



AUDIT COMMITTEE

This meeting will be recorded and the sound recording subsequently made available via the Council's website: charnwood.gov.uk/pages/committees

Please also note that under the Openness of Local Government Bodies Regulations 2014 that other people may film, record, tweet or blog from this meeting. The use of any images or sound recordings is not under the Council's control.

To: Councillors Nellist (Chair), Popley (Vice-Chair), Cory-Lowsley, Hadji-Nikolaou, Infield, Knight, Lennie and Maynard (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 Committee Room 1, at the Council Offices, Southfields, Loughborough on Tuesday, 19th September 2023 at 6.00 pm for the following business.

Chief Executive

Southfields
Loughborough

11th September 2023

AGENDA

1. APOLOGIES
2. MINUTES FROM THE PREVIOUS MEETING 3 - 11

The Committee is asked to confirm as a correct record the minutes of the meeting of the Committee held on 11th July 2023.

3. DISCLOSURES OF PECUNIARY INTERESTS, AND OTHER REGISTRABLE AND NON-REGISTRABLE INTERESTS

4. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8
No questions were submitted.
5. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE - AUDIT STRATEGY MEMORANDUM 12 - 41
A report of the External Auditors.
6. IT HEALTH-CHECK - VERBAL UPDATE ON ICT RECOMMENDATION
A verbal update from the Audit Manager and Director of Customer Experience.
7. INTERNAL AUDIT PLAN - PROGRESS 42 - 77
A report of the Audit Manager.
8. UPDATE ON THE IMPLEMENTATION OF THE CIPFA POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES AND POLICE 2022 78 - 87
A report of the Audit Manager.
9. COUNCIL'S USE OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 88 - 90
A report of the Head of Governance and Human Resources.
10. RISK MANAGEMENT (RISK REGISTER) 91 - 109
A report of the Head of Transformation, Strategy and Performance.
11. TREASURY MANAGEMENT REPORT (Q1) 110 - 126
A report of the Head of Finance.
12. WORK PROGRAMME 127 - 134
A report of the Director of Finance, Governance and Contracts.

AUDIT COMMITTEE 11TH JULY 2023

PRESENT: The Chair (Nellist)
The Vice Chair (Councillor Popley)
Councillors Cory-Lowsley, Infield, Knight and
Maynard

Director Finance, Governance and Contracts
Director Commercial and Economic Development
Director Customer Experience
Head of Governance and Human Resources
Head of Finance
Head of Transformation, Strategy and
Performance
Audit Manager
Internal Auditor
Information Technology Delivery Manager
Democratic Services Officer (RD) and Democratic
Services Officer (NC)

APOLOGIES: Councillor Hadji-Nikolaou

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. She 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.

1. APPOINTMENT OF VICE-CHAIR 2023-24

Councillor Popley was nominated to take the role of Vice-Chair of the Audit Committee and the Committee unanimously voted in favour of his appointment.

RESOLVED that Councillor Popley be appointed as Vice-Chair of the Audit Committee for 2023-24.

2. MINUTES FROM THE PREVIOUS MEETING

Due to the start of the term of office following the Borough Election, it was recognised that the Committee members present were all new.

The minutes of the meeting of the Committee held on 25th April 2023 were therefore noted.

3. DISCLOSURES OF PECUNIARY INTERESTS, AND OTHER REGISTRABLE AND NON-REGISTRABLE INTERESTS

No disclosures were made.

4. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

5. AGENDA VARIANCE

RESOLVED that Item 12 – Treasury Management (Q4) Outturn Report be considered before items 6 to 11 on the agenda.

Reason

The Head of Finance had a prior arrangement that she needed to attend and the Committee considered it acceptable to consider her item first.

6. TREASURY MANAGEMENT (Q4) OUTTURN REPORT

A report of the Head of Finance was submitted providing the Committee with the Council's Treasury Management, Investment Management and Prudential Code Outturns for 2022/23 (item 12 on the agenda filed with these minutes).

The Head of Finance attended the meeting virtually to assist the Committee with its consideration of the report and highlighted the key areas of the report.

Members queried two large underspends and whether they were due to planned activities not being taken. The Head of Finance confirmed that this was the reason which was due to delays following the introduction of new contractors. Opportunities for spending in 2023/24 would be investigated.

It was noted that underspending was considered a performance issue that many Councils were facing and Charnwood Borough Council's Finance and Performance Scrutiny Committee reviewed this on a quarterly basis.

RESOLVED that the Committee noted the report.

Reasons

To ensure that the Council meets the 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 2022/23, and that 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) are met.

7. INTERNAL AUDIT PLAN - PROGRESS

A report of the Head of Governance and Human Resources was submitted providing the Committee with a summary of the progress against the 2023/24 Audit Plan, outlining key findings from final reports and any outstanding recommendations (item 6 on the agenda filed with these minutes).

The Audit Manager attended the meeting virtually to assist the Committee with its consideration of the report.

It was noted that there had been delays with some recommendations and reassurance was given to the Committee that these were being reviewed by the Senior Leadership Team on a monthly basis and that the Audit Manager would highlight any concerns if support was needed.

With reference to a recommendation regarding the IT health check audit and identifying target timescales to undertake operational testing, it was the Audit Manager's view that the requirements had not been met. It was agreed that the Audit Manager and Director of Customer Experience would have further discussion and provide additional details concerning the recommendation.

RESOLVED:

1. That the Audit Committee noted the report;
2. That the ICT recommendation be brought back to Audit Committee for discussion at the September 2023 meeting.

Reasons

1&2 To ensure that the Committee was kept informed of the progress against the Internal Audit Plan and work of Internal Audit.

8. 2022/23 INTERNAL AUDIT ANNUAL REPORT

A report of the Head of Governance and Human Resources was submitted providing the Committee with one of the sources of evidence used to inform the production of the Annual Governance Statement (item 7 on the agenda filed with these minutes).

The Audit Manager attended the meeting virtually to assist the Committee with its consideration of the report. It was noted that the report included a summary of the internal audit work carried out during 2022/23 which supported the Audit Manager's reasonable assurance that there was generally a sound system of governance, risk management and controls in place.

RESOLVED that the Committee noted the report.

Reason

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

9. UPDATE ON THE IMPLEMENTATION OF THE CIPFA POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES AND POLICE 2022

A report of the Head of Governance and Human Resources was submitted providing the Committee with an update on the initial meeting of the CIPFA Position Statement:

Audit Committees in Local Authorities working, as agreed at Audit Committee on 25th April 2023 (item 8 on the agenda filed with these minutes).

The Audit Manager attended the meeting virtually to assist the Committee with its consideration of the report.

In response to a question, it was noted that the Working Group had discussed the requirement for recruitment of a second co-opted independent member to the Audit Committee and that the job description had been circulated to members of the Working Group. It was confirmed that an update to the Constitution stating the membership of Audit Committee would be updated at a Council meeting, to be arranged by the Democratic Services Manager.

RESOLVED

1. That the Audit Committee noted the report;
2. That the Audit Committee agreed the proposed action plan detailed in appendix 1.

Reasons

1&2. To ensure that the Committee meets its statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

10. COUNCIL'S USE OF REGULATION OF INVESTIGATORY POWERS (RIPA)

A report of the Head of Governance and Human Resources was submitted providing the Committee with a summary of the Council's use of RIPA powers (item 9 on the agenda filed with these minutes).

The Head of Governance and Human Resources attended the meeting to assist the Committee with its consideration of the report. He provided an explanation to the Committee's new members about the Council's requirements relating to RIPA.

It was confirmed that the Council was required to report on its use of RIPA even if it was not used and when the Police used CCTV equipment provided by the Council, they used their own RIPA process.

RESOLVED that the Committee noted that there had been no use of RIPA powers by the Council for the period from 1st April 2023 to 31st May 2023.

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.

11. ALLOWANCES AND EXPENSES CLAIMED BY COUNCILLORS AND CO-OPTED MEMBERS

A report of the Head of Governance and Human Resources was submitted providing the Committee with the amounts claimed in allowances and expenses by Councillors and co-opted members under the Council's Members' Allowances Scheme for 2022/23 (item 10 on the agenda filed with these minutes).

The Head of Governance and Human Resources attended the meeting to assist the Committee with its consideration of the report and explained that Allowances and Expenses were reported to the Committee on an annual basis and also published on the Council's website. He noted that the Council had tight controls in both Democratic Services and Payroll with claims being checked and proposed that the item was removed from the Committee's Work Programme.

RESOLVED

1. That the amounts claimed in allowances and expenses by Councillors and co-opted members be noted;
2. That the item be removed from the Committee's Work Programme;
3. That the Head of Governance and Human Resources would bring any issues identified to the Committee's attention at future meetings.

Reasons

1. To enable the Committee to ensure that the operation of the Members' Allowances Scheme complied with the published standards and controls;
- 2&3. Members were satisfied that the Head of Governance and Human Resources would monitor the Member Allowances position and would alert the Committee to any issues to be considered.

12. ANTI-FRAUD AND CORRUPTION STRATEGY AND WHISTLEBLOWING STRATEGY

A report of the Head of Governance and Human Resources was submitted providing the Committee with information on the operation of the Anti-fraud and Corruption Strategy and Whistle-blowing Policy during 2022/23 (item 11 on the agenda filed with these minutes).

The Head of Governance and Human Resources attended the meeting to assist the Committee with its consideration of the report and explained that this was an annual report reviewing the strategy and that although there were no incidents to be reported this year, there had been reports of fraud brought to the Committee in the past and it was therefore important for the Committee to continue monitoring the strategy on an annual basis.

RESOLVED that the Committee noted the information provided within the report on the operation of the Anti-Fraud and Corruption Strategy and the Whistle-blowing Policy.

Reason

To ensure the Committee was kept up to date on the operation of the policies and instances where they had been applied.

13. RISK MANAGEMENT (RISK REGISTER)

A report of the Head of Transformation, Strategy and Performance was submitted providing the Committee with details of the Strategic Risk Register produced for the period to 2023/24 (item 13 on the agenda filed with these minutes).

The Head of Transformation, Strategy and Performance attended the meeting to assist the Committee with its consideration of the report.

The risk register was reported on a quarterly basis and it was highlighted that the 2023/24 Risk Register had been approved by Cabinet on 9th March 2023. Pages 96 and 97 of the agenda report pack were brought to the Committee's attention where notable changes made to the Strategic Risk Register for 2023 had been outlined.

In response to questions it was noted that:

- the 'Mighty Oak' exercise that had taken place in March 2023 had shown the difficulties that would be faced if there was a major power-outage in the future. The Council would need to be clear on where its responsibilities were. Other agencies would be responsible for care and public safety, but the Council would plan to have a pool of staff who would be able to meet in this situation and look at what was needed and what could be provided, for example food supplies;
- in relation to the recruitment of a Business Continuity Officer it was confirmed that the recruitment process had begun and that the role would be shared across six District Councils;
- an internal review of recruitment was taking place and had been delayed due to ongoing work on I-Trent for the HR service, but was due to be completed by the end of September 2023;
- it was confirmed that a review of agency staff and allocations had taken place. There were currently 35 agency staff and permanent staffing was being investigated;
- regarding Strategic Risk 11 (Housing Demand) it was confirmed that this was a new risk added to the register last year due to properties and housing demand. Once the treatments and controls were in place the residual risk would be reviewed;
- it was confirmed that the target date for the roll-out of Modern.gov was April 2023 and the majority of Committees had now been moved over to the system with the exception of Delegated Decisions. A follow-up discussion would be held with the Democratic Services Manager.

RESOLVED that the Committee noted the report.

Reason

To ensure the Committee was kept informed of progress against the Strategic Risks, noting that should the risks occur they would cause the Council to be unable to operate and/or provide key services leading to a significant effect on public wellbeing.

14. ENVIRONMENTAL AUDIT (OUTCOMES)

A report of the Director of Commercial and Economic Development was submitted updating the Committee on the outcome of environmental audits undertaken for April 2023 (item 14 on the agenda filed with these minutes).

The Director of Commercial and Economic Development attended the meeting virtually to assist the Committee with its consideration of the report and noted that eight non-compliances with requirements were found. These had been considered by the Senior Leadership Team (SLT) who were satisfied that there were no major issues putting the Council at risk.

A question was asked about the possible expansion to a Borough-wide auditing of environmental outcomes, however it was felt that this would be complex. The Director of Commercial and Economic Development agreed to arrange a meeting with interested Members, the Head of Regulatory Services and the Cabinet Lead Member to consider a way forward.

RESOLVED that the Committee noted the outcome of the environmental audit process, including the identified actions for any mitigation required.

Reason

To ensure the Committee was kept informed of the Council's approach to managing environmental risks related to the in-house Environmental Management system.

15. WORK PROGRAMME

A report of the Director of Finance, Governance and Contracts was submitted to enable the Committee to consider its Work Programme (item 15 on the agenda filed with these minutes).

The Director of Finance, Governance and Contracts attended the meeting to assist the Committee with its consideration of the report.

It was agreed that:

- the IT Annual Health-check be added to the Work Programme annually in July going forward;
- Financial statements training would be arranged to take place before the Committee's Accounts meeting in November 2023;
- Treasury Management training would be arranged before the Committee meeting scheduled in January 2024.

The Committee decided there were no issues it wished to raise with the Scrutiny Commission.

RESOLVED that the Committee proceeds on the basis of the Work Programme attached to the agenda, with any amendments and inclusions agreed at this meeting.

Reason

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.

16. EXEMPT INFORMATION

RESOLVED that members of the public be excluded from the meeting during the consideration of the following items on the grounds that it would 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.

The Democratic Services Officer stopped the sound recording of the meeting.

17. INVESTMENT PERFORMANCE REPORT - Q1 2023-24

An exempt report of the Director of Commercial and Economic Development was submitted updating the Committee on property investment performance up to the end of Q4 2022/23 (item 17 on the agenda filed with these minutes).

RESOLVED that the Committee noted the report.

Reason

As set out in exempt minute 17E.

18. ANNUAL IT HEALTH CHECK (CODE OF CONNECTION)

An exempt report of the Director of Customer Experience was submitted to provide the Committee with assurances on the security of the Council's network (item 18 on the agenda filed with these minutes).

RESOLVED that the discussions as set out in Exempt minute 18E and the report be noted.

Reason

As set out in the exempt minute 18E.

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. The following officers attended virtually to assist the Committee in its consideration of reports: Director, Commercial and Economic Development, Director of Customer Experience, Head of Finance and Audit Manager.
3. These minutes are subject to confirmation as a correct record at the next meeting of the Audit Committee.

Audit Strategy Memorandum

Charnwood Borough Council

Year ending 31 March 2023

Page 12



Agenda Item 5

Contents

01 Engagement and responsibilities summary

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 A Key communication points

Appendix B Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Page 13

This document is to be regarded as confidential to Charnwood Borough Council. It has been prepared for the sole use of the 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. Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London EC4M 7AU.

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

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Charnwood Borough Council for the year ending 31 March 2023. 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 6 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and

ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Charnwood 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, and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

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

Signed:



Mark Surridge

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

Tel: (0)121 232 9600 – www.mazars.co.uk

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview

We are appointed to perform the external audit of Charnwood Borough Council (the Council) for the year to 31 March 2023. 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 whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

The Director of Finance, Governance & Contracts 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: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance, Governance & Contracts use of the going concern basis of accounting in the preparation of the financial statements.

Page 16



Value for money

We are also responsible for forming a commentary 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 4 of this report.



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 [include Internal audit, other key individuals where relevant] 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.



Wider reporting and electors' rights

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

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.

02

Section 02:

Audit scope, approach and timeline

2. 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 activities 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 risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

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 7.

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 and Risk Assessment – February

- 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
- Risk assessment analytical procedures
- Determination of materiality

Completion - November

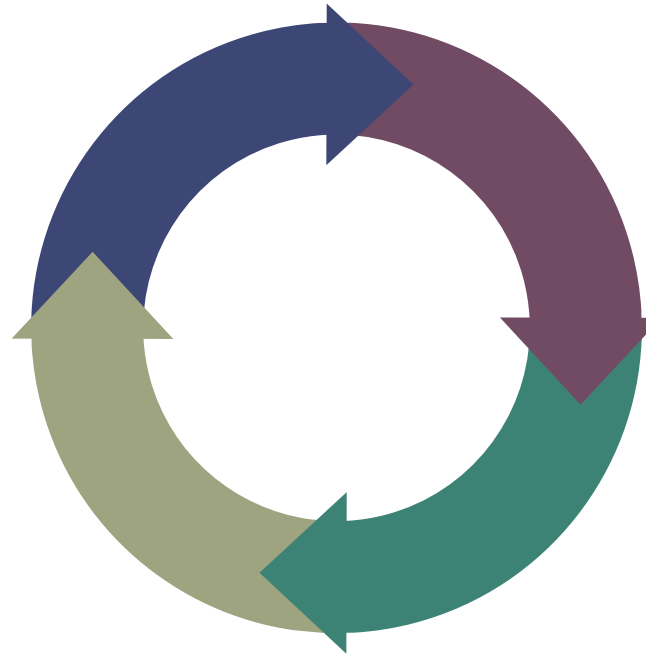
- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the independent auditor’s report

Interim - March

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

Fieldwork – August & September

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Reliance on internal audit

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

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

Management’s and our experts

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

Item of account	Management’s expert	Our expert
Property, plant and equipment	External valuer Wilkes, Head and Eve.	None. We may utilize third party evidence provided via the NAO to support our challenge of valuation assumptions.
Pensions	Hymans Robertson LLP Actuary for Leicestershire Pension Fund	PWC (Consulting actuary appointed by the National Audit Office).
Financial instrument disclosures	Link Asset Management Treasury management advisor	None

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any service organisations that are relevant for the purpose of our audit.

03

Section 03:

Significant risks and other key judgement areas

3. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant 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

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls and revenue recognition.

Enhanced risk

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

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

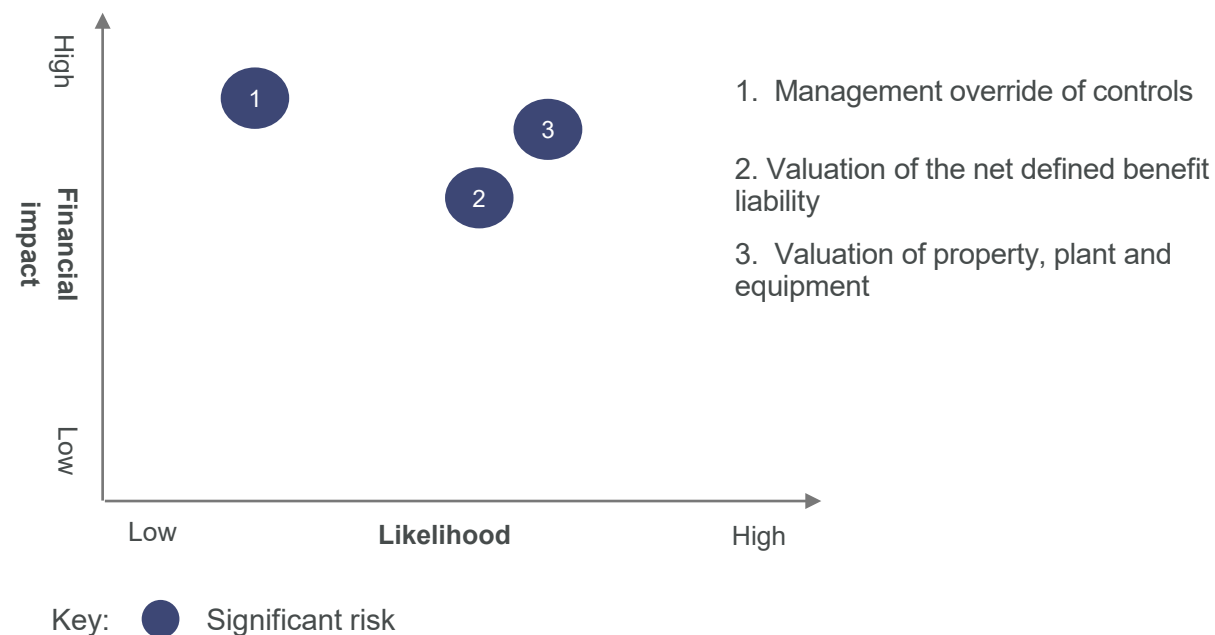
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

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

Summary risk assessment

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



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

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

Significant risks

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

Page 23

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Net defined benefit liability valuation £60m (2021/22)</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 for the scheme 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"> • assessing the competency, objectivity and independence of the Actuary at the Pension Scheme; • liaising with the auditors of the Leicestershire Pension Fund to gain assurance over the design and implementation of controls in place at the Leicestershire Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary (as applicable), 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 reports provided by the Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of Council dwelling, property, plant and equipment and investment properties £337m, £58m and £25m respectively (2021/22)</p> <p>Property related assets are a significant balance on the council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. 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 scope of work, qualifications, objectivity and independence of each of the Council's valuers 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; testing a sample of assets revalued in year; critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers; and considering engaging our own valuation expert to support our work.

04

Section 04: **Value for money**

4. Value for money

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.

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

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

- Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
- 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.



05

Section 05:

Fees for audit and other services

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

The PSAA fee for the 2022/23 audit is as follows:

Area of work	2022/23 Planned Fee
Planned fee in respect of our work under the Code of Audit Practice	£51,995
Additional fees in respect of additional testing undertaken on IAS19 pension liabilities to comply with regulatory requirements	N/A included in fee scale
Additional fees in respect of additional testing undertaken on valuation of land, buildings and investment properties to comply with increased regulatory standards	N/A included in fee scale
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	£3,590
Additional work from the introduction of new auditing standards (ISA315 per Appendix B)	TBC
Additional fees in respect of the VFM Commentary	£7,500
Total fees	TBC

06

Section 06:

Our commitment to independence

6. 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.

07

Section 07:

Materiality and misstatements

7. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	1,510
Performance materiality	1,208
Specific materiality – Senior officer remunerations	5
Trivial threshold for errors to be reported to the Audit Committee	45

Page 33

Materiality

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

Information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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;
- recognise 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.

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.

8. Materiality and misstatements

Materiality (continued)

Our provisional materiality is set based on a benchmark of the prior year signed financial statements. We will identify a figure for materiality but identify separate levels for procedures designed 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 Revenue Expenditure at Surplus / Deficit on the Provision of Services level 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 80% of Gross Revenue Expenditure. Based on the prior year signed financial statements we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £1.52m (£1.51m in the prior year).

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 £35k 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 the Audit Committee

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

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



Appendices

A: Key communication points

Page 35
B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Appendix A: 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:

- Audit Strategy Memorandum;
- 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;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- 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 A: 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
<p>With respect to misstatements:</p> <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
<p>With respect to fraud communications:</p> <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 Audit Committee, Audit planning and clearance meetings

Page 37

Appendix A: 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>

Page 38

Appendix A: Key communication points

Required communication	Where addressed
<p>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.</p>	<p>Audit Completion Report and the Audit Committee meetings</p>
<p>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:</p> <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. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>

Page 39

Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council's 2022/23 audit.

The most significant changes relevant to the Council's audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.

Mark Surridge

Mazars

2 Chamberlain Square

Birmingham

B3 3AX

Page 41

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.

Follow us:

LinkedIn:

www.linkedin.com/company/Mazars

Twitter:

www.twitter.com/MazarsGroup

Facebook:

www.facebook.com/MazarsGroup

Instagram:

www.instagram.com/MazarsGroup

WeChat:

ID: Mazars

AUDIT COMMITTEE - TUESDAY, 19 SEPTEMBER 2023

Report of the Head of Governance & Human Resources

Part A

INTERNAL AUDIT PLAN - PROGRESS REPORT Q2

Purpose of Report

The report summarises the progress against the 2023/24 Audit Plan, outlining key findings from final reports and any outstanding recommendations.

Recommendation

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

Reason

To ensure that the Committee is kept informed of the 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

Financial Implications

None

Risk Management

There are no specific risks associated with this report.

Equality and Diversity

None identified

Climate Change and Carbon Impact

None identified

Crime and Disorder

None identified

Publicity Arrangements

Not applicable

Consultations

Not applicable

Links to the Corporate Strategy

Caring for the Environment	No
Healthy Communities	No
A Thriving Economy	No
Your Council	Yes

Background Papers:

Public Sector Internal Audit Standards
Audit Plan 2023-24

Officer to contact:

Kerry Beavis
Audit Manager
Tel: 01509 634806
Kerry.Beavis@charnwood.gov.uk

Part B

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

Appendices

Appendix 1 – INTERNAL AUDIT PROGRESS REPORT 2023/24 Q2



INTERNAL AUDIT SHARED SERVICE

Charnwood Borough Council

**Internal Audit Progress Report 2023/24 Q2
up to 7 September 2023**

1. 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 during 2023/24 Q2 up to 31 August 2023.

2. Internal Audit Plan Update

2.1 The 2023/24 audit plan is included in Appendix A for information and shows the audits in progress. Since the last update report three audit reports have been issued -

- Responsive Repairs Q3 2022/23
- Rent Accounting 2022/23
- Responsive Repairs Q1

The executive summaries for these reports are included at Appendix B

2.2 The audits due to take place during quarter 3 are:

- Planned & Cyclical Maintenance Q3
- Responsive Repairs Q3
- Community Grants
- Performance Monitoring
- Mandatory Training
- Contract Monitoring
- Corporate Project Management

3.0 Outstanding Recommendations

3.1 Internal Audit monitor and follow up critical, high and medium priority recommendations. Further details of overdue and extended recommendations are detailed in Appendix C for information.

Year	Not Due		Extended		Overdue	
	High	Medium	High	Medium	High	Medium
20/21	-	-	1	-	-	-
21/22	-	-	5	3	1	2
22/23	11	22	7	10	-	2
23/24	1	-	-	-	-	-

4.0 Internal Audit Performance Indicators

- 4.1 Progress against the agreed Internal Audit performance indicators is included in Appendix D. There are no areas of concern to highlight.

5.0 Internal Audit Charter

- 5.1 The Audit Manager has completed the annual review of the Charter, detailed in full in Appendix E.

APPENDIX A

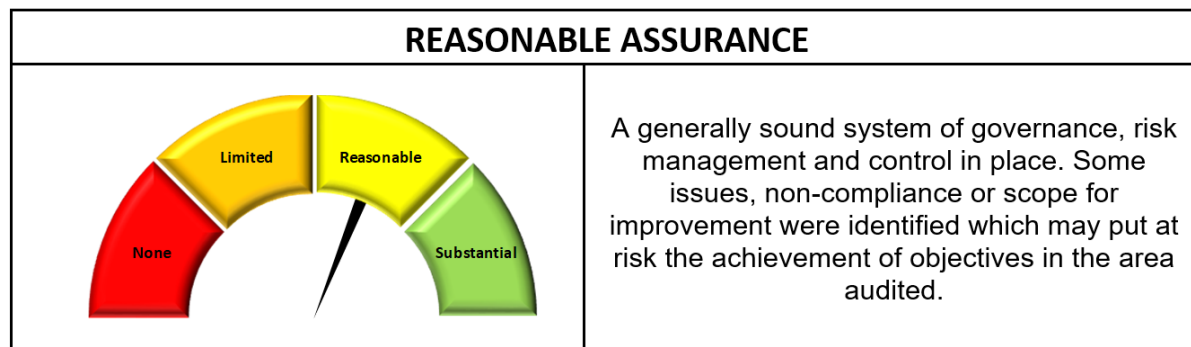
AUDIT PLAN 2023/24 AS AT 7 SEPTEMBER 2023

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Disabled Facilities Grants	Certification	3	1.5	In progress						
Disabled Facilities Grants	Audit	9	-	Q2						
Selective/ HMO Licensing	Audit	10	-	Q4						
Housing Standards Service	Audit	8	1	In progress						
Planned & Cyclical Maintenance Q1	Audit	9	4.5	Report drafting						
Responsive Repairs Q1	Audit	9	10	Completed	Reasonable	-	1	-	1	
Planned & Cyclical Maintenance Q2	Audit	9	4.5	Report drafting						
Responsive Repairs Q2	Audit	9	0.5	Engagement Planning						
Planned & Cyclical Maintenance Q3	Audit	9	0.5	Engagement Planning						
Responsive Repairs Q3	Audit	9	-	Q3						
Planned & Cyclical Maintenance Q4	Audit	8	-	Q4						
Responsive Repairs Q4	Audit	8	-	Q4						
Gas & Asbestos Compliance	Audit	10	-	Q4						
Mould & Damp	Audit	10	1	Engagement Planning						
Community Grants	Audit	6	-	Q3						
Performance Monitoring	Audit	8	-	Q3						
Mandatory Training	Audit	8	-	Q3						
Transformation Projects	Advisory	5	1	Ongoing						
Key Financial Systems	Audit	55	-	Q3/Q4						
Benefits Subsidy	Assurance	40	35	In progress						
IT Asset Management	Audit	8	0.5	Q1						Postponed to Q3
Contract Monitoring	Audit	9	-	Q3						
Corporate Policy Management	Audit	8	5	In progress						
Corporate Project Management	Audit	9	-	Q4						

Safeguarding	Audit	10	6	In progress						
Protect Duty	Audit	8	-	Q4						
Remote Support & Data Exchange	Audit	10	-	IT Audit Contractor						
Itrent Application Review	Audit	10	-	IT Audit Contactor						
Grants	Assurance	5	3.5	Ongoing						

SUMMARY OF FINAL AUDIT REPORTS ISSUED UP TO 7 SEPTEMBER 2023/24

RESPONSIVE REPAIRS Q3 – VOID PROPERTY REPAIRS 2022/23


 Page 50
Key Findings

Areas of positive assurance identified during the audit:

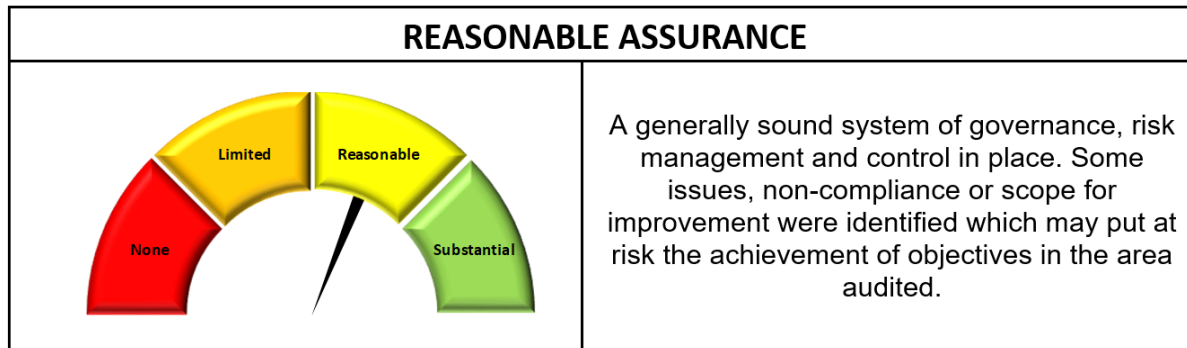
- A comprehensive flow diagram of the complete voids process is in place.
- Procedure guides are in place for the key order processes.
- Processes are in place to ensure that repairs are relevantly prioritised.
- Processes are in place to identify and raise any further works orders as necessary.
- All invoices received from the contractor are checked for accuracy prior to payment.

The main areas identified for improvement are:

- Order monitoring procedures need implementing to ensure variances between the housing management system (QL) and service connect are identified and order target dates met.
- The process for dealing with further works identified by the contractor needs to be reviewed.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Order monitoring processes are put in place to ensure variances between the systems are identified; order target dates are met and performance monitoring is accurately reported.	Medium	Agreed as per recommendation. Working with software provider to try and introduce an auto closure process, within agreed order value limits. Clean up of orders is in progress however this is manual process. Additionally staffing resources are need to clear backlog and keep on top of it in the future.	Director of Housing and Wellbeing and Repairs and Investment Manager.	April 2024
2. The process for dealing with further works needs reviewing to ensure that orders are updated appropriately.	Medium	Agreed as per recommendation. Additional staffing resource is needed.	Repairs and Investment Manager.	December 2023.
3. Performance data is obtained from the contractor in accordance with the contract, to ensure that performance targets are appropriately monitored and managed.	Medium	Agreed as per recommendation. Progress meetings are in place. Plans are in place to increase the budget for additional management resource for voids.	Director of Housing and Wellbeing and Repairs and Investment Manager	April 2024.

RENT ACCOUNTING 2022/23



Key Findings

Areas of positive assurance identified during the audit:

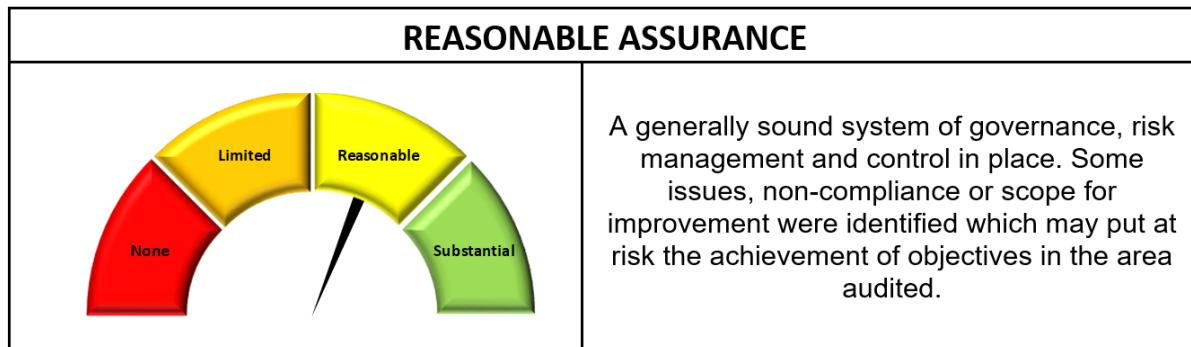
- Processes are in place to ensure that annual and new rents are set in line with the Rents Policy and appropriately uploaded to the housing system.
- Collection rates are regularly monitored for both rental income and arrears.
- Arrears are pursued appropriately for both current and former tenants.
- Suspense accounts regularly reviewed and cleared.

The main areas identified for improvement are:

- Review of rent accounts in credit.
- Monitoring access to QL and removal of leavers.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1.Accounts in credit should be regularly reviewed and actioned to ensure that amounts do not become excessive, and amounts are correctly credited back to the original payment account to reduce the risk of fraud and money-laundering. (It is noted that a refund has now been made to the tenant with a credit balance in excess of £5,900.00).	High	Agreed – accounts over £1000 in credit to be reviewed. Monthly reports to be produced to identify rent accounts with credit balances in excess of £600 for review by Income Officers.	Income Management Team Leader	31 st July 2023
2.To ensure that action is taken as recommended above the appropriate policy and procedure documents should be updated to incorporate review of rent accounts in credit.	Medium	Agreed – will be incorporated into Rent Recovery procedures.	Income Management Team Leader	31 st October 2023
3.Access to QL for the two users identified who no longer work for the council should be disabled / removed.	Medium	Agreed – Corporate Leaver Form has now been amended and details of leavers are being received by the Housing Systems Team Leader. Two leavers identified have had access removed.	Housing Systems Team Leader	N/A Already implemented.
4.Quarterly reviews of access to QL should be undertaken to ensure leavers have been appropriately removed and to identify officers who have not accessed QL and confirm whether access is still required.	Low	Agreed – however don't feel that there is a need for a quarterly review.	Housing Systems Team Leader	N/A Already implemented

RESPONSIVE REPAIRS Q1 – EMERGENCY REPAIRS



Page 54 Key Findings

Areas of positive assurance identified during the audit:

- Repairs are relevantly prioritised.

The main areas identified for improvement are:

- Payment for services where there is no schedule of rates in place.

A number of recommendations remain outstanding from the responsive repairs' audits undertaken during 2022/23. These recommendations have not been duplicated in this report. The recommendations are being followed up as per our follow-up procedure.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Sample checking is undertaken until the new process is fully embedded to ensure the process is being followed consistently.	Low	Spot checks are being undertaken by the Controllers to ensure officers are consistent in their approach.	Principal Officer Customer Engagement Older Persons Services	Implemented.
2. A schedule of rates is agreed with Midland Windows to ensure that the authority is adequately protected during the period of procuring a new contract.	High	Agreed as per recommendation. A dynamic purchasing service was progressed however the successful contractor did not sign the contract and this has resulted in the procurement process starting again.	Repairs and Investment Manager and Principal Officer – Repairs and Maintenance.	October 2023

RECOMMENDATIONS TRACKER AS AT 7 SEPTEMBER 2023

OVERDUE RECOMMENDATIONS

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	Original Due Date	1st Follow up comments	Ext Date	Second Follow up comments	Ext Date	Further Management update	Further Extension
2021/22	Commercial Lettings	1. A full set of procedure documents should be in place which cover all key aspects of the Commercial Lettings area.	Medium	Agreed to implement local procedures to cover areas.	Strategic Asset Manager, Business Centre / Ind Managers and Senior Property and Asset Officer.	Dec-21	No response received	Mar-22	No response received	Apr-22	Currently drawing up a new set of templates to be used. The procedure documents will then follow.	Nov-22 Mar-23
2021/22	Commercial Lettings	2. Increases in rent charges should be calculated in line with Section 7 of the lease agreement. Details of how the increase has been calculated should be retained. The decision as to whether or not to increase rents should be formally documented and appropriately agreed.	Medium	Flat 3% increase applied for 3 years to 20/21 due to no previous increases being made. Going forward rent increases will be carried out in line with the lease agreement.	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.	Apr-22	No response received	May-22	No response received	Jun-22	As at 11th August 2022 no rent reviews have been completed but work is being carried out to review the rents.	Nov-22 Mar-23
2021/22	Commercial Lettings	4. A breakdown of all service costs is calculated to ensure it covers all rechargeable cost, as per the lease agreement. This is then provided to the tenant two months prior to the service charge review date, again, as per the lease agreement.	High	Agreed, a process will be implemented across all teams. As leases expire these will be reviewed and brought into line with the process.	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.	Apr-22	No response received	May-22	No response received	Jun-22	As at 11th August 2022 no rent reviews have been completed but work is being carried out to review the rents.	Nov-22 Mar-23
2022/23	IT Health Check	9. All testing documentation should be added to the service call raised for the change management process.	Medium	Existing change management process includes a testing phase, which will be updated to ensure user testing results are captured. As discussed with Audit, the priority level should be reduced as an existing 'Pre-implementation UAT' test stage is in place (and will be updated to include further controls). There are also subsequent phases in the change management process to ensure the change applied is successful and communicated to services/users involved.	Information Technology Delivery Manager	Jul-23	Aug-23 – Awaiting evidence.					

Page 56

2022/23	IT Health Check	9. All testing documentation should be added to the service call raised for the change management process.	Medium	Existing change management process includes a testing phase, which will be updated to ensure user testing results are captured. As discussed with Audit, the priority level should be reduced as an existing 'Pre-implementation UAT' test stage is in place (and will be updated to include further controls). There are also subsequent phases in the change management process to ensure the change applied is successful and communicated to services/users involved.	Information Technology Delivery Manager	Jul-23	Aug -23 -Advised approval checks will be undertaken as part of all future change requests to ensure sufficient testing documentation is included as part of the 'pre-implementation' stage. Awaiting evidence to support implementation.					
---------	-----------------	--	--------	---	---	--------	--	--	--	--	--	--

Extended Recommendations

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	Original Due Date	1st Follow up comments	Ext Date	Second Follow up comments	Ext Date	Further Management update	Further Extension
2021/22	Asset Management	<p>1. Officers ensure that a new Asset Management Strategy is produced and approved in time to replace the current strategy and that it becomes a working document that is updated as the priorities of the council develop over the time.</p> <p>Management should consider existing resources, such as the Royal Institution of Chartered Surveyors Asset Management Guidelines and Department of Communities and Local Government framework for Local Authorities on Asset Management when developing the Strategy and any related documents.</p>	High	A revised Strategy, with guiding principles rather than a list of objectives, will be put in place to lead the council forward	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	No response received	May-22	No response received	Jun-22	<p>Work environments have not allowed this to be recorded as yet but basic principles of law and regs are underpinning the asset in situ. Those assets surplus to req are being brought to cabinet to be declared with a view to sell. Guidance and statute are being followed and best value being achieved, assets with tenants are being managed in accordance with their lease and the obligations with the council there in.</p> <p>April 23 – Due to other work pressures and staffing it has not been possible to complete this recommendation.</p>	<p>Mar-23</p> <p>Mar-24</p>
2021/22	Asset Management	2. Officers ensure that all policies and documents are in place, up to date and available to support the progression of the strategy.	High	As per recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	No response received	May-22	No response received	Jun-22	<p>All currently linked policies are in place in relation to env management. These will be decoupled from the future strategy and only relevant policies written and maintained given that regs are in place to support strategy</p> <p>April 23 – Due to other work pressures and staffing it has not been possible to complete this recommendation.</p>	<p>Mar-23</p> <p>Mar-24</p>
2021/22	Asset Management	3. The processes in place for managing the asset information are formalised. These processes should at least describe how council's collect, analyse and evaluate the information to ensure decision making is evidence based and identifies the roles and responsibilities of the officers involved in those processes	High	Relevant processes will be put in place as per response to recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	No response received	May-22	No response received	Jun-22	<p>To be developed in line with the strategy in rec 1</p> <p>April 23 – Due to other work pressures and staffing it has not been possible to complete this recommendation.</p>	<p>Mar-23</p> <p>Mar-24</p>
2022/23	Treasury Management	1. The Treasury Management Practices document is reviewed to ensure it complies with 2021 CIPFA Treasury Management Code.	Medium	Agreed as per recommendation. The Treasury Management Strategy has already been updated in line with the	Head of Finance and Senior Income Officer.	May-23	May-23 - Needs further work. TM Strategy 23/24 updated in line with CIPFA Code. TM Practices still require review.	Jul-23	Aug-23 TM Practices still require updating	Oct-23		

				CIPFA Code and was approved by Council in February 2023.								
2020/21	Asbestos Management	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	Aug-21	Due to IT systems this had to be further extended.	Dec-21	Due to IT systems this had to be further extended. May-22 still waiting on SharePoint transfer	May-22	Admin staff to input all links this process will take some time but anticipated to be in place within 6 months. Jan-23 - Creation of the ASB Visual files is now complete but there are almost 6000 files now to uploaded. Apr-23 - Delays due to technical issues resulting in not being able to upload to the Alpha Tracker. May-23 - Problems with the contractor completing surveys and updating the tracker have continue. The service is now undertaking a procurement exercise for a new contractor, hopefully to commence June 23. This will potentially mean the alpha tracker will no longer be used. It is intended that management surveys will be undertaken on the properties when the new contract commences.	Jan-23 May-23 Sept-23
2021/22	Acquisitions Policy	3. The acquisitions procedure is updated to include the beginning of the process, starting with how a property is identified.	Medium	Agreed as per recommendation	Head of Strategic and Private Sector Housing.	Dec-21	Apr-22 Following a meeting with the Director it was agreed that a full review of the process and policy should be completed to ensure appropriate segregation of duties and authorisation throughout. Audit will provide suggestions. Given that there is a corporate review underway it is likely delegations will be reviewed in September. May-22 - Policy and Procedure Documents reviewed and returned to Director for consideration.	Oct-22	Due to staffing changes the implementation of recommendations has been delayed	Apr-23	The acquisitions and disposals policy, and related procedures are in the process of being fully reviewed	Sep-23
2021/22	Acquisitions Policy	4. Management ensure that purchases are made in line with the policy.	High	The Policy to be reviewed again and any amends to be approved in line with the Constitution, and a revised copy of the Policy to be uploaded to the website.	Head of Strategic and Private Sector Housing.	Dec-21	Apr-22 Following a meeting with the Director it was agreed that a full review of the process and policy should be completed to ensure appropriate segregation of duties and authorisation throughout. Audit will provide suggestions. Given that there is a corporate review underway it is likely delegations will be	Oct-22	Due to staffing changes the implementation of recommendations has been delayed	Apr-23	The acquisitions and disposals policy, and related procedures are in the process of being fully reviewed	Sep-23

							reviewed in September. May-22 - Policy and Procedure Documents reviewed and returned to Director for consideration.					
2021/22	Acquisitions Policy	5. The procedures are updated to ensure that they fully reflect the requirements of the policy.	Medium	Update the procedures to reflect the requirements of the Policy.	Head of Strategic and Private Sector Housing.	Dec-21	Apr-22 Following a meeting with the Director it was agreed that a full review of the process and policy should be completed to ensure appropriate segregation of duties and authorisation throughout. Audit will provide suggestions. Given that there is a corporate review underway it is likely delegations will be reviewed in September. May-22 - Policy and Procedure Documents reviewed and returned to Director for consideration.	Oct-22	Due to staffing changes the implementation of recommendations has been delayed	Apr-23	The acquisitions and disposals policy, and related procedures are in the process of being fully reviewed	Sep-23
2021/22	Acquisitions Policy	6. A full review is carried out in relation to the delegated authority in this process to ensure that there is independence within the process.	High	Agreed. Will discuss the process and decision-making changes required with Democratic Services. Head of Strategic and Private Sector Housing management comment: The day-to-day management of the process is normally the responsibility of the Housing Strategy and Support Manager, however this post is currently vacant.	Strategic Director of Community, Planning and Housing	Mar-22	Apr-22 Following a meeting with the Director it was agreed that a full review of the process and policy should be completed to ensure appropriate segregation of duties and authorisation throughout. Audit will provide suggestions. Given that there is a corporate review underway it is likely delegations will be reviewed in September. May-22 - Policy and Procedure Documents reviewed and returned to Director for consideration.	Oct-22	Due to staffing changes the implementation of recommendations has been delayed	Apr-23	The acquisitions and disposals policy, and related procedures are in the process of being fully reviewed	Sep-23
2021/22	Choice Based Lettings	2. Procedure guides are reviewed to ensure they cover all aspects of the housing allocations process in more detail.	Medium	Agreed	Housing Needs Manager and Housing Allocations Team Leader	Apr-23	May-23 - no response received	Jun-23	A review of the entire allocations process is in progress with the support of the organisational development team.	Dec-23		
2022/23	Responsive Repairs - Emergency Repairs Q1	1. All key procedures are documented and made accessible to staff, these should support relevant policies and tenancy guides.	Medium	Agreed as per Recommendation	Repairs and Investments Manager and Principal Officer -Repairs and Maintenance	Aug-23	Aug-23 - The responsive repairs process is currently being mapped and any subsequent procedures will be developed after this.	Mar-24				

2022/23	Responsive Repairs - Emergency Repairs Q1	5. A procurement exercise is carried out for this area of work to ensure that the authority is following contract procedure rules.	High	A procurement process is in progress for this work.	Repairs and Investments Manager	Dec-22	Dec-22 - Contract still requires signing. Mobilisation of contract to be March 23, waiting for EEM to response.	Mar-23	Mar-23 - requested extension, contract mobilisation delayed. Apr-23 - contractor pulled out and procurement process has to be done again.	Oct-23		
2022/23	Responsive Repairs - Emergency Repairs Q1	7. The processes to identify where further works are needed, following an emergency call out, are reviewed to ensure that all further works are captured and acted upon.	High	Generic email address for the RTL set up and will be contacting the relevant contractors to advise this the email address to use in future. Investigate why service connect is not retaining the surveys. Upload the document RTLS received via email on service connect in the meantime.	Principal Officer -Repairs and Maintenance	Oct-22	A generic email address has been set up. This has been raised with the service provider and is currently under review however an extension is required for this to be completed.	Dec-22	Dec-22 - Established surveys are on Service Connect. Need to establish how to forms can be completed for orders raised by Lifeline. Currently not using 24hr diary on Service Connect	Aug-23	No further progress has been made	Dec-23
2022/23	Responsive Repairs - Emergency Repairs Q1	10. Processes are put in place to ensure all emergency call out data is captured and can then be accurately reported to the Senior Leadership Team and Housing Management Advisory Board.	High	Agreed as per Recommendation	Repairs and Investments Manager and Principal Officer -Repairs and Maintenance	Mar-23	Mar-23 - Provided a report from lifeline and requested extension to write a process for reporting to SLT.	Jun-23	June 23 - Due to other commitments this recommendation has not been implemented and an extension requested to Nov 2023.	Nov-23		
2022/23	Planned Maintenance Qtr1 - Major Adaptations	Workflow processes are reviewed and updated. Key procedures are documented to support the workflow processes, as necessary, and should support relevant policies and the residents' handbook. The procedures and processes are made accessible to staff.	Medium	Agreed as per Recommendation	Principal Officer – Investment and Programme Delivery	Apr-23	Apr-23 - not implemented	Oct-23				
2022/23	Responsive Repairs - Routine Repairs Q2	1. Target dates detailed in the Tenants Repair Guide should accurately reflect the amended target dates set by the authority, which need be comply with legislative dates set for repairs.	High	A review of the Tenants Repair Guide is currently in progress. Additionally, the electronic system will be checked to ensure that all repair timescales are in line with legislation.	Repairs and Investment Manager	Mar-23	Mar-23 - Tenants guide has been updated and is to be approved by HMAB in March 23 Apr-23 - Tenants Guide approved by Board. Three-day tickets on system need amending.	Jul-23	Aug-23 Extension requested to carry out checks.	Nov-23		
2022/23	Responsive Repairs - Routine Repairs Q2	2. Management undertake a review of routine repair orders to establish the extent of the backlog, trends and the reasons behind delays in fulfilling our repairs obligations. Based on the findings a course of action should be establish, documented and executed.	High	The service has undertaken multiple failed recruitment processes for operative resources. Additional contracts have been brought on board to support delivery, including T&S Heating	Repairs and Investment Manager	Apr-23	Apr-23 - not implemented	Sep-23				

				Ltd to support general works, and Newey Electrical Installations Ltd to support electrical works. Monitoring and analysis of repairs not completed in target timescales will be undertaken on a monthly basis.								
2022/23	Responsive Repairs - Routine Repairs Q2	3. Procedures are put in place to ensure that the repairs team accelerate matters, particularly following inspections, follow up reports (from contractors and operatives) and where defect notices and complaints are received, these should all be fully investigated, action taken and appropriately documented.	High	A new process for capturing works needed as a follow on from inspections will be put in place. A disrepair works completion tracker has been designed and will be utilised going forward. Operatives now have to complete a works completion survey at the close of each job. This will support an accurate record of completed works.	Principal Officer – Repairs and Maintenance	Mar-23	Mar-23 - Not implemented. Extension requested due to implementation of a contract.	Aug-23	Aug-23 - A tracker has been put in place but the decision on how to log repairs and written procedures need to be agreed and implemented.	Nov-23		
2022/23	Responsive Repairs - Routine Repairs Q2	4. Order monitoring processes are put in place to ensure orders (including contractor orders) are appropriately progressed, completed or cancelled.	Medium	In addition to the above (rec 3) a process will be introduced to identify stagnant orders.	Principal Officer – Repairs and Maintenance	Jan-23	Jan-23 - Request from the Principal Officer for Repairs recommendation be deferred until Aug 2023.	Aug-23	Aug-23 - Liaising with the Housing System Teams to get a report developed to show out of target orders for contractors.	Nov-23		
2022/23	Responsive Repairs - Routine Repairs Q2	5. Management review the cost of installing key safes and ensure the full cost (materials and labour) is recouped through the lifeline payments package.	Medium	Agreed.	Principal Officer - Repairs and Maintenance	Jan-23	Jan-23 - Request from the Principal Officer for Repairs recommendation be deferred until Aug 2023.	Aug-23	In progress – further extension requested to fully implement	Nov-23		
2022/23	Responsive Repairs - Routine Repairs Q2	8. Management consider introducing a KPI to manage and monitor the aged repairs orders.	Medium	Agreed	Principal Officer - Repairs and Maintenance	Mar-23	Mar-23 - Not implemented. Extension requested due to implementation of a contract.	Aug-23	Aug-23 - The Government has introduced a new regime of KPIs that will have to reported annually, produced quarterly. Appropriate reports need to be established as per Rec 4 before this can be implemented.	Nov-23		
2022/23	Planned Maintenance Qtr2 - Heating	2. A review of the QL system is completed to ensure that all data is accurately recorded and updated appropriately.	Medium	Monthly uploads will be completed of installation dates by the housing systems team. Manual updates to the system have	Repairs and Investments Manager	Jun-23	June-23 - Due to other commitments this recommendation has not been implemented and an extension requested to November 2023.	Nov-23				

				commenced.								
2022/23	Payroll	A report should be produced, at least annually, and issued to Heads of Service/ Managers to confirm the accuracy of the establishment.	High	In the short term an accurate establishment report is being compiled by ICS with a view to it being the responsibility of HR, when fully staffed.	Information Technology Delivery Manager/ Information Development Manager HR	01/05/2023 HR to then do annually	May-23 HR Payroll Finance and IT are meeting on a fortnightly basis to check progress on this task. An initial report has been taken from the system and is being checked between Finance and IT.	Jul-23	Aug-23 – still awaiting a full establishment report to be produced, confirmed, and actioned where appropriate.	Oct 23		
2022/23	Benefits	2. System access is regularly reviewed to ensure that Officers have appropriate access permissions in accordance with their role.	Medium	Agreed	Customer Experience Manager.	Apr-23	May-23 - A review of users has been completed but due to the groupings being unknown, a review of permissions has not yet been completed.	Aug-23	Currently working with Capita to ensure the accuracy of access, however it is reliant on Capita to provide the information.	Dec-23		
2022/23	Council Tax	2. As part of the annual access review, the contract officer reviews access levels and confirms with managers that that access is appropriate to the job role. The contract officer should have an understanding of the access level groups to enable them to complete this task.	Medium	Agreed	Customer Experience Manager.	Apr-23	May-23 - A review of users has been completed but due to the groupings being unknown, a review of permissions has not yet been completed.	Aug-23	Currently working with Capita to ensure the accuracy of access, however it is reliant on Capita to provide the information.	Dec-23		
2022/23	Treasury Management	4. Officers are reminded of the requirement to update the Insurance Officer of any changes within their service which could have an impact on the insurance cover.	Medium	Agreed - The Insurance Officer will send out quarterly reminders to officers regarding updating of any changes. The Insurance Officer will also send out an annual review to relevant officers to confirm that insurance is correct and appropriate. It is also intended that the Insurance Officer will attend meetings with services to discuss and agree insurance arrangements, and that an introduction to insurance will be included in the new starter induction programme.	Insurance Officer	Jun-23	Jun-23 - Confirmation from Council's insurers confirming that they do not need to be made aware of changes in roles midterm as long as the overall levels of cover required do not change and all of your security and vetting procedures remain the same.		Customer Experience Manager to review with the Insurance officer and ensure implementation is carried out.	Dec-23		

INTERNAL AUDIT PERFORMANCE INDICATORS

PERFORMANCE MEASURE	POSITION AS AT 7 SEPTEMBER 2023	COMMENTS
Delivery of 2023/24 Audit Plan	9%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	2 responses received for 2023/24
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%	



INTERNAL AUDIT CHARTER

Charnwood Borough Council

Version Control

Author	Date	Action
Lisa Marron Audit Manager	May 2020	Aligned Charter for all authorities.
Lisa Marron Audit Manager	September 2021	Reference to Seven Principles of Public Life added. Section 13 changed from Consulting and Advisory work to Nature of Services, assurance definition added (13.1) and the purpose of our work explained (13.2). 9.4 added to confirm approach to work for organisations outside of the shared service.
Kerry Beavis Audit Manager	September 2022	Minor amendment of job title.
Kerry Beavis Audit Manager	September 2023	Minor amendment of job title.

Contents

1	Introduction	1
2	Definitions	1
3	Mission and Purpose of Internal Audit	2
4	Professionalism.....	2
5	Scope of Internal Audit.....	3
6	Authority of Internal Audit.....	3
7	Responsibility of Internal Audit.....	4
8	Reporting Lines	4
9	Independence and Objectivity.....	5
10	Accountability	6
11	Internal Audit Resources	6
12	Management Responsibilities.....	7
13	Nature of Services	8
14	Role of Internal Audit in Fraud-Related Work.....	9
15	Relationships	9
16	Quality Assurance	10
17	Records Retention.....	10
18	Review.....	10

1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 place a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), Attribute Standard 1000, require that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter (hereafter referred to as the Charter), consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The chief audit executive is required to periodically review the Charter and present it to senior management and the 'board' for approval. Final approval of the Charter resides with the 'board'.
- 1.3 The Charter establishes the Internal Audit activity's position within the Council, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

2 Definitions

- 2.1 In line with the PSIAS:

Internal auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

- 2.2 For the purpose of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At this Council this shall mean the Audit Committee.

Senior Management – those responsible for leadership and direction of the Council.

At this Council this shall mean the Senior Leadership Team (SLT).

Chief Audit Executive –the person in a senior position responsible for effectively managing the internal audit activity in accordance with the

internal audit charter and the PSIAS. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications.
At this Council the Chief Audit Executive is the (Shared Service) Audit Manager.

3 Mission and Purpose of Internal Audit

3.1 In line with the PSIAS the mission of Internal Audit is:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

3.2 The purpose of Internal Audit is to review, appraise and report on the adequacy of risk management, control and governance processes across the Council.

4 Professionalism

4.1 The Internal Audit activity will govern itself by adherence to the PSIAS. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

4.2 The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member in addition to the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics from the International Professional Practices Framework. The Core Principles are:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

4.3 Internal Auditors who work in the public sector must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk.

5 Scope of Internal Audit

5.1 There are no restrictions placed upon the scope of Internal Audit's work. Internal Audit work will usually include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risk associated with areas under review and making proposals for improving the management of risks;
- appraising the effectiveness and reliability of the risk management framework and recommending improvements where necessary;
- assisting management and members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations and programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned; and
- reviewing the operations of the Council in support of the Council's Anti-Fraud and Corruption policy.

6 Authority of Internal Audit

6.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, this Charter and the Council's Constitution. Internal Audit staff have the authority to:

- enter any Council owned or occupied premises or land at all reasonable times (subject to any legal restrictions outside the Council's control);
- have access at all times to the Council's records, documents and correspondence;
- require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
- require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.

- 6.2 The Chief Audit Executive shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.
- 6.3 All employees and members are requested to assist the Internal Audit activity in fulfilling its roles and responsibilities.

7 Responsibility of Internal Audit

- 7.1 The Chief Audit Executive will be responsible for maintaining an adequate and effective internal audit function. The Internal Audit function will operate in accordance with the Public Sector Internal Audit Standards.
- 7.2 Internal Audit will have the responsibility to review, appraise and report as necessary on:
- the adequacy and effectiveness and application of internal controls, governance and risk management processes and systems;
 - the extent of compliance with financial regulations and standing orders and approved policies and procedures of the Council plus the extent of compliance with external laws and regulation; and
 - the extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from waste, inefficient administration, poor value for money, fraud or other cause.

8 Reporting Lines

- 8.1 Day to day management of the Internal Audit team will be performed by the Chief Audit Executive. The Chief Audit Executive reports to the Board for organisational purposes but will report significant audit findings and audit progress directly to the Section 151 Officer. The Chief Audit Executive will keep the Section 151 Officer and the Board informed of progress and developments on a regular basis.
- 8.2 The Internal Audit team is employed by North West Leicestershire District Council and sits within the Legal and Support Services Team reporting to the Head of Legal and Support Services. The performance of Internal Audit is also monitored by the Head of Governance and Human Resources who is the contract manager.
- 8.3 The Chief Audit Executive has free and unfettered access to the Chief Executive, Section 151 Officer, Monitoring Officer and Chair of the Audit Committee. The Chief Audit Executive will communicate and interact directly with the Board, including in and between Board meetings as appropriate.

9 Independence and Objectivity

- 9.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice. Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that Internal Auditors do not subordinate their judgement on audit matters to others.
- 9.2 To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the Internal Audit activity:
- retains no executive or operational responsibilities;
 - operates in a framework that allows unrestricted access to senior management and the Board;
 - reports in their own name;
 - rotates responsibilities for audit assignments (where possible) within the Internal Audit team;
 - completes individual declarations confirming compliance with rules on independence and conflicts of interest; and
 - has a planning process which recognises and addresses potential conflicts of interest through Internal Audit staff not undertaking an audit for at least two years in areas where they have had previous operational roles.
- 9.3 If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to senior management and the Board. The nature of the disclosure will depend upon the impairment.
- 9.4 There may be times when Internal Audit are asked to provide audit services for other organisations outside of the shared service. The nature of this work will be formally set out and agreed in advance and, in line with the shared service inter-authority agreement, all partners will be consulted to ensure there are no conflicts of interest or objections to the work.

10 Accountability

- 10.1 The Chief Audit Executive shall be accountable to the Board and the S151 Officer for:
- providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
 - reporting significant issues related to the processes for controlling the activities of the Council and its affiliates,

- including recommendations and status of implementation of improvements;
- periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit's function's resources; and
- co-ordination with other significant assurance functions.

11 Internal Audit Resources

- 11.1 The Chief Audit Executive will be professionally qualified (CIMA, CCAB or equivalent) and have wide Internal Audit and management experience, reflecting the responsibilities that arise from the need to liaise with Members, senior management, and other professionals, both internally and externally.
- 11.2 The Director of Finance, Governance and Contracts (S151 Officer) will provide the Chief Audit Executive with the appropriate resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.
- 11.3 The Chief Audit Executive will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications, and experience required to deliver the audit plan.
- 11.4 The annual plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Audit Executive can propose an increase in audit resource or reduction in the coverage if insufficient resources are available.

12 Management Responsibilities

- 12.1 An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Board and Senior Management are mandating management to co-operate with Internal Audit in the delivery of the service by:
- agreeing audit engagement plans no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
 - sponsoring each audit at senior management level;
 - providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
 - responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the audit team;
 - implementing agreed management actions in accordance with the agreed timescales; and

- updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in processes and systems, newly identified significant risks and cases of a criminal nature.

12.2 Whilst the annual Internal Audit report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit will be agreed with the Board at the beginning of the year and presented in the annual Internal Audit plan (and subsequent agreed amendments). As such, the annual Internal Audit opinion does not replace responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

13 Nature of Services

13.1 The Public Sector Internal Audit Standards define assurance as

“An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.”

13.2 In general the main purpose our work will be to provide assurance services to report to the shared service Councils and their Audit Committees. There may be times when our assurance is required by others for example it may be relied upon by partners of the shared service Councils or by Central Government for grant certification work. In all cases this will be clearly set out through engagement plans or grant declarations as appropriate.

13.3 The Public Sector Internal Audit Standards allow that Internal Audit may sometimes be more usefully focussed towards providing advice rather than assurance of core controls. Where appropriate, Internal Audit will act in a consultancy/advisory capacity by providing guidance and advice for strengthening the control environment, providing:

- the objectives of the consulting/advisory engagement address governance, risk management and control processes to the extent agreed upon with the Council;
- the scope of the consulting/advisory engagement has been clearly defined;
- Internal Audit is considered to have the rights skills, experience and available resource;
- management understand that the work being undertaken is not Internal Audit work; and

- Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.

13.4 When performing consultancy/advisory services, the auditor must maintain objectivity and not take on a management responsibility. The Chief Audit Executive is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Board.

14 Role of Internal Audit in Fraud-Related Work

14.1 The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with senior management. An annual programme of internal audits is designed to assist this process by highlighting areas where controls are inadequate or are not operating.

14.2 All fraud investigations will be conducted in accordance with the Council's Constitution, Anti-Fraud and Corruption Policy and the Confidential Reporting (Whistleblowing) Policy.

14.3 All cases of suspected fraud and/or irregularity should also be reported to the Chief Audit Executive, with the exception of benefit fraud which should be reported to the Department of Work and Pensions. This is to ensure that appropriate action is taken and to enable the Chief Audit Executive to fully answer External Audit queries relating to the International Standard on Auditing (ISA) 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements".

15 Relationships

15.1 The Chief Audit Executive and Internal Audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.

- **Relationships with Management**
The Chief Audit Executive and Internal Audit staff will maintain effective relationships with managers of the Council. Regular meetings will be held with key stakeholders and management will be consulted with during the audit planning process. Timing of audit engagements will be in conjunction with management.
- **Relationships with External Audit**

Internal Audit have an established working relationship with the current external auditors which includes periodic meetings and plans and reports are shared.

- **Relationships with Regulators and Inspectors**
The Chief Audit Executive and Internal Audit staff will take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Chief Audit Executive will establish a dialogue with representatives of the appropriate inspection agencies.
- **Relationships with Elected Members**
The Chief Audit Executive will establish a working relationship with members, in particular members of the Audit Committee. The Chief Audit Executive has the opportunity to meet with the Chair of the Audit Committee if required.

16 Quality Assurance

16.1 The Public Sector Internal Audit Standards require that the audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. The results are included in the Internal Audit Annual Report.

16.2 Internal Assessments

All Internal Audit engagements are subjected to a thorough internal peer review of quality, to ensure that its work meets the standards expected from the Internal Audit staff. For example, the internal file quality reviews cover the following:

- the work is planned and undertaken in accordance with risks associated with areas under review;
- sampling is undertaken in accordance with the agreed methodology; and
- the conclusions are fully supported by detailed work.

16.3 Internal Audit performance is also monitored in the following ways:

- quarterly progress reports to the Board and senior management team;
- customer satisfaction surveys following each audit;
- monthly meetings with the S151 Officer; and
- monthly meetings with the Head of Governance and Human Resources.

16.4 External Assessments

An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive will discuss options for the assessment with senior management including the S151 Officer and the Board.

17 Records Retention

- 17.1 Audit engagement records will be retained for six years. This is in line with Local Government Association guidance.

18 Review

- 18.1 The Internal Audit Charter will be reviewed annually by the Chief Audit Executive and presented to Senior Management and the Board for approval if any significant changes are identified.

AUDIT COMMITTEE - TUESDAY, 19 SEPTEMBER 2023

Report of the Head of Governance & Human Resources

Part A

UPDATE ON THE IMPLEMENTATION OF THE CIPFA POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES AND POLICE 2022

Purpose of Report

To update members on the work that is ongoing to ensure that the Council complies with CIIPFA's Position Statement: Audit Committees in Local Authorities.

Recommendation

1. The Committee recommends to Council a change to the constitution from one independent member to two independent members of the Audit Committee
2. That the Committee agree the process for the recruitment of the independent member to the Committee following the change to the constitution

Reasons

- 1 & 2. To ensure that the committee meets its statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

Policy Justification and Previous Decisions

CIPFA have update their Position Statement to promote best practice and provide clear guidance for local authorities to maximise the effectiveness of their Audit Committees. The guidance is not legislative but CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements.

Implementation Timetable including Future Decision

The committee is required to report annually on how it has complied with the position statement, discharged its responsibilities, and include an assessment of its performance.

Report Implications

Financial Implications

None

Risk Management

There are no specific risks associated with this report.

Equality and Diversity

None identified

Climate Change and Carbon Impact

None identified

Crime and Disorder

None identified

Publicity Arrangements

Not applicable.

Consultations

Not applicable.

Links to the Corporate Strategy

Caring for the Environment	No
Healthy Communities	No
A Thriving Economy	No
Your Council	Yes

Background Papers: CIPFA’s Position Statement: Audit Committees in Local Authorities and Police 2022 (appendix A of attached report)

Officer to contact: Kerry Beavis
Audit Manager
Tel: 01509 634806
Kerry.Beavis@charnwood.gov.uk

Part B

In May 2022, the Chartered Institute of Public Finance & Accountancy (CIPFA) published a revised and updated edition of the document Position Statement: Audit Committees in Local Authorities and Police 2022. In support of the statement CIPFA also released guidance documentation in October 2022.

The report updates the committee on the steps towards compliance with the statement.

Appendices

Appendix 1

CIPFA's POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES AND POLICE 2022

1. INTRODUCTION

- 1.1 At its meeting on 25 April 2023, the Audit Committee considered the Chartered Institute of Public Finance & Accountancy (CIPFA) updated Position Statement: Audit Committees in Local Authorities and Police 2022.
- 1.2 The Committee were advised that the Guidance continued to include a strong focus on the factors that supported improvement in the working of audit committees. This included the knowledge and skills that Audit Committee members require and an emphasis on where the Audit Committee can add value. It also provided practical support in evaluating the existing Committee and planning any improvements identified.

2. CO-OPTED INDEPENDENT MEMBER

- 2.1 The CIPFA updated Position Statement recommends that “audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise”. There is no legislative direction for Borough Councils.
- 2.2 To enable the authority to meet the best practice set down by CIPFA the constitution of the authority needs to be amended to enable the committee to appoint two co-opted independent members.
- 2.3 The working group met on 13 June 2023 where it was agreed to develop a person specification/ job description to enable the authority to meet the best practice detailed within the Position Statement, included at appendix A

3. TRAINING NEEDS

- 3.1 The training plan was discussed at the working group meeting held 13 September and the proposals for training will be presented to the committee at the next meeting.

CHARNWOOD BOROUGH COUNCIL

APPOINTMENT OF INDEPENDENT MEMBER FOR AUDIT COMMITTEE

Charnwood Borough Council is committed to the highest standards of corporate governance, and our Audit Committee is a key part of ensuring that we meet those standards. The Council is currently looking to appoint an independent co-opted member of the Committee, to become a part of its work in promoting excellence in governance, risk management, financial reporting and counter fraud.

Independent Members will be expected to actively participate in meetings of the Audit Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making. As part of this rewarding role, they will support the Council's Audit Committee in providing independent assurance to the members of Charnwood District Council, and its wider citizens and stakeholders.

Independent Members are non-voting members of the Committee, who assist in overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, and reviewing and assessing the governance, risk management and control of the authority.

The terms of reference for the Audit Committee can be found in the Council's Constitution which is published on our website.

About you

The Audit Committee is seeking an independent member with a wide range of skills and experience. The ideal candidate would have a strong knowledge of one or more of financial management, governance and control, possibly with a background in audit or finance in public services or the not-for-profit sector.

The Independent Member will be appointed for a four-year period. We have a preference for candidates who have either lived or worked within the Borough or have a connection to the Borough.

Successful candidates will be expected to attend approximately five Committee meetings per year, which take place at the council offices, Southfield Road, Loughborough. They will also need to commit sufficient time to read Committee papers in advance of these meetings, liaise with the Chair and to undertake occasional training alongside the other Committee members.

Independence

A person can only be an independent person if that person:

- is not a member, co-opted member or officer of the authority, or has been within the last 5 years;
- is not a member, co-opted member or officer of a parish council of which the authority is the principal authority, or has been within the last 5 years;
- is not a relative or close friend, of a person within (a) and (b) as detailed below;

- has submitted an application form in response to an advert for the position at the authority;
- in addition to be eligible for appointment, a person must not be disqualified from holding office as a Member of the Council. Accordingly, any person who is recommended for appointment will be required to confirm that he/she is not disqualified.

The regulations say that a ‘relative’ means:

- a) the other person’s spouse or civil partner;
- b) living with the other person as husband and wife or as if they were civil partners;
- c) a grandparent of the other person;
- d) a lineal descendant of a grandparent of the other person;
- e) a parent, sibling or child of a person within paragraph (a) or (b);
- f) the spouse or civil partner of a person within paragraph (c), (d) or (e), or
- g) living with a person within paragraph (c), (d) or (e) as husband and wife or as if they were civil partners.

Selection Criteria

The ideal candidate for the position will:

1. Be willing and able to commit the necessary time to the role;
2. Have up to date skills, knowledge and experience within at least one of the fields covered within Audit Committee, i.e. internal audit, risk management, governance, accounting, anti-fraud and corruption;
3. Have good interpersonal skills, including good communication skills both written and oral and the ability to co-operate with others in a committee setting.
4. Have independence of mind, objectivity and impartiality.
5. Contribute proactive, proportionate, independent thought and listen to, and balance, advice;
6. Have a commitment to the general principles governing the conduct of Councillors generally and work to high behavioural standards, demonstrating honesty, probity and integrity;
7. Not be a serving local government officer or councillor;
8. Have no personal, legal or contractual relationship with Charnwood Borough Council (including employees or Members or former staff), or any other relationship / activity which might represent a conflict of interest or perceived conflict of interest.

Desirable additional criteria are:

1. A suitable professional or management qualification (in internal audit, risk management, governance, accounting or other relevant discipline)

2. An understanding of the complexity of issues surrounding audit, risk management, governance and finance in local government.
3. An understanding of the Council's vision, priorities and objectives
4. An ability to understand complex situations and reports, as well as the statutory background to those reports, and ask appropriate questions of officers.
5. Have a broad range of experience, possibly in public, private, voluntary or charitable sector employment or service including self-employed, employed and voluntary positions.
6. Promotes the work of Audit Committee and areas falling under its terms of reference;
7. Have a connection with Charnwood Borough, e.g. resident, workplace, own a business etc.

Remuneration

Co-opted independent members do not receive an allowance but are entitled to claim for reasonable travelling and subsistence expenses in undertaking their role.

Means of assessment

Application form and by interview.

If you are interested in becoming an Independent Member of the Audit Committee, we would be delighted to hear from you. Please apply by completing the application form, outlining why you are interested in this opportunity and how your skills and experience relate to the role to: XXXXXXXXX

Selection of candidates will be strictly in accordance with the selection criteria and desirable additional criteria outlined in this pack and will be based on the information contained in your application only, as supported by references. It is suggested therefore that you include information on how you meet the criteria.

Your application will be acknowledged, and you will be advised as to whether you have been selected for interview or not in due course.

Please note that interviews for the role will be held on the XXXXXXXX at XXXXXXXXX

**APPLICATION FOR APPOINTMENT AS AN INDEPENDENT MEMBER
OF THE AUDIT COMMITTEE**

1 PERSONAL DETAILS
TITLE:
FULL NAME:
HOME ADDRESS:
CONTACT TELEPHONE NO:
EMAIL:
2 Have you ever been a Councillor, co-opted member or officer of Charnwood Borough Council or a Councillor, co-opted member or officer of a parish or town council which falls within Charnwood Borough Council?
YES/NO
<i>If your answer to this question is yes, please give the date on which you ceased to be a Member or employee.</i>
3 Are you related to, or a close friend of, a member or employee of Charnwood Borough Council?
YES/NO
<i>If your answer to this question is yes, please give details below</i>
4 Are you or have you ever been a Councillor or officer of any other local authority?
YES/NO
<i>If your answer to this question is yes, please give details below.</i>
5 Are you, or have you been a member of a political party?
YES/NO
<i>If the answer to this question is yes, please give details below</i>
6 Please indicate whether there is any matter concerning your own conduct which, if it were generally known, might affect public confidence in your ability to contribute to the work of the Audit Committee.
YES/NO
<i>If your answer to this question is yes, please give details below.</i>
7 Please confirm that you are able to meet the attendance requirements of the role i.e. attending early evening meetings in person at the designated Council venue.
YES/NO

8 Please say why you wish to be considered for the post of Independent Member and what you could offer the Council. Give brief details of your experience (e.g. employment / business / professional /voluntary/ public service) and qualifications, and any other matter which you consider relevant to your suitability for appointment.

Please also explain how you meet the person specification outlined in this application pack.

References: Please give the name, address, and telephone number of two referees who are not related to you and are not members of a town or parish council within Charnwood Borough and who are able to comment on your suitability for appointment. (Your referees will be contacted without further notice to you unless you indicate to the contrary).

Referee 1	
Name:	
Address	
Contact Email / Number:	
Referee 2	
Name:	
Address	
Contact Email / Number	

Data Protection Act
 Information from this form will be processed in accordance with the Data Protection Act 2018. In signing it you agree to this data being held and processed and if appointed to the position you also agree to further personal information, including sensitive data (e.g. bank details) being held and processed by Charnwood Borough Council in accordance with the Act.

DECLARATION

I wish to be considered for appointment as an Independent Member of the Audit Committee and confirm that, if appointed, I will undertake to observe the code of conduct for councillors and co-opted members of Charnwood Borough Council, as adopted by the Council.

The information which I have given is true and complete to the best of my knowledge and belief.

NAME	
DATE	

Please return the completed application form to:

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

AUDIT COMMITTEE - TUESDAY, 19 SEPTEMBER 2023

Report of the Head of Governance & Human Resources

Part A

COUNCIL'S USE OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA)

Purpose of Report

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 June 2023 to 31 August 2023.

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

Financial Implications

None.

Risk Management

There are no specific risks associated with this decision.

Equality and Diversity

None identified.

Climate Change and Carbon Impact

None identified.

Crime and Disorder

None identified.

Wards Affected

None directly.

Publicity Arrangements

Not applicable.

Consultations

Not applicable.

Links to the Corporate Strategy

Caring for the Environment	No
Healthy Communities	No
A Thriving Economy	No
Your Council	Yes

Background Papers: None

Officer to contact: Adrian Ward
Head of Governance and Human Resources
Tel: 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 JP.
4. At its meeting on 9th February 2023 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 June 2023 to the 31st August 2023 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 – 19th September 2023

Report of the Head of Transformation, Strategy and Performance

Part A

ITEM XX RISK MANAGEMENT (STRATEGIC 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 2023/24.

Recommendation

The Committee notes the report.

Reason

To ensure the Committee is kept informed of progress against the Strategic Risks. Noting that should the risks occur they would cause the Council to be unable to operate and/or provide key services leading to a significant effect on public wellbeing.

Policy Justification and Previous Decisions

The Strategic Risk Register was approved by Cabinet on the 9th March 2023.

Cabinet resolved that the Audit Committee monitor progress against those risks on the register by receiving and considering 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 9th March 2023 – Item 12

Officers to contact:

Helen Gretton
Head of Transformation, Strategy and Performance
(01509) 634556
helen.gretton@charnwood.gov.uk

Part B

Background

1. In accordance with the work programme the Committee receives quarterly monitoring reports regarding the Council's risk management arrangements. The reports provide a detailed commentary against the risks included in the Strategic Risk Register and identify any changes to the risk rating and any updated treatments and controls.

Development of the Strategic 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 – the inherent 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, this is the residual risk.
3. The register continues to be monitored and reviewed by the Senior and Corporate Leadership Teams at the quarterly Risk Management Group (RMG) meetings, and is updated as required. The most recent meeting of the RMG was 5th July 2023.
4. In addition the 2023/24 Strategic Risk Register was approved by Cabinet on the 9th March 2023 – item 12 refers.
5. The notable changes made to the Strategic Risk Register following the Risk Management Group are outlined on the table below;

Risk		Section	Details
SR1	Business Continuity	Current Treatments and Controls	<p>Joined with other Leicestershire Districts in recruiting a shared Countywide Business Continuity Officer - the partnership are currently recruiting</p> <p>Possibility of Industrial Action across the organisation and in third party contractors</p>
SR4	Staffing	Current Treatments and Controls	<p>Local Government Pay Award – still outstanding for NJC for 2023</p> <p>Establishment of Recruitment and Retention Working Group</p>
SR4	Staffing	Planned Future actions	Target date changed from September 2023 to December 2023

Risk		Section	Details
SR5	Governance	Current Treatments and Controls	Modern.gov had now been rolled out which provided good democratic governance Also reflected in the Actions
SR7	Data Security	Planned Future Actions	Action now completed
SR9	Climate Change	Current Treatments and Controls	Presenting the new Strategy to Cabinet in September 2023 Also reflected in the actions
SR10	External Factors	Current Treatments and Controls	The implectation of voter ID is now completed, further requirements of the Elections Act to be introduced Reviewing the requirements of Martyn's Law
SR11	Housing Demand	Current Treatments and Controls	Respond to the consultation regarding the Falcon Centre, Loughborough Recruitment of Head of Landlord Services

5. Attached at **Appendix A** is the updated Strategic Risk Register (V0.3) for 2023/24 showing highlighted areas where the above changes are made.

Appendices

Appendix A - Strategic Risk Register 2023/24 – Version 3

Strategic Risk Register

OVERVIEW

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
SR1	Risk that there is a lack of adequate business continuity and recovery arrangements, leading to major internal and/or external disruption to services in the event of an incident (i.e. major ICT fail, fire etc), resulting in injury and/or loss of life and/or reputation	Director of Finance, Governance and Contracts	3	4	12	3	3	9
SR2	Risk that there is a lack of robust civil contingency arrangements established leading to a failure to respond appropriately to a major incident (e.g. flooding, terrorism etc) resulting in injury and/or loss of life	Chief Executive	4	4	16	3	3	9
SR3	Risk that there is a lack of external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives resulting in not being able to delivery services or being financially solvent	Director of Finance, Governance and Contracts	3	3	9	2	3	6
SR4	Risk that the Council does not attract suitable or capable staff or resources or there is a high sickness level or there are capacity issues from contractors and suppliers leading to a high number of vacancies or staff available resulting in poor service provision	Chief Executive	3	3	9	3	2	6
SR5	Risk that the Council does not follow its own governance procedures leading to failure to deliver services and/or value for money and/or it can be challenged through a legal	Chief Executive	2	3	6	2	2	4

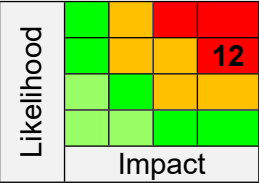
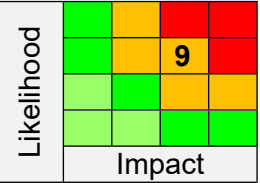
Strategic Risk Register

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
	process leading to service delivery issues and/or reputation damage and/or criminal charges							
SR6	Risk that partnerships with key stakeholders are not developed or maintained leading to a failure to deliver shared outcomes and a lack of delivery to the public resulting in service delivery issues and/or reputational damage	Chief Executive	2	2	4	1	2	2
SR7	Risk that adequate data sharing and data security arrangements are not implemented leading to an increase in cyber-attacks resulting in service disruption or data loss or damage	Director of Finance, Governance and Contracts	3	3	9	2	3	6
SR8	Risk that the Council does not establish effective strategic communication arrangements leading in the public not being informed about Council activity resulting in reputational damage	Chief Executive	3	3	9	2	3	6
SR9	Risk that the Council does not lead by example and manage the ongoing impact of climate change leading to a lower than anticipated reduction in carbon output	Chief Executive	2	3	6	2	2	4
SR10	Risk that new legislation or external factors cause negative financial or reputational impact on the Council leading to a reduction in service provision (i.e., Environment Bill) resulting in service delivery issues and/or reputational damage	Chief Executive	3	4	12	3	3	9
SR11	Risk that there is an inability to meet increased housing demand arising from inflationary pressures, and asylum and	Chief Executive	3	4	12	3	3	9

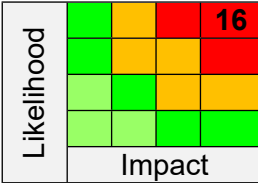
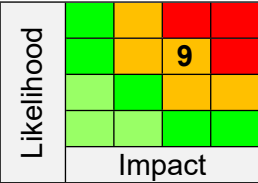
Strategic Risk Register

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
	refugee dispersal, in the context of constrained supply of public and private rented sector housing resources, leading to increased homelessness and associated costs, services unable to meet demand, and consequential reputational damage.							

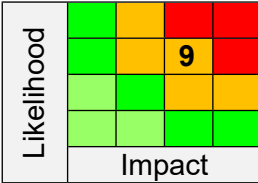
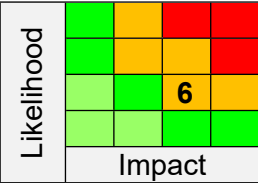
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR1-Business Continuity Risk that there is a lack of adequate business continuity and recovery arrangements, leading to major internal and/or external disruption to services in the event of an incident (i.e. major ICT fail, fire etc), resulting in injury and/or loss of life and/or reputation	Strategic	<ul style="list-style-type: none"> Inability to deliver key/critical services e.g. benefits, refuse collection, homelessness applications, emergency repairs. Reduction in access channels available to residents / customers i.e. contact centre, customer services, telephony 			Remains the same
Current Treatments and Controls	<ul style="list-style-type: none"> Business Continuity Planning IT Disaster Recovery Plan Website hosted externally Off-site data back-up arrangements Stand-by generator for ICS building and back up power for the Southfields site Cloud based telephony infrastructure Contingency planning for failure of major contractor Joined with other Leicestershire Districts in recruiting a shared Countywide Business Continuity Officer - the partnership are currently recruiting Possibility of Industrial Action across the organisation and in third party contractors 				
Risk Owner	Director of Finance, Governance and Contracts				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Link to work regarding concurrent incidents Update Business Continuity Plans		<u>Responsible Officer:</u> Head of Governance and HR		<u>Target Date:</u> Ongoing
	Link to workforce mental health		Head of Transformation, Strategy and Performance		Ongoing

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR2-Civil Contingencies Risk that there is a lack of robust civil contingency arrangements established leading to a failure to respond appropriately to a major incident (e.g. flooding, terrorism etc) resulting in injury and/or loss of life	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 • Extending the recovery phase longer than necessary • Dealing with the COVID pandemic will have a negative effect on the management of concurrent incidents 			Remains the same
Current Treatments and Controls	<ul style="list-style-type: none"> • Participation in the Local Resilience Partnership and Forum (LRP and LRF) • Appropriate emergency and incident planning in place • Regular testing and exercising of emergency plans • Training and awareness for relevant staff • 24/7 call-out arrangements for senior managers (SLT / CLT) • Participation in county-wide Events Safety Group (SAG) • Reviews periodically undertaken within current Treatments and Controls 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u>	<u>Responsible Officer:</u>	<u>Target Date:</u>		

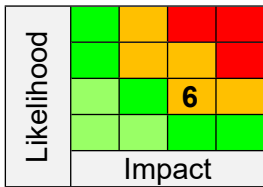
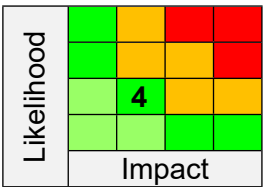
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR3 – Funding Risk that there is a lack of external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives resulting in not being able to delivery services or being financially solvent	Strategic	<ul style="list-style-type: none"> • Inability to meet demand for services • Inability to meet statutory duties • Ceasing or reducing some services 			Direction of Travel increased due to impact of the revenue from the Town Hall and Car Parks
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 • Maintenance of reserves at specified required levels • Monitor, consider and respond to government proposals affecting budgets and/or income • Monitor the implications of the COVID pandemic on the financial situation • Active work around Supported Living costs • Establishment of Structural Deficit Group • Review the financial risks to third party contractors 				
Risk Owner	Director of Finance, Governance and Contracts				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Monitor inflationary pressures	<u>Responsible Officer:</u> Strategic Director - Commercial Development, Asset and Leisure	<u>Target Date:</u> Ongoing		

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																																												
SR4 – Staffing Risk that the Council does not attract suitable or capable staff or resources or there is a high sickness level or there are capacity issues from contractors and suppliers leading to a high number of vacancies or staff available resulting in poor service provision	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>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></td><td></td><td></td><td>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>6</td><td>Yellow</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></td><td></td><td></td><td>Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	6	Yellow	Red		Green	Green	Yellow	Yellow		Green	Green	Green	Green		Green	Green	Green	Green					Impact	Remains the same
Likelihood	Green	Yellow	Red	Red																																																													
	Green	Yellow	9	Red																																																													
	Green	Green	Yellow	Yellow																																																													
	Green	Green	Green	Green																																																													
	Green	Green	Green	Green																																																													
				Impact																																																													
Likelihood	Green	Yellow	Red	Red																																																													
	Green	6	Yellow	Red																																																													
	Green	Green	Yellow	Yellow																																																													
	Green	Green	Green	Green																																																													
	Green	Green	Green	Green																																																													
				Impact																																																													
Current Treatments and Controls	<ul style="list-style-type: none"> • Benchmarking with other Districts • Seeking guidance from established organisations such as Jobs Go Public, East Midlands Councils, District Councils Network and Local Government Association – especially relating to services which are hard to recruit to • Marketing the Council / Local Authority • Local Government Pay Award – still outstanding for NJC for 2023 • Establishment of Workforce Board and associated work programme • Establishment of Recruitment and Retention Working Group 																																																																
Risk Owner	Chief Executive																																																																
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Internal review of Recruitment	<u>Responsible Officer:</u> Head of Transformation, Strategy and Performance	<u>Target Date:</u> December 2023																																																														

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR5 – Governance Risk that the Council does not follow its own governance procedures leading to failure to deliver services and/or value for money and/or it can be challenged through a legal process leading to service delivery issues and/or reputation damage and/or criminal charges	Strategic	<ul style="list-style-type: none"> Financial damage Reputational damage Not complying with legislation 			Remains the same
Current Treatments and Controls	<ul style="list-style-type: none"> Annual review of the constitution Ensure that the Council’s processes address the governance requirements Established governance arrangements for Risk Management, Performance Management, Projects and Programme Management Modern.gov had now been rolled out which provided good democratic governance Annual governance statement Internal audit programme External Audit process 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Roll out of the Modern.gov software	<u>Responsible Officer:</u> Head of Governance and HR	<u>Target Date:</u> April 2023 – COMPLETED		

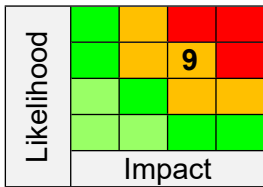
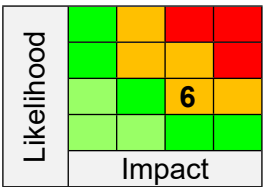
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																												
SR6 – Partnerships Risk that partnerships with key stakeholders are not developed or maintained leading to a failure to deliver shared outcomes and a lack of delivery to the public resulting in service delivery issues and/or reputational damage	Strategic	<ul style="list-style-type: none"> • Reputational Damage • Lack of joined up working • Damage to relationships with partners • Assess the impact of the lightbulb project review 	<table border="1"> <tr><td rowspan="5">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 style="text-align: center;">4</td><td>■</td><td>■</td></tr> <tr><td>■</td><td>■</td><td>■</td><td>■</td></tr> <tr><td></td><td colspan="4" style="text-align: center;">Impact</td></tr> </table>	Likelihood	■	■	■	■	■	■	■	■	■	4	■	■	■	■	■	■		Impact				<table border="1"> <tr><td rowspan="5">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>■</td><td>■</td></tr> <tr><td>■</td><td style="text-align: center;">2</td><td>■</td><td>■</td></tr> <tr><td></td><td colspan="4" style="text-align: center;">Impact</td></tr> </table>	Likelihood	■	■	■	■	■	■	■	■	■	■	■	■	■	2	■	■		Impact				Remains the same
Likelihood	■	■	■		■																																												
	■	■	■		■																																												
	■	4	■		■																																												
	■	■	■		■																																												
		Impact																																															
Likelihood	■	■	■	■																																													
	■	■	■	■																																													
	■	■	■	■																																													
	■	2	■	■																																													
		Impact																																															
Current Treatments and Controls	<ul style="list-style-type: none"> • Joint working with key organisations with clearly identified terms of reference and joint outcomes • Up to date contact details within partner organisations • Six monthly parish clerk meetings • Community Safety Partnership Review • Consider Partnership Register • Maintain relationships across Leicester, Leicestershire and Rutland • Strategic Partner reviews • Maintain an overview of the budget situation of key partners within Leicestershire 																																																
Risk Owner	Chief Executive																																																
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Map and register partnerships and shared services	<u>Responsible Officer:</u> Chief Executive	<u>Target Date:</u> Ongoing																																														

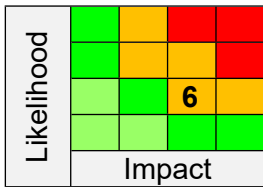
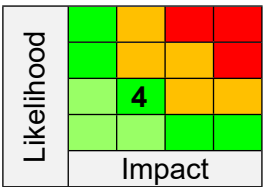
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																																												
SR7 – Data Security Risk that adequate data sharing and data security arrangements are not implemented leading to an increase in cyber-attacks resulting in service disruption or data loss or damage	Strategic	<ul style="list-style-type: none"> • Ineffective processes for sharing data with other agencies / authorities leading to data breaches • Reputational damage and loss of public confidence • Potentially significant fines • Increased risk due to the operating processes and people possibly taking documents home 	<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>6</td><td>Yellow</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	6	Yellow	Red		Green	Green	Yellow	Yellow		Green	Green	Green	Green		Green	Green	Green	Green		Impact				Direction of travel improved due to more robust treatments and controls
Likelihood	Green	Yellow	Red	Red																																																													
	Green	Yellow	9	Red																																																													
	Green	Green	Yellow	Yellow																																																													
	Green	Green	Green	Green																																																													
	Green	Green	Green	Green																																																													
	Impact																																																																
Likelihood	Green	Yellow	Red	Red																																																													
	Green	6	Yellow	Red																																																													
	Green	Green	Yellow	Yellow																																																													
	Green	Green	Green	Green																																																													
	Green	Green	Green	Green																																																													
	Impact																																																																
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 training and awareness for staff and councillors • Data Protection Impact Assessment form developed and circulated • IT security policies in place • Policies are reviewed on a regular basis • Information Security Group established with CLT • Checking the location of data storage post Brexit – EU / UK • Cyber Security insurance procured • Increased move to the Cloud • Review CPNI Information • ICS Manager has undertaken a qualification regarding cyber security 																																																																
Risk Owner	Director of Finance, Governance and Contracts																																																																
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Procure and mobilise document management system in Housing – to be rolled out across the authority	<u>Responsible Officer:</u> ICS Manager / Landlord Services Manager	<u>Target Date:</u> April 2023 – COMPLETED																																																														

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR8 – Communication Risk that the Council does not establish effective strategic communication arrangements leading to the public not being informed about Council activity resulting in reputational damage	Strategic	<ul style="list-style-type: none"> • Reputational damage • Adverse social media coverage • Damage to relationships with partners • Damage to staff morale 			Remains the same
Current Treatments and Controls	<ul style="list-style-type: none"> • Adequately staffed and experienced corporate communications team • Communications Strategy and Plan in place • Regular monitoring of all media sources • Continue to expand social media use and reach • ‘Horizon scanning’ for potential communication issues at each Corporate Leadership Team meeting and as part of the Corporate Delivery Plan setting • Joint working with partners including LRF Comms Cells • Monitor the effectiveness of communications channels and posts 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Completion of the actions within the Communications Plan	<u>Responsible Officer:</u> Communications Manager	<u>Target Date:</u> End 2023/24		

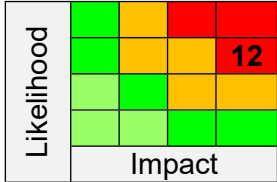
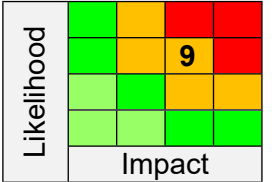
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR9 – Climate Change Risk that the Council does not lead by example and manage the ongoing impact of climate change leading to a lower than anticipated reduction in carbon output	Strategic	<ul style="list-style-type: none"> • Reputational damage • Environmental damage 			Remains the same
Current Treatments and Controls	<ul style="list-style-type: none"> • Cabinet pledge regarding climate change • Climate Change Action Plan • Caring for the Environment as a Corporate Strategy Theme and associated actions • Delivery of the new Strategy • Presenting the new Strategy to Cabinet in September 2023 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Completion of the Climate Change Action Plan		<u>Responsible Officer:</u> Director of Commercial and Economic Development		<u>Target Date:</u> September 2023

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																												
SR10 – External Factors Risk that new legislation or external factors cause negative financial or reputational impact on the Council leading to a reduction in service provision (i.e., Environment Act) resulting in service delivery issues and/or reputational damage	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></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>9</td><td></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							9											Impact				Remains the same
Likelihood																																																	
					12																																												
	Impact																																																
Likelihood																																																	
			9																																														
	Impact																																																
Current Treatments and Controls	<ul style="list-style-type: none"> Monitoring legislation through Parliament Liaise with other Districts Reviewing and understand the financial implications Regular briefings to Cabinet The impeletation of voter ID is now completed, further requirements of the Elections Act to be introduced Reviewing the requirements of Martyn’s Law 																																																
Risk Owner	Chief Executive																																																
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Environment Act – monitoring		<u>Responsible Officer:</u> Head of Contracts: Leisure, Waste and Environment / Head of Regulatory and Community Safety		<u>Target Date:</u> Ongoing																																												
	Supported Accommodation programme legislation		Director of Housing and Wellbeing / Director of Customer Experience		Ongoing																																												
	Potential Planning changes		Head of Planning		Ongoing																																												

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR11 – Housing Demand Inability to meet increased housing demand arising from inflationary pressures, and asylum and refugee dispersal, in the context of constrained supply of public and private rented sector housing resources, leading to increased homelessness and associated costs, services unable to meet demand, and consequential reputational damage.	Strategic	<ul style="list-style-type: none"> Financial damage Reputational damage 			Initially established
Current Treatments and Controls	<ul style="list-style-type: none"> Review the acquisitions process for HRA property Work with local lettings agents and landlords to increase the supply of private rented sector accommodation Work with developers to provide more affordable housing through the planning system Council stock used a temporary accommodation Action plan in place to support faster re-let of HRA property Work with local advice and support agencies to prevent / reduce homelessness Review of low demand (sheltered and non-sheltered) HRA properties to ensure the best use of stock Develop an action plan to support faster void turnaround / faster letting of HRA properties (temporary and long term placements) Review of Housing Needs team staffing resources and service procedures to increase resilience and efficiency Respond to the consultation regarding the Falcon Centre, Loughborough Recruitment of Head of Landlord Services 				

Strategic Risk Register

Risk Owner Planned Future Actions and Responsible Officer(s).	Chief Executive		
	<u>Description:</u> Review of housing development strategy	<u>Responsible Officer:</u> Head of Strategic Housing	<u>Target Date:</u> 2023/2024
	Review of Homelessness and Rough Sleeping Reduction Strategy		2023/2024

AUDIT COMMITTEE – 19th September 2023

Report of the Head of Finance

Lead Member: Councillor Ashcroft

Part A

TREASURY MANAGEMENT QUARTER 1 UPDATE REPORT

Purpose of Report

This report reviews the Treasury Management Strategy and the Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first three months of the year from April – June 2023.

Recommendations

That it be recommended that Audit Committee note this report as set out in part B.

Reasons

To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the CIPFA code of practice for Treasury Management 2021. It recommends that members be updated on treasury management activities at least quarterly, the report ensures this Council is implementing best practice in accordance with the code.

Policy Justification and Previous Decisions

The Capital Strategy including the Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy, Prudential & Treasury Indicators must be approved by Council each year and on a quarterly basis. This review is set out in the attached report as Part B. The Strategy for the year was approved by Council on 27th February 2023.

Implementation Timetable including Future Decisions and Scrutiny

This report will be presented to Audit Committee on 19th September 2023.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications arising from this report.

Risk Management

There are no direct risks arising from the recommendation in this report. Risks associated with the Treasury Policy, etc and in general are set out within Part B.

Key Decision: No

Background Papers: None

Officer to contact: Lesley Tansey
Head of Finance
01509 634828
Lesley.tansey@charnwood.gov.uk

1. Economics update – (Appendix 3)

- Summary of the first quarter of 2023/24 saw:
 - A 0.2% month on month rise in real GDP in April, partly due to fewer strikes;
 - CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7;
 - Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
 - A tighter labour market in April, as the 3myy growth of average earnings rose from 6.1% to 6.5%;
 - Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
 - 10-year gilt yields nearing the “mini-Budget” peaks, as inflation surprised to the upside.
- The tighter labour market supported wage growth in April, although the 9.7% rise in the National Living Wage on 1st April (compared to the 6.6% increase in April last year) probably had a lot to do with it too. The 3myy rate of average earnings growth reaccelerated from 6.1% to 6.5% (consensus 6.1%) and UK wage growth remains much faster than in the US and the Euro-zone. In addition, regular private sector wage growth increased from 7.1% 3myy to 7.6%, which left it well above the Bank’s forecast for it to fall below 7.0%. Overall, the loosening in the labour market appears to have stalled in April and regular private sector wage growth was well above the Bank’s forecast.
- CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn’t rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.

Monetary Policy Committee meetings 11th May and 22nd June 2023

- On 11th May, the Bank of England’s Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22nd June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.
- Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon. Talk of the Bank’s inflation models being “broken” is perhaps another reason why gilt investors are demanding a premium relative to US and Euro-zone bonds, for example.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has already hiked short-term rates to a range of 5.00%-5.25%, but a further increase is pencilled in for July, whilst the ECB looks likely to raise its Deposit rate at least once more to a peak of 3.75%, with upside risk of higher to come.

- **2. Interest rate forecasts**

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast, made on 26th June, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

You will note that our forecasts have steadily increased during the quarter as the data continued to spring upside surprises, and the Bank of England continued to under-estimate how prevalent inflation is, and how tight the labour market is. The Government has also noted that despite immigration increasing markedly, high levels of ill-health amongst the workforce has led to wage demands remaining strong until such time as there is a loosening in demand for business services.

The current PWLB rate forecast below are based on the Certainty Rate.

Link Group Interest Rate View 26.06.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was previously updated on 25th May and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened to a degree, especially as it moved to a more aggressive 0.5% hike in June but, with inflation remaining elevated, we anticipate that Bank Rate will need to increase to at least 5.5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.
- Moreover, we also still anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged. Our current judgment is that rates will have to increase and stay at their peak until the second quarter of 2024 as a minimum.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine and whether there are any further implications for Russia itself following the recent aborted mutiny by the Wagner group.
- On the positive side, consumers are still estimated to be sitting on excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

- Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since our previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, the rising gilt yields we have seen of late).
- **The Bank of England** increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.
- **A broadening of banking sector fragilities**, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening by 0.5%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.

Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

3. Annual Investment Strategy

The Treasury Management Strategy Statement, (TMSS), for 2023/24, which includes the Annual Investment Strategy was approved by this Council on 27th February 2023, in accordance with the CIPFA Treasury Management code of Practice, it sets out the councils' investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the table below, the interest rate and investment rates show the first quarter rates of 2023/24, and these are expected to improve further as Bank Rate continues to increase over the next few months to the end of the financial year and then to reduce slightly.

FINANCIAL YEAR TO QUARTER ENDED 30/06/2023							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	5.00	4.93	4.93	4.57	4.38	4.10	3.14
High Date	22/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023
Low	4.25	4.18	4.18	4.02	3.81	3.32	2.27
Low Date	03/04/2023	04/04/2023	11/04/2023	03/04/2023	03/04/2023	03/04/2023	03/04/2023
Average	4.44	4.37	4.34	4.27	4.11	3.74	2.70
Spread	0.75	0.75	0.75	0.55	0.57	0.78	0.87

Creditworthiness.

There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

Investment counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS prices

For UK banks, these have retreated from the spikes caused by the Truss / Kwarteng policy approach in September. Prices are not misaligned with other creditworthiness indicators, such as credit ratings. **Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.**

Investment balances

The level of funds available for internal investment purposes as at 30th June 2023 was **£60m. (Appendix 1)** These funds are available on a temporary basis, and the level of funds available are mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

4. Compliance with Treasury and Prudential Limits

The Operational Boundary borrowing limits and the Authorised limits are part of the prudential guidelines and these limits remain as they were previously reported in the Treasury Management Strategy 2023.

The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be similar to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under borrowing by other cash resources.

<i>Operational boundary</i>	<i>2023/24 Budget £'000</i>	<i>2022/23 Actual £'000</i>
Debt	108,090	89,190
Non-financial investments	15,000	0
Total	123,090	89,190

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected

maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit	2023/24 Budget £'000	2022/23 Actual £'000
Debt	120,000	89,190
Non-financial investments	15,000	0
Total	135,000	89,190

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the *quarter ended* 30th June 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Director of Finance, Governance and Contracts reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

Prudential Indicator for Capital Expenditure

The Capital Expenditure below is shown as reported to Finance & Performance Committee on 12th September 2023 for Period 4 April-July which provides a more up to date position of spend against budget for General Fund and HRA.

The General Fund full year capital budget is £25,663k, Period 4 profiled budget is £8,554k compared to spend of £3,287k, 38% with an underspend of £5,267k.

The HRA Full year capital budget is £15,369k, Period 4 profiled budget is £5,123k compared to spend of £2,948k, 58% with an underspend of £2,175k.

Capital Summary	Full Year Budget	Period 4 Budget	Period 4 Actual Spend	Period 4 Variance under/(Over)	Period 4 % Spend against Budget
General Fund	25,663	8,554	3,287	5,267	38
HRA	15,369	5,123	2,948	2,175	58
	41,032	13,677	6,235	7,442	46
General Fund Split					
GF Live Schemes	8,631	2,877	2,795	82	97
GF Provisional Schemes	15,087	5,029	0	5,029	0
GF 3rd Party/S106 Schemes	1,945	648	492	156	76
Total	25,663	8,554	3,287	5,267	38

Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	30th June 2023 £'000
Debt	
General Fund	2,000
HRA	79,190
Gross Debt	81,190
Less investments/Cash	(60,335)
Total Net Debt	20,855
CFR	106,622

5. Borrowing

The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions; however, Table below shows the Council has actual borrowings in 2022/23 of £81,190m, this is £2m of an external loan which matures in 2024 and £79,190 HRA Debt.

The table shows that the Council has complied with the prudential indicator in the current year and does not envisage difficulties in the future.

	2023/24 Budget £'000	2022/23 Actual £'000
External Debt at 1 April	81,190	81,190
Expected change in Debt	15,000	0
Actual debt at 31 March	96,190	81,190
Capital Financing Requirement	120,429	106,030
Under borrowing	24,239	24,840

6. Debt Rescheduling.

Debt rescheduling opportunities have increased significantly in the current quarter where gilt yields, which underpin PWLB rates and market loans, have risen materially. Members will be advised if there is value to be had by rescheduling or repaying a part of the debt portfolio. No debt rescheduling is planned in the current financial year. No new external borrowing has also been undertaken.

Appendices

Appendix 1: Portfolio of investments as at 30th June 2023

Appendix 2: Approved countries for investments as at 30th June 2023

Appendix 3: Economic Update as at 30th June 2023

Appendix 4: Glossary of Terms

Investment Portfolio - Appendix 1

Investments held as at 30 June 2023	Maturity Date	£000	Interest Rate
Bayerische Landesbank	05/07/2023	5,000	4.14%
Lloyds Bank Corporate Markets	24/07/2023	3,000	4.36%
Close Brothers	28/07/2023	2,000	4.10%
Oversea-Chinese Banking Corporation Ltd	08/09/2023	5,000	4.35%
Lloyds Bank Corporate Markets	02/10/2023	5,000	4.88%
Lloyds Bank Corporate Markets	14/11/2023	3,000	4.99%
SMBC Bank International	14/11/2023	3,000	4.84%
Close Brothers	28/11/2023	3,000	5.00%
Landesbank Hessen-Thuringen Girozentrale	30/11/2023	5,000	4.47%
Standard Chartered Bank – Sustainable Deposit	12/10/2023	3,000	4.72%
Landesbank Hessen-Thuringen Girozentrale	10/05/2024	3,000	5.01%
Federated Hermes Money Market Fund	1 Day Notice	12,000	4.73%
Aberdeen Money Market Fund	1 Day Notice	3,335	4.79%
Total Managed Internally		55,335	
Lothbury Property Fund	n/a	2,500	n/a
Hermes Property Fund	n/a	2,500	n/a
Total Managed Externally		5,000	
TOTAL TREASURY INVESTMENTS		60,335	

Internal Investment performance year to date as at 30th June 2023 (Excludes Property Funds)

Benchmark	Sonia Ave 90 day backward looking	Council Performance	Internal Investment Interest Earned (Excl Property Funds)
3 month	4.11%	4.76%	£630k

SONIA: the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking option used is a 90 day backward-looking average SONIA un compounded rate that reflects the investment yield curve at the time an investment decision was taken. This shows that the Council have outperformed this benchmark for quarter 1.

Property Funds

Property Funds performance table below for the first quarter has produced a net return of 0.83% for Lothbury & 1% for Hermes this compares to the Property fund benchmark 365 day backward looking compounded rate for property funds of 0.347%, currently both fund returns are higher in quarter 1. The projected annual return based on quarter 1 would provide a net return of 3.70% which is lower than the money market returns on investments.

To note both Property funds market valuations are currently below the original fund values and current market analysis suggests this will recover, we are therefore closely monitoring these two property funds.

**Property Funds
2023/24 Quarter 1**

Property Fund	Date Acquired	Original Cost £000	Entry Fee £000	Total Original Cost £000	Current Valuation Q1 £000	Current Valuation Gain/(Loss) £000	Total Interest Received Year to Date £000	Interest Received Q1 £000	Gross Return on Property Fund Q1 %	Expenses Deducted Q1 £000	Net Return on Property Fund Q1 %
Lothbury	01/03/2018	2,417	84	2,501	2,034	(383)	23	23	1.11	6	0.83
Federated Hermes	26/07/2018	2,500	119	2,619	2,286	(214)	24	24	1.05	1	1.0
Total		4,917	203	5,120	4,320	(597)	47	47		7	

IFRS 9 fair value of investments

Following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. 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.

Approved countries for investments as of 30th June 2023 – Appendix 2

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France (downgraded by Fitch on 9th May 2023)
- Qatar
- **U.K.**

Economics Update - Appendix 3 (link Asset Services)

- The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March's 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year. Some of the strength in April was due to fewer strikes by train workers and teachers in that month. Moreover, some of the falls in activity in other areas in April were probably temporary too. Strikes by junior doctors and civil servants contributed to the fall in health output (0.9% m/m) and the meagre 0.1% m/m increase in public administration.
- The fall in the composite Purchasing Managers Index (PMI) from 54.0 in May to a three-month low of 52.8 in June (>50 points to expansion in the economy, <50 points to contraction) was worse than the consensus forecast of 53.6. Both the services and manufacturing PMIs fell. The decline in the services PMI was bigger (from 55.2 to 53.7), but it remains consistent with services activity expanding by an annualised 2%. The fall in the manufacturing PMI was smaller (from 47.1 to 46.2), but it is consistent with the annual rate of manufacturing output falling from -0.8% in April to around -5.0%. At face value, the composite PMI points to the 0.1% q/q rise in GDP in Q1 2023 being followed by a 0.2% q/q gain in Q2 2023.
- Meanwhile, the 0.3% m/m rise in retail sales volumes in May was far better than the consensus forecast of a 0.2% m/m decline and allowed the robust 0.5% m/m rise in

April. Some of the rise was due to the warmer weather. Indeed, the largest move was a 2.7% m/m jump in non-store sales, due to people stocking up on outdoor-related goods. But department stores also managed to squeeze out a 0.6% m/m rise in sales and the household goods sub-sector enjoyed a reasonable performance too. Overall, the figures were far better than analysts had expected. In addition, the GfK measure of consumer confidence rebounded from -27 to a 17-month high of -24 in June.

- The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year. Our central assumption is that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024. Our colleagues at Capital Economics estimate that around 60% of the drag on real activity from the rise in rates has yet to bite, and the drag on the quarterly rate of real GDP growth over the next year may be about 0.2ppts bigger than over the past year.
- The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than the consensus had expected. The three-month change in employment rose from +182,000 in March to +250,000 in April. Meanwhile, labour supply continued to recover as the size of the labour force grew by 303,000 in the three months to April. That was supported by a further 140,000 decline in inactivity as people returned to work from retirement and caring responsibilities (while inactivity due to long-term sick continued to rise). But it was not enough to offset the big rise in employment, which meant the unemployment rate fell from 3.9% to 3.8%
- The tighter labour market supported wage growth in April, although the 9.7% rise in the National Living Wage on 1st April (compared to the 6.6% increase in April last year) probably had a lot to do with it too. The 3myy rate of average earnings growth reaccelerated from 6.1% to 6.5% (consensus 6.1%) and UK wage growth remains much faster than in the US and the Euro-zone. In addition, regular private sector wage growth increased from 7.1% 3myy to 7.6%, which left it well above the Bank's forecast for it to fall below 7.0%. Overall, the loosening in the labour market appears to have stalled in April and regular private sector wage growth was well above the Bank's forecast.
- CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn't rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.
- This suggests the Bank may have more work to do than the Fed or ECB. Indeed, the Bank of England sounded somewhat hawkish in the June meeting. This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave

rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.

- That said, the Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that “the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting”. Moreover, the Committee did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. We still think it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, we think rates are more likely to peak between 5.50-6.00%. Our forecast is also for rates to be cut in the second half of 2024, and we expect rates to then fall further than markets are pricing in.
- Growing evidence that UK price pressures are becoming increasingly domestically generated has driven up market interest rate expectations and at one point pushed the 10-year gilt yield up to 4.49% in late June, very close to its peak seen after the “mini-budget”. Yields have since fallen slightly back to 4.38%. But growing expectations that rates in the UK will remain higher for longer than in the US mean they are still more than 70 bps above US yields. While higher interest rates are priced into the markets, the likely dent to the real economy from the high level of interest rates is not. That’s why we think there is scope for market rate expectations to fall back in 2024 and why we expect the 10-year PWLB Certainty Rate to drop back from c5.20% to 5.00% by the end of this year and to 4.20% by the end of 2024.
- The pound strengthened from \$1.24 at the start of April to a one-year high at \$1.26 in early May, which was partly due to the risks from the global banking issues being seen as a bigger problem for the US than the UK. The pound then fell back to \$1.23 at the end of May, before rising again to \$1.28 in the middle of June as the strong core CPI inflation data released in June suggested the Bank of England was going to have to raise rates more than the Fed or ECB in order to tame domestic inflation. However, sterling’s strong run may falter because more hikes in the near term to combat high inflation are likely to weaken growth (and, hopefully, at some point inflation too) to such a degree that the policy rate will probably be brought back down, potentially quite quickly, as the economic cycle trends downwards decisively. This suggests that additional rate hikes are unlikely to do much to boost the pound.
- In early April, investors turned more optimistic about global GDP growth, pushing up UK equity prices. But this period of optimism appears to have been short-lived. The FTSE 100 has fallen by 4.8% since 21st April, from around 7,914 to 7,553, reversing part of the 7.9% rise since 17th March. Despite the recent resilience of economic activity, expectations for equity earnings have become a bit more downbeat. Nonetheless, further down the track, more rate cuts than markets anticipate should help the FTSE 100 rally.

Monetary Policy Committee meetings 11th May and 22nd June 2023

- On 11th May, the Bank of England’s Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22nd June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.

- Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon. Talk of the Bank's inflation models being "broken" is perhaps another reason why gilt investors are demanding a premium relative to US and Euro-zone bonds, for example.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has already hiked short-term rates to a range of 5.00%-5.25%, but a further increase is pencilled in for July, whilst the ECB looks likely to raise its Deposit rate at least once more to a peak of 3.75%, with upside risk of higher to come.

Glossary of Terms - Appendix 4

Capital Financing Requirement

CFR is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

Operational Boundary

The operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Authorised Limit for External Debt

A further key prudential indicator represents a control on the maximum level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Gross External Debt

This is the total amount borrowed by the Council at a point in time.

Net Borrowing

Net borrowing is gross external debt less investments.

Loans

In this mid-year (and previously) interest receivable has exceeded interest payable for the General Fund producing a negative number for net interest payable and a somewhat odd-looking negative ratio; this can be construed as indicating that the Council has no issues servicing General Fund loans at this time.

AUDIT COMMITTEE - TUESDAY, 19 SEPTEMBER 2023

Report of the Director Finance, Governance and Contracts

WORK PROGRAMME

Purpose of Report

To enable the Committee to consider its Work Programme.

Actions Requested

That the Committee considers any items that it wishes to add to or amend, in its work programme for future meetings.

Reason

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.

Amendments since the last meeting

The Work Programme agreed at the last meeting of the Committee is attached as an appendix for the consideration of the Committee with the following amendments since the last meeting:

- The IT Annual Health-check moved within the Work Programme to be considered annually in July going forward, rather than April;
- Addition of Financial Statements training will take place before the Committee's Accounts meeting in November 2023 on a date to be arranged;
- Treasury Management training will take place before the Committee meeting scheduled in January 2024 on a date to be arranged;
- Change of report title for consideration at this meeting held on 19th September 2023 from 'External Audit Progress Report and Technical Update' to also include the wording 'Audit Strategy Memorandum' to reflect the report content;
- Addition of item titled 'IT Health-Check – Update on ICT Recommendation' – a verbal update to be given by the Audit Manager and Director of Customer Experience at this meeting held on 19th September 2023;
- Addition of item titled: 'Update on the implementation of the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022' for the Committee's consideration at this meeting held on 19th September 2023, and will provide an update on the working group;
- Removal of the annual July item 'Allowances and Expenses claimed by Councillors' which will instead be closely monitored by both Democratic Services and Payroll and any identified issues brought back to the Committee.

Report Implications

Financial Implications

None.

Risk Management

None.

Equality and Diversity

None identified.

Climate Change and Carbon Impact

None identified.

Crime and Disorder

None identified.

Wards Affected

Not applicable.

Publicity Arrangements

Not applicable.

Consultations

Not applicable.

Links to the Corporate Strategy

Caring for the Environment	No
Healthy Communities	No
A Thriving Economy	Yes
Your Council	Yes

Key Decision: No

Background Papers: None

Appendix: Work Programme

Officer to contact: Rebecca Dobson
Democratic Services Officer
01509 634502
rebecca.dobson@charnwood.gov.uk

WORK PROGRAMME

MEETING DATE	ISSUE	OFFICER / INVITEE	COMMENTS
19th Sep 2023	External Audit Progress Report and Technical Update – Audit Strategy Memorandum	External Auditor (Mazars)	External Audit Business <i>Standing item (every meeting)</i>
	IT Health Check – Update on ICT Recommendation	Audit Manager and Director of Customer Experience	<i>Verbal update (new item)</i>
	Internal Audit Plan – Progress	Audit Manager	<i>Standing item (every meeting)</i>
	Update on the implementation of the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022	Audit Manager	<i>Requested by Audit Manager</i>
	Council's Use of Regulation of Investigatory Powers Act (RIPA)	Head of Governance & HR	<i>Standing item (every meeting)</i>
	Risk Management (Risk Register)	Head of Transformation, Strategy & Performance	<i>Standing item (every meeting)</i>
	Treasury Management Report (Q1)	Head of Finance	<i>Quarterly (new item)</i>

TBC Nov 2023	Financial Statements Training	TBC	<i>Suggest before November meeting</i>
21st Nov 2023	Annual Governance Statement & review of the Code of Corporate Governance	Head of Governance & HR	<i>Annually (Accounts meeting)</i>
	Statement of Accounts 2022/23	Head of Finance	<i>Annually (Accounts meeting)</i>
	Annual External Audit Completion Report 2022/23	External Auditor (Mazars)	<i>External Audit Business Annually (accounts meeting)</i>
	Treasury Management Mid-Year review (six months April to Sept)	Head of Finance	<i>Annually (last reported Nov 2022)</i>

TBC Jan 2024	Annual Treasury Management Training	Link Asset Services	<i>Suggest before Jan meeting</i>
30th Jan 2024	External Audit Progress Report and Technical Update	External Auditor (Mazars)	External Audit Business, (if required) <i>Standing item (every meeting)</i>
	Internal Audit Plan – Progress	Audit Manager	<i>Standing item (every meeting)</i>
	Council’s Use of Regulation of Investigatory Powers Act (RIPA)	Head of Governance & HR	<i>Standing item (every meeting)</i>
	Risk Management (Risk Register)	Head of Transformation, Strategy & Performance	<i>Standing item (every meeting)</i>
	2023/24 Capital Strategy, Treasury Management Statement, Annual Investment Strategy and MRP Strategy	Director of Finance Governance and Contracts / Head of Finance	<i>Annually, (January meeting)</i>
	Investment Performance Report – EXEMPT	Director of Commercial & Economic Development	<i>Reported every six months</i>
	Treasury Management Report (Q3)	Head of Finance	<i>Quarterly (new item)</i>

23rd April 2024	Internal Audit Plan – Progress	Audit Manager	<i>Standing item (every meeting)</i>
	External Audit Progress Report and Technical Update	External Auditor (Mazars)	External Audit Business, (if required) <i>Standing item (every meeting)</i>
	Council’s Use of Regulation of Investigatory Powers Act (RIPA)	Head of Governance & HR	<i>Standing item (every meeting)</i>
	Risk Management (Risk Register)	Head of Transformation, Strategy & Performance	<i>Standing item (every meeting)</i>
	2022/23 Internal Audit Draft Plan	Audit Manager	<i>Annually, (April meeting)</i> Internal Audit Business
	2022/23 Annual Audit Letter	External Auditor (Mazars)	<i>Annually, (April meeting)</i> External Audit Business
	External Quality Assessment of Internal Audit	Audit Manager	<i>Annually, (April meeting)</i>

July 2024	Election of Vice-chair	n/a	<i>Annually (1st meeting of new council year)</i>
	Annual IT Health Check (Code of Connection) -EXEMPT	Director of Customer Experience / Information Technology Delivery Manager	<i>Annually, (July meeting)</i>
	Internal Audit Plan – Progress	Audit Manager	<i>Standing item (every meeting)</i>
	Council’s Use of Regulation of Investigatory Powers Act (RIPA)	Head of Governance & HR	<i>Standing item (every meeting)</i>
	Risk Management (Risk Register)	Head of Transformation, Strategy & Performance	<i>Standing item (every meeting)</i>
	Antifraud & Corruption Strategy and Whistleblowing strategy	Head of Governance & HR	<i>Annually (July meeting)</i>
	Treasury Management (Q 4) Outturn Report	Head of Finance	<i>Annually (July meeting)</i>
	Investment Performance Report – EXEMPT	Director of Commercial & Economic Development	<i>Reported every six months (last reported 31 Jan 2023)</i>
	Environmental Audit (outcomes)	Director of Commercial & Economic Development / Sustainability Officer	<i>Annually (July meeting)</i> <i>Note: Six-month exception report where identified actions are not implemented by the target date.</i>
2022/23 Internal Audit Annual Report	Audit Manager	<i>Annually (July meeting)</i>	

2026	External Quality Assessment of Internal Audit	Audit Manager	<i>Every five years, last considered in Feb 2021</i>
------	---	---------------	--