b>CHIEF EXECUTIVE'S DEPARTMENT</b>	<b>Category</b>	<b>Days</b>
<b>Corporate</b>		
Governance (including Culture and Ethics etc.)	B	8
<b>Housing</b>		
Rents (including Welfare Reform and Evictions Protocol)	A	12
Choice Based Lettings	B	10
Homelessness	C	8
<b>Planning and Economic Development</b>		
Planning Enforcement	C	10
<b>Public Protection and Human Resources</b>		
Human Resources (including Skills; Apprentices; Agile Working)	B	10
Environmental Health (including Food Standards)	C	10
Private Sector Housing	C	8
<b>Total Chief Executive's Department</b>		<b>76</b>

<b>STRATEGIC DIRECTOR'S DEPARTMENT</b>	<b>Category</b>	<b>Days</b>
<b>Corporate</b>		
Climate Change	B	10
Health and Safety (Strategic)	B	8
<b>Payroll</b>		
Payroll (including Officers Allowances)	A	8
<b>Governance</b>		
Information Management	B	10
<b>Environment</b>		
Operational Risk Management (incl. Risk Assessment)	C	8
Garden Waste Collection	C	6
Grounds Maintenance Services	C	8
Transport/Fleet Management	C	10
<b>Total Strategic Director's Department</b>		<b>68</b>

<b>LIBERTY LEISURE LIMITED</b>	<b>Category</b>	<b>Days</b>
Leisure Centre Operations (Bramcote Leisure Centre)	LLL	8
D H Lawrence Birthplace Museum	LLL	2
<b>Total Liberty Leisure Limited</b>		<b>10</b>

## 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 3 February 2021 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**

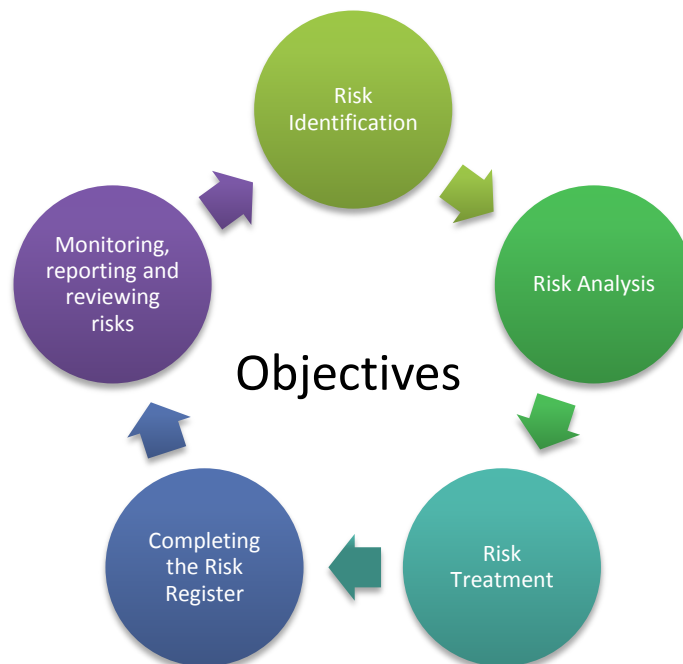
Risk management involves adopting a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the objectives, assets, or financial wellbeing of the Council. It is a means of minimising the costs and disruption to the Council caused by undesired events.

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
<b>Risk Identification</b>	Identification of risks which could significantly impact the Council's aims and objectives – both strategic and operational.
<b>Risk Analysis</b>	Requires consideration to the identified risks potential consequences and likelihood of occurring. Risks should be scored against the Council's risk matrix
<b>Risk Treatment</b>	Treat; Tolerate; Transfer; Terminate – Identify which solution is best to manage the risk (may be one or a combination of a number of treatments)
<b>Completing the Risk Register</b>	Document the previous steps within the appropriate risk register. Tool for facilitating risk management discussions. Standard template to be utilised to ensure consistent reporting.
<b>Monitoring, reporting and reviewing the risks</b>	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 position with regards to this risk is <b>unchanged</b> from the previous meeting.</i></p>	20	<p>4</p> 	<p>No changes.</p> <p>It was noted that the Local Government Association (LGA) peer review originally expected to take place in June 2021 would now, take place later in the year as a result of the Covid-19 pandemic.</p>
<p>2. Failure to obtain adequate resources to achieve service objectives</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 <b>improved</b>.</i></p>	25	<p>16</p> 	<p>No changes.</p> <p>The action point to submit a 'Town Deal' bid for Stapleford in accordance with MHCLG deadlines has been replaced with an action to respond as necessary to the outcome of the bid.</p> <p>An action point to develop Town Investment Plans for Eastwood and Kimberley has been added.</p> <p>The completed actions to assess the implications of the Spending Review 2020 and to respond to the loss of car parking income from Nottinghamshire County Council have been deleted.</p> <p>The timeframe for the Fair Funding Review and accompanying proposals for greater localisation of business rates had been moved back due to other Central Government priorities and were now due to be considered as part of the next Spending Review scheduled to be announced in November 2021. This meant that any significant changes to the Local Government finance system would probably not take place until 2022/23 at the earliest.</p>





Risk	Inherent Risk	Residual Risk	Changes
<p>3. Failure to deliver the Housing Revenue Account (HRA) Business Plan</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 <b>improved</b>.</i></p>	25	<p>9</p> 	<p>New action points have been added:</p> <ul style="list-style-type: none"> <li>• Undertake a consultation exercise on options for developing garage site at Barn Croft in Chilwell.</li> <li>• Evaluate options for the purchase of rented and shared ownership properties on land at Bramcote Crematorium.</li> <li>• Purchase former “right to buy” and other properties in accordance with the available budget and the Acquisitions Policy.</li> </ul> <p>An action to consider the results of the public consultation on options for the future of the Fishpond Cottage site in Bramcote has been replaced with an action point to present a planning application for the development of the site for consideration at a future Planning Committee meeting.</p> <p>The action to undertake consultation exercises on options for developing garage sites in Chilwell and Watnall has been replaced with an action to present a planning application for the development of sites at Gayrigg Court, Felton Close, Selside Court and Chilton Drive for consideration at future Planning Committee meeting.</p> <p>The action develop dementia friendly bungalows on the former Beeston Market site has been completed.</p>
<p>4. Failure of strategic leisure initiatives</p> <p><i>The position with regards to this risk is <b>unchanged</b>.</i></p>	25	<p>20</p> 	<p>No changes.</p>
<p>5. Failure of Liberty Leisure (LLL) trading company</p> <p><b><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></b></p>	25	<p>16</p> 	<p>An action for LLL to work with local GP's and other health partners to develop a proposal for an exercise referral scheme was added.</p> <p>The action to report to Finance and Resources Committee on the anticipated financial performance of LLL in 2020/21 and support required from the Council has been completed.</p>



Risk	Inherent Risk	Residual Risk	Changes
<p>6. Failure to complete the re-development of Beeston town centre</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 <b>improved</b>.</i></p>	25	<p><b>20</b></p> 	<p>New action points have been added:</p> <ul style="list-style-type: none"> <li>• Seek approval at Finance and Resources Committee on 11 February 2021 to increase the capital budget for the scheme to enhance the offer to potential food and beverage outlets.</li> <li>• Ensure that appropriate insurance cover is in place for the re-development of Beeston Town Centre and that all related insurance requirements are being complied with.</li> </ul> <p>The action to complete the sale of part of the site for residential development has been completed.</p>
<p>7. Not complying with domestic or European legislation</p> <p><i>The position with regards to this risk is <b>unchanged</b>.</i></p>	25	<p><b>12</b></p> 	<p>No changes.</p> <p>It was noted that as the United Kingdom had now left the European Union that the action point to react to the impact of any legislative changes arising from this would have increased significance in the short-term.</p>
<p>8. Failure of financial management and/or budgetary control and to implement agreed budget decisions</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 <b>improved</b>.</i></p>	25	<p><b>8</b></p> 	<p>New action points have been added:</p> <ul style="list-style-type: none"> <li>• Present the Internal Audit Plan 2021/22 to the Governance, Audit and Standards Committee on 15 March 2021 for consideration.</li> <li>• Present the external auditor's Broxtowe Audit Strategy Memorandum to the Governance, Audit and Standards Committee on 15 March 2021.</li> </ul> <p>An action to review the contracts register to ensure it contains each contract, date of expiry, timeframe for re-tendering and a nominated key contact has been completed.</p>
<p>9. Failure to maximise collection of income due to the Council</p> <p><i>The position with regards to this risk is <b>unchanged</b>.</i></p>	20	<p><b>12</b></p> 	<p>The action point to undertake a procurement exercise for bill payment services has been replaced with an action to present a report to Finance and Resources Committee on 30 March 2021 with proposals to enhance bill payment services.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>10. Failure of key ICT systems</p> <p><i>The position with regards to this risk is <b>unchanged</b>.</i></p>	25	10 	<p>Virtual private network (VPN) issues that prevented a number of users from accessing Council systems along with the slow response times being experienced by users were noted.</p> <p>The action point to present a review of the ICT Strategy 2017-2021 to Policy and Performance Committee on 2 December 2020 has been updated with an action to present a new ICT Strategy to Policy and Performance Committee in 2021.</p>
<p>11. Failure to implement Private Sector Housing Strategy in accordance with Government and Council expectations</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 <b>improved</b>.</i></p>	20	4 	<p>The actions point for the Jobs and Economy Committee to consider whether to confirm an Article 4 Direction restricting permitted development rights for changes of use of houses of multiple occupation (HMOs) in parts of Beeston has been deleted along with the completed action to introduce a Civil Penalties Policy for Private Sector Housing.</p>
<p>12. Failure to engage with partners/community to implement the Broxtowe Borough Partnership Statement of Common Purpose</p> <p><i>The position with regards to this risk is <b>unchanged</b></i></p>	15	4 	<p>No changes.</p> <p>It was noted that the Statement of Common Purpose had recently been reviewed by the Broxtowe Borough Partnership.</p>
<p>13. Failure to contribute effectively to dealing with crime and disorder</p> <p><i>The position with regards to this risk is <b>unchanged</b></i></p>	15	3 	<p>The completed action to provide an update on the Anti-Social Behaviour Action Plan to the Community Safety Committee on 10 November 2020 was deleted.</p>
<p>14. Failure to provide housing in accordance with the Local Development Framework</p> <p><i>The position with regards to this risk is <b>unchanged</b></i></p>	20	12 	<p>The action to provide an update to Policy and Performance Committee on the East Midlands Development Corporation has been replaced with an action to provide a further update to full Council on 3 March 2021.</p> <p>An action to respond to the Government "Planning for the Future" consultation on proposed changes to the planning system was completed.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>15. Natural disaster or deliberate act, which affects major part of the Authority</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 <b>improved</b>.</i></p>	15	12 	<p>An action to provide appropriate communications to local residents on the Covid-19 vaccination programme was added.</p> <p>An action to prepare for a potential second wave of coronavirus over the winter months was deleted.</p>
<p>16. Failure to mitigate the impact of the Government's welfare reform agenda</p> <p><i>The position with regards to this risk is <b>unchanged</b></i></p>	20	6 	<p>An action to present the Local Council Tax Support Scheme 2021/22 to Finance and Resources Committee on 7 January 2021 for approval was completed.</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 <b>unchanged</b></i></p>	20	9 	<p>An action to present a review of closed circuit television (CCTV) cameras to the Community Safety Committee on 4 March 2021 was added.</p>
<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 <b>improved</b>.</i></p>	20	8 	<p>An action to assess any implications from the outcome of the Nottinghamshire County Council and Police and Crime Commissioner elections on 6 May 2021 was added.</p>
<p>19. High levels of sickness</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 <b>improved</b>.</i></p>	16	6 	<p>The Mental Health Champions Group was added as a key control.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>20. Inability to recruit and retain staff with required skills and expertise to meet increasing demands and expectations.</p> <p><i>The position with regards to this risk is <b>unchanged</b></i></p>	20	<p><b>12</b></p> 	<p>An action point to present a report on succession planning to Personnel Committee was amended to refer to a revised date of 23 March 2021.</p> <p>An action point to present a review of the Annual Performance Appraisals process to Personnel Committee was amended to refer to a future Personnel Committee.</p> <p>The action point to present a Market Premium Policy for consideration and approval to Personnel Committee was amended to refer to a revised date of 23 March 2021.</p> <p>A new action to present a progress update on the Organisation Strategy to Personnel Committee on 23 March 2021 was added.</p>
<p>21. Failure to comply with duty as a service provider and employer to groups such as children, the elderly, vulnerable adults etc.</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 <b>improved</b>.</i></p>	20	<p><b>6</b></p> 	<p>The Children and Young People Action Plan was added as a key control.</p> <p>Actions to provide updates on the Safeguarding Children and Adults Policies to the Community Safety Committee on 12 November 2020 and to take a Welfare Funerals Policy to the Environment and Climate Change Committee for consideration and approval were both completed.</p>
<p>22. Unauthorised access of data</p> <p><i>The position with regards to this risk is <b>unchanged</b></i></p>	20	<p><b>6</b></p> 	No changes.
<p>23. 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 <b>improved</b>.</i></p>	20	<p><b>9</b></p> 	No Changes

### Further Details

The following items are highlighted for the attention of Members.

1. Elections

The Nottinghamshire County Council and Police and Crime Commissioner elections scheduled to take place on Thursday 6 May 2021 will, as a consequence of the Covid-19 pandemic, need to be planned and delivered in such a manner as to provide a safe environment for voters and those administering both the vote and the count. Risk assessments of the venues being used will be required along with effective communication of various safety measures that are to be put in place.

2. Climate Change

The Council on 17 July 2019 resolved that a “climate emergency” be declared whilst the Corporate Plan 2020-2024 has protecting the environment for the future as one of its priorities with an objective to develop plans to reduce the Borough’s carbon emissions to net zero by 2027 and start implementing them.

It was agreed that climate change be considered further at the next meeting of the Strategic Risk Management Group with a view to establishing a specific risk for this within the strategic risk register with a risk owner, inherent and residual risk scores, key controls, risk indicators and action points.

3. Social Housing White Paper

Whilst there is an action point under Strategic Risk 3 (Failure to deliver the Housing Revenue Account Business Plan) to assess any potential implications from the Social Housing White Paper published in November 2020, it was noted the consequences for local authorities like Broxtowe with their own housing stock were potentially far-reaching. It is envisaged that further reports on this will be presented to the Housing Committee in due course.

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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.

17 May 2021	<ul style="list-style-type: none"> <li>• Developing an Effective Annual Governance Statement</li> <li>• Corporate Governance Arrangements</li> <li>• Internal Audit Progress Report</li> <li>• Audit Trail for Business Support Grants</li> </ul>
19 July 2021	<ul style="list-style-type: none"> <li>• Audit of Accounts 2020/21 and Associated Matters</li> <li>• Internal Audit Review 2020/21</li> <li>• Internal Audit Progress Report</li> <li>• Annual Counter Fraud Report 2020/21</li> <li>• Major Projects – Governance Dashboard</li> <li>• Review of Strategic Risk Register</li> <li>• Going Concern Status</li> </ul>
20 September 2021	<ul style="list-style-type: none"> <li>• Annual Audit Letter</li> <li>• Internal Audit Progress Report</li> <li>• Review of Strategic Risk Register</li> <li>• Governance Dashboard – Major Projects</li> </ul>
29 November 2021	<ul style="list-style-type: none"> <li>• Annual Audit Letter 2020/21</li> <li>• Internal Audit Progress Report</li> <li>• Review of Strategic Risk Register</li> </ul>

### Recommendation

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

Background papers

Nil.

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