



AUDIT COMMITTEE

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To: Councillors Boldrin, Bolton (Vice-Chair), S. Bradshaw, Hadji-Nikolaou, Parsons, Snartt and Ms Nellist (Chair)
(For attention)

All other members of the Council
(For information)

You are requested to attend the meeting of the Audit Committee to be held in the Preston Room, Woodgate Chambers, Woodgate, Loughborough on Tuesday, 8th June 2021 at 6.00 pm for the following business.

Chief Executive

Southfields
Loughborough

28th May 2021

AGENDA

1. APOLOGIES
2. MINUTES FROM THE PREVIOUS MEETING 4 - 10

The Committee is asked to confirm as a correct record the minutes of the meeting of the Committee held 9th February 2021.

3. DISCLOSURES OF PECUNIARY AND PERSONAL INTEREST

4. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8
No questions were submitted.
5. 2019/20 ANNUAL AUDIT LETTER 11 - 24
A report of the External Auditors.
6. AUDIT STRATEGY MEMORANDUM - YEAR ENDING 31 MARCH 2021 25 - 58
A report of the External Auditors.
7. 2020/21 INTERNAL AUDIT ANNUAL REPORT 59 - 72
A report of the Head of Strategic Support.
8. INTERNAL AUDIT PROGRESS REPORT 2020/21 TO 31ST MAY 2021 73 - 112
A report of the Head of Strategic Support.
9. ALLOWANCES AND EXPENSES CLAIMED BY COUNCILLORS AND CO-OPTED MEMBERS 2020/2021 113 - 117
A report of the Head of Strategic Support.
10. ANNUAL UPDATE RE THE ANTI-FRAUD & CORRUPTION STRATEGY AND WHISTLE-BLOWING POLICY 118 - 120
A report of the Head of Strategic Support.
11. ENVIRONMENTAL AUDITS - REPORT ON OUTCOMES 121 - 147
A report of the Head of Planning and Regeneration.
12. RISK MANAGEMENT (RISK REGISTER) UPDATE 148 - 166
A report of the Strategic Director for Environment and Corporate Services.
13. COUNCIL'S USE OF REGULATORY OF INVESTIGATORY POWERS ACT (RIPA) 167 - 169
A report of the Head of Strategic Support.
14. TREASURY OUTTURN REPORT 2020/21 170 - 183
A report of the Head of Finance and Property Services.
15. WORK PROGRAMME 184 - 187
Report of the Head of Strategic Support.

16. EXEMPT INFORMATION

It is recommended that members of the public be excluded from the meeting during the consideration of the following item on the grounds that it will involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

17. GOVERNANCE AND RISK ASPECT OF COMMERCIAL INVESTMENT AND PERFORMANCE REVIEW

An exempt report of the Strategic Director for Commercial Development, Assets and Leisure, circulated to members of Committee. **To Follow.**

AUDIT COMMITTEE 9TH FEBRUARY 2021

PRESENT: The Chair (Bev Angell)
The Vice Chair (Councillor Bolton)
Councillors S. Bradshaw, Charles, Parsons,
Boldrin and Taylor

Strategic Director; Environment and Corporate
Services
Strategic Director; Commercial Development,
Assets and Leisure
Head of Strategic Support
Head of Financial Services
Audit Manager
Senior Auditor
Democratic Services Officer (NC)
Democratic Services Officer (EB)

M. Surridge – External Auditor

APOLOGIES: None

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

41. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 22nd December 2020 were confirmed as a correct record and signed.

42. DISCLOSURES OF PECUNIARY AND PERSONAL INTEREST

No disclosures were made.

43. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

44. 2020/21 ANNUAL AUDIT LETTER

A report of the External Auditors setting out the Annual Audit Letter for 2019/20 (Item 5 on the agenda filed with these minutes).

Mark Surridge, representing the External Auditors, attended the meeting to assist the Committee with the consideration of this item.

It was noted that the audit had been delayed due to assurances from the Pension Fund not being received in time and thus meaning that financial statements had not met the deadline. All work was now fully complete with no new matters arising and only the residual aspect outstanding. As such items could be closed and a conclusion issued.

The External Auditors confirmed their independence and assured the Committee that they were objective in their conclusions.

It was noted that 'Note X' on page 18 would be given a correct reference in the final version of the report.

The Committee were advised in response to questions that:

- additional costs were independently appointed by local authorities through a separate terms of engagement. These items were not distinct to Charnwood Borough Council and were a reflection of the wider market and the onset of Covid-19. Additional costs often came about as a result of errors and peculiarities and were not isolated to the Council.
- information on the Redmond Review and the length of the arrangement would be clarified.
- An explanation was given clarifying the classification of non-audit work.

It was noted that the Audit letter could now be signed by the Chair and arrangements made to complete this.

RESOLVED that the report be noted.

Reason

To acknowledge the Committee's consideration of the matter.

45. CAPITAL STRATEGY (INCLUDING THE TREASURY MANAGEMENT STRATEGY) FOR 2021/22

The Head of Financial Services submitted a report on the Capital Strategy (Item 6 on the agenda filed with these minutes), which was required under the terms of the 'Prudential Code', a statutory code of practice.

The report also set out the Treasury Management Strategy Statement together with the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy. These latter strategies and the MRP policy were integral to the overarching Capital Finance Strategy and were therefore presented within a single report for context.

Strategic Director; Commercial Development, Assets and Leisure, the Strategic Director; Environment and Corporate Services and The Head of Financial Services attended the meeting and assisted with consideration of the item.

It was noted that there was a minor error regarding the date that the Revised Capital Plan was subject to approval by Council.¹ This would be amended.

It was noted that the Strategy was the same as that of the previous year other than the withdrawal of the Commercial Investment Strategy. Within this strategy there would be no purchase of commercial property in the 2021/22 financial year. Any change in this strategy would be subject to a report to Cabinet.

Members of the Committee raised concerns regarding the removal of investment in commercial property. Particular concern was expressed that the measurement criteria, which had previously been extensively discussed, should be seen by the Audit Committee should they be included in future.

The Committee were advised in response to questions that:

- borrowing statistics included borrowing from other budgets within the Council. Borrowing externally (i.e. from the Public Works Loan Board (PWLB)) would depend on whether opportunities arose to invest in areas such as the Enterprise Zone or regeneration and such borrowing would be subject to Cabinet approval. If no such opportunities arose then an internally borrowed position would likely be maintained.
- the Enterprise and Careers Hub had originally been purchased with advance funding from the Loughborough Town Deal. To facilitate this and give Loughborough College a period of reduced risk a lease had been arranged and the College were obliged to pay rent following the three-year rent-free period. This was not a financial liability for Council as the College would be liable for rates and operating costs. After this period the lease could be continued at a market cost or broken and the building re-let, meaning it came back to CBC.
- the accommodation review to make better use of the estate that included the Enterprise and Careers Hub would likely take three to five years to fully deliver and this would be coming out of a Government town funding grant rather than from revenue or capital.
- there was a distinction between regeneration and investment property. Anything purchased outside of the borough would be difficult to justify as regeneration.
- It was clarified that Solicitors and technical staff recruited to work on the commercial property were not permanent staff recruited by the Council, as such there were no concerns about the allocation of staff.
- regarding capital expenditure:
 - £22,708,000 was the final figure for commercial investments.
 - There would be some Enterprise Zone expenditure against the budget of £15 million by the end of the financial year.
 - Against the General fund of £12.5 million it was envisaged that spending would be increased. However, it would be envisaged that some project would be some carry-over of schemes into the next financial year.

¹ Post meeting note: Following the meeting it was determined that the date was correct, but the following wording needed to be changed: “*which is subject to approval by Council 9 November 2020*” be corrected to read “*which was approved by Council 9 November 2020*”.

- Some schemes, particularly relating to the Housing Revenue Account (HRA) had been affected by the Covid-19 pandemic and as such it was envisaged that there would be some carry-over of schemes into the next financial year.
- Spending out of the £15 million budget on regeneration would be unlikely.
- the figures on HRA contributions were made up of depreciation and revenue contribution to capital.
- it was likely that underspends on the HRA would be carried forward.
- The figures on HRA contributions would be clarified by the Head of Financial Services as they appeared to be higher than expected. This would be circulated to the Committee when available.

RESOLVED

1. That the Capital Plan be noted and the recommendations to Cabinet be supported subject to Resolution 2 below

2. That Cabinet be asked to note the Audit Committee's concern about the removal of the measurement criteria relating to future investment in Commercial Property.

Reasons

1. To acknowledge the Committee's consideration of the item.
2. To ensure Cabinet are aware of the removal of these criteria, and that if they are reinstated at any point in the future a formal approval process will be required, which should involve the Audit Committee.

46. INTERNAL AUDIT PROGRESS REPORT 2020/21 TO 31ST JANUARY 2021

The Head of Strategic Support submitted a report summarising the progress against the 2020/21 Audit Plan, outlining key findings from final reports and any outstanding recommendations (Item 7 on the agenda filed with these minutes).

The Audit Manager attended the meeting and assisted with consideration of this item and noted that:

- Good progress was being made against the plan.
- The plan was on track to be 75% complete by 31st March 2021 and 100% complete by the time of the Annual Governance Statement.
- The Right to Buy audit had been issued with reasonable assurance.
- There were no significant weaknesses in the audit.
- The Payroll Audit had been issued with substantial assurance.
- Since the last meeting of the Audit Committee there had been good progress from the Housing Service on recommendations made.
- All overdue recommendations were at a reasonable stage of progress and should be concluded soon.

RESOLVED that the Committee noted the progress report set out in Appendix 1.

Reason

To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.

47. 2021/22 INTERNAL AUDIT PLAN

The Head of Strategic Support submitted a report presenting the proposed Internal Audit Annual Plan for 2021/22, including the proposed IT Audit Plan for 2021/22 (Item 8 on the agenda file with these minutes.)

The Audit Manager attended the meeting and assisted with consideration of this item and noted that the plan was based on risk assessment and took into account the views of senior management.

The Committee was advised that Audits had been moved from the current plan due to issues surrounding the Covid-19 pandemic. These had been revisited with Heads of Service and where risk remained, they had been brought forward into the 2021/22 plan. Audit days and timings within the plan were indicative and likely to change as the year went on. It was important to recognise that the plan needed to be flexible and able to respond to risks and that the Committee should expect audits to be removed and added. Time had been added for Covid-19 related assurance work.

The 2020/21 plan had been re-prioritised to audit the key financial systems in full and as such it was not expected that as much work on key financial systems would be undertaken in 2021/22, although time had been allocated to allow for any work needed due to changes.

Advisory time had been allocated to the 'Workplace and People' programme.

The plan included a contingency of 16 days. If resources were needed for a large investigation a review would need to take place to ascertain whether reprioritisation was required.

Regarding the ICT audit, 2021/22 was the final year of contract with BDO to deliver specialist audits, it was planned to revisit this in the first quarter of the financial year to ensure that they were the most appropriate and add the most value.

In response to a question the Committee was advised that there was flexibility in the contingency and any changes would be considered by the Committee on a regular basis

RESOLVED that the Committee approve the proposed audit plan as set out in the appendix.

Reason

To ensure that Internal Audit resources are effectively utilised.

48. EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

The Head of Strategic Support submitted a report presenting the findings, and associated action plan, of the External Quality Assessment of Internal Audit that was carried out in November 2020 (Item 9 on the agenda filed with these minutes).

The Audit Manager attended the meeting and assisted with consideration of this item.

The Committee were advised that the outcome of the assessment was positive and that the assessor had confirmed that the Council conformed to standards.

In response to a question the Committee were informed that when the Council had joined the shared service work had been undertaken to align processes and work had been carried out across all partners.

RESOLVED that the Committee noted the findings from the assessment report and associated action plan.

Reason

To ensure the Committee is kept informed of the findings from external assessments of Internal Audit, in line with the Public Sector Internal Audit Standards.

49. WORK PROGRAMME

A report of the Head of Strategic Support was submitted to enable the Committee to consider its work programme (Item 10 on the agenda filed with these minutes).

RESOLVED that the Committee proceeds on the basis of the following work programme, which incorporates all decisions made at this meeting:

In response to a question it was noted that the Work Programme showed the Accounts Meeting to be held in July, however this could be changed if the End-of-Year Audit Report was pushed back.

50. EXEMPT INFORMATION

It was resolved that members of the public be excluded from the meeting during the consideration of the item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

At this point in the meeting the livestream was switched off.

51. GOVERNANCE AND RISK ASPECT OF COMMERCIAL INVESTMENT AND PERFORMANCE REVIEW

An exempt report of the Strategic Director for Commercial Development, Assets and Leisure (Exempt item 12 on the agenda filed with these minutes).

A summary of the Committee's discussion on this matter is provided in the exempt minute (Audit Committee 51E. 2020/21)

RESOLVED

1. that decisions be made as detailed in the exempt minute (Audit Committee Minute 51E 2020/21);
2. that the exempt report of the Audit Committee be noted.

Reasons

1. As set out in the exempt minute (Audit Committee Minute 51E 2020/21).
2. To acknowledge the work undertaken by and the views of the Scrutiny Commission and the Housing Management Advisory Board

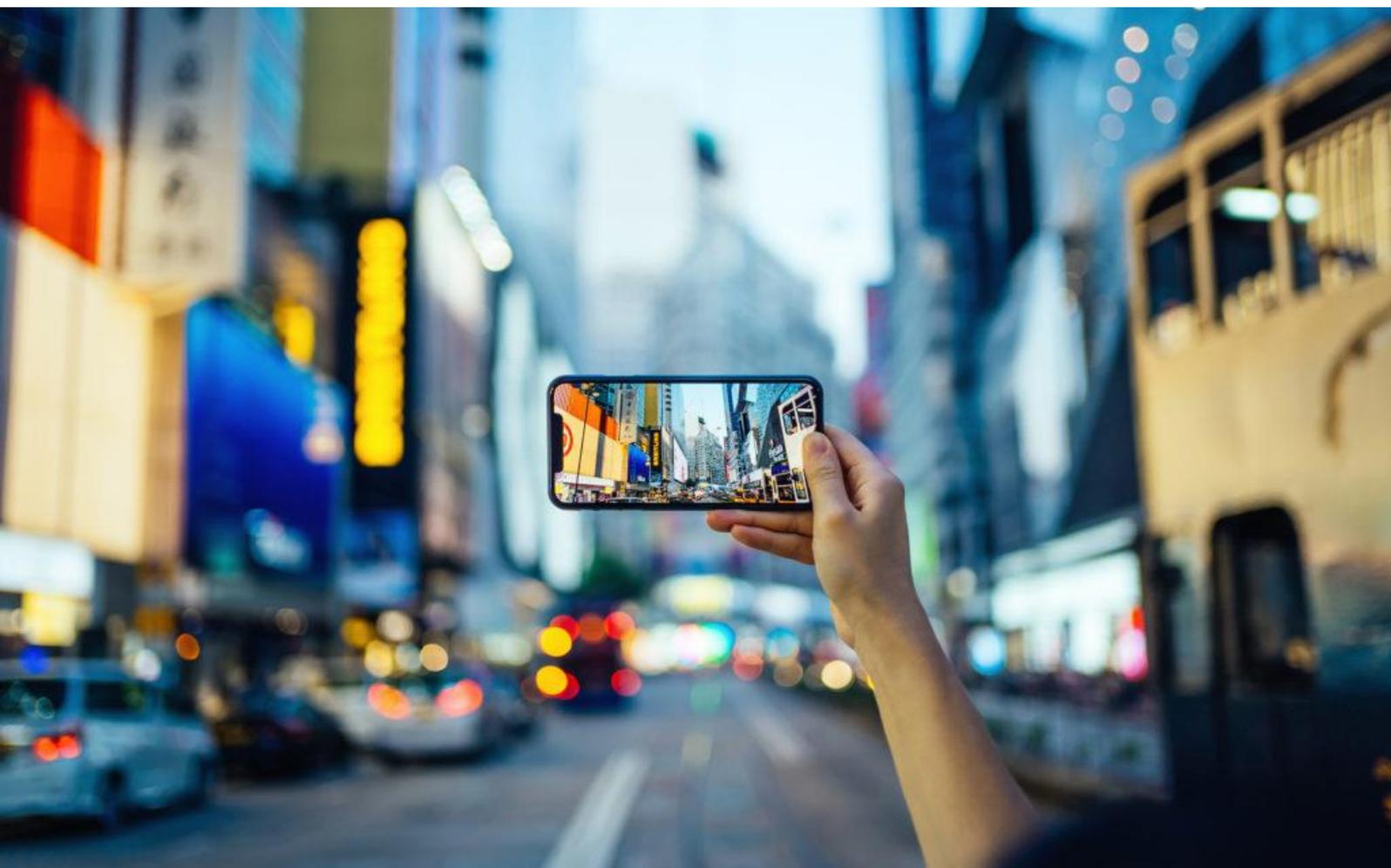
NOTES:

1. No reference may be made to these minutes at the next Ordinary Council meeting unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Audit Committee.

Annual Audit Letter

Charnwood Borough Council

Year ending 31 March 2020





Contents

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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 Charnwood 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	● [Green]	Our auditor's report issued on 15 February 2021 included our opinion that the financial statements: <ul style="list-style-type: none"> • 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 • have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
Other information published alongside the audited financial statements	● [Green]	Our auditor's report included our opinion that: <ul style="list-style-type: none"> • the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	● [Green]	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
Reporting to the group auditor	● [Green]	In line with group audit instructions, issued by the NAO on 4 th November, we reported to the group auditor in line with the requirements applicable to the Council's Whole of Government Accounts return.
Statutory reporting	● [Green]	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.



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, drawing attention to the financial statement disclosure explaining that Covid19 had contributed to 'material valuation uncertainty' in the valuation of the Council's land & buildings and investment properties and in the Council's share of the Pension Fund's property assets.



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 Audit and Governance 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 Total Gross Expenditure.	£1,552k
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£47k
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: <ul style="list-style-type: none">• Members allowances and expenses• Senior officers' remuneration• Officers' remuneration• External audit costs	£92k £5k £5k £15k



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 Audit and Governance 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
<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through, amongst other tests, performing audit work over accounting estimates and financial journal entries.</p>	<p>Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.</p>
<p>Valuation of property, plant and equipment and investment properties</p> <p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we determined there is a significant risk in this area.</p>	<p>We performed a range of audit tests, including, but not limited to:</p> <ul style="list-style-type: none"> Assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; Considering whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; Assessing whether valuation movements are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends; and Considering the impact of assets not revalued in 2019/20 to ensure these remained materially correct at the balance sheet date. 	<p>The procedures we have undertaken did not identify any material errors in the financial statements, or other matters that we wish to bring to Members' attention. We do however, note the following:</p> <ul style="list-style-type: none"> 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 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

Identified significant risk	Our response	Our findings and conclusions
<p>Valuation of the Net Pension Liability</p> <p>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 IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there is a significant risk in this area.</p>	<p>We performed a range of audit tests, including, but not limited to:</p> <ul style="list-style-type: none"> Assessing the competency, objectivity and independence of the Leicestershire Pension Fund's (LPF) Actuary; Liaising with the auditors of the ERPF to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; 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; and Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. 	<p>We completed the planned procedures, with the following observations to report:</p> <ul style="list-style-type: none"> '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 the financial statements and we have reflected this in the 'emphasis of matters' paragraph in our Audit Report. In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sargeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 was likely to have led to an overstatement of the pension fund liability as at 31 March 2020. Management has liaised with the Pension Fund and its actuary and taken the view that this matter would not have a material impact on its estimated net pension liability valuation and it is not reflected in the Statements. A second emerging issue is the Goodwin case that was brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. MHCLG have commissioned Government Actuary Department to undertake a review of the potential impact and at a local level, there is an additional risk to evaluate as to whether the scheme is misstated. Management has liaised with the Pension Fund and its actuary and taken the view that this matter would not have a material impact on its estimated net pension liability valuation and it is not reflected in the Statements.



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. As set out in our Audit Strategy Memorandum, for the 2019/20 financial year, we identified no significant audit risks.

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 31st March 2020.

Key Findings

We did identify the Council's medium term financial sustainability as a matter which we needed to keep under close review during our audit. Although the Council was forecasting a surplus for the current year the 2020/21 financial position and future years was more challenging, with the underlying factors being common to all bodies in the local government sector. We acknowledged that the Council is continuing to examine its budget and work to bridge the potential gap, although note savings of £0.7m are included within the Council's 2020/21 budget with further cumulative savings of £0.96m in 2021/22 being required. The Council hold sufficient reserves to cover any shortfall in delivering these, with the General Fund Working Balances Reserve being bolstered by an additional £2m above the minimum assessed prudent level, to smooth fluctuations in income volatility across future years.



3. VALUE FOR MONEY CONCLUSION

Key Findings (continued)

The COVID-19 lockdown occurred in the final two weeks of the Council's financial year and the impact on the 2019/20 financial outturn was not significant.

At 31 March 2020, the Council's General Fund Reserve was £8,620k, being the working reserve balance of £4,498k, Reinvestment Reserve £883k, Capital Plan Reserve £1,980k, the Growth Fund £101k and Earmarked Reserves £1,158k. These balances are £2,157k higher than the budget set due to higher brought forward balances from 2018/19 outturn and additional earmarked reserves not spent in year.

The impact of COVID-19 on the Council's 2020/21 financial position has been significant and has required a prompt response by management. These mainly affect the income receivable from fees and charges and the Government has indicated its commitment to funding the costs of COVID-19 to councils. Management has continued to update its budget forecasts and, whilst the Council has sufficient reserves that could manage the short term effects, the ongoing impacts and resource levels will determine the extent of service provision possible. Overall a balanced position in 2020/21 is achievable although the situation is acknowledged to be challenging and requiring continued strong management actions.

The full financial impact of COVID-19 in the medium term is not yet certain. The initial outbreak has impacted on the Council's ability to enact its original 2020/21 plan, including income generation and expenditure reductions. We recognise the Council is working through the implications and considerations through business planning and financial planning updates. The 2020/21 budget and MTFS assumptions are continuing to be revisited and updated and it is important the Council continues to ensure its financial resilience is assured over the medium term. There is also an acknowledgement that national funding reviews are unlikely to now take place as originally planned, so creating more uncertainty for the medium term.

The Council's response to the pandemic will be a major focus of our 2020/21 audit and value for money assessment under the new Code of Audit Practice framework and supporting NAO guidance. We will continue to liaise with management and update our understanding of the Council's arrangements as part of our risk assessment and reporting in the new financial year.



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 National Audit Office 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 National Audit Office on 15 February 2021.

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.

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	£42,325	£42,325
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 Assets and its share of Pension Fund Assets		
• Updating audit risk assessments, including the value for money conclusion		
• Additional considerations of estimation uncertainty in going concern,		
• Changes impacting pension liabilities through McCloud & Goodwin		
Final audit fee		£54,424
Assurance related services:		
• Housing benefit	£10,100	£10,100
• Pooling of Housing Capital Receipts	£3,000	£3,000
Assurance	£13,100	£13,100

*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 1st 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 the our view as to whether recommendations have been implemented satisfactorily.

The new Audit Code will result in additional officer time and auditor time and 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), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

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

The recommendations and findings have been considered by the Ministry of Housing, Communities and Local Government and a response was published in December 2020

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

The main highlights are a recognition that fees are not sufficient to meet the work required, and the date for publication of audited accounts has been confirmed as 30th September for the 20/21 and 21/22 financial years (with a commitment to review whether it is realistic to return to a 31st July date)

A new body to oversee local audit will not be created, however, a new, audited 'standardised statement of service information and costs' to be produced by LG bodies, with CIPFA being asked to work on this for introduction in 21/22.



CONTACT

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Director

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Victoria Gittings

Manager

Email: victoria.gittings@mazars.co.uk

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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Audit Strategy Memorandum

Charnwood Borough Council

Year ending 31 March 2021

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Agenda Item 6

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

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This document is to be regarded as confidential to Charnwood Borough Council. It has been prepared for the sole use of Audit 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.

February 2021

Dear Committee Members

Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Charnwood 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:

Page 27.

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

Yours faithfully

Mark Surridge

Mazars LLP

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

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



Audit opinion

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



Fraud

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

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

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Going concern

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



Value for money

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



Reporting to the NAO

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



Electors' rights

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

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

02

Section 02:

Your audit engagement team

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	mark.surridge@mazars.co.uk
Victoria Gittings	Engagement Audit Manager	victoria.gittings@mazars.co.uk

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

Section 03:

Audit scope, approach and timeline

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.

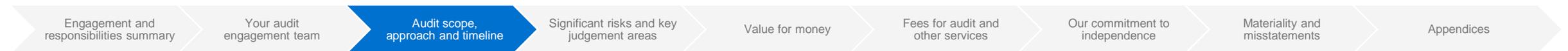
Audit approach

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.



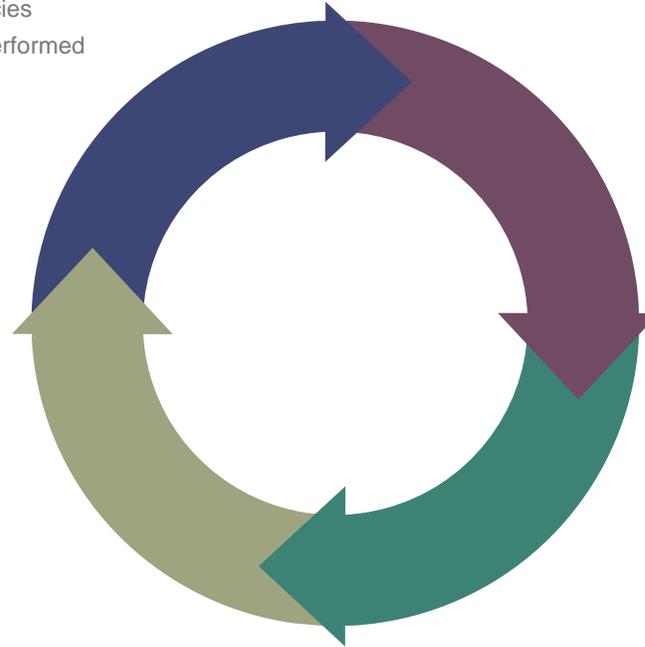
3. Audit scope, approach and timeline

Planning 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 October 2021

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

Fieldwork September 2021

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

3. Audit scope, approach and timeline

Reliance on internal audit

We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Management’s and our experts

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

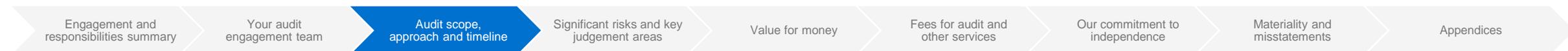
Item of account	Management’s expert	Our expert
Property, plant and equipment	External Valuer Wilks, Head and Eve	None. Third party evidence provided via the NAO to support our challenge of valuation assumptions.
Pensions	Hymans Robertson LLP Actuary for Leicestershire Pension Fund	PwC LLP (Consulting actuary appointed by the NAO).
Financial instrument disclosures	Link Asset Services Treasury management advisors	None.

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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	Leicestershire Pension Fund <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.



04

Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

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

Significant risk

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

Enhanced risk

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

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and

- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

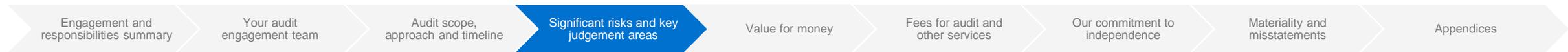
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the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

Summary risk assessment

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



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4. Significant risks and other key judgement areas

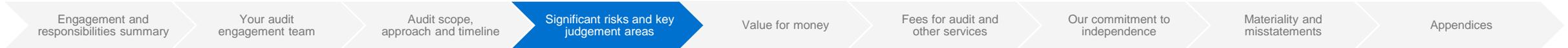
Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and 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 Audit Committee.

Significant risks

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

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4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
2	<p>Net defined benefit liability valuation</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"> critically assessing the competency, objectivity and independence of the Leicestershire Pension Fund's Actuary; liaising with the auditors of the Leicestershire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. <p>In line with 2019/20 and the continuing Covid-19 pandemic, there may be a material valuation uncertainty disclosure to be made and emphasis of matter paragraph to be included within our opinion. We will monitor this throughout the audit process.</p>

4. Significant risks and other key judgement areas

Significant risks (continued)

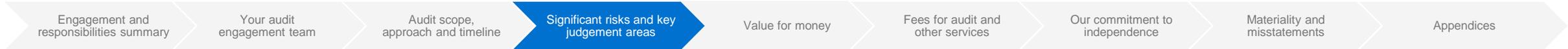
	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of land & buildings, council dwellings, investment properties (where material) and assets held for sale (where material)</p> <p>The Council's accounts contain material balances and disclosures relating to its holding of council dwellings and land & 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"> critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies; assessing whether valuation movements are in line with market expectations by considering valuation trends; and critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2020/21 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers. <p>In line with 2019/20 and the continuing Covid-19 pandemic, there may be a material valuation uncertainty disclosure to be made and emphasis of matter paragraph to be included within our opinion. We will monitor this throughout the audit process.</p>

4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
4	<p>Covid-19 grant recognition</p> <p>Throughout 2020/21, the Government has made available and provided substantial sums of grant support to local authorities including the general support grant, the Income Compensation and Job Retention schemes and grants that have been passed through to businesses.</p> <p>There is a risk the correct accounting treatment has not been applied, with the focus of our testing on the completeness and accuracy of this income in 2020/21.</p>	-	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • reviewing the Council's approach in determining whether grants are or are not ringfenced for specified areas of expenditure; • testing grant income recorded in the ledger to grant allocations/ notifications; and • reviewing a sample of grants to ensure conditions to recognise the income in 2020/21 have or have not been met.

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05

Section 05: **Value for Money**

5. Value for Money

The framework for Value for Money work

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

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

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

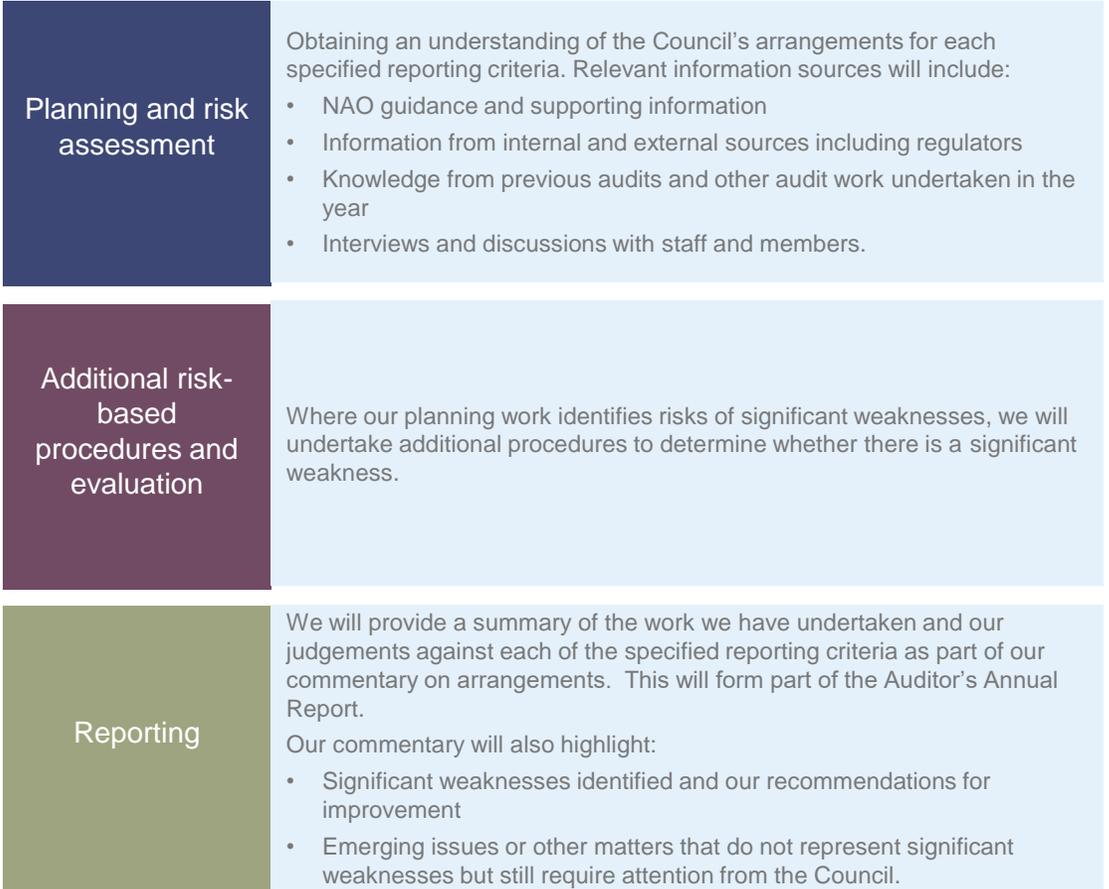
Specified reporting criteria

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

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

Our approach

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



5. Value for Money Conclusion

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

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

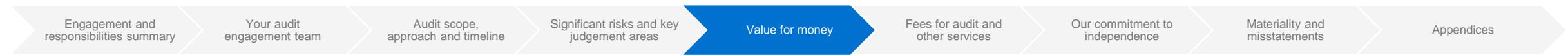
- how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them
- how the body plans to bridge its funding gaps and identifies achievable savings
- how the body plans finances to support the sustainable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

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

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



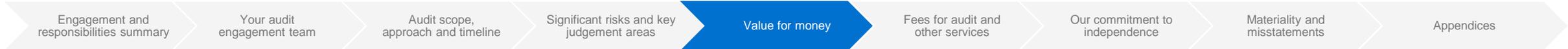
5. Value for Money

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 Audit 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	£42,325	£42,325
<i>Fee variations:</i>		
Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	£7,067 ¹	£7,067
Additional testing as a result of the implementation of new auditing standards: ISA 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 ²	-
Other additional costs	TBC	£5,032 ³
Sub-total	£56,424	£54,424
Additional work arising from the change in the Code of Audit Practice	£10,000 ⁴	-
Total	£66,424 ⁵	£54,424

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

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

³ The additional audit costs in 2019/20 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.

⁴ As explained in section 5, the revised Code of Audit Practice results in a substantial amount of additional audit work to support the value for money conclusion and the changes in reporting requirements, requiring additional time and input from the senior members of the team. Our review of the Code and supporting guidance notes shows that the additional fee impact at all public sector entities is expected to be between 20% of the revised fee or £10,000. The final fee will take into account the extent, and complexity of, any significant weaknesses in arrangements to review and report upon.

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

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Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

07

Section 07:

Our commitment to independence

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.

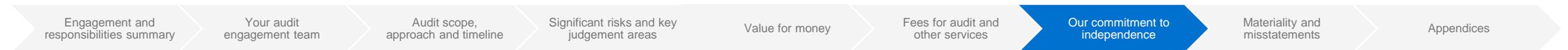
We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- 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
- Use 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

8. Materiality and misstatements

Summary of initial materiality thresholds

Charnwood Borough Council: Threshold	Initial threshold £'000s
Overall materiality	1,552
Performance materiality	1,241
Trivial threshold for errors to be reported to Audit Committee	47
<u>Specific materiality:</u>	
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

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:

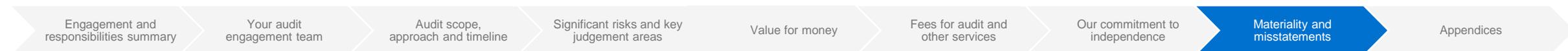
- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognize the uncertainties 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.

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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 expenditure 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 the Audit Committee:.

We consider that the Gross 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 1,552k.

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 80% of overall materiality as performance materiality.

Misstatements

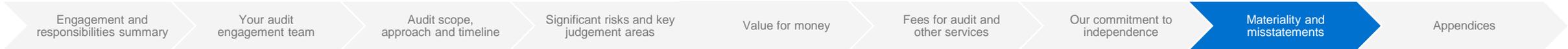
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be 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 £47k 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 Audit Committee.

The following three types of audit differences will be presented to the Audit Committee:

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

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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.

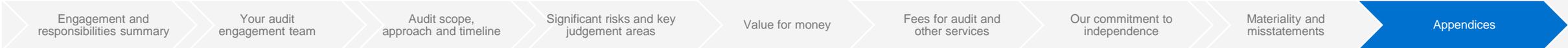
Key communication points at the completion stage to be included in our Audit Completion Report

- 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:

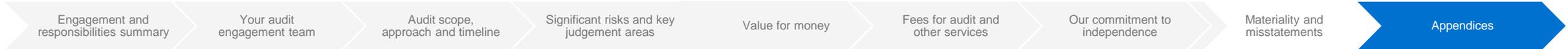
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
Page 55 With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit Completion Report and discussion at the Audit 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"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>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.</p>	<p>Audit Completion Report</p>

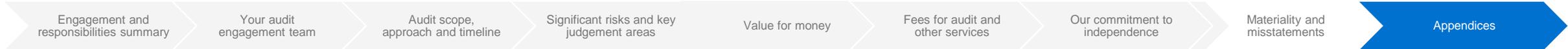
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Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit 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"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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

*where permitted under applicable country laws.

AUDIT COMMITTEE – 8th JUNE 2021

Report of the Head of Strategic Support

Part A

ITEM 7 2020/21 INTERNAL AUDIT ANNUAL REPORT

Purpose of Report

The purpose of this report is to present the Internal Audit annual report, which is one of the sources of evidence used to inform the production of the Annual Governance Statement.

Recommendation

The Committee notes the annual report of the Chief Audit Executive as appended to this report.

Reason

To enable the Committee to consider the report prior to receiving the Annual Governance Statement for consideration.

Policy Justification and Previous Decisions

As set out in Public Sector Internal Audit Standard (PSIAS) 2450, the Chief Audit Executive must provide an annual report to the board (Audit Committee) timed to support the Annual Governance Statement. This report and opinion should be considered as part of the evidence supporting the Annual Governance Statement.

Implementation Timetable including Future Decisions

The Annual Governance Statement will be considered by the Audit Committee at its meeting on 21st July 2021.

Report Implications

The following implications have been identified for this report.

Financial Implications

None

Risk Management

There are no risks associated with this decision.

Background Papers: Public Sector Internal Audit Standards

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Part B

Appendix

2020/21 Internal Audit Annual Report



INTERNAL AUDIT SHARED SERVICE

Charnwood Borough Council

Internal Audit Annual Report 2020/21

1. INTRODUCTION

- 1.1 This is the annual report of the Chief Audit Executive (Audit Manager) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2020 to 31 March 2021 for Charnwood Borough Council.
- 1.2 This report includes the Audit Manager's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3 This report also includes:
- A summary of internal audit work carried out during 2020/21 which supports the opinion.
 - Issues relevant to the preparation of the Annual Governance Statement.
 - Internal Audit's Quality Assurance and Improvement Programme (QAIP).
 - A statement on conformance with the Public Sector Internal Audit Standards.

2. CHIEF AUDIT EXECUTIVE (AUDIT MANAGER) OPINION 2020/21

- 2.1 2020/21 has been a difficult and unusual year for everyone, including Internal Audit. The 2020/21 annual audit plan that was prepared and approved in March 2020 quickly became outdated as the pandemic started to take hold. The previously office-based working arrangements for most staff almost overnight became home-based and the Council focused on business-critical services for a period of time. As documented in the reports to Audit Committee, the work of Internal Audit has had to change to respond to the changing risks and priorities and 'normal' audit work was suspended briefly. The original Internal Audit plan was reviewed and a revised plan was agreed in September 2020. A key element of the revised plans was full audits of all key financial systems as well as advising and providing assurance on the Covid-19 Business Grants.
- 2.2 In line with the Public Sector Internal Audit Standards Internal Audit have worked flexibly throughout the year whilst still ensuring a sufficient level of audit coverage to allow me to give an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control (the control environment). In giving this opinion it should be noted that assurance cannot be absolute.
- 2.3 For the 12 months ended 31 March 2021, I am able to give **reasonable assurance** on the overall control environment. To be consistent with our Internal Audit opinion definitions, this means that there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the areas audited. This is a positive assurance opinion overall.

2.4 My opinion is based on the following:

- **All** internal audit work undertaken during the year, this includes advisory work as well as assurance audits that resulted in a final report, and supports the view on internal control arrangements. This also includes the work that was undertaken to deliver the Business Grants Assurance processes both pre and post payment. Consideration has been given to findings of audits at the draft report stage.
- Follow up audit work in respect of audit recommendations.
- My knowledge of the Council's governance and risk management structure and processes. From review of Committee meetings minutes, it is clear that although meetings changed to being conducted remotely and there was some initial disruption, the business of those meetings and the expected decision routes was not adversely affected overall. A new risk register was set up to manage and monitor Covid-19 related risks in addition to strategic risk management arrangements.

2.5 There have been no impairments to the independence of internal auditors during the year.

3. SUMMARY OF INTERNAL AUDIT OPINION REPORTS DURING 2020/21

3.1 The risk based internal audit plan for 2020/21 was presented and approved by the Audit Committee on 11th March 2020. As described above this was revisited during the year to ensure that the audit plan reflected the changing risk environment and would continue to provide assurance on the overall adequacy and effectiveness of internal controls, risk management and governance across a range of higher risk financial and organisational areas. The revised plan was approved on 22nd September 2020. Progress against this plan has been reported to Audit Committee throughout the year as part of the regular Internal Audit progress reports.

3.2 A summary of the final audit opinions given in 2020/21 is detailed in Table 1 below. This includes 3 IT audits which were provided by specialist auditors. The opinion for individual audits is included in Appendix A for information, along with a comparison of the work delivered against the audit plan.

Table 1

Opinion	Definition	Number
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited	8
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited	8

Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	1
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited	-
Total audit reports		17

3.3 Internal Audit follow up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Audit Committee is updated on the Council's progress against the recommendations as part of the Internal Audit progress reports, as well as giving details of ongoing or overdue recommendations. A summary of the recommendation tracking results for 2020/21 is included at Appendix B.

4. ISSUES RELEVANT TO THE PREPARATION OF THE ANNUAL GOVERNANCE STATEMENT

4.1 All internal audit reports issued during 2020/21 had either substantial or reasonable assurance opinions, apart from the Asbestos Management Audit which was given limited assurance. Two of the areas identified for improvement had already been identified by the new Compliance Manager; a lack of day to day documented procedures and re-inspections of communal properties not being inspected on an annual basis as prescribed in the asbestos management plan, therefore no recommendations were made relating to these areas. Four high and eight medium priority recommendations were made covering:

- Inconsistencies between the Operational Procedure – Asbestos Management Plan and the actual processes followed.
- Inconsistencies with performance information provided by the contractor.
- Contract management and adherence to contract procedure rules.
- Full completion of the asbestos register with next survey dates, actions and works details.

4.2 A small number of high priority recommendations were made in respect of other audit reviews undertaken, however as they relate to specific systems and/or service areas, I do not consider it necessary to include them in the Annual Governance Statement. The Section 151 Officer receives all Internal Audit reports issued therefore they are also able to make their own assessment when completing the Annual Governance Statement should they be of a different opinion.

5. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP) FOR INTERNAL AUDIT

- 5.1 The Public Sector Internal Audit Standards (PSIAS) require the QAIP to include internal and external assessments (see Appendix C for more detail).
- 5.2 The internal assessments applicable to 2020/21 include the following:
- Actions to align and co-ordinate 3 authorities in the shared service and review all shared service templates and the audit manual.
 - All shared service authorities adopted the CIPFA recommended Internal Audit opinion model and a standard format for recording and monitoring follow up of audit recommendations.
 - Monthly performance review meetings attended by the Audit Manager and the Strategic Director of Environmental and Corporate Services (S151 Officer) and the Head of Strategic Support (Monitoring Officer).
 - Customer satisfaction surveys were sent out to all Heads of Service and Managers who had an audit in their service area. Three returns for 2020/21 all with overall positive feedback.
 - Quarterly progress reports to senior management and Audit Committee which include monitoring of activity and performance.
- 5.3 The PSIAS require external assessments to be conducted at least once every five years. In December 2020 the shared internal audit service had an external quality assessment which took the form of validation of a self-assessment completed by the Audit Manager. The validation was carried out by an appropriately qualified and experienced assessor, through a process of interviews with key officers at each authority and Chairs of Audit Committees, and document review.
- 5.4 It was the assessor's opinion that internal audit at Blaby, Charnwood and North West Leicestershire Councils **conforms with the PSIAS**. She identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity and the team takes a flexible, structured and focussed approach to their audit assignments. She identified two minor non-compliances with the PSIAS, neither of which affects the activities of the team. The full report was presented to each Audit Committee.
- 5.5 In addition to delivering the annual audit plan and opinion, Internal Audit have added value in the following ways:
- Co-ordinating the mandatory NFI exercise including data submission and supporting services in reviewing their matches.
 - Designing and delivering pre and post payment assurance checks for the Covid-19 Business Grants as well as successfully recovering a number of erroneous, non-compliant or fraudulent grants.
 - Supporting an internal review to ensure that internal controls are robust with recommendations made to support improvements where appropriate.
 - Providing ad-hoc advice throughout the year to a wide range of services to help ensure that internal controls are maintained or strengthened.
 - Delivering a successful shared service to Blaby District Council and Charnwood Borough Council from 1st April 2020. This adds value to all

Councils as the audit team shares learning, expertise and best practice.

6. **CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 6.1 The external assessment conducted in December 2020 concluded that there were no significant gaps in compliance.
- 6.2 I can confirm that during 2020/21 the Internal Audit Shared Service conformed to the Public Sector Internal Audit Standards.

RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS AGAINST 2020/21 AUDIT PLAN

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L/A	
STRATEGIC AND PRIVATE SECTOR HOUSING										
Disabled Facilities Grant	Certification	3	6	Completed	Not applicable					Planned days exceeded due to completing audit remotely and new queries raised. Actions agreed to help make the process smoother next year.
Choice Based Lettings	Audit	8		Deferred to 2021/22						Moved to 21/22 audit plan due to service capacity to support the audit.
LANDLORD SERVICES										
Fire Safety and Management	Audit	8	3.5	Report drafting						
Gas Servicing Contract Monitoring	Audit	8	5	Final Report Issued	Reasonable	-	1	3	1	
Asbestos Management	Audit	8	6	Final Report Issued	Limited	-	4	8	-	
PLANNING AND REGENERATION										
Development Control	Audit	10	12	Final Report Issued	Substantial	-	-	-	2	
Tree Preservation Orders	Audit	6	11.5	Final Report Issued	Reasonable	-	-	1	-	Planned days exceeded as new area for auditor.
CUSTOMER EXPERIENCE										
Benefits	Audit	8	7.5	Final Report Issued	Substantial	-	-	-	-	
Council Tax	Audit	8	9	Final Report Issued	Substantial	-	-	-	1	

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L/A	
NNDR (Business Rates)	Audit	8	9	Final Report Issued	Reasonable	-	2	7	1	
Income Collection	Audit	8	7	Final Report Issued	Reasonable	-	-	3	4	
FINANCE AND PROPERTY										
Creditors	Audit	8	10	Final Report Issued	Reasonable	-	-	2	2	Audit has taken longer due to difficulties in obtaining information required for the audit.
Debtors	Audit	8	5	Report drafting						
Main Accounting System and Budgetary Control	Audit	8	3.5	Final Report issued	Substantial	-	-	1	2	
Payroll	Audit	8	17	Final Report issued	Substantial	-	-	1	1	Days exceeded due to level of testing which will be reviewed going forwards.
Rent Accounting	Audit	8	7	Draft report issued						
Treasury Management	Audit	8	7	Final Report issued	Substantial	-	-	-	1	
Right to Buy	Audit	10	7	Final Report issued	Reasonable	-	3	1	2	
BDO Audits										
Office 365 Security and Remote Connections	Audit	18	BDO Audit	Final Report issued	Substantial	-	-	3	-	
IT Application Controls and Backups	Audit	9	BDO Audit	Final Report issued	Reasonable	-	-	3	-	
IT Third Party and Cloud Supplier Management	Audit	10	BDO Audit	Final Report issued	Substantial	-	-	-	1	

Recommendations Key – see Appendix B

Appendix B

SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP 2020/21

Internal Audit follow up progress against critical, high and medium priority recommendations in line with the timescales agreed at the time of issuing reports. Any overdue recommendations are highlighted to Audit Committee. The table below shows the progress against recommendations made by Internal Audit during 2020/21. The reason that there is such a high proportion of recommendations in progress or not yet due is because 'normal' internal audit work did not resume September 2020 (as reported to Audit Committee) and the majority of final audit reports have been issued since 1st January 2021.

Recommendation Priority	Recommendations Made	Recommendations Implemented	Recommendations Outstanding (In Progress or Not Yet Due)	Recommendations Overdue
Critical	-	-	-	-
High	10	2	7	1
Medium	33	2	31	-
Total	43	4	38	1

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Low/Advisory	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix C

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2020-21

Activity	PSIAS	Result/comments	Frequency
External Quality Assessment	1310	December 2020 Assessment - no significant gaps in compliance. Full final report presented to each Audit Committee. Two minor recommendations and two formal suggestions for improvement in the final report are all being progressed.	Every 5 years.
Annual Declaration of Interests	1130	New form used to incorporate Code of Ethics and Principles from April 2020.	Annual
Customer satisfaction surveys	1311	Three for 2020/21. All positive overall.	After each audit
Performance indicators reported in progress reports	1311	Performance indicators included in all quarterly reports to senior management and Audit Committees.	Quarterly
Improvement actions/continuous improvement	1311	An internal action plan produced for 2020/21 detailing improvement actions which included actions to align and co-ordinate 3 authorities in shared service and review all shared service templates and audit manual. All authorities adopted the CIPFA recommended Internal Audit opinion model and a standard format for recording and monitoring follow up at audit recommendations.	Ongoing
Review of all audit engagements and reports	1311, 2340	All audit engagements and reports are reviewed by another auditor to ensure compliance with PSIAS in terms of meeting audit objectives and quality. As a new opinion model was being used with new team members all audit reports for every authority have been reviewed by both the Senior Auditor and the Audit Manager to ensure consistency.	Every audit

Monthly performance reporting and meetings	1311	Monthly performance meetings with Strategic Director of Environmental and Corporate Services (S151 Officer) and the Head of Strategic Support (Monitoring Officer)	Monthly
Annual review of internal audit charter	1000	Template Shared Service Charter created May 2020 and adopted by all partners. Annual review in September each year.	Annual
Performance and development review process for staff and training and development records.	1200	All review meetings with team have taken place and the training and development form introduced in April 2019 to record all training and development continues to be used. Officers recording their CPD in line with their professional body requirements do not need to duplicate records.	Bi- annual review meetings

AUDIT COMMITTEE – 8th JUNE 2021

Report of the Head of Strategic Support

Part A

ITEM 8 INTERNAL AUDIT PROGRESS REPORT 2020/21 TO 31st MAY 2021

Purpose of Report

The report summarises the progress against the 2020/21 Audit Plan, outlining key findings from final reports and any outstanding recommendations. Work on the 2021/22 Audit Plan has commenced however there are no outcomes from this work to report at this time.

Recommendation

The Committee notes the progress report set out in Appendix 1.

Reason

To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.

Policy Justification and Previous Decisions

The Accounts and Audit Regulations 2015 state (Regulation 5 (1)) that the relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and any appropriate guidance.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a regular basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None

Risk Management

There are no specific risks associated with this report.

Background Papers: Public Sector Internal Audit Standards

Officers to contact:

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Part B

The details regarding this report are set out in the Appendix.

Appendices

Appendix 1 – INTERNAL AUDIT PROGRESS REPORT 2020/21 TO 31ST MAY
2021



INTERNAL AUDIT SHARED SERVICE

Charnwood Borough Council

**Internal Audit Progress Report 2020/21 to
31st May 2021**

1.0 Introduction

1.1 Internal Audit is provided through a shared service arrangement by North West Leicestershire District Council. The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to update on Internal Audit activity from 01.02.21 to 31.05.21.

2.0 Internal Audit Plan Update

2.1 Since the last update report to Audit Committee on 9th February 2021, eleven final audit reports have been issued and three audits are at the report drafting/draft stage. Appendix A shows the current position of the 2020/21 Audit Plan and the executive summaries for the eleven final reports issued are detailed in Appendix B:

- IT Application Controls and Backups – Reasonable Assurance
- Treasury Management – Substantial Assurance
- (NNDR) Business Rates – Reasonable Assurance
- Main Accounting System – Substantial Assurance
- IT Third Party Cloud Supplier Management – Substantial Assurance
- Council Tax – Substantial Assurance
- Benefits – Substantial Assurance
- Gas Servicing Contract Monitoring – Reasonable Assurance
- Creditors - Reasonable Assurance
- Income Collection – Reasonable Assurance

2.2 The Asbestos Management Audit was issued with a Limited Assurance opinion. Two of the areas identified for improvement had already been identified by the new Compliance Manager; a lack of day to day documented procedures and re-inspections of communal properties not being inspected on an annual basis as prescribed in the asbestos management plan, therefore no recommendations were made relating to these areas. Four high and eight medium priority recommendations were made covering:

- Inconsistencies between the Operational Procedure – Asbestos Management Plan and the actual processes followed.
- Inconsistencies with performance information provided by the contractor.
- Contract management and adherence to contract procedure rules.
- Full completion of the asbestos register with next survey dates, actions and works details.

3.0 Outstanding Recommendations

3.1 Internal Audit monitor and follow up all critical, high and medium priority recommendations. There is one overdue recommendation which is detailed in Appendix C for information. As progress has been made with this recommendation the Audit Manager does not have any specific concerns at this time.

4.0 Internal Audit Performance Indicators

4.1 Progress against the agreed Internal Audit performance indicators is included in Appendix D. Work has now started on the 2021/22 audit plan.

APPENDIX A

2020/21 AUDIT PLAN AS AT 31st MAY 2021

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Disabled Facilities Grant	Certification	3	6	Completed	Not applicable						Planned days exceeded due to completing audit remotely and new queries raised. Actions agreed to help make the process smoother next year.
Choice Based Lettings	Audit	8		Deferred to 2021/22							Moved to 21/22 audit plan due to service capacity to support the audit.
Fire Safety and Management	Audit	8	3.5	Report drafting	3.5						
Gas Servicing Contract Monitoring	Audit	8	5	Final Report Issued	Reasonable	-	1	3	1	-	
Asbestos Management	Audit	8	6	Final Report Issued	Limited	-	4	8	-	-	
Development Control	Audit	10	12	Final Report Issued	Substantial	-	-	-	1	1	
Tree Preservation Orders	Audit	6	11.5	Final Report Issued	Reasonable	-	-	1	-	-	Planned days exceeded as new area for auditor.
Benefits	Audit	8	6	Final Report Issued	Substantial	-	-	-	-	-	Put back as 19/20 grant certification work by external auditors has been delayed.

Council Tax	Audit	8	9	Final report issued	Substantial	-	-	-	-	1	
NNDR (Business Rates)	Audit	8	9	Final report issued	Reasonable	-	2	7	1	-	
Income Collection	Audit	8	8	Final report issued	Reasonable	-	-	3	4	-	
Creditors	Audit	8	10	Final report issued	Reasonable	-	-	2	2	-	Audit has taken longer due to difficulties in obtaining information required for the audit.
Debtors	Audit	8	5	Report drafting							
Main Accounting System and Budgetary Control	Audit	8	3.5	Final report issued	Substantial	-	-	1	2	-	
Payroll	Audit	8	17	Final report issued	Substantial	-	-	1	1	-	Days exceeded due to level of testing which will be reviewed going forwards.
Rent Accounting	Audit	8	7	Draft report issued							
Treasury Management	Audit	8	7	Final report issued	Substantial	-	-	-	1	-	
Right to Buy	Audit	10	7	Final report issued	Reasonable	-	3	1	2	-	
Office 365 Security and Remote Connections	Audit	18	BDO Audit	Final report issued	Substantial	-	-	-	3	-	
IT Application Controls and Backups	Audit	9	BDO Audit	Final report issued	Reasonable	-	-	3	-	-	

IT Third Party and Cloud Supplier Management	Audit	10	BDO Audit	Final report issued	Substantial	-	-	-	-	1	
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SUMMARY OF FINAL AUDIT REPORTS ISSUED BETWEEN 01 FEBRUARY 2021 AND 31 MAY 2021

IT APPLICATION CONTROLS AND BACKUPS



Key Findings

Areas of positive assurance identified during the audit:

- A robust backup process is in operation currently, which will evolve in time as a result of the planned cloud migration project.
- The Council received positive feedback on a recent Backup Health check Report from an external third-party supplier.
- All critical business applications have designated System Administrators, who demonstrated a sound knowledge of the systems they administer and a full understanding of the importance of regulated access controls.

The main areas identified for improvement are:

- Various documents relating to the Council's IT application controls and backup arrangements were found to be out of date, including the Council's Information Security and ICT Infrastructure Policies.
- Access controls procedures for the applications included in the scope of this review have not been documented in line with the Council's Information Security Policy.

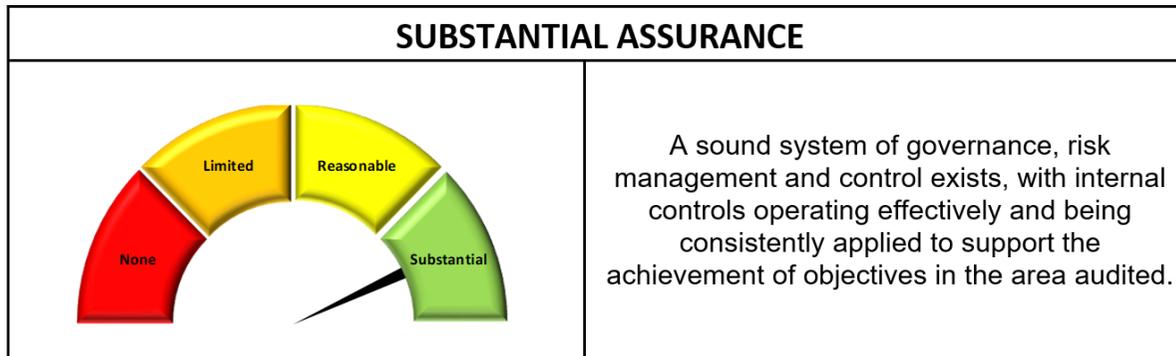
- The Council's backup and restore procedures for critical application data restoration have not been fully tested since 2015 and there is no defined schedule in place for testing the procedures on a routine basis. However, it is noted that the Council's backup landscape will change as a result of planned cloud migrations in 2021, and a full test should be conducted once the project is completed and the environment is embedded.

Three medium priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>R1 Following completion and acceptance of an updated ICT Strategy, Management should review and, where necessary update, the following policies and procedures to ensure that they are up to date and fit for purpose:</p> <ul style="list-style-type: none"> Team Recovery Plan ICS Restoring Critical Systems – Work Instruction ICT Infrastructure Policy Information Security Policy Backup and Retention Policy. <p>Additionally, Management should include a version control table within the Council's "Team Recovery Plan ICS" document to ensure that all future reviews are evidenced, and all updates are recorded moving forwards.</p>	Medium	<p>The cloud migration project is in progress for the next 12 months.</p> <p>Policies will therefore be updated on completion of the project.</p> <p>The existing policies reflect the existing onsite IT environment.</p>	ICT Service Delivery Manager	February 2022
<p>R2 In line with the Council's Information Security Policy, Management should document the access control procedures for each application and information system, which should be implemented and kept to up to date.</p>	Medium	<p>Risk Assessment documentation will be updated to include access control procedures.</p> <p>This is also linked to R1 above</p>	Information Development Manager	December 2021

<p>R3 Once the selected applications have been successfully migrated to the cloud and it is clear what systems have remained on premise, Management should put in place a testing schedule (at least annually) to ensure that disaster recovery guidance is effective during a “live” event, and amended with lessons learned where necessary.</p>	<p>Medium</p>	<p>Linked to R1 above – changes to the backup and DR testing can be documented on completed of the cloud migration project, which includes the replication of the IT cloud infrastructure</p>	<p>ICT Service Delivery Manager</p>	<p>April 2022</p>
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TREASURY MANAGEMENT



Key Findings

Areas of positive assurance identified during the audit:

- There are adequate and up to date treasury management strategies in place.
- The Capital Strategy and Treasury Management Strategy Statement have been approved as per the Constitution and complies with the CIPFA Code of Practice.
- There is adequate segregation of duties within the loans and investments process.
- Adequate fidelity insurance cover is in place.
- Detailed registers of loans and investments are maintained.
- All loans and investments have been authorised and processed in accordance with policy.
- Transactions are restricted to those institutions that have been approved by the authority.
- Access to the online banking system is restricted.

The main areas identified for improvement are:

- The Treasury Management Practices document has not been revised for over two years.

One low priority recommendation was made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
The Treasury Management practices, and procedure guides should be reviewed to ensure all information within them reflect current practices and are up to date with current strategies. The Practices document should be subject to scrutiny by the relevant committee in line with Section 7 of CIPFA Treasury Management Code of Practice.	Low	Agreed as per the recommendation.	Head of Financial Services and Senior Income Officer	September 2021

NDR (BUSINESS RATES)



Key Findings

Areas of positive assurance identified during the audit:

- Processes are in place for ensuring that new properties are identified and brought into listings.
- The rating list is maintained accurately, and amendments are made in a timely manner.
- Bills are raised in a timely manner.
- Reconciliations are carried out in a timely and accurate manner.
- Regular review of the suspense account is carried out.

The main areas identified for improvement are:

- Contract monitoring is carried out.
- Exception reporting and management review is introduced to the level that would be expected if the service was in-house.

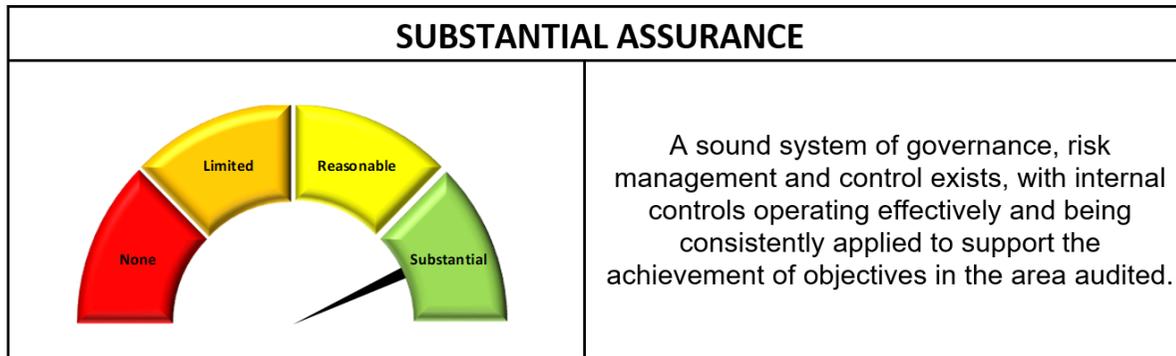
Two high, seven medium and one low priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. The discretionary business rates policy is reviewed and updated on a regular basis.	Medium	Agreed – this will be discussed with the Director of Environment & Corporate Services as to the responsibility for the updating of the policy.	Head of Customer Experience	September 2021
2. Consideration is given to awarding reliefs and exemptions for a set period only. This should be detailed within the policy.	Medium	As there is no legal basis to time-limit the award we will not set a time limit for an award however within the review of the DBR Policy the introduction of reviews of reliefs to ensure validity will be considered.	Head of Customer Experience	June 2021
3. As it is the Authority's responsibility to ensure the data held is correct, a process is introduced to proactively carry out reviews to ensure that all ratepayers are correctly identified, and relevant reliefs are in place.	Medium	Agreed – this will be discussed with Capita as to the review of existing processes and opportunity to	Head of Customer Experience	May 2021
4. Officers ensure that all evidence is appropriately documented and stored, including approvals and inspection records.	Medium	Officers will ensure that all evidence/ inspections are appropriately	Head of Customer Experience	June 2021

		documented. Detailed notes of inspections/evidence will be added to the Academy system, to ensure full and accurate records.		
5. All arrears action is detailed within the account and taken in a timely manner.	Medium	Agreed	Head of Customer Experience	June 2021
6. A review of user access is carried out to ensure correct access is assigned based on the officer's job role.	Medium	Agreed. Will be reviewed on at least an annual basis.	Head of Customer Experience	April 2021 Audit follow up in progress at time of writing this report.
7. The officer tasked with managing the contract on behalf of CBC should ensure that controls are in place as would be expected if the service was run internally.	High	Further discussions are required as this may not be needed if other compensatory measures are introduced as detailed above.	Head of Customer Experience	July 2021
8. A full review of the contract is carried out by the authorised officer and where shortfalls are identified these are relevantly rectified, including the resurrection of the Partnership Board meetings.	High	The appropriateness of resurrecting the Partnership Board will be discussed with the Director of Environment & Corporate Services.	Head of Customer Experience	March 2021 Audit follow up comments - It has been agreed that Strategic Partnership Board meetings will be resumed on a quarterly basis

				First Board meeting scheduled for June.
9. All Board meetings are relevantly minuted.	Medium	Do not agree that the current meetings held should be minuted. All action points from each meeting are recorded and agreed. However, as detailed above, the need for this Board will be discussed, with consideration being given to having only monthly contract meetings.	Head of Customer Experience	March 2021 Follow up – Current meetings will continue to record action points only. Partnership Board meetings will be minuted.
10. KPI information is provided with supporting information to assist in the review of performance.	Low	This will be further considered to the appropriateness requesting supporting information.	Head of Customer Experience	April 2021 Audit follow up in progress at time of writing this report.

MAIN ACCOUNTING SYSTEM (MAS)



Key Findings

Areas of positive assurance identified during the audit:

- Controls are in place to ensure that opening balance brought forward on accounts are accurate and complete;
- Journals are relevantly authorised and supporting documentation is retained;
- Virements are appropriately evidenced, authorised and are in accordance with the Constitution and Financial Regulations;
- Committed expenditure is reviewed on a regular basis;
- Reconciliations have continued as expected.

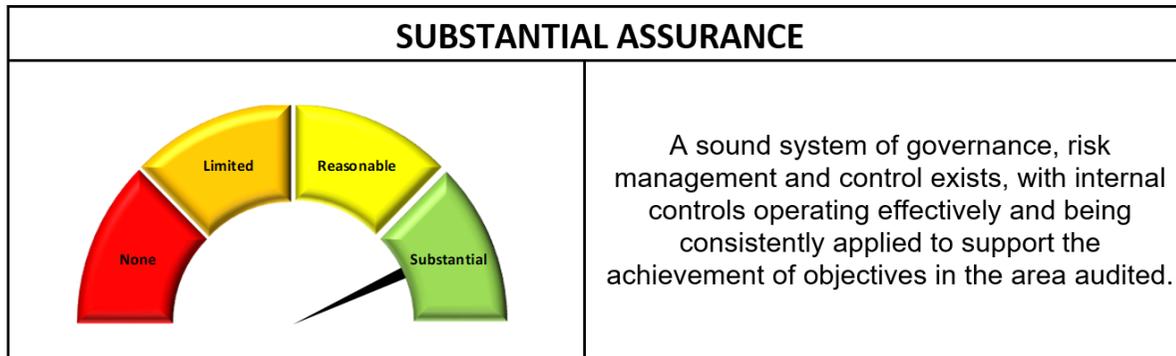
The main areas identified for improvement are:

- Review of financial procedures on a regular basis
- Reporting of budgetary position – Budget monitoring is carried out at regular intervals and reported to SLT, however, due to the unusual circumstances during the year, there have been no meetings held for the Corporate Services Scrutiny Committee – no recommendation has been made for this as the reporting to the relevant Scrutiny Committee has been agreed to be resurrected and a meeting has been scheduled for the 2021/22 financial year.
- Updating of the published Constitution following the annual review and approval of amendments.

One medium and two low priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
Financial Procedure Rules are reviewed and updated on a regular basis to ensure they fully reflect the priorities and objectives of the authority. These should then be readily available for all staff.	Low	Agreed	Head of Financial Services	September 2021
The Constitution is updated to reflect the changes approved at Council on 7 th September 2020.	Medium	Agreed and implemented – this was an oversight due to changes in staffing.	Democratic Services Manager	Implemented
A report of user access is developed and issued to Heads of Service to ensure that staff within their service have the correct access levels to the Agresso system.	Low	Agreed.	Chief Accountant	October 2021

IT THIRD PARTY AND CLOUD SUPPLIER MANAGEMENT



Key Findings

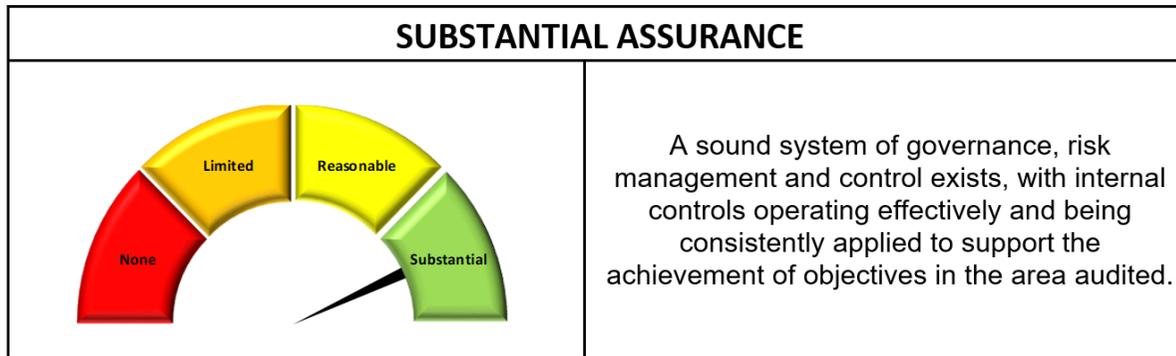
Areas of positive assurance identified during the audit:

- The Council has a published framework of planned milestones, which is segregated into defined phases and good progress has been made to date. Progress has been temporarily paused by the ICT Service to properly assess the achievements to date and identify if any amendments to the planned schedule of phases are required.
- There is clearly defined documentation that outlines the initial cloud migration proposal and the planned approach, with strong support from external services provider throughout the duration of the project.
- The ICT Service Delivery Manager is taking advantage of learning opportunities that are available through the Azure Migration Program and there is a requirement to bolster the technical skills within the local ICT team.

No areas for improvement have been identified, however an advisory recommendation has been raised with regards to specialist security training for members of staff.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>R1 The ICT Service Delivery Manager should evaluate all relevant learning opportunities and utilise the Azure Migration Program to its fullest extent to maximise the expansion of skillsets within the ICT team, following the closure of the migration program and the termination of the support contract with Phoenix.</p> <p>Ensuring that appropriate education is conducted should be included as an intrinsic activity within the overall migration project to avoid a future scenario where the organisation experiences a significant skills shortage.</p>	Advisory	<p>Agreed Action – Training as part of the Enterprise Skills Initiative (ESI) is underway with completion of the initiative scheduled in June.</p> <p>A skills assessment will be undertaken in June to identify the required skillset and training.</p>	ICT Service Delivery Manager	July 2021

COUNCIL TAX



Key Findings

Areas of positive assurance identified during the audit:

- There are adequate procedures in place to identify new properties and notify the Valuation Office in a timely manner.
- The rating list is maintained accurately and is up to date.
- Bills are raised accurately and timely.
- There are procedures in place to ensure discounts/ exemptions are awarded in accordance with legislation and policy.
- There are adequate procedures in place for the administration and approval of write-offs and refunds.
- The Council Tax system is regularly reconciled to its feeder systems and the general ledger.
- Suspense accounts are reviewed and cleared on a regular, timely basis.
- Monitoring is completed through exception reporting.
- Users access to the Council Tax system is limited and levels of access are appropriate for the user.
- The Council Tax system is regularly reconciled to its feeder systems and the general ledger.

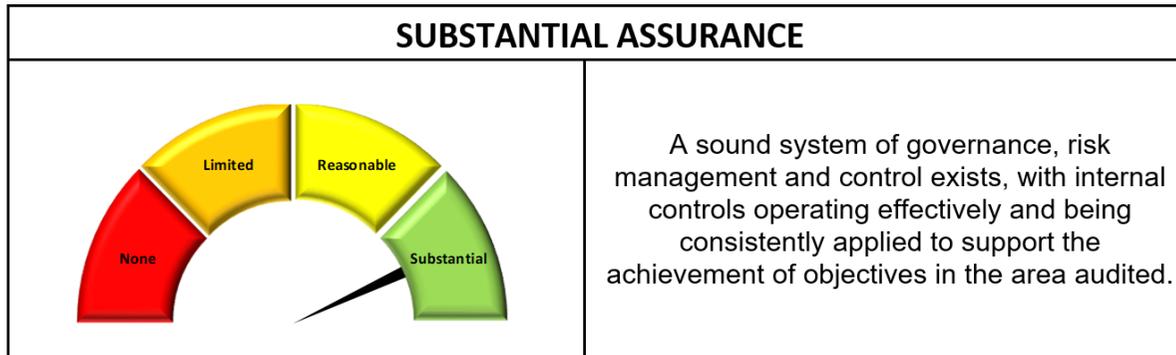
The main area identified for improvement is:

- Consistency in the procedures for signing off reconciliations.

One low priority recommendation was made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
The procedures for the electronic sign off of reconciliations is reviewed so that sign off is completed in a consistent manner so that it is clear who completed the reconciliation; who reviewed it and the date of completion for both.	Low	Agreed this will be looked at to see how the current process can be made more consistent and transparent.	Head of Customer Experience	August 2021

BENEFITS



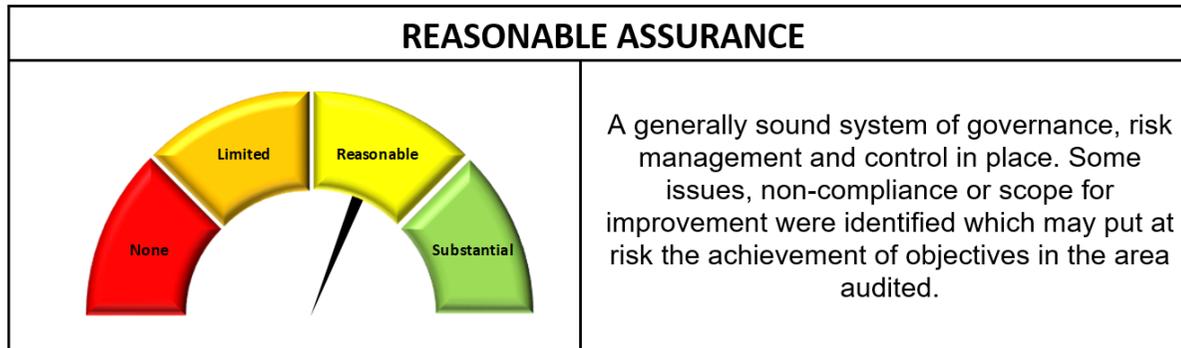
Key Findings

Areas of positive assurance identified during the audit:

- There are adequate procedures in place to ensure claims are assessed and calculated correctly in accordance with current regulations.
- Management assessment checks are carried out and relevantly evidenced.
- Procedures are in place to ensure payments of benefit are accurately paid or posted.
- Exception reports are produced and reviewed regularly.
- There is adequate segregation of duties within the Benefits process.
- There are adequate procedures in place to record, monitor and authorised write-offs.

No recommendations were made for management consideration.

GAS SERVICING CONTRACT MONITORING



Key Findings

Areas of positive assurance identified during the audit:

- Regular interaction is had with the contractor, allowing for any issues to be raised.
- Checks are carried out to ensure that every charge made against a property has the relevant certification in place prior to payment.
- The authority has processes in place to manage and monitor the gas services and safety checks to ensure that it is meeting its legislative requirements.
- Where it is not possible to gain entry to a property a process is in place to ensure that as far as possible action can be taken to gain entry within the legislative time period.
- Documentation is filed consistently and securely.

The main areas identified for improvement are:

- There is not a full set of current document procedures in place, however the need for full procedures had been identified prior to the audit and work was shown to be in progress to implement these, therefore no recommendation has been made.
- Performance figures are not accurately reported.
- The schedule of rates within the contract for the Gas 100 charges do not correspond to the amounts invoiced.
- The review of gas safety certificates and warning notifications to rectify any issues.

One high, three medium and one priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1.A reconciliation between the QL system and the details held by Sure of the properties requiring a CP12 is carried out on a quarterly basis to ensure that all properties are recorded.	Medium	Agreed. To undertake reconciliations.	Compliance Manager - AM	June 2021
2.Officers entering the figures into the performance report ensure that these are correctly entered and correspond to the figures provided.	Medium	Agreed. Procedure to be developed/issued and training to be given to staff.	Compliance Manager - AM	July 2021
3. A review of the schedule of rates charged for the gas is carried out and where the authority has been overcharged a credit note is requested to cover the amounts.	Medium	Agreed. Review schedule with contractor to obtain evidence of uplifts and / or credit of overpayment.	Compliance Manager - AM	Aug 2021
4.A reconciliation is carried at the year end to ensure that any balances due are made or received.	Low	Agreed. Procedure to be developed/issued and training to be given to staff to ensure effective reconciliation.	Compliance Manager – AM	Sept 2021
5. A process should be introduced to ensure that all issues identified on the CP12 or warning notifications are highlighted and relevantly actioned.	High	Agreed. Procedure to be developed/issued and training to be given to staff.	Compliance Manager – AM	May 2021

CREDITORS



Key Findings

Areas of positive assurance identified during the audit:

- There are comprehensive, policies and procedures that are accessible to staff.
- Official orders have been raised and appropriately authorised for all payments in accordance with Financial Procedures Rules.
- Payments are appropriately authorised in accordance with policy.
- Credit card usage is monitored for appropriateness and statements are supported.
- Open orders are periodically reviewed and closed if no longer required.
- Regular reconciliations are undertaken between the creditors system, the general ledger and the bank account.
- System user access was appropriate to the job role and/or the officer is still a current employee.

The main areas identified for improvement are:

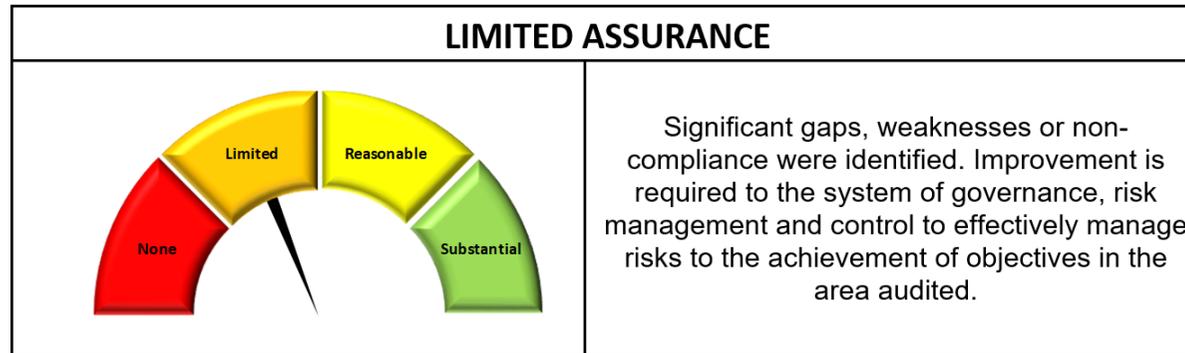
- The segregation of duties between those raising orders and those authorising purchases need to be strengthened.
- There were 258 orders raised after receipt of an invoice in the period 01.04.20 to 06.10.20.

Two medium and two low priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Creation and review dates are added to the procedure guides to ensure procedures are maintained up to date.	Low	Agreed as per recommendation.	Senior Payments Officer	August 2021
2. Procedures are put in place to ensure there is a segregation of duties between officers raising orders and those officers authorising them, in effect for payment.	Medium	<p>A communication with be distributed to Managers. Budget Holders reinforcing the Financial Procedure Rules for the raising the Orders (section 20).</p> <p>In terms of Unit 4 segregation it would be difficult block access to those that can both authorise and raise orders.</p> <p>Management will investigate the implementation of a monitoring report to identify repeat offenders which would mitigate the risk of fraud further.</p>	Strategic Director – Commercial Development, Asset and Leisure	June 2021
3. Procedures are put in place to reduce the number of retrospective orders being raised to ensure orders are raised in accordance with Financial Procedure Rules.	Medium	A communication with be distributed to Managers. Budget Holders reinforcing the Financial Procedure Rules for the raising the Orders (section 20).	Strategic Director – Commercial Development, Asset and Leisure	June 2021
4. Appropriate training is given to officers to ensure due dates on the system are	Low	Agreed as per recommendation.	Senior Payments Officer.	Implemented.

appropriately amended to the supplier's terms.				
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ASBESTOS MANAGEMENT



Key Findings

Areas of positive assurance identified during the audit:

- Payments are not made until relevant documentation is received to confirm work has been carried out.
- Training is a standard item for discussion in the quarterly Asbestos Safety Group meetings to ensure that staff are receiving asbestos training and highlight any issues.
- A quarterly asbestos safety group is in place to highlight and resolve issues.
- Asbestos information is issued to tenants at sign up and articles are published in the tenant magazine.
- The council took the decision to survey all domestic stock, this exceeds the statutory requirements.
- Asbestos surveys are stored on a portal and are available to all relevant staff and contractors.

The main areas identified for improvement are:

- There are no day-to-day documented administrative procedures in place however this has already been identified and is currently being addressed by the new Compliance Manager, therefore no recommendation has been made for this area.
- Re-inspections of communal properties have not been carried out on an annual basis as prescribed in the asbestos management plan, however the Compliance Manager is fully aware of this and is currently in the process of rectifying the issue therefore no relevant recommendation has been made in relation to this.
- There are inconsistencies between The Operational Procedure – Asbestos Management Plan and the actual processes followed.

- Performance information provided by the contractor needs to be consistent and accurate.
- The contract is not relevantly managed and documented in line with local procedures and policies.
- The company currently carrying out asbestos surveys is no longer within contract and therefore contract procedure rules have not been met.
- The asbestos register is not fully completed, with next survey dates not accurate and actions and works not detailed.

Four high and eight medium priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. A review of the actions and responsibilities detailed in the Operational Procedure document is carried out to ensure that these accurately reflect the current processes followed and that there is commonality across the organisation for the management of asbestos.	Medium	Actions and responsibilities to be reviewed.	Head of Landlord Services - PO	End of May 2021
2. Officers ensure that going forward, to protect the authority, contracts are tendered in a timely manner.	High	Agreed. This is currently in progress.	Repairs and Investment Manager - DB	June 2021
3. Regular minuted meetings are held with contractors to ensure that they are meeting their obligations and issues are rectified at the earliest possible time.	Medium	Agreed. This has been implemented.	Compliance Manager - AM	Implemented
4. Assurance should be obtained from the contractor, on an annual basis, to confirm that their staff have received relevant and up to date training.	Medium	Agreed. Training information requested from Contractor.	Compliance Manager - AM	End of May 2021

5. A full review of the information held by MCP is carried out to ensure that the data held is correct and up to date. Additionally, a reconciliation between the QL system and the MCP portal is carried out at least annually to ensure the data held is accurate.	Medium	Agreed. To work with Contractor to produce information and undertake reconciliation.	Compliance Manager - AM	June 2021
6. Officers ensure that KPI's are being reported and reviewed, with enough information being provided to confirm the accuracy of the KPI's.	Medium	Agreed. KPI monitoring mechanism to be established.	Repairs and Investment Manager - DB	July 2021
7. Processes are introduced to ensure that all surveys are reviewed, action implemented as recommended within the report and both actions are relevantly documented.	High	<p>Agreed. Written procedure to be produced. It is expected that the H&S Officer will review and action recommendations on surveys, and outcomes will be recorded.</p> <p>The area not on the portal referred to is a modern concrete sectional garage which does not need a report. It was installed in 2015.</p>	Compliance Manager - AM	July 2021
8. Officers ensure all documentation is received following asbestos removal works, and where decisions have been made these should be relevantly documented in a central location.	Medium	The works at the property where a relevant survey was not found was removal of materials assumed to contain asbestos and were carried out by an approved asbestos removal contractor. Removal of	Compliance Manager - AM	July 2021

		<p>assumed asbestos without a survey is permissible.</p> <p>Clarification to be obtained in respect of need for photographic evidence.</p> <p>To clarify details of client/contractor responsibilities on the undertaking of ASB visual reports and decision making around air tests, as existing documentation infers that the Council decides.</p>		
9. A review of the information held on the asbestos register is carried out and updated to ensure that the authority is meeting its legislative requirement in relation to keeping an up-to-date record of the location and condition of the asbestos- containing materials - or materials which are presumed to contain asbestos.	High	Agreed, current system to be reviewed, developed, or replaced as appropriate.	Compliance Manager - AM	Aug 2021
10. Officers review on an annual basis the schedule of rates for each contract to ensure that the authority is being charged accurately for works carried out.	Medium	<p>Agreed, new surveying contract being implemented.</p> <p>EAS: Schedule to be available on Compliance</p>	<p>Repairs and Investment Manager - DB</p> <p>Repairs and Investment Manager - DB</p>	<p>June 2021</p> <p>June 2021</p>

		team site and cross referenced at each valuation.		
11. All asbestos information is filed in a central location, , whether this be on the QL system, on the portal or on a shared drive, and should include any details that officers make in regard to asbestos testing and removal, to ensure that staff have a full overview of all decisions taken and actions carried out. This will further ensure that if any legislative action is brought against the authority in the future the information will be available and fully detailed.	High	Agreed. Current system to be reviewed, developed, or replaced as appropriate.	Compliance Manager - AM	Sept 2021
12. To ensure that officers attend relevant training a full training record should be developed that details the level of training required, when officers have attended training and the frequency that training should be attended.	Medium	Agreed. Current system to be reviewed, developed, or replaced as appropriate	Health, Safety and Environmental Manager - PP	Aug 2021

INCOME COLLECTION



Key Findings

Areas of positive assurance identified during the audit:

- Separation of duties is in place between the cash receipting function and other accounting functions.
- Appropriate insurance is in place to adequately cover the authority for security and transfer of cash.
- All income received is accurately receipted, recorded and banked intact in a timely manner.
- Income receipted is properly recorded in the accounts of the Authority.
- Suspense accounts are regularly reviewed and actioned.

The main areas identified for improvement are:

- There being an overarching procedure to link all income collection processes together.
- Introduction of a money laundering policy and appointment of a money laundering officer.
- Controls in place for revoking access for leavers on the AXIS and Paye.net systems.
- Access to fraud awareness training.
- Corporate approach to refunds.

Three medium and four low priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1.1 A full set of procedures is introduced which link the processes within the cash office, these should be dated and version controlled. This will ensure full business continuity if required.	Low	<p>Procedures were tested during the pandemic and were found to be sufficient.</p> <p>Dependant on what comes out of the SWAP review procedures will be reviewed, in the meantime version control will be added to the current procedures.</p>	Customer Service Delivery Manager.	Version control – with immediate effect.
<p>1.2 A Money Laundering Policy is put in place and is approved at the relevant committee.</p> <p>1.3 A Money Laundering Officer is appointed; this should be an officer of an appropriate position within the authority.</p>	<p>Medium</p> <p>Medium</p>	The Section 151 Officer acknowledges and accepts responsibility but would like time to consider what the real requirements are for the Council and will take necessary action when this had been reviewed.	Strategic Director of Environmental and Corporate Services.	September 2021
2. Management consider the introduction of a corporate refund policy which addresses the risks around fraudulent claims.	Low	<p>The one-off payment request form has been updated by Financial Services to include the following declaration.</p> <p>‘To reduce the risk of fraud we can only refund monies into the Bank Account from which the payment was originally made’.</p>	Head of Financial Services.	September 2021

		Guidance of refunds will be added to the Financial Procedure Rules which is currently under review.		
3. Reconciliations are undertaken and reviewed in a timelier manner (i.e. before the 19th of the following month) in accordance with procedure.	Low	Agreed as per recommendation.	Head of Financial Services	June 2021
4. Management explore fraud training options, particularly around card fraud and Payment Card Industry awareness.	Medium	Agreed – will discuss with Organisational Development whether fraud awareness training should be offered corporately. PCI compliance solution coming in to ensure compliance.	Head of Customer Experience and Customer Service Delivery Manager.	June 2021
5. Controls are reviewed to ensure AXIS and Pay.net user access is appropriately monitored and where necessary access revoked.	Low	A six-monthly review will be completed on the user lists, which will include establishing users who have not recently accessed the system and investigate these cases further to confirm if access is still required.	Information Technology Delivery Manager.	November 2021

**RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 31st MAY 2021
(CRITICAL, HIGH AND MEDIUM PRIORITY)**

Report	Recommendation	Priority	Officer Responsible	Target Date	Internal Audit Comments
2020/21 Audit Reports					
Right to Buy	5 Officers should ensure that where information detailed within the application does not fully match that held by the authority further investigation is carried out and documented to ensure that only bone fide applications can proceed. Additionally, checks against the housing benefits system should be introduced to ensure any fraudulent claims are identified.	High	Strategic Asset Manager & Right to Buy Officer	Feb-21	NFI app now procured and ready for use. Further follow up in June 2021 to allow for process to be fully implemented.

APPENDIX D**INTERNAL AUDIT PERFORMANCE INDICATORS**

PERFORMANCE MEASURE	POSITION AS AT 31st MAY 2021	COMMENTS
Delivery of 2020/21 Audit Plan	100%	Three audits are at the draft report /reporting drafting stage which is recognised as completed for performance monitoring purposes.
Percentage of Client Satisfaction with the Internal Audit Service	100%	Based on three returns for 20/21.
Compliance with the Internal Audit Standards	Conforms	Inspection took place w/c 30 th November 2020. Internal Audit Service conforms to the Public Sector Internal Audit Standards.
Compliance testing of completed recommendations	100%	

AUDIT COMMITTEE – 8th JUNE 2021

Report of the Head of Strategic Support

Part A

ITEM 9 ALLOWANCES AND EXPENSES CLAIMED BY COUNCILLORS AND CO-OPTED MEMBERS 2020/2021

Purpose of Report

To consider the amounts claimed by members of the Borough Council and co-opted members under the Council's Members' Allowances Scheme for 2020/2021.

Recommendations

1. That the amounts claimed in allowances and expenses by Councillors and co-opted members be noted; and
2. that any issues arising from the report be referred to the Head of Strategic Support for further investigation.

Reasons

1. To enable the Committee to ensure that the operation of the Members' Allowances Scheme complied with the published standards and controls.
2. To ensure that the issues could be investigated and a response given, and if necessary recommendations made for addressing any unresolved issues.

Policy Justification and Previous Decisions

The role of the Audit Committee is to provide part of the Council's assurance/compliance framework, including considering the Council's compliance with its own and other published standards and controls.

Implementation Timetable including Future Decisions

Any issues that the Committee identify should be referred to the Head of Strategic Support for further investigation and a further report if necessary.

Report Implications

The following implications have been identified for this report.

Financial Implications

None.

Part B

Background

1. The Council's Members' Allowances Scheme is reviewed by an Independent Remuneration Panel which makes recommendations to Council on the Allowances to be paid to Councillors and co-opted members and what expenses can be claimed and the criteria under which a claim can be made.
2. The Local Authorities (Members' Allowances) (England) Regulations 2003 require each local authority to publish details of allowances paid to each Councillor for the previous year. The information for the financial year 2020/2021 is attached as an Appendix to this report.

Appendices

Appendix – Allowances and Expenses paid to Councillors and Co-opted Members (April 2020 to March 2021).

CHARNWOOD BOROUGH COUNCIL - ALLOWANCES AND EXPENSES PAID TO COUNCILLORS AND CO-OPTED MEMBERS (April 2020 to March 2021)

		Basic Allowance	Mayoral Allowance	Leader Allowance	Deputy Leader Allowance	Cabinet	Opp Leader Allowance	Special Resp Allowance	Co-opt Chair	Co-opt Member	Expenses and Subsistence	Fares	Mileage	Total
Councillors														
Bailey	Richard	5,318.04				3950.66								9,268.70
Baines	Paul	5,318.04	1357.26					356.74					43.20	7,075.24
Barkley	Tom	5,318.04			9,017.04									14,335.08
Bentley	Iain	5,318.04						1,547.04						6,865.08
Bokor	Jenny	5,318.04				5,153.04								10,471.08
Boldrin	Paul	5,318.04												5,318.04
Bolton	Gillian	5,318.04												5,318.04
Bradshaw	Julie	5,318.04												5,318.04
Bradshaw	Simon	5,318.04												5,318.04
Brennan	Alice	5,318.04												5,318.04
Brookes	Matthew	5,318.04						1,443.00						6,761.04
Campsall	Roy	5,318.04												5,318.04
Capleton	John	5,318.04											34.65	5,352.69
Charles	Mark	5,318.04												5,318.04
Draycott	Mary	4,918.04						382.46						5,300.50
Forrest	Sandie	5,318.04						773.04						6,091.08
Fryer	Hillary	5,318.04						3,864.00						9,182.04
Gerrard	Sue	5,318.04											126.00	5,444.04
Goddard	Katrina	5,318.04												5,318.04
Grimley	Daniel	5,318.04						3,608.04					72.45	8,998.53
Hadji-Nikolaou	Leon	5,318.04						2,716.05						8,034.09
Hamilton	Colin	5,318.04						1,164.58						6,482.62
Harper-Davies	Leigh	5,318.04				5,153.04							88.65	10,559.73
Harris	Christine	5,318.04												5,318.04
Harris	Keith	5,318.04												5,318.04
Howe	Julian	5,318.04											97.20	5,415.24
Hunt	Jane	2,156.65												2,156.65
Low	Mark	5,318.04						2,130.30						7,448.34
Mercer	Paul	5,318.04				5,153.04								10,471.08
Miah	Jewel	5,318.04					4,319.04	1,803.96						11,441.04
Morgan	Jonathan	5,318.04		12,882.96										18,201.00
Murphy	Paul	5,318.04												5,318.04
Needham	Laurie	5,318.04												5,318.04
Pacey	Ken	5,318.04						1,218.78						6,536.82
Paling	Andy	5,318.04												5,318.04
Parsons	Geoff	5,318.04						891.99						6,210.03
Parton	Ted	5,318.04						1,086.26						6,404.30
Poland	James	5,318.04				5,153.04								10,471.08
Popley	Robin	5,318.04												5,318.04
Radford	Christine	5,318.04												5,318.04
Ranson	Pauline	5,318.04						1,443.00					61.20	6,822.24
Ratray	Shona	5,318.04				3,936.35		955.27						10,209.66
Rollings	Roy	5,318.04				5,153.04								10,471.08
Savage	John	5,318.04												5,318.04
Seaton	Brenda	5,318.04	1,783.47					2,908.73						10,010.24
Shepherd	Richard	5,318.04												5,318.04
Smidowicz	Margaret	5,318.04				5,153.04								10,471.08
Snartt	David	5,318.04	5,876.31										101.70	11,296.05

		Basic Allowance	Mayoral Allowance	Leader Allowance	Deputy Leader Allowance	Cabinet	Opp Leader Allowance	Special Resp Allowance	Co-opt Chair	Co-opt Member	Expenses and Subsistence	Fares	Mileage	Total
Tassell	Joan	5,318.04						1,547.04						6,865.08
Taylor	Deborah	5,318.04				1,216.69							256.95	6,791.68
Tillotson	Jenni	5,318.04												5,318.04
Ward	Emma	5,318.04									41.05			5,359.09
Co-opted Members														
Angell	Bev								3,608.04					3,608.04
Ball	Victoria									264.96				264.96
Cleere	Patrick									199.92				199.92
Dhul	Sumeet									200.04				200.04
Ellingworth	Eric									290.17				290.17
Jones	Julie									264.96				264.96
Smith	Paul									200.04				200.04
		272,976.69	9,017.04	12,882.96	9,017.04	40,021.94	4,319.04	29,840.28	3,608.04	1,420.09	41.05	0.00	882.00	384,026.17

AUDIT COMMITTEE – 11th JUNE 2021

Report of the Head of Strategic Support

Part A

ITEM 10 ANNUAL UPDATE RE THE ANTI- FRAUD & CORRUPTION STRATEGY AND WHISTLE - BLOWING POLICY

Purpose of Report

To provide information on the operation of the Anti-Fraud & Corruption Strategy and Whistle-blowing Policy during 2020/21.

Recommendations

The Committee is requested to note the information on the operation of the Anti-Fraud & Corruption Strategy and the Whistle-blowing Policy.

Reason

To ensure the Committee is kept up to date on the operation of the policies, and instances where they have been applied.

Policy Justification and Previous Decisions

The Council is obliged under the Public Interest Disclosure Act to maintain a Whistle-blowing Policy, designed to encourage staff, elected Members, contractors and the public to raise legitimate concerns about wrong-doing within the Council without fear of reprisal. In line with its role of community leadership, and its responsibilities for the stewardship of public funds, the Council also has an Anti-fraud & Corruption Strategy setting out how cases of fraud and corruption will be prevented, and how suspicions will be dealt with.

Implementation Timetable including Future Decisions

Updates will continue to be provided to the Committee on an annual basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no financial implications relating to this report

Risk Management

There are no risks arising from this report.

Background Papers: None

Officer to contact: Adrian Ward
(01509 634573)
adrian.ward@charnwood.gov.uk

Part B

1. Background

All new members of staff receive awareness training re the documents as part of their Induction process. The Whistle-blowing Policy is also provided to potential suppliers as part of the procurement process.

2. Policy Documents

The documents have been reviewed and no amendments have been identified.

3. Whistleblowing Notifications

No whistleblowing notifications were received during the year.

4. Fraud

Investigation of housing benefit fraud is now undertaken by the DWP Single Fraud Investigation Service and the DWP Fraud and Error Service.

The Internal Audit team have been closely involved in the various Covid related grants that have been awarded during the pandemic, and 14 cases of fraud totalling £155,000 have been identified of which £99,000 has been recovered to date.

AUDIT COMMITTEE - 8TH JUNE 2021

Report of the Head of Planning and Regeneration Lead Member: Councillor Roy Rollings

Part A

ITEM 11 ENVIRONMENTAL AUDITS – REPORT ON OUTCOMES

Purpose of Report

The purpose of this report is to update the Committee on the outcome of environmental audits undertaken for March 2021.

Recommendation

That the Committee notes the outcome of the environmental audit process, including the identified actions for any mitigation required.

Reasons

To ensure the Committee is kept informed of the Council's approach to managing environmental risks related to the Environmental Management System.

Policy Justification and Previous Decisions

The Council has an in-house Environmental Management System to manage legal compliance with environmental regulations and environmental impact arising from its activities and operations. The Council's Corporate Plan sets a commitment to 'take action to protect the environment for future generations' and the Council has adopted a Climate Change Strategy, a Carbon Management Plan, a Waste Strategy and a Green Spaces Strategy towards this aim.

The driver for implementing and improving the Council's Environmental Management System comes from the Council's Environmental Policy which can be seen at https://www.charnwood.gov.uk/pages/environmental_management. The Policy was adopted by Cabinet in October 2015 and establishes a framework for setting objectives and targets for environmental improvement. A Climate Change Strategy was adopted by cabinet on 10th May 2018 and revised November 2019. The Climate Change Strategy provides the action plan for the Council to maintain and potentially improve its environmental performance.

A Climate Change Motion was approved by Full Council on 24 June to note the findings from the International Panel on Climate Change report published in October 2018 (minute 23.1 19/20 refers). The report concluded that we have less than 12 years to act to avoid the worst impacts of climate change. The motion set an aspiration for the council to achieve carbon neutrality from its own operations by 2030. The Council also committed to work with residents, businesses and other public bodies across the borough and region to deliver this ambitious goal through all relevant technologies, strategies and plans.

A Carbon Neutral Plan setting out a pathway to achieve net zero carbon emissions for Council operations is being developed. The plan is scheduled to be taken to Cabinet 12 August 2021.

Implementation Timetable including Future Decisions and Scrutiny

Reports will continue to be submitted to the Committee on an annual basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

The costs of preparing and providing strategic management for the implementation of the Environmental Management System are met from within the Planning and Regeneration Service budget. The costs of implementing the Environmental Management System in respect of operations and activities undertaken by the Council are met from within the existing budgets of individual service areas that the Environmental Management System covers. The Council’s Sustainability Officer provides the strategic resource to manage the in-house Environmental Management System.

Risk Management

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
Failure to comply with environmental legislation leads to damage to environment, reputation, and civil or criminal action being taken against the Council	Likely (3)	Significant (2)	Moderate (6)	Access to Legislation Update Service, Training, Raising Awareness, Internal audits
The Council fails to meet broader environmental objectives outlined within its policy	Unlikely (2)	Minor (1)	Very Low (2)	SLT and Audit Committees in place to review annual performance

Sustainability

An Environmental Management System will help ensure environmental legal responsibilities are met and more easily managed on a day to day basis. The Environmental Management System will help manage waste and resources more effectively and reduce cost.

Key Decision: No

Background Papers: None

Officer to contact: Maria French
Sustainability Officer
(01509) 634802
Maria.french@charnwood.gov.uk

Part B

Background

1. The Council has an in-house Environmental Management System for Council owned property at Southfield Road / Information & Computer Services building, Loughborough Town Hall, Charnwood Museum, Oak and Ark Business Centres and Woodgate Chambers. It relates to the direct operations of the Council and not to any activities sub-contracted to other operators (such as domestic and municipal waste collection). The Environmental Management System does not deal with activities related to the enforcement of environmental or planning Regulations aimed at reducing impacts across the Borough, except where these relate directly to the Council's own actions and activities. The Sustainability Officer provides the resource to coordinate the in-house Environmental Management System programme overseen by the Senior Leadership Team. Implementation of the Environmental Management System is the direct responsibility of the service areas carrying out activities and operations that fall within its scope.

Legal Compliance

2. The Sustainability Officer has overall responsibility for keeping information on environmental aspects and their associated legislative requirements. 'Environmental aspects' are any element of the Council's activities that can interact with the environment. The current method of updating legal information about the environment is provided by the online Legislation Update Service on a monthly basis.

Environmental Audits

3. Environmental audits took place 4 March 2021 to check legal compliance and implementation of the Environmental Management System. Audits included the Oak and Ark Business Centres, the Museum, Town Hall, Southfield Road offices, Information & Computer Services building and Woodgate Chambers. The audit reports have been issued to building managers and relevant heads of service and, where non-conformities have been raised, recommendations for mitigation actions have been made. Recommendations for mitigating actions are for the service areas/responsible managers to implement at the earliest opportunity having regard to the scale of risk.
4. A presentation on the outcome of audit findings and recommendations was provided to building managers on 25th March 2021. The implementation of mitigation actions is managed through the Legislation Update Service which enables urgency of the action required, deadlines and management oversight to be coordinated.

Audit Findings

5. The audit process identifies any activity it considers to be posing an environmental risk as either a Non-Conformance with Requirement (NCR - a non-fulfilment of a legal requirement), an 'Issue' or a 'Recommendation'. The former is the more serious finding in the sense that there is proof that a legal requirement is not being

met, or a lack of evidence to prove that it is being met. An Issue may be an instance where:

- a) there is not a non-fulfilment of a legal requirement, but there is a lack of environmental best practice being used.
- b) there is not currently a breach in legislation, but the issue should be addressed to avoid doing so in future.

A Recommendation recognises something which may later develop into an NCR or issue and needs addressing.

6. Overall the management of the Environmental Systems is of a good standard despite 2020/2021 being a challenging year. The integrity of the system is being upheld by processes that have been maintained and where possible improved. In 2021 there were 6 Non-Conformance with Requirement (NCRs) found and 5 found in 2020. There were 14 Issues found in 2021 with 9 found in 2020 and 6 Recommendations made in 2021 with 5 made in 2020. Positive improvements were seen in relation to the maintenance of COSHH records and their availability at all locations. Incorrect waste documentation was the main operational audit finding.
7. Of the 6 NCRs, 1 has been resolved and 5 have programmes in place to ensure they are resolved in a timely manner. Of the 14 Issues, 9 have been completed and 5 have programmes to ensure they are resolved in a timely manner. Of the 6 Recommendations, 1 has been completed, 5 are to be resolved in a timely manner.
8. The audit findings are set out at Appendix A. A summary of the Non-Conformance with Requirement (NCR) findings is presented below by site:

Charnwood Museum

9. The standard of housekeeping was found to be high, with chemicals being stored in the correct location and without waste being stored in incorrect locations. A positive observation was raised on visitor environmental impact being considered and actions taken to educate them on environmental issues.
10. It should be noted that due to the ongoing Covid 19 Pandemic there has been a significantly shorter period of time where visitors are on site and limited attendance on site by staff.
11. Over the past 12 months, the main interaction with the EMS is by working towards the Carbon Management Plan. This has been by using public transport when possible and when not working from home. There has also been a push to educating visitors on environmental issues, this could lead to their own environmental improvements. These have been carried out on site and online when visitors have not been allowed due to restrictions.
12. A waste transfer note for the Serco mixed recycling collection (NCR1) has been incorrectly completed. An incorrect waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.

13. There was no waste transfer note (NCR2) for sanitary waste available for the Initial sanitary waste collection. This has now been resolved.

Ark Business Centre

14. Housekeeping was of a good standard, and storage areas inside and outside were well maintained. The LUS system is being well utilised and the auditees have been using the system to log actions against relevant aspects, impacts and compliance obligations as discussed at the training session previously.

15. A waste transfer note for toner cartridges dated 26/10/20 from InfotoneImaging Supplies Limited was filled out incorrectly (NCR3). It should be ensured that the printer cartridge waste transfer note includes the correct SIC code, carriers licence number and signature of the producer.

Town Hall

16. Housekeeping was found to be good throughout the premises with chemicals being stored in the correct locations such as cleaning cupboards. The site has continued to interact with the EMS on a very practical basis although the amount of improvements to the building that have been carried out in the last 12 months has been limited mostly to improving decorating. There have also been issues with gaining approval for improvements due to the short payback time requirements. A positive observation was raised of a proactive approach to reducing the amount of energy used while building occupancy levels are lower.

17. The phs Group waste transfer note is dated 01/10/2019 to the 30/09/2020. This transfer note has not been completed correctly (NCR4). It must be ensured that that there is an up to date and correctly completed waste transfer note for sanitary waste.

Southfield Road Offices

18. Housekeeping at site was of a very good standard with waste being stored in the correct locations. The LUS system is being well utilised and the auditees have been using the system to log actions against relevant aspects, impacts and compliance obligations as discussed at the training session previously. They have dedicated time and effort to integrate the LUS system with their current working processes. A positive observation was raised in that good practise is being shown through the retention of NHS waste documentation.

Oak Business Centre

19. The housekeeping at Oak Business Centre was found to be very high. However, a minimal amount of shredded paper waste was found near the bins that are mostly used by the tenants.

20. There are no waste transfer notes for printer cartridges transferred from Oak (NCR5). There needs to be a transfer note for printer cartridges.

Woodgate Chambers

21. Though a limited area, housekeeping was of an acceptable standard, though within the waste storage area outside, there was a little waste overflowing from the containers. The LUS system is being well utilised and the auditees have been using the system to log actions against relevant aspects, impacts and compliance obligations as discussed at the training session previously. They have dedicated time and effort to integrate the LUS system with their current working processes.

General

22. There was a lack of evidence to support compliance with Heat Regulations (NCR 6). It needs to be ensured that the Heat Network Regulations are complied with where there is communal heating or the distribution of thermal energy in the form of steam, hot water or chilled liquids from a central source. A briefing on the Heat Network Regulations was held on 27th April with a briefing note prepared for building managers. A workbook is to be developed to allow the Council to understand the networks in place and into which classification they fall. A detailed analysis of any heat networks identified will be completed using the government cost effectiveness analysis tool.

Management Review

23. A Management Review with the Strategic Leadership Team was held on 19th May 2021 to discuss audit findings and recommendations. The report was well received with the hard work by building managers to ensure compliance acknowledged. Audit actions will be included as part of the Legislation Update Service, which enables urgency of the action required, deadlines and management oversight to be coordinated. Training to building managers will be scheduled to ensure ongoing environmental legal compliance and continual improvement.

Monitoring

24. To ensure actions identified by environmental audits are addressed in a timely way, the audit cycle is annual with a follow up audit, six months after the initial audit where Non-Conformance with Requirement NCRs or notes raised in the first audit are followed up on to determine progress. The outcome of the annual audit is considered by SLT and reported to Audit Committee.

Timetable

25. The timetable for the 2021 environmental audit cycle is shown in the table below.

Event	Description	Date
Environmental Compliance Audit	To review effectiveness of environmental management system	March 2021
SLT Briefing of outcome	To consider non-compliance and any mitigating actions	May 2021
Audit Committee	To receive a report on the outcome of environmental audits	June 2021

Environmental Audits – Follow-up	To review the progress being made by building managers	October 2021
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Appendices

Appendix A - Summary Results of Follow-up Environmental Audits

Figure 1: Summary of Operational Audit Findings

	Non-Conformance		Issue		Recommendation		Overall number of findings	
	2020	2021	2020	2021	2020	2021	2020	2021
Museum	4	2	1	2	1	3	6	7
Ark Business Centre	0	1	1	1	0	0	1	2
Town Hall	1	1	5	3	4	0	10	4
Southfield Road	0	1	2	4	0	3	2	8
Woodgate Chambers	0	0	0	4	0	0	0	4
Oak Business Centre	0	0	0	0	0	0	1	0
General	0	1	2	0	3	0	3	1

Summary Results of Internal Audits – March 2021

Charnwood Museum 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
NCR1	4 th March 2021	Museum Manager	The mixed recycling waste transfer note Serco/ Love Loughborough, does not contain: 1) Charnwood Borough Council SIC code 2) The correct Serco Waste Carriers License registration number 3) Signature by Serco	Lack of a correct waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Incorrect paperwork from the supplier	Contact the supplier by letter explaining how the waste transfer note should appear.	Briefing note written & sent to building managers to send to supplier
NCR2	4 th March 2021	Museum Manager	No waste transfer note for sanitary waste is available for the Initial sanitary waste collection.	Lack of a waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	No Waste Transfer Note available from Initial	Obtain the note for 2021	Closed 13/05/21 Waste transfer note in place
Issue 1	4 th March 2021	Museum Manager	The operators of the café should be informed that the cooking should be stored on secondary containment and suggested that they purchase a spill kit and train on its use.	The waste oil is not being stored correctly the waste producers are not taking responsibility for their waste. There is a risk to environment of oil leaking for which the consequence would be a financial loss.	2	2	1	Insufficient waste control by tenant.	Explain the issue with the tenant and request them to resolve the issue.	In progress
Issue 2	4 th March 2021	Museum Manager	The SIC code used on the consignment note is incorrect as it should be 84.11 for General public administration activities	Lack of a correct waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the	6	2	3	Incorrect paperwork from the supplier	Contact the supplier by letter explaining how the waste transfer note should appear.	Briefing note written & sent to building managers to send to supplier

Charnwood Museum 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
				Environment Agency should the waste management practices of Charnwood BC be investigated.						
Rec 1	4 th March 2021	Museum Manager	The waste transfer note for mixed recycling specifies that aerosols can be transferred with the waste. This is incorrect as aerosols should be consigned separately. The aerosol reference should be removed from the waste transfer note.	An incorrect waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	The paperwork provided seemed to incorrectly advise that the waste could be disposed of in this recycling stream	Contact the supplier by requesting a separate aerosol collection and waste transfer note.	In progress
Rec 2	4 th March 2021	Museum Manager	To ensure that the competency certificate for the engineer who carried out the air conditioning maintenance is stored in the museum folder.	Not having the competency of the engineer who undertakes the maintenance is not compliant with the O-zone Depleting Substances Regulations and could lead to prosecution if the f-gas maintenance records were ever to be investigated by the Environment Agency.	2	1	2	Supplier lack of compliance in providing engineers records.	Contact the supplier and request a copy of the engineer's certificate/competence.	In progress
Rec 3	4 th March 2021	Museum Manager	To consider installing PIR sensors and LED lighting in staff areas.	The use of electricity is linked to climate change, therefore energy saving measures should be adopted where possible	6	2	3	Due to the pandemic and lower building utilisation it does not appear that energy saving lighting measures have been reviewed	Review costings	To be reviewed as part of the 2030 Carbon Neutral Plan

Charnwood Museum 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
								for the staff areas.		

Charnwood Museum 2020 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
NCR4	11 Feb 2020	Museum Manager	No COSHH information or Safety Data Sheet could be found for two of the three COSHH chemicals sampled.	Not having information on the site as to the risk to the environment from substances means that if a pollution event were to occur involving those substances, the environmental risk may be greater than anticipated, and there may be a prosecution from a pollution event. Aside from environmental risk, this also poses a risk to human health.	6	3	2	Lack of control over new cleaning products introduced at site	There should be a process introduced by which the chemicals cupboard is sampled regularly to ensure that there are corresponding safety data sheets and COSHH risk assessments.	Closed COSHH was available at the 4/03/2021 audit
Rec 1	11 Feb 2020	Museum Manager	Not having information nearby on the site as to the risk to the environment from substances means that if a pollution event were to occur involving those substances, the environmental risk may be greater than anticipated, and there may be a prosecution from a pollution event. Aside from environmental risk, this also poses a risk to human health.	This suggestion ensures that the COSHH risk assessments are quickly available in case of an emergency.				Lack of filing system	The COSHH Assessments should be kept in the physical file with the Safety data sheets, as these will inform how to safely use the chemicals in the context of the Museum setting. This will also make spill response quicker and easier.	Closed COSHH was available at the 4/03/2021 audit

Charnwood Museum 2019 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Issue 6	08 Feb 2019	Museum Manager	NCR Previously raised about the equipment on the balcony has not been resolved after 6 months.					Items on balcony are from the Carillon Tower	No immediate action can be taken but ensure sources of ignition are placed away from the items	<p>Closed 18/05/21</p> <p>There are still some items in storage on the balcony, however it has been significantly reduced since 2020.</p> <p>The Carillon Trust have ben sorting out items and transferring what they can to their storage on New Street.</p> <p>An external Fire Risk Assessment is due Summer 2021.</p>
Rec 7	08 Feb 2019	Museum Manager	Possible energy saving option due to heat in the main area of the building rising to the ceiling requiring more energy to keep the area a comfortable temperature. The fans may re-circulate the hot air down to the lower levels, meaning less heating is required.	The use of electricity is linked to climate change, therefore energy saving measures should be adopted where possible	6	2	3	Due to the pandemic and lower building utilisation it does not appear that energy saving lighting measures have been reviewed for the staff areas.	Investigation into installation of de-stratification fans is recommended	To be reviewed as part of carbon 2030 plan

Ark Business Centre 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
NCR 3	4 th March 2021	Building Manager	To ensure that the printer cartridge waste transfer note includes: Correct SIC code Carriers licence number Signature of the producer	Lack of a correct waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Infotone did not supply a correct WTN	Supplier to be contacted to obtain correct waste transfer note	In progress
Issue 3	4 th March 2021	Building Manager	The Display Energy Certificate should be A3 in size.	A local authority can issue a penalty charge notice of £500 for failing to display a DEC				Misinterpretation of the guidance regarding display size	Display certificate amended to A3 size	Closed 25/03/21 Certificate amended

Ark Business Centre 2019 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Rec	08 Feb 2019	Building Manager	Possible energy saving option due to daylight sensors reducing energy use in sunny areas of the building Motion sensors are in place.	The use of electricity is linked to climate change, therefore energy saving measures should be adopted where possible	6	2	3	Due to the pandemic and lower building utilisation it does not appear that energy saving lighting measures have been reviewed for the staff areas.	Investigation into daylight sensors is recommended	To be reviewed as part of carbon 2030 plan

Town Hall 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
NCR 4	4 th March 2021	Town Hall Technical Manager	No waste transfer note for sanitary waste is available for the Initial sanitary waste collection.	Lack of a waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	PHS last visit to site was within the date range of the WTN. A new supplier is being sourced for reopening	Advise date of last collection and who new supplier is and when they were engaged. 17/03/2020. Previous note ran from 01/10/2019 to 30/09/2020. Engage a new supplier.	In progress
Issue 4	4 th March 2021	Town Hall Technical Manager	To complete the waste transfer note for general waste from the Town Hall	An incorrectly completed waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Incorrectly completed by CBC	Ensure all sections are completed correctly	To be progressed
Issue 5	4 th March 2021	Town Hall Technical Manager	To ensure that the waste transfer note from Love Loughborough is signed by Serco.	An incorrectly completed waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Incorrectly completed by Serco	Ensure all sections are completed correctly Refer to supplier briefing note	To be progressed
Issue 6	4 th March 2021	Town Hall Technical Manager	There is no evidence of the engineers (Ian Simpkins) competence to conduct the testing of the air conditioning unit.	Not having the competency of the engineer who undertakes the maintenance is not compliant with the O-zone Depleting	2	1	2	Not supplied by service company	Obtain certificate	To be progressed

Town Hall 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
				Substances Regulations and could lead to prosecution if the f-gas maintenance records were ever to be investigated by the Environment Agency.						
Issue 7	4 th March 2021	Town Hall Technical Manager	The Display Energy Certificate should be A3 in size.	A local authority can issue a penalty charge notice of £500 for failing to display a DEC at all times in a prominent place clearly visible to the public	2	2	1	Misinterpretation of the guidance.	Display A3 size certificate	Closed 25/03/21 Certificate amended and on display
Rec 4	4 th March 2021	Town Hall Technical Manager	To consider reviewing the payback time requirement for energy improvements.	The use of electricity is linked to climate change, therefore energy saving measures should be adopted where possible	6	2	3	Allocation of finances	Establish if a review of the payback requirements for introducing energy saving measures can be carried out.	To be progressed
Rec 5	4 th March 2021	Town Hall Technical Manager	The mixed recycling waste transfer note specifies that aerosols can be transferred with the waste. This is incorrect. Aerosols should be consigned separately. The aerosol reference should be removed from the waste transfer note.	An incorrect waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Waste provider not providing the correct paperwork/service	Arrange for a separate collection for aerosols	To be progressed

Town Hall 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Rec 6	4 th March 2021	Town Hall Technical Manager	To increase signage for the spill kit location so they can be easily found	To prevent pollution in the event of a spill	2	1	2	Lack of obvious identification of spill materials	Signage required on the door and inside the upstairs lift room telling people where the spill kit is located	Closed 23/05/21 Signage in place

Town Hall 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Positive Observation	4 th March 2021	Town Hall Technical Manager	There has been a proactive approach to reducing the amount of energy used while building occupancy levels are lower							

Town Hall 2020 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
NCR5	12 Feb 2020	Town Hall Technical Manager	There is no supporting waste consignment note for the collections of hazardous gas by phs Group.	Lack of a hazardous waste consignment note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Lack of knowledge of this waste stream and its collection arrangements	This needs to be investigated. They are producing waste consignment notes, because their unique codes are referenced on the quarterly return, but the Town Hall need to have a signed copy when it leaves site.	Closed 24/09/2020 A compliant hazardous waste consignment note for a collection in July 2020 was evidenced

Town Hall 2020 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Issue 3	12 Feb 2020	Town Hall Technical Manager	The SIC code on the waste transfer note from Serco should be 84.11/0	A SIC code indicates the process by which the waste arose, and informs those receiving the waste of the potential environmental risk of the waste. Lack of a SIC code indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	4	2	2	Issue with Serco internal processes	This should be included as part of the ongoing dialogue with Serco.	Closed 24/09/2020 The correct SIC code was seen on the waste transfer note – the note was only dated 2020-2021.
Issue 4	12 Feb 2020	Town Hall Technical Manager	There is no valid waste carriers licence listed on the Love Loughborough waste transfer note.	Lack of a waste carriers licence on the waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Issue with Love Loughborough internal processes	This waste carriers licence appears to be an old format one, so they need to be informed that it is no longer valid.	Closed 24/09/2020 The waste carriers licence was up to date on the note covering 01.05.2020 to 30.04.2021
Issue 5	12 Feb 2020	Town Hall Technical Manager	The phs Group waste transfer note covers a period in the future.	Lack of a waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Misreading of waste transfer note or possibly a typing error	This does not cover the current collection period. This is not a problem if there will be no collections until this period. There may be a more recent one on file though.	Closed 24/09/2020 A note covering the current year has now been provided.

Town Hall 2020 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Issue 6	12 Feb 2020	Town Hall Technical Manager	The phs Group waste transfer note lists the SIC code as 56.10/1 – Licensed restaurants. This code should be 84.11/0. On note 01/10/2019 to the 30/09/2020	A SIC code indicates the process by which the waste arose and informs those receiving the waste of the potential environmental risk of the waste. Lack of a SIC code indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	4	2	2	Issue with phs internal processes	They need to be informed that this isn't correct	Closed 16/02/21 The SIC code is now correct
Issue 7	12 Feb 2020	Town Hall Technical Manager	A COSHH Risk Assessment could not be seen for the Wellbilt Antifreeze.	Not having information on the site as to the risk to the environment from substances means that if a pollution event were to occur involving those substances, the environmental risk may be greater than anticipated, and there may be a prosecution from a pollution event. Aside from environmental risk, this also poses a risk to human health.	4	2	2	As well as producing a relevant COSHH Risk assessment, it should be determined who purchased it and what it is used for to understand the risk.	Not known, but this may have been brought in from home or purchased by a member of staff without informing the building manager, thus it is uncontrolled.	Closed 10/03/2021 A COSHH assessment has been provided for the antifreeze.
Rec 2	12 Feb 2020	Town Hall Technical Manager	The Safety Data Sheet for the Lemon Hard Surface Cleaner (the new product) not available and the COSHH risk assessment not updated accordingly	Not having information on the site as to the risk to the environment from substances means that if a pollution event were to occur involving those substances, the environmental risk may	2	2	1	It is likely that the two products have the same ingredients but this must be assessed. Staff should make Kevin aware	The Safety Data Sheet for the Lemon Hard Surface Cleaner (the new product) is acquired and the COSHH RA updated accordingly	Closed 24/09/2020 This has been completed

Town Hall 2020 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
				be greater than anticipated, and there may be a prosecution from a pollution event. Aside from environmental risk, this also poses a risk to human health.				when they bring in a new product or order a different brand.		
Rec 3	12 Feb 2020	Town Hall Technical Manager	It is recommended that the contractors who left the oil arrange for the oil to be collected at their own cost.	The waste oil is not being stored correctly and by being left in the fryer, the waste producers are not taking responsibility for their waste. There is a risk to environment of oil leaking for which the consequence would be a financial loss.	2	2	1	The contractor is not observing their legal obligation.	Charnwood BC did not create the waste so as the waste producer, the contractor has duty of care to remove the waste.	Closed 17/05/2021 There was no waste oil observed during March 2021 audit
Rec 4	12 Feb 2020	Town Hall Technical Manager	Andy Davies' competency should be obtained and kept on file Failure to have the correct gas refilled into the equipment poses a risk to the environment, as the Montreal Protocol has stated that gases with a high GWP should be phased out. This is the responsibility of the engineer but Charnwood BC should take action to avoid an environmental risk.	Not having the competency of the engineer who undertakes the maintenance is not compliant with the Ozone Depleting Substances Regulations and could lead to prosecution if the f-gas maintenance records were ever to be investigated by the Environment Agency.	2	1	2	Incompetency on the part of the service company	Next time he visits, ask if he can provide his competency certificates for your records.	The engineer has changed to Neil Atter and no competencies of any engineers have been kept on file.

Town Hall 2020 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Rec 5	12 Feb 2020	Town Hall Technical Manager	It must be noted that the next time the gas is refilled in the AHU, it must be refilled either with a smaller amount of gas, or with a different gas which has a lower global warming potential.	Failure to have the correct gas refilled into the equipment poses a risk to the environment, as the Montreal Protocol has stated that gases with a high GWP should be phased out. This is the responsibility of the engineer but Charnwood BC should take action to avoid an environmental risk.	2	1	2	It is thought that the service company may not be aware that the refrigerant used originally is now banned.	This should be discussed with Carrier as soon as possible, and before the next leak check. If you need to add refrigerant to a system affected by the refill ban after 2020, you will need to follow guidelines.	Discuss with carrier when refilling is required 2021

Town Hall 2019 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
NCR 16	8 th Dec 2019	Town Hall Technical Manager	There is no TM44 in place for the air handling units used at site, which contain a refrigerant.	Inability to fulfil compliance obligations	9	3	3	Lack of awareness that this was a requirement	A TM44 inspection should be booked immediately.	Closed 24/09/20 A TM44 inspection was undertaken on 29.11.19 by Low Energy Consultancy Ltd. This report gave detailed findings of the air handling units and refrigerants at site and made recommendations for vent cleaning and the replacement of fridges.

Town Hall 2019 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Rec 11	8 th Dec 2019	Town Hall Technical Manager	F-Gas equipment should be properly labelled.	Inability to fulfil compliance obligations	2	1	2	This will form part of TM44 inspection.	Label equipment as required	Closed 24/09/20 Further investigation has identified that it is the manufacturers responsibility to label the equipment and that there is no requirement to retrospectively label the equipment.

Southfield Road Offices 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Issue 8	4 th March 2021	Building Manager	The General Waste and Mixed Recycling waste transfer note for 1/11/2020 to 31/10/21 needs fully completing in section B 1 and 2.	An incorrectly completed waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Not completed by CBC	Complete section B 1 and 2 in future.	Closed 25/03/21 Completed waste transfer note provided

Southfield Road Offices 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Issue 9	4 th March 2021	Building Manager	The confidential waste transfer note needs to be signed by the producer. WO:159926	An incorrectly completed waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Not completed by CBC	Please ensure notes are signed when this is permitted following Covid guidelines. Review process next audit.	Closed 25/03/21 All documents are completed on a tablet by the Shredpro operator. Normally this would be signed off by the Facilities staff, however, to comply with Covid secure operations not physically signing the tablet to avoid any cross contamination. The date of the collection was 28/01/2021
Issue 10	4 th March 2021	Building Manager	It needs to be ensured that the bund for the backup generator will hold at least 492.8L in its own right.	Risk of Pollution. For oil tanks, Intermediate bulk container's and mobile bowsers, the secondary containment system must be able to hold at least 110 per cent of the maximum volume of a single container.	8	2	4	Bund capacity needed to be verified as compliant.	Regular / monthly checks to the integrity of the bund.	Closed 25/03/21 Bund size is 96cm wide x 245cm long x 37cm deep = 870240cm ³ /2 This equates to a bund capacity of 870ltrs, diesel tank size is 492ltrs The generator is started and checked every week this includes Diesel and oil

Southfield Road Offices 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
										levels including the bund. Records are kept.
Issue 11	4 th March 2021	Building Manager	There is no evidence of the engineers (Nick Wright) competence to conduct the testing of the air conditioning unit.	Not having the competency of the engineer who undertakes the maintenance is not compliant with the O-zone Depleting Substances Regulations and could lead to prosecution if the f-gas maintenance records were ever to be investigated by the Environment Agency.	2	1	2	Record for Nicholas Wright F gas Cert was not available at the time of the audit.	Retain records of engineer competence	Closed 25/03/21 Supplied 22/03/2021
Positive Observation			Good practise is being shown through the retention of NHS waste documentation.							

Southfield Road Office 2020 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Issue 8	8 th Feb 2020	Building Manager	There is no waste carriers licence on the transfer note from Shredpro.	Lack of a waste carriers' licence on the waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of	6	2	3	Poor internal procedures at ShredPro	Contact ShredPro to obtain correct documentation	Closed 24/09/20

Southfield Road Office 2020 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
				Charnwood BC be investigated.						

Oak Business Centre 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
NCR 5	4 th March 2021	Building Manager	There needs to be a transfer note for printer cartridges, for Infotone	Lack of a correct waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Infotone did not supply a correct WTN	Contact Infotone to update waste transfer note	Waste transfer note manually updated. Infotone contacted to supply original copy on 04/02/2021. Awaiting new note from Infotone
Issue 12	4 th March 2021	Building Manager	The shredded paper waste on the car park near the bins needs to be put inside the bins.	There is a risk of pollution from the activities of tenants, that is not addressed could become a pollution issue.	2	2	1	Tenants incorrect waste disposal.	Put shredded paper on the floor in the bin	Closed 25/03/21 Shredded paper placed in the bin Tenants' sent a reminder regarding waste disposal on 23/03/2021. Review next audit.

Oak Business Centre 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Issue 13	4 th March 2021	Building Manager	It needs to be ensured that the general and mixed recycling transfer note has section B completed.	An incorrectly completed waste transfer note indicates that the duty of care has not been followed, which could result in prosecution by the Environment Agency should the waste management practices of Charnwood BC be investigated.	6	2	3	Incorrectly completed by CBC.	Ensure all sections are completed correctly	Closed 25/03/21
Issue 14	4 th March 2021	Building Manager	The Display Energy Certificate should be A3 in size.	A local authority can issue a penalty charge notice of £500 for failing to display a DEC at all times in a prominent place clearly visible to the public.	2	2	1	Misinterpretation of the regulation.	Amend to A3	Closed 25/03/21

Oak Business Centre 2019 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
Rec 13	8 th Feb 2019	Business Centre Manager	Outside lights in the car park were left on all day. Photocells for these lights could reduce the use of the lighting when not required	The use of electricity is linked to climate change, therefore energy saving measures should be adopted where possible	6	2	3	Due to the pandemic and lower building utilisation it does not appear that energy saving lighting measures have been reviewed for the staff areas.	Investigation into photocells is recommended	To be reviewed as part of carbon 2030 plan

General Legal Compliance March 2021 Audit										
Ref	Date Raised	Process Owner	Description of Non-conformity	Risk phase	Overall Risk Rating	Likelihood	Impact	Root Cause	Recommended action	Update May 2021
NCR 6	4 th March 2021	Building Manager	It needs to be ensured that the Heat Network Regulations are complied with where there is communal heating or the distribution of thermal energy in the form of steam, hot water or chilled liquids from a central source.	Office for Product Safety and Standards is the regulator, non-compliance with obligated regulations could lead to prosecution.	6	2	3	Lack of evidence to support compliance with Heat Regulations	Carry out an assessment of the regulations and establish records to prove the accurate compliance status	Under investigation Briefing Note and presentation to Building Managers

Likelihood	Very Likely (4)	4	8	12	16
	Likely (3)	3	6	9	12
	Unlikely (2)	2	4	6	8
	Remote (1)	1	2	3	4
		Minor (1)	Significant (2)	Serious (3)	Major (4)
		Impact			

OVERALL RISK RATING	
12 - 16	HIGH
6 - 9	MODERATE
3 - 4	LOW
1 - 2	VERY LOW

AUDIT COMMITTEE – 8th June 2021

Report of the Strategic Director for Environment and Corporate Services

Part A

ITEM 12 RISK MANAGEMENT (RISK REGISTER) UPDATE

Purpose of Report

The purpose of this report is to provide the Committee with details of the Strategic Risk Register produced for the period to 2020/21, and also to provide information on the risk register that has been compiled to reflect the ongoing COVID-19 situation.

Recommendation

The Committee notes the report.

Reason

To ensure the Committee is kept informed of progress against the strategic risks that should they crystallise would cause the Council to be unable to operate and/or provide key services leading to a significant adverse effect on public wellbeing, and also about the COVID-19 risk register.

Policy Justification and Previous Decisions

The Strategic Risk Register was approved by Cabinet on the 11th February 2021.

Cabinet resolved that the Audit Committee monitor progress against those risks on the register by receiving and considering monitoring reports on a quarterly basis.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None

Risk Management

There are no specific risks associated with this decision.

Background Papers: Cabinet Report 11th February 2021 – Item 11

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Part B

Background

1. In accordance with the Committee's work programme the Committee receives monitoring reports in respect of the Council's risk management arrangements. The reports provide a detailed commentary against the risks included in the strategic risk register and the COVID-19 risk register.

Development of the Strategic Risk Register and COVID-19 Risk Register

2. In reading the risk registers attached in the appendices, it is important to understand that the 'Overall Score' shown in the first risk matrix is the risk that the Council would bear if **no** actions were taken to mitigate the risk. In the vast majority of cases the Council is able to operate risk mitigation processes which result in the lower 'Net Risk Score' shown in the second risk matrix it is this latter score which represents the current assessment of strategic risks faced by the Council.
3. The registers continue to be monitored and reviewed by the Senior and Corporate Leadership Teams at the quarterly Risk Management Group meetings, and are updated as required.
4. The risk ratings for risks 1, 2, 4 and 5 of the COVID-19 Risk Register have been updated to reflect the the recovery phases of the pandemic.
5. No risks have been removed from either register since the Committee last reviewed them and no risks have been added.

Appendices

- Appendix 1 - Strategic Risk Register
- Appendix 2 – COVID-19 Risk Register

Strategic Risk Register

OVERVIEW

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
SR1	Inadequate business continuity and recovery arrangements, resulting in major internal and/or external disruption to services in the event of an incident.	Strategic Director of Environment and Corporate Services	3	4	12	3	3	9
SR2	Inadequate data sharing and data security arrangements.	Strategic Director of Environment and Corporate Services	3	4	12	2	3	6
SR3	Inadequate civil contingency arrangements resulting in failure to respond appropriately to a major incident (eg. flooding, terrorism etc).	Chief Executive	4	4	16	3	4	12
SR4	Significant reduction in external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives.	Strategic Director of Environment and Corporate Services	4	4	16	3	4	12
SR5	Ineffective strategic communication arrangements	Chief Executive	3	3	9	2	3	6
SR6	Risk that the proposed Environment Bill will cause financial hardship to the Council due to loss of income relating to Garden Waste and the additional cost of food waste collection and garden waste collection from every household	Strategic Director of Environment and Corporate Services	4	4	16	3	4	12

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																												
SR2 Inadequate data sharing and data security arrangements.	Strategic	<p>Ineffective processes for sharing data with other agencies / authorities leading to data breaches</p> <p>Major reputational damage and loss of public confidence</p> <p>Potentially significant fines</p> <p>Increased risk due to the operating processes and people possibly taking documents home</p>	<table border="1"> <tr><td rowspan="4">Likelihood</td><td>■</td><td>■</td><td>■</td><td>■</td></tr> <tr><td>■</td><td>■</td><td>■</td><td>■ 12</td></tr> <tr><td>■</td><td>■</td><td>■</td><td>■</td></tr> <tr><td>■</td><td>■</td><td>■</td><td>■</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	■	■	■	■	■	■	■	■ 12	■	■	■	■	■	■	■	■		Impact				<table border="1"> <tr><td rowspan="4">Likelihood</td><td>■</td><td>■</td><td>■</td><td>■</td></tr> <tr><td>■</td><td>■</td><td>■</td><td>■</td></tr> <tr><td>■</td><td>■</td><td>■ 6</td><td>■</td></tr> <tr><td>■</td><td>■</td><td>■</td><td>■</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	■	■	■	■	■	■	■	■	■	■	■ 6	■	■	■	■	■		Impact				MAINTAIN AS CURRENT
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Current Treatments and Controls	<ul style="list-style-type: none"> • Information sharing agreements in place with key agencies and authorities • Annual IT health checks including penetration testing • Data Protection Officer in post and data protection training and awareness for staff and councillors • Data Protection Impact Assessment form developed and circulated • IT security policies in place • Protective marking of emails • Policies are reviewed on a regular basis • Information Security Group to be established with CLT • Checking the location of data storage post Brexit – EU / UK • Cyber Security Insurance procured 																																																
Risk Owner	Strategic Director of Environment and Corporate Services																																																
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Not Applicable	<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A																																														

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																												
SR4 Significant reduction in external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives.	Strategic	<ul style="list-style-type: none"> • Inability to meet demand for services • Inability to meet statutory duties • Ceasing or reducing some services 	<table border="1"> <tr> <td rowspan="4">Likelihood</td> <td>High</td> <td>Medium</td> <td>Low</td> <td>16</td> </tr> <tr> <td>Medium</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Very Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td></td> <td></td> <td colspan="3">Impact</td> </tr> </table>	Likelihood	High	Medium	Low	16	Medium	Medium	Low		Low	Medium	Low		Very Low	Medium	Low				Impact			<table border="1"> <tr> <td rowspan="4">Likelihood</td> <td>High</td> <td>Medium</td> <td>Low</td> <td>12</td> </tr> <tr> <td>Medium</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Very Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td></td> <td></td> <td colspan="3">Impact</td> </tr> </table>	Likelihood	High	Medium	Low	12	Medium	Medium	Low		Low	Medium	Low		Very Low	Medium	Low				Impact			MAINTAIN AS CURRENT
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Current Treatments and Controls	<ul style="list-style-type: none"> • Annual production and monitoring of Medium Term Financial Strategy (MTFS) • Treasury Management Strategy • Budget and revenue monitoring processes • Business continuity planning • Production and monitoring of efficiency plan • Maintenance of reserves at specified required levels • Monitor, consider and respond to government proposals affecting budgets and/or income • Consider commercialisation opportunities • Due to the implications of the COVID pandemic the financial challenge and impact is greater • Continued uncertainty and volatility in Local Government funding and Council funding is replicated on a range of one off stop gaps • Follow up on the subsidy associated with the Supported Living costs 																																																
Risk Owner	Strategic Director of Environment and Corporate Services																																																
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Not Applicable	<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A																																														

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																																												
SR5 Ineffective strategic communication arrangements	Strategic	<ul style="list-style-type: none"> • Reputational damage • Adverse media coverage • Damage to relationships with partners • Damage to staff morale • Competing demands due to the COVID pandemic 	<table border="1"> <tr><td>Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Yellow</td><td>9</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	Yellow	9	Red		Green	Green	Yellow	Yellow		Green	Green	Green	Green		Green	Green	Green	Green		Impact				<table border="1"> <tr><td>Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>6</td><td>Yellow</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	Yellow	Yellow	Red		Green	Green	6	Yellow		Green	Green	Green	Green		Green	Green	Green	Green		Impact				MAINTAIN AS CURRENT
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Current Treatments and Controls	<ul style="list-style-type: none"> • Adequately staffed and experienced corporate communications team – including additional resources to support the ongoing COVID pandemic • Corporate Communications Plan in place • Communications Strategy being developed • Regular monitoring of all media sources • Continue to expand on social media use and reach • ‘Horizon scanning’ for potential communication issues at each Corporate Leadership Team meeting • Joint working with LCC Comms 																																																																
Risk Owner	Chief Executive																																																																
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Not Applicable	<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A																																																														

Strategic Risk Register

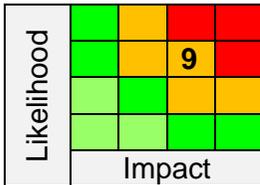
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SR6 – Risk that the proposed Environment Bill will cause financial hardship to the Council due to loss of income relating to Garden Waste and the additional cost of food waste collection and garden waste collection from every household	Strategic	<ul style="list-style-type: none"> Financial damage Reputational damage Not complying with legislation 	<table border="1"> <tr> <td rowspan="4">Likelihood</td> <td>High</td> <td>Medium</td> <td>Low</td> <td>16</td> </tr> <tr> <td>Medium</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Very Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td></td> <td></td> <td colspan="3">Impact</td> </tr> </table>	Likelihood	High	Medium	Low	16	Medium	Medium	Low		Low	Medium	Low		Very Low	Medium	Low				Impact			<table border="1"> <tr> <td rowspan="4">Likelihood</td> <td>High</td> <td>Medium</td> <td>Low</td> <td>12</td> </tr> <tr> <td>Medium</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td>Very Low</td> <td>Medium</td> <td>Low</td> <td></td> </tr> <tr> <td></td> <td></td> <td colspan="3">Impact</td> </tr> </table>	Likelihood	High	Medium	Low	12	Medium	Medium	Low		Low	Medium	Low		Very Low	Medium	Low				Impact			MAINTAIN AS CURRENT
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Current Treatments and Controls	<ul style="list-style-type: none"> Lobbying MP's regarding the implications of the Bill Monitoring the Bill as it moves through Parliament Meeting with DEFRA Liaising with other Districts Reviewing and understanding the financial implications (full modelling would require external assistance) Cabinet Member Briefing – 17th June Uncertainty regarding where the funding will come from – Central Govt or Local 																																																
Risk Owner	Strategic Director of Environment and Corporate Services																																																
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Bill is at the Committee Stage – will monitor and update the risk accordingly		<u>Responsible Officer:</u> Head of Cleansing and Open Spaces		<u>Target Date:</u> Ongoing																																												

COVID-19 Risk Register

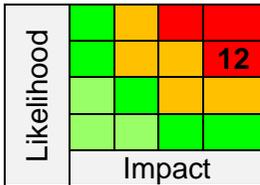
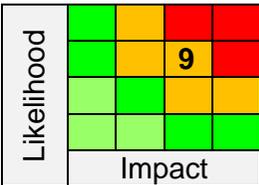
OVERVIEW

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
CVD1	Risk that Charnwood does not adequately monitor the data relating to COVID-19 and respond appropriately to the fluctuations in infection rates and the changes in tiers	Strategic Director of Environment and Corporate Services	3	3	9	3	2	6
CVD2	Risk that there are inadequate health and safety arrangements for staff, Members and volunteers, resulting in infection by the virus.	Head of Regulatory Services	3	3	9	3	2	6
CVD3	<i>(linked to SR5)</i> Risk that there are inadequate communications arrangements (internal and external)	Chief Executive	3	3	9	2	3	6
CVD4	<i>(linked to SR3)</i> Risk that there are inadequate civil contingency arrangements resulting in failure to respond appropriately to the COVID-19 major incident	Chief Executive	3	4	12	3	3	9
CVD5	<i>(linked to SR4)</i> Risk that there is a significant reduction in income generated leading to a decrease in the financial resources available for service provision and/or to fund corporate objectives.	Strategic Director of Environment and Corporate Services	3	4	12	3	3	9
CVD6	Risk that there is a breakdown in IT service caused by equipment, failure of internet connections, or staff shortages resulting in a reduction or lack of service delivery	Strategic Director of Environment and Corporate Services	3	3	9	2	3	6
CVD7	Risk that a significant number of staff become affected by COVID-19 leading to a reduction in service delivery, specifically in services identified as critical.	Strategic Director of Environment and Corporate Services	3	3	9	2	3	6
CVD8	Risk that because there is a greater level of homeworking due to the pandemic that staff will encounter health issues leading to increased sickness absence and staff retention.	Strategic Director of Environment and Corporate Services	3	3	9	2	3	6

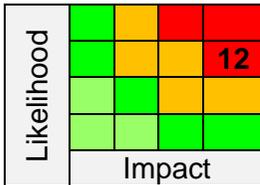
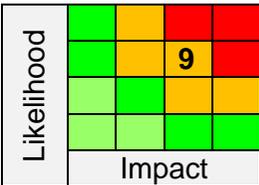
COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
CVD-3 (linked to SR5) Risk that there are inadequate communications arrangements (internal and external)	Strategic	<ul style="list-style-type: none"> • Major reputational damage and loss of public confidence • Members, residents and staff unaware of latest guidance and developments • Vulnerable groups unaware of potential support options • Businesses unaware of potential grant funding arrangements • Competing demands placed on the comms team 			KEEP UNDER CONSTANT REVIEW
Current Treatments and Controls	<ul style="list-style-type: none"> • Communications team in place using various suitable channels (website, press releases, social media) • Participation in the LRF communications cell • Review of comms resources • Monitor of resources particularly around concurrent incidents • Messages linked to the roadmap to recovery 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Not Applicable		<u>Responsible Officer:</u> N/A		<u>Target Date:</u> N/A

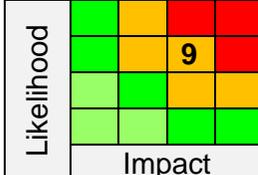
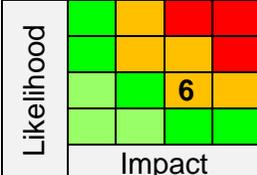
COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
CVD-4 (linked to SR3) Risk that there are inadequate civil contingency arrangements resulting in failure to respond appropriately to the COVID-19 major incident	Strategic	<ul style="list-style-type: none"> • Inability to respond to affected peoples' basic needs (food, shelter etc) • Adverse effect on the local economy • Major reputational damage and loss of public confidence • Consideration of concurrent events such as flooding, Brexit, terrorism 			KEEP UNDER CONSTANT REVIEW
Current Treatments and Controls	<ul style="list-style-type: none"> • Participation in the Local Resilience Partnership and Forum (LRP and LRF) • Implementation of relevant business grants schemes • Implementation of a 'Community Hub' at John Storer House • Major incident plan updated by LRF • Consideration of the implications of Concurrent incidents and specifically demand and management of rest centres 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Continued participation in LRF's SCG and TCG, and recovery cells Monitor LRF Rising Tide Plan		<u>Responsible Officer:</u> Chief Executive and Head of Strategic Support	<u>Target Date:</u> Ongoing	

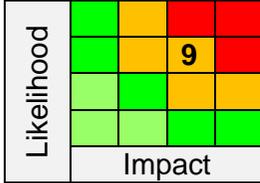
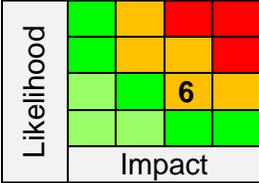
COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
CVD- 5 (linked to SR4) Risk that there is a significant reduction in income generated leading to a decrease in the financial resources available for service provision and/or to fund corporate objectives.	Strategic	<ul style="list-style-type: none"> • Inability to meet demand for services • Inability to meet statutory duties • Ceasing or reducing some services 			KEEP UNDER CONSTANT REVIEW
Current Treatments and Controls	<ul style="list-style-type: none"> • Budget and revenue monitoring processes • Business continuity planning • Development of budget during the 21/22 financial year • Ongoing review of the funding available from Central Government • Respond to request from Govt through Delta returns • ERDF Funding, Welcome Back Funding and Contain Outbreak Management Funding – still longer term issues to consider when the funding ceases 				
Risk Owner	Strategic Director of Environment and Corporate Services				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Review of budget and related strategies by autumn 2021 Monitor at half year point	<u>Responsible Officer:</u> Strategic Director of Environment and Corporate Services	<u>Target Date:</u> Ongoing		

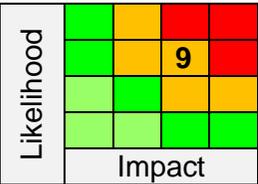
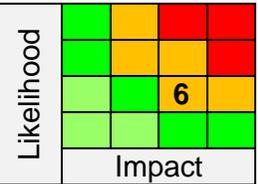
COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
CVD- 6 Risk that there is a breakdown in IT service caused by equipment, failure of internet connections, or staff shortages resulting in a reduction or lack of service delivery	Strategic	<ul style="list-style-type: none"> Inability of significant numbers of staff to continue with effective home working leading to service disruption Individual risks regarding connectivity 			KEEP UNDER CONSTANT REVIEW
Current Treatments and Controls	<ul style="list-style-type: none"> Secure and resilient IT infrastructure at Network and Server levels Performance and security monitoring in place by key staff and (where appropriate) by suppliers Automated backup schedule, in line with agreed retention policies Ensuring correct and updated contact numbers on emergency contact lists Alternative contacts and secondary responsibilities in place for key functions and tasks Introduction of extensive home working to comply with social distancing requirements Consideration of IT supporting agile working in the recovery phase Consideration of supporting extended working hours Review of individual risk regarding connectivity and solutions considered such as using own devices 				
Risk Owner	Strategic Director of Environment and Corporate Services				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Ongoing maintainance of current infrastructure and equipment Linking back to the IT strategy Link to partners Agile working	<u>Responsible Officer:</u> Strategic Director of Environment and Corporate Services	<u>Target Date:</u> N/A		

COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
CVD- 7 Risk that a significant number of staff become affected by COVID-19 leading to a reduction in service delivery, specifically in services identified as critical.	Strategic	<ul style="list-style-type: none"> Inability to deliver services Availability of tests 			KEEP UNDER CONSTANT REVIEW
Current Treatments and Controls	<ul style="list-style-type: none"> Review of sickness being undertaken through the COVID Monitoring Group Staff skills audit undertaken Critical staff being reviewed regarding testing Redeployment processes in place Maintaining COVID Secure workplaces Monitoring staff who are CEV Promoting vaccine to staff Note - low staff sickness during 2020-21 reporting year 				
Risk Owner	Strategic Director of Environment and Corporate Services				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Ongoing assessment of data and redeployment requirements	<u>Responsible Officer:</u> Strategic Director of Environment and Corporate Services	<u>Target Date:</u> Ongoing		

COVID-19 Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
CVD-8 Risk that because there is a greater level of homeworking due to the pandemic that staff will encounter health issues leading to increased sickness absence and staff retention.	Strategic	<ul style="list-style-type: none"> • Long term sickness absence – both physical and mental health • Staff retention 			KEEP UNDER CONSTANT REVIEW
Current Treatments and Controls	<ul style="list-style-type: none"> • Revised DSE Assessments compiled • Staff who are struggling are able to return to the office • Equipment being made available and processes being established for collection / delivery / purchase • Regular Health and Wellbeing advice, support and training made available to staff 				
Risk Owner	Strategic Director of Environment and Corporate Services				
Planned Future Actions and Responsible Officer(s).	Act on the responses regarding the DSE Assessment Monitor sickness – especially muscular-skeletal and mental health issues	<u>Responsible Officer:</u> Head of Regulatory Services (Chair of Health & Safety Group)	<u>Target Date:</u> Ongoing		

AUDIT COMMITTEE – 22nd DECEMBER 2020

Report of the Head of Strategic Support

Part A

ITEM 13 COUNCIL'S USE OF REGULATORY OF INVESTIGATORY POWERS ACT (RIPA)

Purpose of Report

The purpose of this report is to provide the Committee with a summary of the Council's use of RIPA powers.

Recommendation

The Committee notes that there has been no use of RIPA powers by the Council for the period from 1 September 2020 to 30 November 2020.

Reason

To enable the Committee to comply with the request from Cabinet that the Audit Committee assumes responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose.

Policy Justification and Previous Decisions

The use of RIPA to conduct covert surveillance in appropriate instances supports many of the Council's enforcement and anti-fraud policies. The Home Office Code of Practice, which relevant bodies are obliged to follow when using RIPA, requires that elected Members should consider reports on the use of RIPA on at least a quarterly basis to ensure that it is being used consistently with the policy and the policy remains fit for purpose.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None.

Risk Management

There are no risks associated with this decision.

Background Papers:

None

Officer to contact:

Adrian Ward
Head of Strategic Support
(01509) 634573
adrian.ward@charnwood.gov.uk

Part B

Background

1. RIPA provides for the authorisation of covert surveillance by the Council where that surveillance is likely to result in the obtaining of private information about a person.
2. Surveillance includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. Surveillance is covert if it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place.
3. The Council only has the power to authorise covert surveillance under RIPA for the purpose of preventing or detecting crime, or of preventing disorder. Since 2012, RIPA applications are required to be approved by a Justice of the Peace (JP) at the Magistrates' Court in addition to the existing application and authorisation process. The amendments in the Protection of Freedoms Act 2012 mean that local authority authorisations and notices under RIPA for the use of particular covert investigation techniques can only be given effect once an order approving the authorisation or notice has been granted by a Justice of the Peace (JP)
4. At its meeting on 13 February 2020 Cabinet agreed to resolve that the Audit Committee continue to assume responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose. This Committee will therefore continue to receive a regular report on the Council's use of RIPA powers.
5. During the period from 1st September 2020 to the 30th November 2020 the Council made no use of RIPA powers.
6. The Committee has the option to report to Cabinet any concerns arising from RIPA monitoring reports that may indicate that the use of RIPA is not consistent with the Council's RIPA Policy or that the Policy may not be fit for purpose.

AUDIT COMMITTEE – 21st July 2021

Report of the Head of Finance and Property Services

Lead Member: Councillor Tom Barkley

Part A

ITEM 14

TREASURY OUTTURN REPORT 2020/21

Purpose of Report

To report to the Committee the Council's Treasury Management, Investment Management and Prudential Code Outturns for the year 2020/21.

Action Requested

That the contents of the report be noted.

Policy Justification

That we will deliver value for money for the people of Charnwood Borough Council.

Implementation Timetable including Future Decisions

The outturn report is submitted annually and presented to the Audit Committee for noting.

Report Implications

The following implications have been identified for this report:

Financial Implications

None.

Risk Management

There are no risks associated with this decision.

Background Papers: None

Officer to Contact: Lesley Tansey, 01509 634828
Head of Financial Services

Lesley.Tansey@charnwood.gov.uk

Part B

1.Purpose

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2020/21 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 24/02/2020), followed by a revised updated treasury strategy (Cabinet 15th October 2020, and Council 9th November 2020.)
- a mid-year treasury update report (Audit Committee 22/12/2020)(Cabinet 14th January 2021)(Council 22/02/2021)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues is undertaken when required or requested in order to support the members' scrutiny role.

Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness, (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity and investment activity.

2.The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions, internal borrowing etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure for 2020/21, this was financed in the year by Capital reserves, internal borrowing, external funding and Capital receipts, there was no borrowing required.

£m General Fund	2019/20 Actual	2020/21 Revised Budget	2020/21 Current Budget	2020/21 Actual
Capital expenditure				
Financed in year	2,236	41,789	42,828	29,906
Unfinanced Regeneration Investment	0	15,000	15,000	0
Total	2,236	56,789	57,828	29,906

£m HRA	2019/20 Actual	2020/21 Revised Budget	2020/21 Current Budget	2020/21 Actual
Capital expenditure				
Financed in year	8,203	8,941	9,100	4,026

3.The Council's Overall Borrowing Need (Capital Financing Requirement)

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2020/21 unfinanced capital expenditure (see above table), and

prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR. The Council does not currently have a MRP charge in 2020/21 as the Council's MRP Policy states that a full years MRP charge will be made in the year after the purchase of an Asset, therefore the first year of MRP charges will be 2021/22.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's CFR for the year is shown below, and represents a key prudential indicator. Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR – CFR is the overall borrowing requirement for Capital Expenditure. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2020/21. The table below highlights the Council’s gross borrowing position against the CFR. The Council has complied with this prudential indicator.

The table below highlights the Council’s gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2019 Actual	31 March 2021 Revised Budget	31 March 2021 Actual
Gross External borrowing General Fund	£2,000m	£49,400m	£2,000m
Gross Internal Borrowing	0	0	£25,385m
Gross External borrowing HRA	£79,190m	£79,190m	£79,190m
Total Gross Borrowing	£81,190m	£128,590m	£106,575m
CFR	£81,820m	£129,220m	£107,205m
Under / (over) borrowed of CFR	£630k	£630k	£630k

The Authorised limit - £143.4m the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

The Operational boundary- £128.5m the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2020/21
Authorised limit	£143.4m
Maximum gross borrowing position during the year	£81,190m
Operational boundary	£128.5m
Financing costs as a proportion of net revenue stream - General Fund	-0.57%
Financing costs as a proportion of net revenue stream - HRA	12.17%

3. Overall Treasury Position as at 31 March 2021

The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2020/21 the Council's treasury position was as follows:-

Treasury Management Position

	31 st March 2020 Principal £'000	Rate of Return %	Average Life Years	31 st March 2021 Principal £'000	Rate of Return %	Average Life Years
Debt						
General Fund	2,000	11.63%	4	2,000	11.63%	3
HRA	79,190	3.41%	20	79,190	3.41%	19
Gross Debt	81,190			81,190		
Less CFR	(81,820)			(81,820)		
Over/(Under borrowed)	(630)			(630)		
Less Total Investments held	56,030			35,705		
Total Net Debt	(25,160)			(46,745)		

4. The Economy and Interest Rates

UK. Coronavirus. The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020, were a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity du Both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs.

The **Monetary Policy Committee** cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing QE (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased then QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

Average inflation targeting. This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and **achieving the 2% target sustainably**". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern to the MPC.

Government support. The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures, and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 20/21 and 21/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

BREXIT. The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

USA. The US economy did not suffer as much damage as the UK economy due to the pandemic. The Democrats won the presidential election in November 2020 and have control of both Congress and the Senate, although power is more limited in the latter. This enabled the Democrats to pass a \$1.9trn (8.8% of GDP) stimulus package in March on top of the \$900bn fiscal stimulus deal passed by Congress in late December. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first job to over half of the population within the President's first 100 days, will promote a rapid easing of

restrictions and strong economic recovery during 2021. The Democrats are also planning to pass a \$2trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, if passed, it would also help economic recovery in the near-term.

After Chair Jerome Powell spoke on the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed a new inflation target - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. There is now some expectation that where the Fed has led in changing its policy towards implementing its inflation and full employment mandate, other major central banks will follow, as indeed the Bank of England has done so already. The Fed expects strong economic growth during 2021 to have only a transitory impact on inflation, which explains why the majority of Fed officials project US interest rates to remain near-zero through to the end of 2023. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping treasury yields at historically low levels. However, financial markets in 2021 have been concerned that the sheer amount of fiscal stimulus, on top of highly accommodative monetary policy, could be over-kill leading to a rapid elimination of spare capacity in the economy and generating higher inflation much quicker than the Fed expects. They have also been concerned as to how and when the Fed will eventually wind down its programme of monthly QE purchases of treasuries. These concerns have pushed treasury yields sharply up in the US in 2021 and is likely to have also exerted some upward pressure on gilt yields in the UK.

EU. Both the roll out and take up of vaccines has been disappointingly slow in the EU in 2021, at a time when many countries are experiencing a sharp rise in cases which are threatening to overwhelm hospitals in some major countries; this has led to renewed severe restrictions or lockdowns during March. This will inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns in Q3 of 2020 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. Recovery will now be delayed until Q3 of 2021 and a return to pre-pandemic levels is expected in the second half of 2022.

Inflation was well under 2% during 2020/21. **The ECB** did not cut its main rate of -0.5% further into negative territory during 2020/21. It embarked on a major expansion of its QE operations (PEPP) in March 2020 and added further to that in its December 2020 meeting when it also greatly expanded its programme of providing cheap loans to banks. The total PEPP scheme of €1,850bn is providing protection to the sovereign bond yields of weaker countries like Italy. There is, therefore, **unlikely to be a euro crisis** while the ECB is able to maintain this level of support.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth.

Japan. Three rounds of government fiscal support in 2020 together with Japan's relative success in containing the virus without draconian measures so far, and the roll out of vaccines gathering momentum in 2021, should help to ensure a strong recovery in 2021 and to get back to pre-virus levels by Q3.

World growth. World growth was in recession in 2020. Inflation is unlikely to be a problem in most countries for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. In March 2021, western democracies implemented limited sanctions against a few officials in charge of government policy on the Uighurs in Xinjiang; this led to a much bigger retaliation by China and is likely to mean that the China / EU investment deal then being negotiated, will be torn up. After the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

4.1 Investment strategy and control of interest rate risk

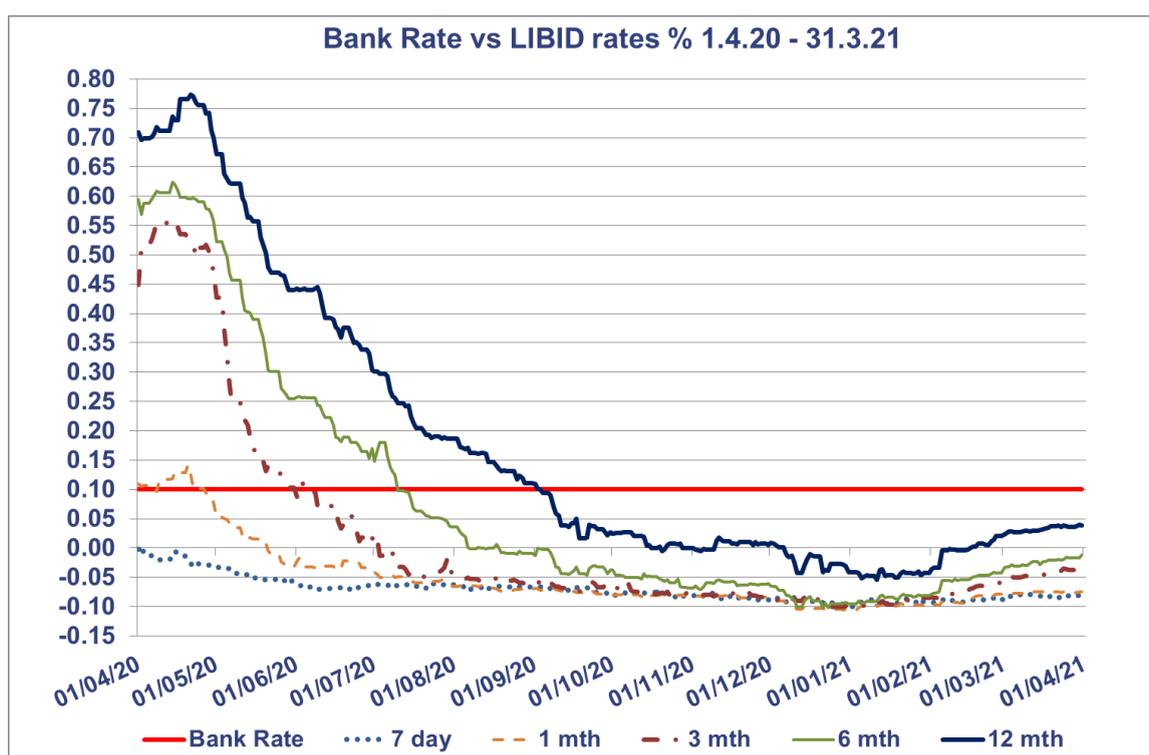
Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by

regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

Investment strategy and control of interest rate risk



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.10	-0.11	-0.10	-0.10	-0.05
Low Date	01/04/2020	31/12/2020	29/12/2020	23/12/2020	21/12/2020	11/01/2021
Average	0.10	-0.07	-0.05	0.01	0.07	0.17
Spread	0.00	0.10	0.25	0.66	0.73	0.83

4.2 Borrowing strategy and control of interest rate risk

During 2020/21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an

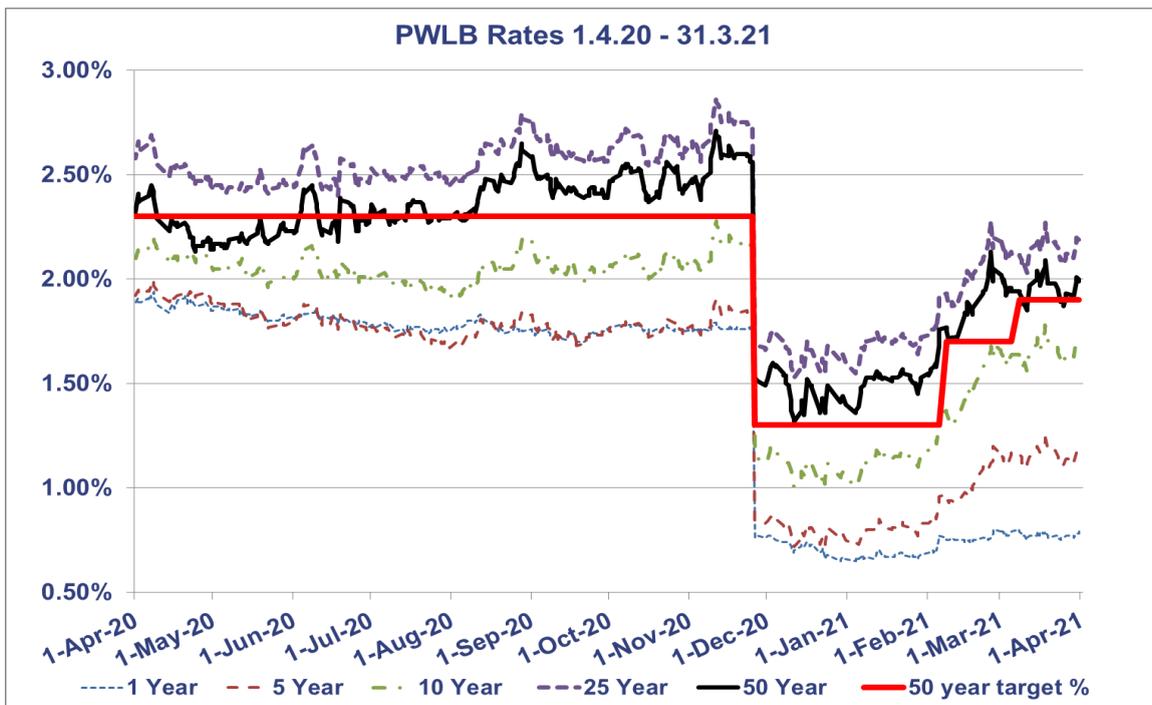
interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

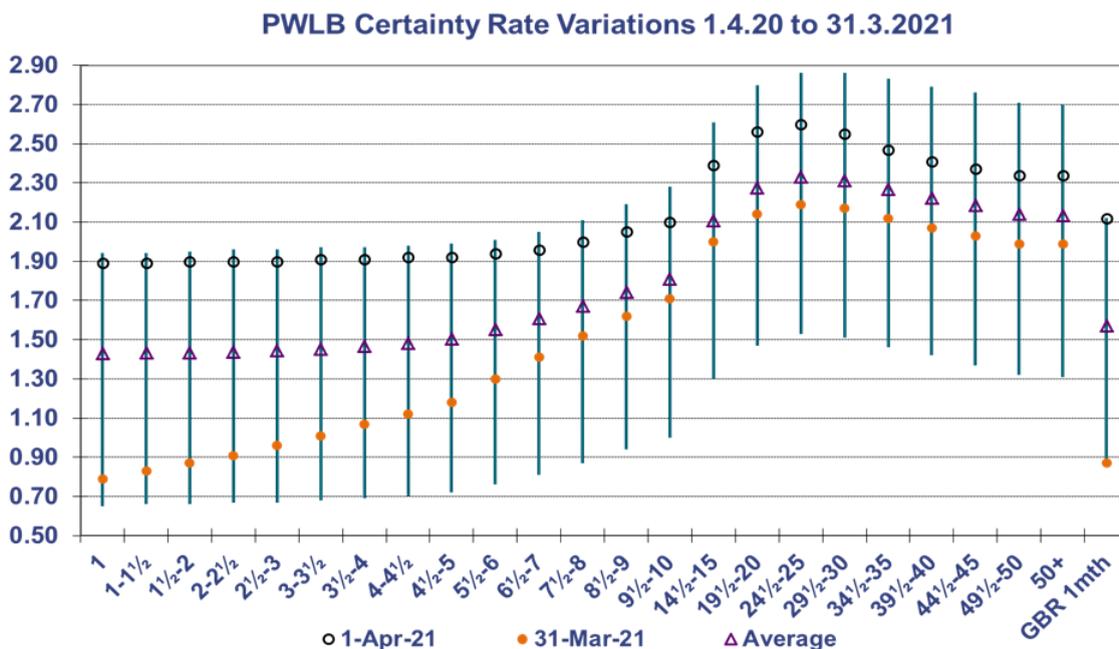
The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Link Group Interest Rate View		8.3.21											
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.65%	0.72%	1.00%	1.53%	1.32%
Date	04/01/2021	11/12/2020	11/12/2020	11/12/2020	11/12/2020
High	1.94%	1.99%	2.28%	2.86%	2.71%
Date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.43%	1.50%	1.81%	2.33%	2.14%
Spread	1.29%	1.27%	1.28%	1.33%	1.39%



PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in

financial markets over the last 30 years. We have seen over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession.

5. Borrowing Outturn

No additional external borrowing was undertaken in 2020/21 and no loans were repaid.

The total external borrowings at 31 March 2021 were £81.19m and no rescheduling was done during 2020/21 as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable. Similarly, there were no debt repayments during the year as the focus of the HRA strategy is to improve the housing stock rather than repay debt.

6. Investment Outturn

Investment Policy – the Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 25th February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

7. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
8. Investments held by the Council at 31/3/2021 were £37.705m (£51.030m 2019/20) of internally managed funds. Security of capital remains the key consideration when placing investments. During the year the internally managed funds earned an average rate of return of 0.35% (0.929%) 2019/20 and the comparable performance indicator is the average 3 month LIBID rate, which was 0.0150% so this has outperformed this rate. The total interest earned was £342k (£562k 2019/20), compared to a revised budget of £300k for both Internal and external funds.
9. Externally Managed Property Funds investment income earned £182K, net return 3.14% (£181k, 2019/20, 3.26%). The investment returns are included in the table below. The Property funds have both performed higher than the internal managed funds average rate of return of 0.35% and the 12 month average LIBID rate 0.7086%.

The Property Fund fair value valuation 31/3/2021 Lothbury is £2.337m a reduction of £80k compared to acquisition cost £2.417m and Hermes fair value valuation 31/3/2021 is £2.327m compared to £2.500m reduction £173k, the property funds are held for a long investment period and therefore will be monitored and reviewed on a quarterly basis.

Property Fund	Date Acquired	Original Cost £000	Entry Fee £000	Total Original Cost £000	Interest Received 2020/21 £000	Gross Return 2020/21 %	Management Fee £000	Net Return 2020/21 %
Lothbury	01/03/2018	2,417	84	2,501	112	4.63	23.00	3.68
Hermes	26/07/2018	2,500	119	2,619	69	2.76	4.00	2.6
Total		4,917	203	5,120	182		27.00	3.14

IFRS 9 fair value of investments Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, [MHCLG], on IFRS 9 the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This was effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

10. Portfolio of Investments held 31st March 2021

Investments held as at 31 March 2021	Maturity	£000
Slough Borough Council	01/04/2021	2,000
HSBC	1 Day Notice	4,790
HSBC	31 Day Notice	6,000
Santander	180 Day Notice	8,000
Goldman Sachs International Bank	35 day Notice	2,500
Goldman Sachs International Bank	95 day Notice	2,500
Federated Money Market Fund	1 Day Notice	4,915
Total Managed Internally		30,705
Lothbury Property Fund	n/a	2,500
Hermes Property Fund	n/a	2,500
Total Managed Externally		5,000
TOTAL TREASURY INVESTMENTS		35,705

AUDIT COMMITTEE – 8TH JUNE 2021

Report of the Head of Strategic Support

ITEM 15

WORK PROGRAMME

Purpose of Report

To enable the Committee to consider its Work Programme.

Actions Requested

1. That the Committee considers any items that it wishes to add to or amend, in its work programme for future meetings.
2. That the Committee note the addition of the External Quality Assessment of Internal Audit item to this meeting as agreed by the Chair and Lead Officer, noted at the Committee's previous meeting held on 09 February 2021.
3. That the Committee considers the recommendation from Cabinet that the Governance and risk aspect of Commercial Investment and performance review includes consideration of rents and charges.

Reason

- 1 – 2. To enable the Committee to identify future items of business and enable planning for future meetings to be undertaken, for example preparing reports and arranging for the attendance of officers and/or others at meetings.
3. To enable the Committee to monitor Commercial Investment rents and charges as recommended by Cabinet.

Background

The Work Programme agreed at the last meeting of the Committee is attached as an appendix for the consideration of the Committee.

As agreed by the Cabinet at its meeting on 13th February 2020 and by the Scrutiny Commission at its meeting on 10th August 2020, the Budget Scrutiny Panel undertook scrutiny of the Council's draft budget for 2021/22. It made several recommendations to be submitted to the Cabinet. It recommended that:

The income from commercial investments should be monitored and reported by the Audit Committee and/or Scrutiny Commission on a monthly basis, since this income is crucial for maintaining safe and appropriate level of reserves.

This recommendation was considered by the Cabinet at its meeting on 11 February 2021 (minute 84 2021 refers) and agreed:

that in respect of Panel Recommendation 1, in order to better reflect true asset performance, reports are submitted to the Audit Committee and/or Scrutiny Commission on a quarterly basis, after the quarter days where rent payments are made.

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APPENDIX

ISSUE	MEETING
2019/20 Annual Audit Letter External Audit Business	June 2021 Annually
2021/22 External Audit Plan External Audit Business	June 2021 Annually
2019/20 Annual Internal Audit Report Internal Audit Business	June 2021 Annually
2019/20 Members' Allowances Claimed	June 2021 Annually
Whistle Blowing and Anti-fraud, Corruption and Bribery	June 2021 Annually
Environmental Audits – Report on Outcomes	June 2021 Annually <i>Note: Six month exception report where identified actions are not implemented by the target date.</i>
Internal Audit Plan – Progress	June 2021 Quarterly
Risk Management (Risk Register) Internal Audit Business	June 2021 Quarterly - detailed report every six months, exception report quarters in-between.
Council's Use of Regulation of Investigatory Powers Act (RIPA)	June 2021 Quarterly
2020/21 Treasury Management Outturn	June 2021

Governance and Risk Aspect of Commercial Investment and Performance Review - EXEMPT	June 2021
External Audit Progress Report and Technical Update	Postponed
2020/21 Statement of Accounts	July 2021 (Accounts Meeting) Annually
2020/21 Annual Governance Statement and Review of the Code of Corporate Governance	July 2021 (Accounts Meeting) Annually
2020/21 Annual Governance Report External Audit Business	July 2021 (Accounts Meeting) Annually
Internal Audit Charter Internal Audit Business	September 2021 Annually (for approval)
Environmental Audits Outcomes – Progress update	September 2021
Annual IT Health Check (Code of Connection) Confidential Report	September 2021 Annually
Internal Audit Plan – Progress	September 2021 Quarterly
Risk Management (Risk Register)	September 2021 Quarterly - detailed report every six months, exception report quarters in-between.
Council's Use of Regulation of Investigatory Powers Act (RIPA)	September 2021 Quarterly
External Audit Progress Report and Technical Update External Audit Business	September 2021 Quarterly
Governance and Risk Aspect of Commercial Investment and Performance Review - EXEMPT	September 2021 Quarterly
Treasury Management Mid-Year Review	November 2021 Annually
Internal Audit Plan – Progress	November 2021

Risk Management (Risk Register)	November 2021 Quarterly - detailed report every six months, exception report quarters in-between.
Risk register COVID-19	November 2021 (if required)
Council's Use of Regulation of Investigatory Powers Act (RIPA)	November 2021 Quarterly
External Audit Progress Report and Technical Update External Audit Business	November 2021 Quarterly
Governance and Risk Aspect of Commercial Investment and Performance Review - EXEMPT	November 2021 Quarterly
2020/21 Treasury Management Statement, Annual Investment Strategy and MRP Strategy	February 2022 Annually
2021/22 Internal Audit Plan Internal Audit Business	February 2022 Annually
2020/21 Annual Audit Letter	February 2022 Annually
External Audit Progress Report and Technical Update External Audit Business	February 2022 Quarterly
Capital Strategy 2021-22	February 2022 Annually
Internal Audit Plan – Progress	February 2022 Quarterly
Governance and Risk Aspect of Commercial Investment and Performance Review - EXEMPT	February 2022 Quarterly
External Quality Assessment of Internal Audit	February 2022
Future of Local Public Audit	Report on Government proposals considered 5th July 2011. Further report once final regulations/guidelines are known. <u>Note:</u> Appointing Your External Auditor briefing note considered June 2016.
Policy for Engagement of External Auditors for non-audit work	Considered March 2013. Review policy - date to be agreed