



21 October 2020

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AUDIT COMMITTEE

A meeting of the Audit Committee will be held remotely, via Webex on **Thursday 29 October 2020 at 4.00pm**

Christine Gore
Interim Chief Executive

To: Members of the Audit Committee
(Councillors Stephen Andrews, Tony Berry, Patrick Coleman, Mark Harris, Roly Hughes, Nick Maunder, Ray Theodoulou)

Due to the current social distancing requirements and guidance relating to Coronavirus Regulations 2020 – Part 3 – Modification of meetings and public access requirements this meeting will be conducted remotely using Cisco Webex.

Members of the public will be able to follow the proceedings through a broadcast on [Facebook - Cotswold District Council](#) (You do not need a Facebook account for this).

Recording of Proceedings - The law allows the public proceedings of Council, Cabinet, and Committee Meetings to be recorded, which includes filming as well as audio-recording. Photography is also permitted.

As a matter of courtesy, if you intend to record any part of the proceedings please let the Committee Administrator know prior to the date of the meeting.

AGENDA

1. **Apologies**
2. **Substitute Members**
To note details of any substitution arrangements in place for the Meeting.
3. **Declarations of Interest**
To receive any declarations of interest from Members and Officers, relating to items to be considered at the meeting.
4. **Minutes**
To confirm the minutes of the meeting of the Committee held on 30 July 2020.
5. **Chair's Announcements** (if any)
6. **Public Questions**
To deal with questions from the public within the open forum question and answer session of fifteen minutes in total. Questions or supplementary questions from each member of the public should be no longer than two minutes each and relate issues under the Committee's remit.
7. **Member Questions**
To deal with written questions by Members, relating to issues under the Committee's remit, with the maximum length of oral supplementary questions at Committee being no longer than one minute. Responses to any supplementary questions will be dealt with in writing following the meeting.
8. **External Auditor Update Report**
9. **Internal Audit Annual Plan 2020/21 and Progress Report**
10. **Counter Fraud Unit Report**
11. **Corporate Risk Register Updates**
12. **Update on Sir Tony Redmond Report**
13. **Work Plan 2020/21**
14. **Other Business** which, in the opinion of the Chair, is urgent.

(END)

COTSWOLD DISTRICT COUNCIL

AUDIT COMMITTEE

30 JULY 2020

Present:

Councillors

Patrick Coleman

Chair

Stephen Andrews

Nick Maunder

Tony Berry

Ray Theodoulou

Mark Harris (joined the meeting at 4.50)

Apologies: Councillor Roly Hughes

Observers: Councillor Nikki Ind

AUD.1 SUBSTITUTION ARRANGEMENTS

There were no substitute arrangements.

AUD.2 DECLARATIONS OF INTEREST

There were no declarations of interest under the Code of Conduct for Members or Section 106 of the Local Government Finance Act 1992.

There were no declarations of interest under the Code of Conduct for Officers.

AUD.3 MINUTES

RESOLVED that the Minutes of the Meeting of the Committee held on 30 January 2020 be noted.

AUD.4 CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

AUD.5 PUBLIC QUESTIONS

No public questions had been received.

AUD.6 MEMBER QUESTIONS

No Member questions had been received.

AUD.7 EXTERNAL AUDITOR ASSURANCE

Grant Thornton had introduced a new team of external auditors to the Council, as the previous Audit Manager had moved across to Publica, in May 2020 and a new team had been put in place to ensure safeguards. The Director, and Senior Manager, had extensive knowledge of local government. The Director had brought this report to the Committee for comment as appropriate.

Members highlighted the following in the report:

- (a) the current Interim Chief Executive is also an Executive Director of Publica;
- (b) reference to the Corporate Plan and how the Council will deliver against the Corporate Strategy, including taking the Peer Review Report into account, will be the subject of a report which will be available in September, which Members were concerned that the Peer Review report should be shared with the Auditors, Officer indicated that this report would be shared with the Auditors;
- (c) it was recognised that the Council should meet its obligation regarding value for money and this will be reflected in the budget in February, together with information on the response to the Covid-19 emergency.

RESOLVED that the Audit Committee delegates responsibility to the Chief Finance Officer to complete the response to Grant Thornton, incorporating any changes approved at the meeting.

Record of Voting - for 5, against 0, abstentions 0, absent 2.

AUD.8 EXTERNAL AUDITOR REPORT

The Director of Grant Thornton introduced this report which set out a summary of risks identified on the Council's financial statements and value for money arrangements. He explained that the audit of the accounts will be done remotely as officers were continuing to work from home. Concerns relating to land and buildings and the value of those assets and investment properties, gaining assurance in those areas, carry out more work this year than other years. Looking at how the audit plan is delivered and how the pandemic had been responded to.

During discussion Members highlighted and questioned:

- (a) the pension fund was valued at the end of March 2020, and auditors will be challenging the pension fund position within the changes in the market and possible impact of Covid-19;
- (b) how decisions had been taken in relation to grants and loans and value for money;
- (c) the Chief Finance Officer would write to the PSAA in relation to the scales of fees. It was explained that the suggested fees were an estimate based on the information at a particular point in time;
- (d) The Council had a policy on risks dated 2018, and this should be taken into account when looking at risks, on how they are assessed and presented;

- (e) Materiality figures were 1.9% of spend, which for auditors was normally based on spend;

RESOLVED that the report be noted and the Committees strong disappointment with the proposed audit fee be recorded.

Record of Voting - for 6, against 0, abstentions 0, absent 1.

AUD.9 INTERNAL AUDIT OPINION REPORT

This report provided the Head of Internal Audit (SWAP Assistant Director) opinion of the adequacy and effectiveness of internal control within Cotswold District Council.

During discussion Members highlighted and questioned:

- (a) Cyber Security which was due in April 2020, and had an opinion of advisory.
- (b) Comments were made regarding the presentation of the report and in future could reports be presented in portrait rather than landscape;
- (c) A Follow-Up of the procurement audits have been undertaken and the reports are at draft.
- (d) Progress against recommendations and was there sufficient resource to complete the work required. If staff had been redeployed for the Covid-19 emergency, and now other work was becoming priority, this was resourced and funded, an example was given of the Head of Climate Action;
- (e) Summary of audit findings is due on 30 September 2020, the work is on track, accounts in credit had been undertaken;
- (f) Follow up audits on Revenue and Benefits had not been able to be undertaken due to work on Covid-19.
- (g) Revised audit plan will be presented to the Audit Committee in October including the Council's response to Covid-19.
- (h) Governance (Risk Management) and ICT (Cyber security) support the Council in respect of operational type audit.
- (i) The Chief Finance Officer requested that Internal Audit review the funding that the Leisure Service provider requested during Covid-19. Internal Audit had also supported the Council in areas such as data input for Business Grants, continuous assurance reporting and reviewing policies for the CFU.
- (j) Officers explained the reference in the report in relation to flooding in the Forest of Dean and why that related to the Council. Teams in Publica offer services across the partner councils and one audit may be undertaken across all the responsibilities of Publica and reported to the partner councils. The Chair highlighted that a column of where the responsibility lies with which Council, so when the work is finished the output is explained.

RESOLVED that the report and any comments made be noted.

AUD.10 CORPORATE RISK REGISTER UPDATES

The Chair asked the Committee to consider deferring this item to the next meeting as the report was not complete and if Members had comments to forward these to the Chief Finance Officer.

Members commented that all the risks were six months out of date and should be updated when the next report is presented to the Committee. More information as requested on the disruption to the Council on a no deal Brexit.

RESOLVED that the report be deferred to the next meeting on 29 October 2020.

AUD.11 ANNUAL TREASURY MANAGEMENT REVIEW 2019/20

The Chief Finance Officer explained that this was a regular report, the outturn position exceeded the target by £106,000 in 2019/20. It was noted that paragraph 7 at the top of page 67 of the report the outturn figure should have been 639,617, rather than £533,568.

Members questioned whether the report was relevant as it was as at 31 March 2020. Officers explained that this was the first opportunity to present the report. The pooled funds and to be considered as medium to long term investments, and will fluctuate in line with market conditions.

During discussion Members highlighted and questioned:

- (a) Were there plans to liquidate any of the £12.5 m of pooled investment funds, Officers explained that the funds would not need to be accessed in the medium term and this was something which was considered when investing money in to the REIT which also provides housing support for vulnerable people;
- (b) Investment levels had reduced as the Council had funded the purchase of new waste vehicles, and was using earmarked reserves to fund one-off projects, the Council could have borrowed for these vehicles, but did not because there was sufficient funds available as a result of capital receipts received during the year.
- (c) Members wanted it recorded that this was a good outcome for 2019/20.
- (d) Payden Sterling Reserve Fund – within an initial investment of £1 million, it had retained its value when sold at the end of March 2020 and gave a dividend of £7,538, in 2019/20.
- (e) The decline in the capital value of pooled investments was noted.

RESOLVED that the report be noted and comments forwarded to Full Council.

AUD.12 THE PUBLIC SECTOR SOCIAL IMPACT FUND

The report presented a treasury investment opportunity for the Council to invest in a specialist Public Sector Social Impact Fund. The fund would be investing in a diversified range of UK secured assets, would provide a positive social impact, and generate competitive market returns.

Members considered that more information was needed and alternatives should be investigated before any decisions were made, as there may be a better use for the monies, this may not be the right vehicle to invest in.

Members were requested to forward comments and queries to the Chief Finance Officer.

AUD.13 ANNUAL GOVERNANCE STATEMENT 2019/20

The draft version of the annual governance statement was presented to the Committee for consideration and comments. The final version would be presented to Committee in October with the audited Statement of Accounts.

Members acknowledged that this was an important document which would be supported by a separate piece of work in relation to Covid-19, although there did not appear to be any reference to the Peer Review in the report.

During discussion Members highlighted and questioned:

- (a) Communications – there was a need to clearly outline the purpose of this strategy and how items are measured against the strategy.
- (b) Scheme of delegation had been amended.
- (c) Performance reports to the Overview and Scrutiny Committee needed a review as the financial reports needed to link to the narrative.
- (d) An evaluation of exempt status of reports should be undertaken and a standard way of reviewing what is and is not exempt.

RESOLVED that the report be noted and any comments should be forwarded to the Chief Finance Officer.

At this point a vote at the 3 hour point in the meeting was taken. The vote was carried.

AUD.14 THE ROLE OF AUDIT COMMITTEE IN CODE OF CONDUCT AND STANDARDS MATTERS

Councillor Theodoulou informed the Committee that he was under investigation, although it was considered that he would remain in the meeting and take part in the discussion.

Members were informed that the Council had one independent person who had not been contactable for some time. The Monitoring Officer had been consulting the Independent person for the Forest of Dean when necessary. Members considered whether they should receive a future report via the Constitution Working Group to understand what options were available.

During discussion Members highlighted and questioned:

- (a) Article 8 of the Constitution sets out the responsibility of the Audit Committee in assisting the Monitoring Officer in investigations where necessary. Members welcomed the report on this and recognised that this was an urgent matter to be dealt with.
- (b) Parish Councillors are also referred to the Monitoring Officer, and Members considered that Committee should receive updates when necessary, to fulfil their role.
- (c) The Interim Chief Executive acknowledged that there were some anomalies that needed to be resolved and the present process of reporting to Committee needed to be reviewed. The Localism Act 2011 took away a lot of power and sanctions in relation to standards investigations.
- (d) Members considered that was an urgent issue which needed reviewing, with regular reports on the number of complaints, although recognised that involvement of the Committee remained limited. Officers would report to the Constitution Working Group at their scheduled meeting in August 2020.

RESOLVED that:

- (a) the report and comments made be noted;**
- (b) the role of Committee in relation to conduct/standards be reviewed;**
- (c) Committee makes recommendations to the Constitution Working Group on changes discussed during debate.**

AUD.15 RESPONSE TO THE LGA CONSULTATION ON THE MODEL MEMBER CODE OF CONDUCT

The report and response by the Monitoring Officer to the consultation was presented to the Committee. The Chair reminded Members to comment on this consultation.

RESOLVED that:

- (a) the report be noted;**
- (b) responses and comments to the draft consultation questionnaire at Annex B be submitted by individual Councillors;**
- (c) authorises the Monitoring Officer to submit a consultation response to the LGA on the Council's behalf.**

AUD.16 RESPONSE TO CONSULTATION ON PUBLIC WORKS LOAN BOARD

The Chief Finance Officer presented the report on the consultation which would be submitted following the Committee.

During discussion Members highlighted and commented

- (a) putting a small amount of money as seed funding into the Community Project scheme generates income within the local authority area to the benefit of local communities.
- (b) many councils borrow from the Public Works Loan Board, the Council should be looking at other funds to give a yield.
- (c) There was support for the Public Works Loans Board from Members.

RESOLVED that the report be noted.

AUD.17 STATEMENT OF ACCOUNTS 2019/20

The Chief Finance Officer presented the draft statement of accounts for comments and explained that if Members had any points of detail they should forward them to her within the next five weeks.

During discussion it was noted:

- (a) The pension fund had finally had a good year.
- (b) The Commercialisation Strategy would work over a 10 year period and be part of the Medium Term Financial Strategy. The name of this strategy may change in the final Statement of Accounts and Annual Governance Statement.
- (c) Some changes to the new homes bonus were taking place and detail on that would be received later in the year.

The Committee thanked Officers for their work on the Statement of Accounts and the Chair asked Members to forward comments to the Chief Finance Officer.

RESOLVED that comments made be noted.

AUD.18 WORK PLAN 2020/21

Committee noted the work plan and added the following items for consideration on 29 October 2020.

- (a) Corporate Risk Register
- (b) Code of Conduct – Standards Investigations
- (c) Statement of Accounts

AUD.19 OTHER BUSINESS

There was no other business that was urgent.

The Meeting commenced at 4.00 pm adjourned at 6.00pm, reconvened at 6.20pm and closed at 8.00pm

Chair
(END)



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE - 29 OCTOBER 2020
Report Number	AGENDA ITEM 8
Subject	EXTERNAL AUDITOR UPDATE REPORT
Wards affected	ALL
Accountable member	N/A
Accountable officer	Jenny Poole, Chief Finance Officer Tel: 01285 623313 Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	To receive an update report from Grant Thornton, the Council's external auditor.
Annexes	Annex A – Audit Progress Report and Sector Update
Recommendation/s	<i>To consider the Grant Thornton Audit Progress and Sector Update Report.</i>
Corporate priorities	Ensure that all services delivered by the council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Chief Finance Officer, Monitoring Officer, Interim Chief Executive.

1. BACKGROUND

- 1.1. Attached at Annex A is the Council's external auditor, Grant Thornton LLP, Audit Progress Report and Sector Update.

2. MAIN POINTS

- 2.1. The Committee are asked to consider the report. Officers from Grant Thornton will be available at the meeting to present the report and to answer any questions.

3. FINANCIAL IMPLICATIONS

- 3.1. There are no financial implications from this report.

4. LEGAL IMPLICATIONS

- 4.1. None directly from this report.

5. RISK ASSESSMENT

- 5.1. The Chief Finance Officer has requested that advanced notice is provided of any work which is likely to incur additional audit fees.

6. BACKGROUND PAPERS

- 6.1. None

Audit Progress Report and Sector Update

Cotswold District Council
Year ending 31 March 2020

16 October 2020



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Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at October 2020

Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in June 2020, and interim audit in July 2020. We began our work on your draft financial statements in August.

In June we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements. This was presented to those charged with governance at the Audit Committee on 30 July 2020.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 November 2020.

Current Progress

Our audit work to date is progressing well, and we are working with officers to ensure that all detailed testing will be completed by the end of October. Given the financial reporting impacts of Covid 19, there are two key areas where we need to more closely consider the response of the Council.

These are in relation to the treatment of the valuation of Property, Plant and Equipment (PPE) at year end and the requirement to demonstrate the appropriateness of the going concern assumption in relation to the Council. Both of these areas are a subject of national debate, and therefore these issues are not unique to Cotswold.

We have not identified any issues for reporting at this stage of the audit, although testing is in progress in the majority of areas.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

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

Details of our initial risk assessment was included in the audit plan, where we identified one significant risk in relation to future financial sustainability.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by 30 November 2020.

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation ran until 2 September 2020. The NAO will now analyse all consultation responses received and consider what changes are required to the draft guidance. Please see page 19 for more details.

Progress at October 2020 (Cont.)

Other areas

Meetings

We met with Finance Officers in May as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

At the planning stage we reviewed the potential impact of these changes on both the cost and timing of the audit. We have discussed this and some indicative increases in fees with your s151 Officer and subsequently with the Audit Committee via the audit plan.

In addition, Covid 19 has impacted on the time taken to deliver the audit to date. Once our work is complete we will review the actual audit inputs and assess any further fee implications arising from this.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019/20.	April 2019	Complete
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	June 2020	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	October 2020	Complete
Audit Findings Report The Audit Findings Report will be reported to the November Audit Committee.	November 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	November 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	December 2020	Not yet due

COVID-19 Update

Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices. Many have now re-opened, but with a significantly reduced capacity. All of our people are still working from home for the majority of the time.
- we will be working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations.
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment.
- impact on collectability of debt and assumptions made in bad debt provisions.
- impact on post-balance sheet events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure will be needed.
- disclosure of impact in narrative report.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- impact on reporting to those charged with governance and signing arrangements.

Changes to reporting requirements:

- the Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 31 August 2020.
- for principal authorities, this means that the whole chain of publication requirements will be amended. The audited financial statements are now to be published by 30 November 2020.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

Covid-19 update – Grant Thornton

Where are we now?

Over six months into lockdown and councils have moved from the initial emergency response phase to focus on recovery planning which is running in parallel with on-going responses to the pandemic, such as supporting vulnerable people, and managing the capacity challenges of delivering business as usual alongside covid-19 response.

The Government has confirmed three tranches of funding to support the impact of increase spend and reduced income directly attributed to Covid-19, and are in the process of confirming further support via the income compensation scheme.

Local Authority Income and Expenditure (England) 2018/19 to 2028/29



Source: Grant Thornton/CIPFA Financial Foresight

Financial Foresight (a Grant Thornton future look analytics platform building on our CFO Insights and Place Analytics data) forecast indicates that English local authorities have a funding gap of £1.9bn this financial year, rising to over £10bn in 2021/22. There is significant uncertainty as to whether the Government will provide further Covid-19 related funding, and what the medium-term funding for the sector will be following the Autumn's Comprehensive Spending Review. Our modelling currently assumes that government funding will remain broadly unchanged, with income being affected by ongoing reduction to Council Tax and Business Rates, both in terms of a reduction to these tax bases, alongside reduced payments as a consequence of the recession brought about by the pandemic.

The uncertainty also impacts on future spending pressures and sales fees and charges income. For example, leisure centres and swimming pools can now be opened, but must follow Government guidelines on issues such as social distancing. Not all leisure services have been able to reopen, and those that have are not able to generate levels of income originally forecast pre-covid. Social care faces uncertainty in relation to future demand, for example most councils responsible for children's services are forecasting an increase in case load when children return to schools in September. For adults, where in some cases demand has fallen during the pandemic, there is uncertainty over future levels of demand. There is also concern over provider failure in relation to social care and other services such as leisure and transport, with many councils providing financial support and loans to some providers, which will not be sustainable in the medium term.

As place leaders, councils are managing the conflict between revitalizing footfall in high streets and keeping people safe, with some leading by example and encouraging council officers to spend some of the week in council offices. Use of public transport as a key mode of travel to get to work remains a particular challenge.

Lessons learned

All organisations, including councils, have been reflecting on the lessons learned from the pandemic, and are seeking to maintain the positive experiences as well as learn from the challenges, as part of recovery planning. There is a recognition that technology has enabled many people to successfully work remotely, and that this will have a fundamental impact on working patterns well after Covid-19 has passed. Councils are reviewing their property portfolios to understand the changes required in terms of future usage patterns, including how councils interact with their communities, whether parts of the municipal estate should be disposed, and whether alternate use of space can support income generation.

There will be demographic variations between places, meaning there is no "one size fits all" to economic recovery. For example, home to work geographies will vary, with some people who previously commuted into a council area for their work may now be considering office space closer to home, leading to a rise in demand for shared office space in some areas, that will in part counterbalance the fall in demand elsewhere.

Covid-19 update (cont'd)

Lessons Learned (Cont'd)

Many councils have recognized the improvement in community engagement and partnership working with the voluntary sector and other public sector organisations during the pandemic and are seeking to build on this, with a recognition that sharing responsibility for place-based recovery plans can help sustain the improvements gained. Although a shared view of place-based recovery takes an investment of time and resource that not all partner organisations are able to provide.

Wider learning relates to central vs local response to issues such as provision of PPE, housing the homeless and rough sleepers, and provision of food and equipment to the vulnerable. This is currently playing out on test and trace and how local lockdowns should be managed, with ongoing tension between national and local government.

Many councils understand the importance of data in supporting recovery planning decision making, to effectively understand where to prioritise resources and activity in the right way and at the right time to achieve the right outcomes.

The future?

Covid-19 has only increased volatility and uncertainty for local government, and when working with councils delivering Financial Foresight we have prioritized scenario planning to support strategic financial planning. Understanding best, worst and optimum case scenarios from the impact of the pandemic are critical in strategic discussion when setting next year's budget and updating the Medium-Term Financial Plan – impacts on the place and communities, as well as on the council services and the council as an organization. Some councils are more confident than others in being able to manage their financial position during 2020/21 but all are concerned about 2021/22 and beyond. And it is not just Covid-19 scenarios that need to be understood, but other global, national and local issues that will impact over the medium term, including the impact of a no deal Brexit trade deal, and new government policies such as those expected on devolution and health and social care integration.

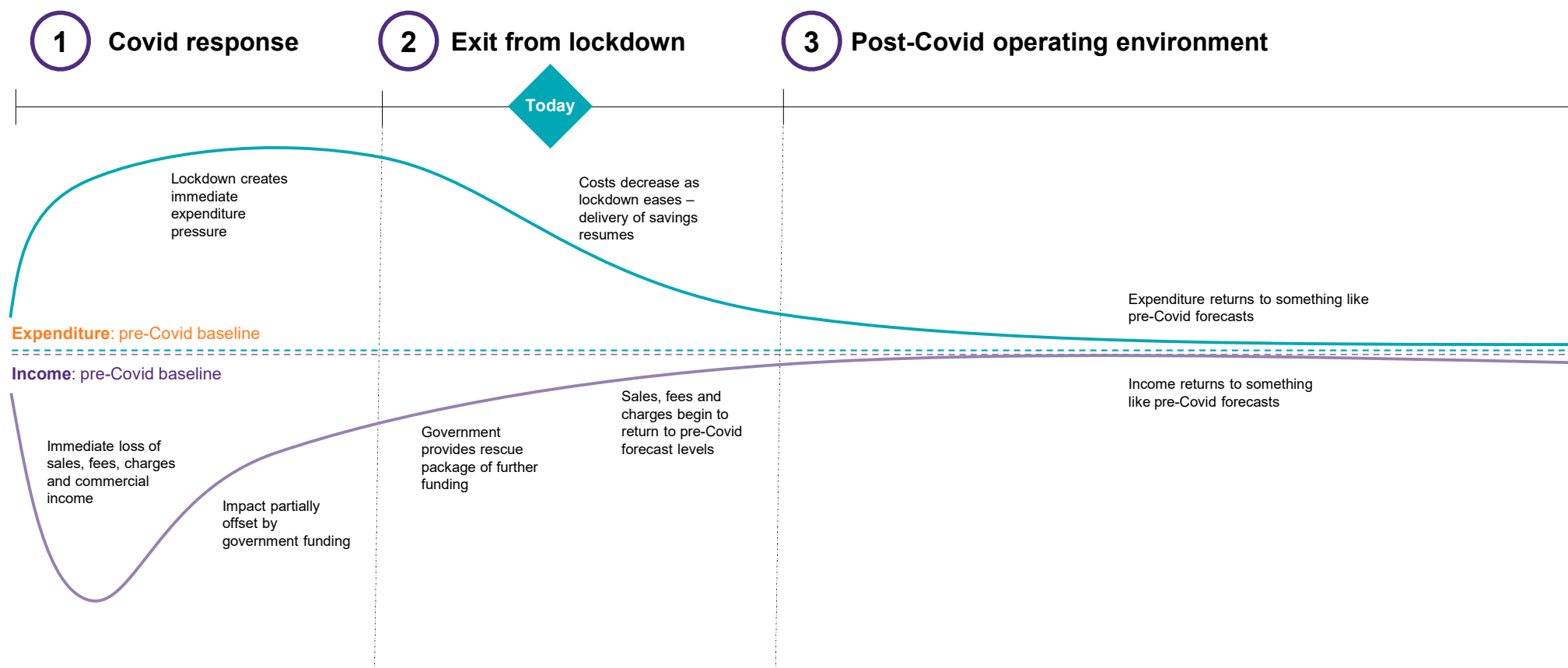
As already noted, places will vary depending on their socio-economic and demographic characteristics, but all councils are working through demand impacts arising from the ongoing pandemic and the associated recession, and ensuring their workforce continue to be supported to ensure they remain personally resilient.

Until a vaccine has been successfully produced and rolled out, the public health threat remains, and there are likely to be further local lockdowns, such as we have seen in Leicester and towns in the north west of England. There could be difficult trade offs for national and local politicians to consider to avert further waves of restrictions. For example to keep schools open after they return in September, will there be a need to increase restrictions elsewhere to ensure the cases of Covid-19 remain at a management level?

Local government has always demonstrated a remarkable resilience in managing significant challenges, including ten years of austerity, and being at the forefront of the pandemic response. And whilst much uncertainty remains, we are confident that councils will continue to demonstrate the capacity to lead places, deliver services.

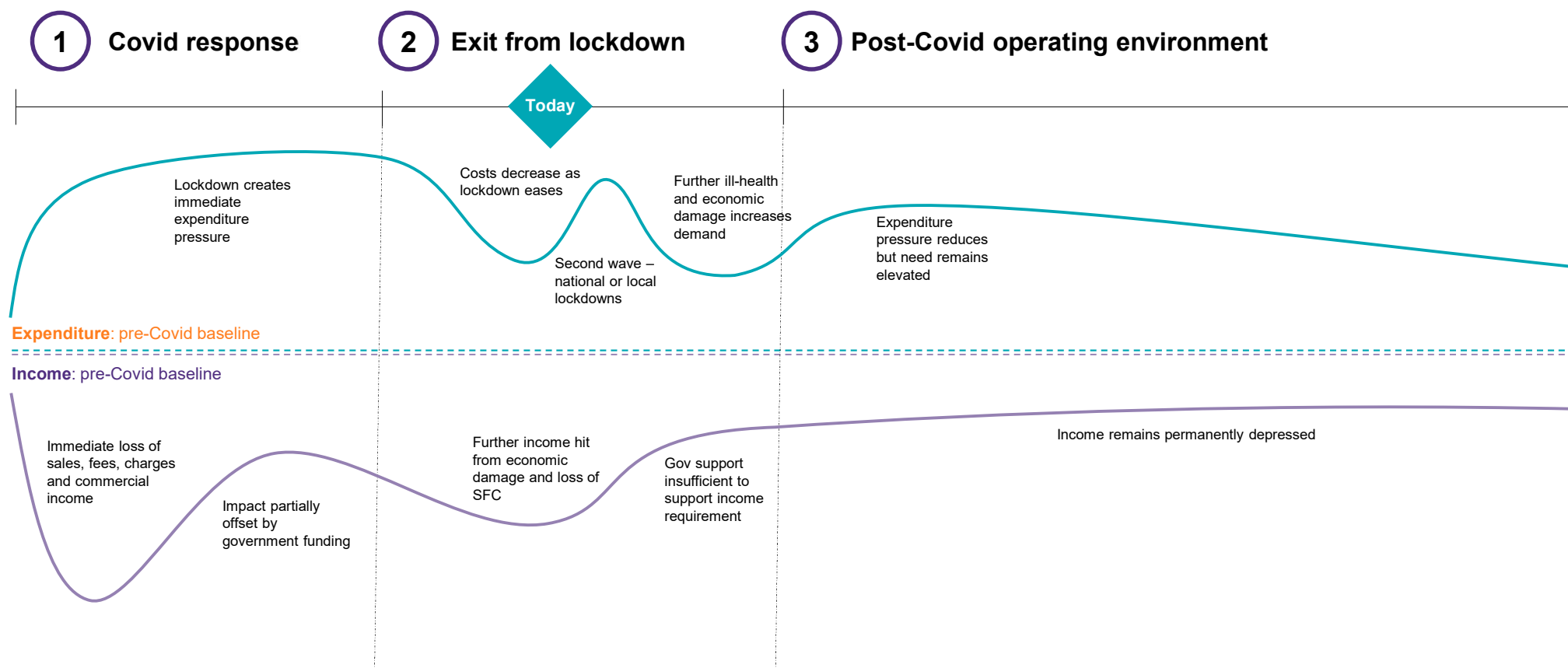
Example scenarios

Scenario 1 – swift return to normality








Example scenarios (Cont'd)

Scenario 2 – second wave and ongoing disruption



Scenarios and hypotheses

Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
People & community 	<ul style="list-style-type: none"> Multiple lockdowns and ongoing disruption Community dependency and expectation of sustained response Turbulence and activism within the VCS Socio-economic inequality is compounded Failure of leisure and cultural services 	<ul style="list-style-type: none"> Smooth exit from lockdown to a “new normal” Community mobilisation is channelled into ongoing resilience Strengthened VCS relationships and focus Systemic response to inequality is accelerated Leisure and cultural services adapted to social distancing
Business & economy 	<ul style="list-style-type: none"> 16% reduction in GVA for 2020 based on OBR reference scenario Slow / uneven economic recovery and “long tail” on unemployment Central gov / BEIS focus investment on areas furthest behind Loss of tourist & student spend causes unmitigated damage ‘V’ shaped recovery results in 2-3 year recovery period 	<ul style="list-style-type: none"> 5-10% reduction in GVA Rapid economic recovery with employment levels close behind Central government “back winners” with investment Adaptation allows resumption of tourist and student economy Business base is weighted towards growth sectors
Health & wellbeing 	<ul style="list-style-type: none"> Increased demand and escalating need due to fallout from lockdown Newly-vulnerable cohorts place strain on the system Unit costs increase further as markets deteriorate and providers fail SEND transport unable to adapt to social distancing Imposed disruption of care system 	<ul style="list-style-type: none"> Positive lifestyle changes and attitudes to care reduce demand Needs of newly vulnerable cohorts met through new service models New investment in prevention and market-shaping manage costs New ways of working leading to stronger staff retention Locally-led reform of health and care system
Political & regulatory 	<ul style="list-style-type: none"> Local government side-lined by a centralised national recovery effort Unfunded burdens (e.g. enforcement and contact-tracing) Councils in the firing line for mismanaging recovery 	<ul style="list-style-type: none"> Local government empowered as leaders of place-based recovery Devolution and empowerment of localities Councils at the forefront of civic and democratic renewal
Environment 	<ul style="list-style-type: none"> Opportunity missed to capture and sustain environmental benefits The end of the high street / town centres Emissions and air quality worsened by avoidance of public transport Capital programmes stuck 	<ul style="list-style-type: none"> Ability to invest in transport modal shift and green infrastructure Changed working patterns rejuvenate town centres Sustained impact on emissions due to new behaviours New, shovel-ready infrastructure programmes
Organisational 	<ul style="list-style-type: none"> Inadequate funding forces fiscal constraint Working practices return to status quo – increased operating costs Imposed structural change within the place Austerity 2 Commercial portfolio becomes a liability 	<ul style="list-style-type: none"> Adequate funding enables a programme of targeted investment Learning and adaptation to new operating environment Energised system-wide collaboration and reform Fiscal reform and civic renewal Commercial portfolio reshaped for economic and social gain

What strategy is needed in response?

From response to recovery

Learn, adapt and prioritise

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

Mitigating the worst case

Consolidate and build resilience

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

Steering towards the best case

Invest in renewal

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?

Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid-19-on-financial-reporting-local-government-sector.pdf>



Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

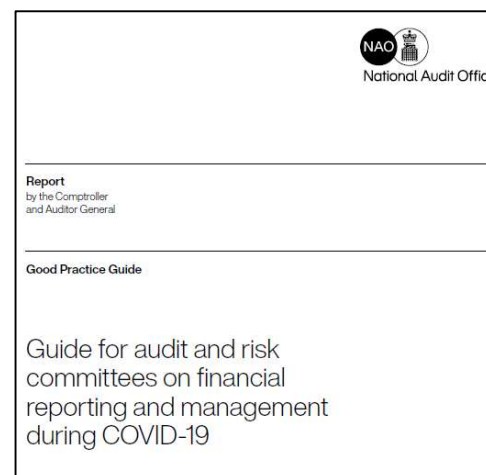
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

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



Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

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

Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

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

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

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psaa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

- **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.

- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

- Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

Local government reorganisation in two-tier shire counties – District Councils' Network

The District Councils' Network (DCN) a report ahead of the publication of the government's 'devolution and local recovery' white paper.

The report comments "Devolution should back the success of districts in delivery. It should not distract from the local recovery effort or reduce delivery capacity through forcing reorganisation into a less local, less agile, less responsive local government pushed by interests wanting county unitary councils everywhere. Local governance is a local matter, places must be free to decide how to organise services and to progress any kind of reform only where there is significant local agreement."

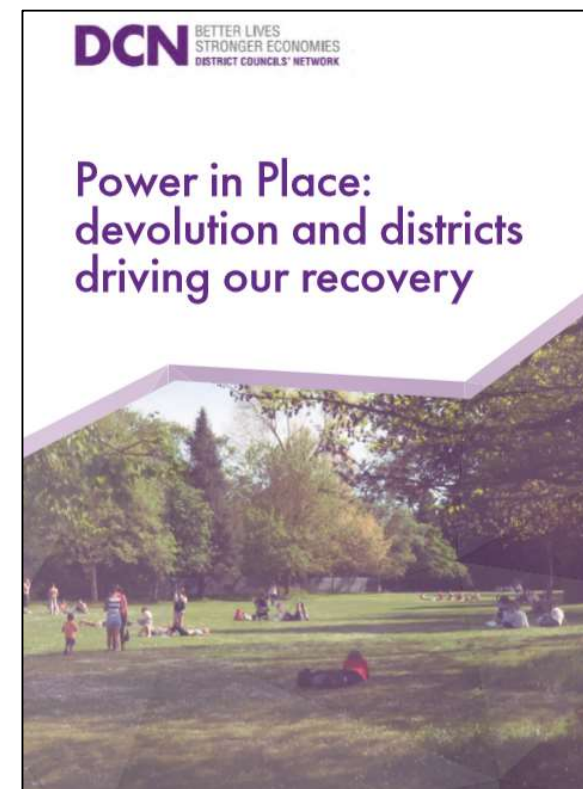
The report calls for the Devolution and Local Recovery White Paper to:

- 1) Deliver genuine devolution that moves quickly to drive local growth
- 2) Retain and build on the local capacity to deliver
- 3) Empower real-world economies
- 4) Continue to anchor local government in local communities
- 5) Reject false arguments that bigger local government is better or cheaper local government
- 6) Support strategic leadership across wider functional economic areas
- 7) Introduce an upper limit for the size of new unitary councils, in line with the principle of electoral equality

The report includes a number of case studies in each of these areas.

The full report can be obtained from the District Councils' Network website:

<https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf>



CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

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



COTSWOLD DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 OCTOBER 2020
Report Number	AGENDA ITEM 9
Subject	INTERNAL AUDIT ANNUAL PLAN 2020/21 AND PROGRESS REPORT
Wards affected	N/A
Accountable member	Cllr Mike Every, Cabinet Member for Finance Email: mike.every@cloud.cotswold.gov.uk
Accountable officer	Jenny Poole, Chief Finance Officer Tel: 01285 623313 Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	To present a revised Internal Audit Plan 2020/21. To present a summary of the audit work concluded since the last meeting of this Committee.
Annexes	Annex A – Internal Audit Annual Plan 2020/21 Annex B – Summary of work completed since July 2020
Recommendation/s	<i>That the Revised 2020/21 Internal Audit Annual Plan (Annex A) be approved, and that the Committee considers the report at Annex B and comments as necessary</i>
Corporate priorities	Ensure that all services delivered by the Council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A

1. BACKGROUND

Internal Audit Plan

- 1.1. The primary role of Internal Audit is to provide assurance that the Council's systems provide for a proper administration of its affairs. To this end, Internal Audit carries out a programme of audits that is agreed annually with the Council's Management Team and the Audit Committee. The Internal Audit service is provided to the Council by SWAP Internal Audit Services (SWAP).
- 1.2. In order to satisfy the requirements of the Public Sector Internal Audit Standards (PSIAS) and to reflect changes within the Council, SWAP needs to focus upon areas where the organisation now requires assurance. This reinforces the requirement for Internal Audit to follow a more flexible and risk-based plan.
- 1.3. The core financial systems delivered to the Council by Publica are covered within the Core Financials section of the Audit Plan. The scope of audits will include both Publica and client-side activities providing;
 - Assurance to the client (Cotswold District Council) over the controls, and system controls, operated by Publica Officers, for each financial module
 - Periodic assurance over the other services provided by Publica.
 - The required support to the External Auditor.

2. MAIN POINTS

- 2.1. SWAP was due to present an internal audit plan covering 2020/21 to the Audit Committee in April 2020. However, due to the COVID-19 outbreak and subsequent lockdown, this Committee was postponed.
- 2.2. Clearly a lot has changed since that date, and as such, an updated approach to internal audit work and planning has had to be implemented. The plan that had previously been prepared is likely to remain relevant in many respects, but the huge effort the Authority is undertaking in relation to response and recovery from COVID-19 is likely to push back a significant proportion of this work.
- 2.3. The report attached at Annex A details how we have supported the Council during quarter 1, the work we have undertaken and how we plan to undertake the audits included in the revised plan.
- 2.4. The report at Annex B details, the work undertaken during quarter 2, executive summaries of finalised audit assignments, a progress report on follow up of high priority recommendations and a summary of progress against all internal audit recommendations.

3. FINANCIAL IMPLICATIONS

- 3.1. The Internal Audit Service is operating within the contract sum.

4. LEGAL IMPLICATIONS

- 4.1. None directly from this report. Internal Audit reviews consider compliance with legislation relevant to the service area under review.

5. RISK ASSESSMENT

- 5.1.** Any weaknesses in the control framework, identified by Internal Audit activity, continues to threaten organisational objectives until recommendations are implemented.

6. BACKGROUND PAPERS

- 6.1.** Internal Audit Reports

Cotswold District Council

Proposed Internal Audit Plan & Planning Approach 2020/21

Internal Audit Planning: A Revised Approach 2020/21

As a result of the COVID-19 pandemic, SWAP has had to adapt and change its focus in the short-term.

This has involved the redeployment of SWAP staff to assist the Authority with the response to the huge challenges faced.

With the Authority moving into a recovery phase from COVID-19, we are now looking to re-commence audit work in some areas and help to assist with recovery efforts.

Revised Approach to Internal Audit Planning 2020/21

SWAP was due to present an internal audit plan covering 2020/21 to the Audit Committee on the 30th April 2020. However, due to the COVID-19 outbreak and subsequent lockdown, this Committee was postponed.

Clearly a lot has changed since that date, and as such, an updated approach to internal audit work and planning has had to be implemented. The plan that had previously been prepared is likely to remain relevant in many respects, but the huge effort the Authority is undertaking in relation to response and recovery from COVID-19 is likely to push back a significant proportion of this work. As such, we have briefly set out below our updated approach to Internal Audit Planning in 2020/21:

Quarter 1 – 2020/21

During quarter 1 we supported the Council by undertaking data input and verification work for the Business Grant administration process. We were asked to review the request for funding from the Leisure Service provider to ensure it was appropriate, appraised the draft procedure for Discretionary Business Grants, reviewed policies for the Counter Fraud Unit and provided continuous assurance reports in areas such as Accounts Payable and Accounts Receivable. During this period, we also finalised several 2019/2020 audits which had been delayed due to officer availability.

Quarter 2 – 2020/21

With the Authority moving into a recovery phase from COVID-19, we have commenced audit work in several areas and continue to assist with recovery efforts. However, we recognise there are still likely to be priority and capacity challenges in certain service areas, and as such Quarter 2 has involved a hybrid approach in terms of supporting the Authority with recovery efforts, as well as internal audit assurance work.

Quarter 3 onwards – 2020/21

Dependent on any future re-emergence or residual COVID-19 challenges faced by the Authority, from Quarter 3 onwards we will look to fully re-align our audit plan focusing on the key corporate risks facing the Authority and providing assurance on the key financial systems.

Internal Audit Planning: A Revised Approach 2020/21

2020/21 will clearly present an exceptional year for the Authority (as well as SWAP).

The approach we take to our audit planning and work will need to remain flexible; looking to achieve a balance of supporting the Authority in response and recovery efforts, whilst maintaining our statutory internal audit role.

Revised Approach to Internal Audit Planning 2020/21 (continued)

It is the responsibility of the Authority's Senior Leadership Team (SLT), and the Audit Committee, to determine that the audit coverage contained within the overall programme of work across 2020/21 is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation (*set in the context of the unprecedented challenges faced by COVID-19*).

When reviewing the revised internal audit planning approach, key questions for SLT and the Audit Committee to consider include:

- Does the revised planning approach achieve a proportionate balance between assisting the Authority with the unprecedented challenges it faces, whilst maintaining our statutory internal audit role and independence?
- Will the revised planning approach provide sufficient, independent assurance to monitor the organisation's risk profile effectively?

Further Planning detail

During the period that we have been working from home we have adopted, and implemented, new ways of working.

Firstly, we will be auditing more agilely when the audit allows it. We will audit areas as planned but these will be undertaken by a team rather than an individual. This will result in a more transparent and efficient audit process, with regular client involvement and visibility. It will also allow earlier insights and observations to be provided to clients.

Secondly, we have introduced continuous assurance reports. These are data audits and allow the reader to identify any anomalies or variances, which can be corrected in a timely manner.

Thirdly, and again where the audit allows for it, our audits will be data driven. We have a dedicated Data Analytics team who will extract and interpret data for inclusion within the audit.

Internal Audit Planning: A Revised Approach - Quarter 2 - 2020/21

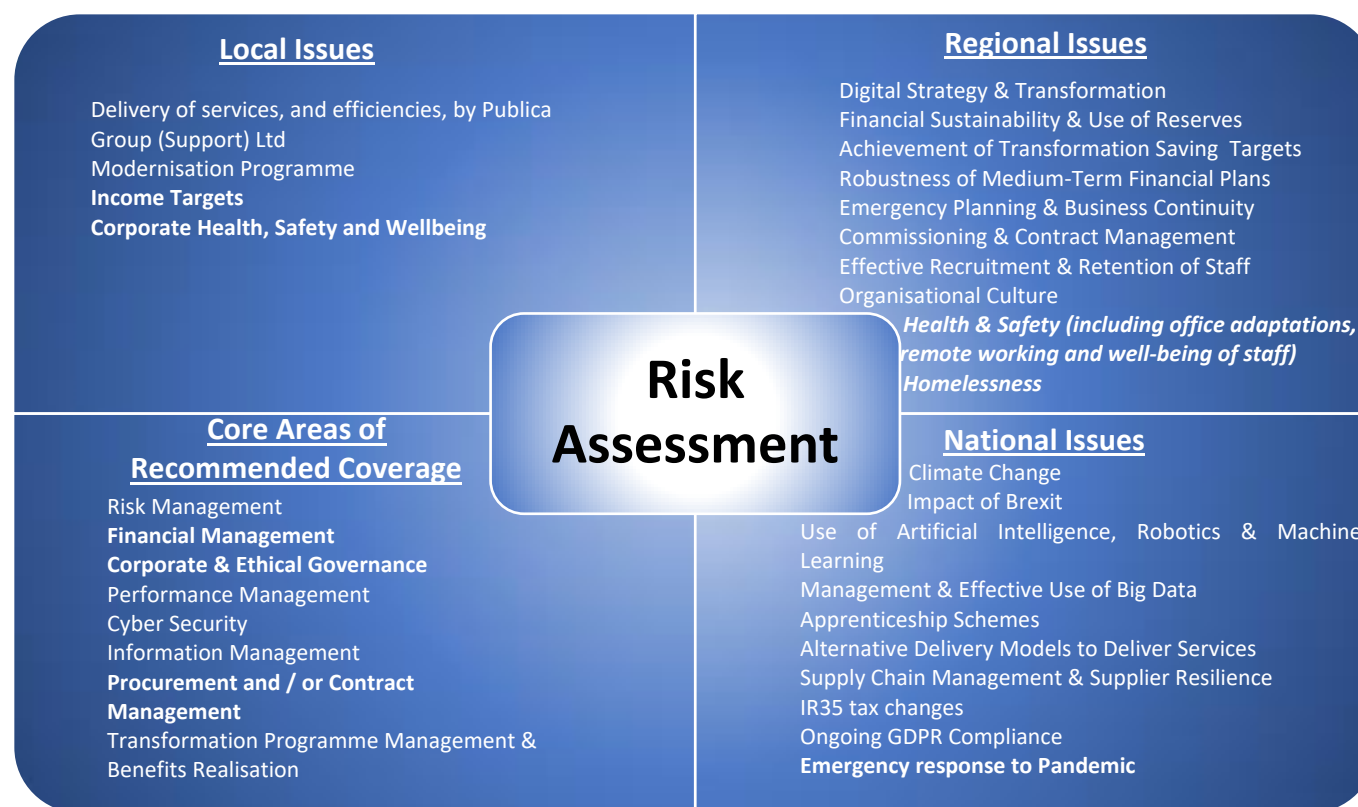
Our documented risk assessment helps to ensure that sufficient and appropriate areas are identified for consideration in our internal audit programme of work.

As above, it is the responsibility of the Authority's Senior Leadership Team, and the Audit Committee to ensure that, with consideration of our risk assessment, the overall programme of work throughout the year contains sufficient and appropriate coverage.

Internal Audit Risk Assessment (updated)

Our original 2020/21 internal audit programme of work was based on the documented risk assessment below.

We have now updated this to highlight key areas where we believe the risk profile has increased following the COVID-19 pandemic (included in **bold**), as well as any new risk areas (included in *italics*):



It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific Terms of Engagement for the piece of work, which includes the objective and scope for the review.

Areas of Coverage and Brief Scope	Responsible Officer	Priority (H, M, L) and Proposed Timing (Earlier, Later)
Publica Transformation Benefits Realisation (audit deferred from 2019/20) <i>Provision made in the Audit Plan to enable IA to give assurance(s) to the Council in respect of Benefits Realisation from the Publica Transformation Programme.</i>	Group Manager Commercial Development	Medium / Earlier
The Delivery of Services by Publica <i>Review to assess how the Council is getting assurance that Publica is delivering as per contracts and service level agreements. To include an assessment of metrics.</i>	Group Manager Strategic Support	Medium / Later
Governance of Programmes and Projects <i>Review to ensure the governance of programmes and projects is appropriate.</i>	Group Manager Strategic Support	High / Later
Inclusivity and Diversity <i>Review to assess how Publica is supporting the Councils' efforts to be externally (stakeholders and customers) inclusive and diverse.</i>	Group Manager Business Support	Medium / Later
Authority's response to COVID-19 <i>Review to include assessment on the activation and effectiveness of Publica's and the Councils' Business Continuity Plans and involvement and support to emergency planning. Review to offer opinion on gains made and lessons learned.</i>	All	High / Earlier
Continuous Assurance and Data Analytics – Key Financial Controls <i>A programme of regular assurance over the Authority's key financial controls, includes Accounts Payable and Accounts Receivable</i>	Chief Finance Officer / Group Director Finance	Medium / Ongoing
Core Financials – Publica Controls and Transactional Testing <i>A review of the controls operating within Publica in respect of the Core Financial systems:</i> <ul style="list-style-type: none"> • Payroll • Accounts Payable (Creditors) • Accounts Receivable (Debtors) • Treasury Management and Bank Reconciliations • Main Accounting, Capital Accounting and Budgetary Control (to include an element of Management and Monitoring of Contracts deferred from 2019/20) <i>Depending on previous years audit assurances a high-level review may be deemed appropriate.</i>	Group Director Finance	Quarter 3

Internal Audit Planning: A Revised Approach 2020/21

<p>Off Payroll Working (IR35) <i>Review to ensure compliance with HMRC's IR35 legislation, ensuring any changes made to legislation by HMRC have been actioned.</i></p> <p>Human Resources <i>A review of an element of the Human Resources (HR) service – Suggested area to be reviewed is the Recruitment Process.</i></p> <p>Other Public Area <i>Review to be undertaken of Procurement, Health and Safety or Insurance. Suggested area for review for 2020/21 is the Safety of Staff undertaking site visits (not planning officers). Review to include Personal Protective Equipment (PPE), Training and Treatment of Hazardous Waste.</i></p> <p>Revenues and Benefits <i>A review of the controls operating in respect of:</i> <ul style="list-style-type: none"> • Council Tax • National Non-Domestic Rates • Housing Benefit and Council Tax Support <i>Review to include the process for manual adjustments to account and sign-off and the use of generic accounts.</i></p>		
<p>ICT Audits <i>Scope to be defined and agreed following the results of the Cyber Security audit.</i></p>	<p>Group Manager Business Support</p>	<p>High / Ongoing</p>
<p>Risk Management <i>To review a specific element of the Council's Risk Management process – Suggested area to review is risk identification and description.</i></p>	<p>Group Manager Strategic Support</p>	<p>Low / Later</p>
<p>Performance Management <i>A review of an element of Performance Management – Suggested area to review is the Appraisal Process.</i></p>	<p>Group Manager Business Support</p>	<p>Low / Later</p>
<p>Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund <i>Ongoing work providing assurance over the distribution of Government grants issued during the COVID-19 pandemic offering support to the Counter Fraud Unit following submission of data to Spotlight and CIFAS</i></p>	<p>Group Director Finance</p>	<p>Medium / Ongoing</p>
<p>Implementation of a New Revenues and Benefits System <i>Support to the programme in respect of a new Revenues and Benefits System.</i></p>	<p>Group Manager Resident Services</p>	
<p>Further requested assurance / advisory / support work, as required</p>		<p>High / Ongoing</p>

Internal Audit Planning: A Revised Approach 2020/21

Other Audit Involvement		
<p>Management <i>Annual audit planning, preparation of IA Monitoring Reports and attendance at Audit Committee. Input to and attendance at Governance and Risk Groups meetings. High level programme monitoring. Liaison meetings with Chief Finance Officer and Management Team.</i></p> <p>Follow-Up Audits <i>Follow-Up of Previous Year's recommendations.</i> <i>Follow-Up audit of all High Priority Recommendations.</i> <i>Follow-Up audit of Systems Admin – ensuring outstanding recommendations have been actioned.</i> <i>Follow-Up audit of Procurement – ensuring outstanding recommendations have been actioned.</i> <i>Follow-Up audit of Procurement and Contract Management – ensuring outstanding recommendations have been actioned.</i></p> <p>Grant Certification <i>Review (income and expenditure) and certification of Disabled Facilities Grants and Additional Funding, ensuring funding requirements have been met.</i> <i>Review and certification of the claim to the Government for the Income Compensation scheme for lost sales, fees and charges</i></p> <p>Working with the Counter Fraud Unit (CFU) <i>Provision to ensure collaborative working with the CFU and to ensure control weaknesses, identified during CFU activity, are being actioned. Regular liaison meetings.</i></p> <p>Contingency <i>Provision for new work based on emerging risks and Investigations.</i></p>		
Reserve Audit Areas		
<p>Leisure and Culture Facilities <i>Review to determine how the Council ensures the leisure service provider is adhering to statutory Health and Safety regulations. Review to test requested confirmations for tests such as fixed wire testing, fire alarm systems and emergency lighting tests.</i></p> <p>Property Related Health and Safety <i>Review to assess the Health and Safety arrangements at the Council's properties including compliance with Fixed Wire, Emergency Lighting and PAT testing.</i></p>		

Internal Audit Planning: A Revised Approach 2020/21

Use of Third-Party Workers

Review of the recruitment and on-going personnel management of agency, contractor, temporary, third-party workers who work at or on behalf of the Council. Are HR related considerations, processes and controls robust enough within individual service areas?

Climate Change

Review to assess what business areas are doing to support the Council's commitment to the Climate Emergency.

Environmental Regulatory Services (ERS) Flooding and Drainage Team

Request to review the service area – full scope to be determined with the Business Manager for the service.

Building Control

Review of the Building Control process offering suggestions for improvement where appropriate.

Reporting of Statutory Planning Application Data

Review to assess the accuracy and timeliness of statutory data published in respect of planning applications.

Procurement Service Arrangements

Benchmarking Exercise

Cash Handling (audit deferred from 2019/20)

Review of cash handling processes. Audit to review services that receive income, types of income, how it is receipted, end of day routines, banking and reconciliation.

Leisure Service Provider

Review of the governance and financial arrangements in place for the Leisure Service Provider

Cotswold District Council

Report of Internal Audit Activity

October 2020

Contents

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Appendix E – Summary of All Recommendations

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At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- No
- Limited
- Reasonable
- Substantial



Audit Framework Definitions

Control Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

● Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Definitions of Risk

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Plan Progress

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
						2019/20 Audits in Draft / In Progress at Annual Opinion			
Key Financial Control	Accounts Receivable		Final Report	Reasonable					See Appendix C
Follow-Up	S106 Agreements and Funds		Draft Report						
Follow-Up	Procurement		Final Report						See Appendix C
Follow-Up	Procurement and Contract Management		Final Report						See Appendix C
Operational	Asset Management and Commercial / Investment Property		Draft Report						
Advisory	Use of Volunteers		Final Report	N/A					See Appendix C
Advisory	Grants		Final Report	N/A					
ICT	Business Continuity		Draft Report						
ICT	Incident Management		Draft Report						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						Priority			
						1	2	3	
2020/21 Audit Plan									
Operational	Business Grant Funding		Complete	N/A					Support to the Council in respect of Data Input
Advisory	Leisure Funding		Complete	N/A					Support to the Council in respect of the Leisure Funding request by the Service Provider
Advisory	CFU Policies		Complete	N/A					Reviewing policies held by CFU and advising of changes to legislation
Operational	Continuous Assurance Reports		On-Going						Accounts Payable, Accounts Receivable
Key Financial Control	Revenues and Benefits								
	• Council Tax and National Non-Domestic Rates		In Progress						
	• Housing and Council Tax Benefits		In Progress						
Key Financial Control	Core Financials								
	• Accounts Payable		In Progress						
	• Accounts Receivable								
	• Main Accounting								
	• Payroll		In Progress						

Audit Plan Progress

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
	• Treasury Management and Bank Reconciliation								
Key Financial Control	Systems Administration		In Progress						
Key Financial Control	Human Resources								
Key Financial Control	Other Support Service provided by Publica • Health and Safety (Of Staff)								
ICT	Cyber Security		Draft Report						
ICT	Use of Anti-Malware Software								
ICT	Automatic Back-Up of System Data								
Governance	Risk Management								
Governance	Performance Management								
Governance	Governance of Programmes and Projects		In Progress						
Operational	Post Payment Assurance – Small Business Grants								
Operational	Authority's Response to Covid-19								
Operational	Publica Transformation Benefits Realisation								
Operational	The Delivery of Services by Publica								

Audit Plan Progress

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
Operational	Inclusivity and Diversity								
Operational	Publica Support Costs Recharge Process & Internal Control Process for Contract Variations		ToE Drafted						
Advisory	Implementation of the New Revenues and Benefits System		In Progress						
Follow-Up	Follow-Ups of Recommendations made in Substantial and Reasonable Audits		On Going						
Follow-Up	Follow-Up of Control Weaknesses identified by the Counter Fraud Unit								
Follow-Up	Procurement								Further Follow-Up required
Follow-Up	Procurement and Contract Management								Further Follow-Up required
Grant Certification	Disabled Facilities Grants		Complete	N/A					
Grant Certification	Income Compensation Scheme								
Other Audit Involvement	Working with the Counter Fraud Unit		On Going						
Other Audit Involvement	Management of the IA Function and Client Support		On Going						

Audit Plan Progress

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks								

**Audit Assignments
finalised since the
last Audit
Committee:**

- Summary of Audit Findings and High Priority Service Findings

The following information provides a brief summary of each audit review finalised since the last Committee update.

2019/20 – Use of Volunteers – Advisory**Background**

Volunteering can offer a lot of benefits to both the individual and the local community. It can help people to meet new friends, gain new or enhance existing skills and get experience in different roles. There are many ways to volunteer, with many national and local volunteering forums and groups taking on volunteers to fulfil a wide variety of activities – from one-off community events to making a regular commitment to volunteer for a charity or local group. Volunteering is also common in local government due to the strong connection between Councils and the community.

Audit Conclusion / Findings

Cotswold District Council (CDC) does not directly ‘employ’ or take on volunteers, but signpost to local volunteering groups and forums should local residents wish to volunteer in their area. Information on these groups is included on the Council’s website for residents to access.

Information obtained from the websites of other District and Borough Councils shows that arrangements to signpost potential volunteers to external charities or volunteer bodies is common, with only two of the Councils directly taking on their own volunteers. Where volunteers are taken on directly by the Councils, there is evidence of Volunteering Policies in place.

Communities are included within the priorities of CDC. There could be opportunities in volunteering to further enhance the relationship between the Council and the community, such as recognising all volunteering in the Districts similar to what Ashfield District Council have done previously. Such an activity would not require the Councils to take on their own volunteers but would allow them to celebrate the work of volunteers in the community.

Secondly, based on the circumstances reported around COVID-19 and also the possibility that external volunteers are delivering work on behalf of the Council within projects, consideration should be given to the creation of a policy or documented guidelines for volunteers. These guidelines should set out the Council’s responsibilities and liabilities in relation to current arrangements for volunteers, and the requirements and expectations of external groups/charities when carrying out work on behalf of the Council, or

on Council premises.

2019/20 – Accounts Receivable – Reasonable Assurance

Background

The Accounts Receivable audit is undertaken over a 3-year audit cycle whereby key controls are reviewed each year, and specific processes covered once during the 3 years. This year's focus is on the creation, production, and despatch of subscription invoices. Subscriptions can be set up so that invoices are generated on an annual, quarterly, or monthly basis. Generally, subscriptions are set up for income collection related to but not limited to licensing services, lease/rent arrangements, waste/refuse collections and Lifeline charges.

The AR Team is responsible for setting up all subscriptions within Business World (BW).

During our test period, October 2018 – September 2019, a total of 21,582 subscription invoices were generated across G1, G2, G3 and G4 clients of which 2,032 were raised for Cotswold DC.

Audit Conclusion / Findings

Key control testing, which included reconciliation of the debtors control account, periodic review and action of aged debt and debt write off processes, was undertaken and found to be effectively controlled.

Testing undertaken on processes relating to the production of subscription invoices identified that, in the main controls were satisfactory, however there was a lack of evidence to support the subscription being set up on several debtor accounts. This was reported to AR (Accounts Receivable) when initial testing was undertaken in November 2019. We re-visited these accounts in late April 2020 and can confirm that supporting evidence was uploaded to the debtor account, but this was not the case for all in our test sample. If evidence is not available, in the event of challenge, AR may not be able to justify raising the debt. We were advised that AR can refer to the service area for supporting evidence if necessary.

Our testing to identify if any duplicate subscriptions existed found some duplicate subscriptions had been set up due to the service area providing AR with information that was subject to interpretation. Whilst we accept this is outside of AR control, it is equally important that AR seek clarification to ensure the debtor database is adequately maintained. It would therefore be helpful if AR provide service areas with updated guidance. As part of providing continuous assurance, we have agreed to review potential duplicate subscriptions.

Other anomalies required further investigation by AR, and although explanation was provided, a lack of using the notes facility within the BW system meant that an audit trail was not available. To provide service resilience we have recommended that this facility be used by all members of the AR team.

We can confirm that the 2 recommendations made in last year's review are being implemented. We would add that all procedure notes/guidance includes version control to ensure guidance remains current.

Priority	Recommendation	Management Response	Due Date
2	Duplicate subscriptions should be reviewed, and appropriate corrections made. Any duplicate payments should be returned to the debtor.	All subscriptions will be corrected where applicable. Will discuss with team to ensure that prior to setting up new subscriptions a search for existing subscriptions is performed. If any queries arise the AR officer will refer to the service area for clarification. Responsible Officer – AR Team Leader	31/08/2020

Procurement and Contract Management – Follow-Up

Audit Conclusion / Findings

Progress has been made towards the implementation of two of the four recommendations made in the initial Procurement & Contract Management audit. These recommendations were focussed on promoting awareness of contract management requirements with contract owners and service managers and assisting in training and development of the skills needed to effectively monitor and manage contracts. To be delivered successfully, the implementation of these actions must be promoted and supported by senior management.

The initial action intended by the Group Manager – Business Support Services is to arrange for a reminder of the need for contract management activities to be included within the 'Keeping You Connected' publication which is available to all staff across Publica.

At the time of audit, training in respect of contract management was due to be delivered by the end of 2020. Due to the pandemic this may be delayed but will be followed up.

The two recommendations that remain to be progressed are linked and relate to the update of the Procurement and Contract Management Strategy (2015). The update of the strategy in full is dependent on the Government issuing notification on the changes

to Procurement legislation and practice post-Brexit, and also the decision to be made by Forest of Dean District Council on possible amendments to procurement thresholds.

The Senior Procurement Business Partner has therefore agreed to conduct an interim review of the strategy to ensure it is still relevant and up to date.

Consideration will also be given to the inclusion of whistleblowing information in the strategy at this stage, which would satisfy the requirements of the final recommendation outstanding.

Procurement – Follow-Up

Audit Conclusion / Findings

Good progress has been made towards the improvement of record keeping, to allow for more efficient management of information – contracts registers are available on the Council website and is updated in a timely manner and a central record of waivers is now maintained by the Procurement Team. The format of the contracts register has been revised to be more transparent and now includes both the annual value and total contract value. A review of the format highlighted that a small amendment was needed to continue compliance with the Local Government Transparency Code 2015, which was brought to the attention of the Senior Procurement Business Partner and will be actioned promptly.

Following the implementation of the In-Tend Contracts Module in October 2019, work is ongoing to ensure that all contracts are added to the system. All new contracts from the implementation date have been added, with the aim of all existing contracts being added as soon as is practicable. Whilst contracts are being monitored by the Procurement Team using two different methods, the likelihood of operational risk is slightly heightened in this area – but does not affect the overall risk level assessed in the initial audit.

Officers were reminded of the need to inform the Procurement Team of spend over £5000 to ensure the Council can meet transparency requirements. At the time of the audit it had not been decided if CDC would change its approach to procurement thresholds and therefore training has not yet been delivered to officers.

Reassurance has been given that the three actions that have not yet been started will be progressed, and further follow-up of any outstanding recommendations will commence again from December 2020.

Furthermore, the Publica Group Finance Director advised that a Strategic Action relating to Procurement has been included within the 2020-2022 Publica Business Plan, as follows: “We will create an environment, supported by robust and effective processes,

where we look to maximise the potential value of all procurement opportunities by fully understanding the local supplier base / economy, utilising economies of scale and adopting innovative routes to market.”

We were advised that it is possible that this action may include a fundamental review of the Procurement Service and therefore will support opportunity for improvement and further development of a robust service going forward.

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Section 106 Agreements and Funds	2	To ensure the Council can be held to account in managing the delivery of S106 obligations, the progress of S106 Agreements should be regularly reported at an appropriate Committee and on the Council's website.	Once the Government has produced the data specification and collection tools, these will be used to produce reports for Members and published on the Council's website. There is currently no known date for the publication of these tools, therefore a prolonged timescale has been proposed to implement this action.	31/03/20	<p>Officers responsible for agreeing, recording and monitoring S106 at FoDDC, CDC & WODC met 23/09/19 to discuss strategies for aligning best practice across the partner councils.</p> <p>Implementation of this recommendation is progressing and will continue to be monitored by IA</p> <p>This needs to be followed up, it is likely that Covid-19 has delayed the implementation of this recommendation</p>
Risk Management	2	The Council should gain assurance from Publica that service area risks are reviewed and documented on a quarterly basis as per the requirements of the Risk Management Policy	A recurring item will be added to CLT agenda on a quarterly basis asking that Publica colleagues confirm and evidence service risks are being managed in line with the requirements of the Risk Management Policy.	31/12/19	<p>Will be included in the annual audit</p> <p>Revised implementation date 31/12/20 due to Covid-19</p>


High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Systems Administration	2	We recommend a principal Identity and Access Management process detailing requirements for 'Joiners, Movers and Leavers' is developed and documented and that complies with the requirements set out in the Information Security and Access Control Policy. The overarching process should apply to and embrace all systems that may not be included within the standard ICT team scope and should be available for all employees to view and follow. System administrators should then document or update local processes and procedures that should be in alignment with the overarching policy and process requirements. And documented on a quarterly basis as per the requirements of the Risk Management Policy	Our team ICT Administrators are now updating and documenting our Access Management system process for joiners, Movers and Leavers. A change control process will be introduced that will document significant changes to the ICT infrastructure which will also align to our ICT User Policies and guidance.	31/03/20	Flowcharts have been produced for the starters / leavers / variation processes. The ICT Audit and Compliance Manager will refresh the ICT Policies following the completion of the Cyber Security audit report. He is aiming to have drafted policies by March 2020 for circulation / consultation at CGG and JMT. Further follow-up has been included in the 2020/21 audit plan Revised implementation date to 31/12/20 due to Covid-19
Procurement and Contract Management 41127	2	We recommend that assurance is sought from Publica that contracts held and managed on behalf of the Council are monitored and managed effectively.	Publica colleagues have been requested to respond to the recommendations made in the report issued. Assurance has been requested that contract management and monitoring is undertaken.	30/09/20	Implementation date changed to 31st December 2020 to reflect amended target implementation date of majority of Procurement/Procurement & Contract Management recommendations to be actioned by Publica Procurement.
Human Resources (Sickness Absence)	2	The Council's Sickness and Absence Policy should be reviewed and updated to ensure it meets the ongoing needs of the Councils retained staff.	We will review the Council policy. It will be brought in line with the new Publica policy if and when the partner Council adopts the new Publica terms and conditions.	30/11/19	Publica policy has been updated and adopted. HR Business Partner and Head of Paid Service have discussed policy for the Council. Recommendation closed

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Procurement 41181	2	A copy of the approved contract must be held on In-Tend for all contracts over £5,000, as well as the quotes used during the tendering process, to demonstrate best value and ensure there is a complete central record.	Agreed, subject to a review of the contract value requirements.	31 st December 2019	The Senior Procurement Business Partner demonstrated the Contracts Module on In-Tend during fieldwork. We were advised that all new contracts since the implementation of the Contracts Module (October 2019) have been input into In-Tend. These contracts are being managed by the Procurement Team via this system in terms of monitoring of contract expiry dates. The contract sampled for CDC followed the waiver procurement route. In this instance, a copy of the signed waiver forms was stored but there was no copy of the accompanying approved contract. . We were advised by the Senior Procurement Business Partner that it is intended that contracts that were already in place at the time that the Contracts Module was implemented will be loaded into the system in the same way as new contracts, but the speed at which this can be done is dependent on available resources to carry out the work. To assist them in managing existing and future contracts, the Procurement Team have
 SWAP <small>INTERNAL AUDIT SERVICES</small> <small>Assuring – Improving – Protecting</small>	SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.				implemented a future Work Plan for all authorities. This recommendation will require further follow-up in 2020/21. Page 19

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Procurement 41029	2	Budget Holders should regularly undertake monitoring of expected contract spend to actual contract spend as part of contract monitoring, to ensure contracts are managed in accordance with strategy, and inform Procurement of any changes to contract values to ensure the values recorded on the Contract Register are correct.	Agreed	31 st December 2019	No evidence has been provided of actions carried out by responsible officers to support implementation of this recommendation at the time of follow-up. As part of the 2020/21 Audit Plan, an audit of the Management and Monitoring Contracts will be carried out. The scope of this audit will include budget monitoring arrangements in relation to contract spend and will therefore inform the follow-up of this recommendation. This recommendation will require further follow-up in 2020/21.
Procurement 41030	2	To ensure there is an audit trail to support all contract payments, the introduction of "No PO, no payment" policy should be considered to assist with the efficient monitoring of contract spend.	This will be considered	31 st December 2019	We were advised that no decision has been made yet regarding the implementation of a 'no PO, no pay' policy across the Publica Councils. Proposals will need to be submitted by Publica for consideration by Cabinet and the Leadership Team at each Council. This recommendation will require further follow-up in 2020/21.

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Procurement 41257	2	To ensure there is a central record, when a waiver has been applied, this must be logged on the Waiver register once it has been implemented, for transparency purposes.	Agreed	31 st December 2019	<p>Evidence has been provided to show that a central waiver register is now in place across all authorities which is updated and maintained by the Procurement Team.</p> <p>We were advised that a copy of every waiver applied since the implementation of this central register is also held centrally by the Procurement Team, and a sample of these was provided as evidence.</p> <p>Recommendation Closed</p>

High Priority Recommendation Follow-Up

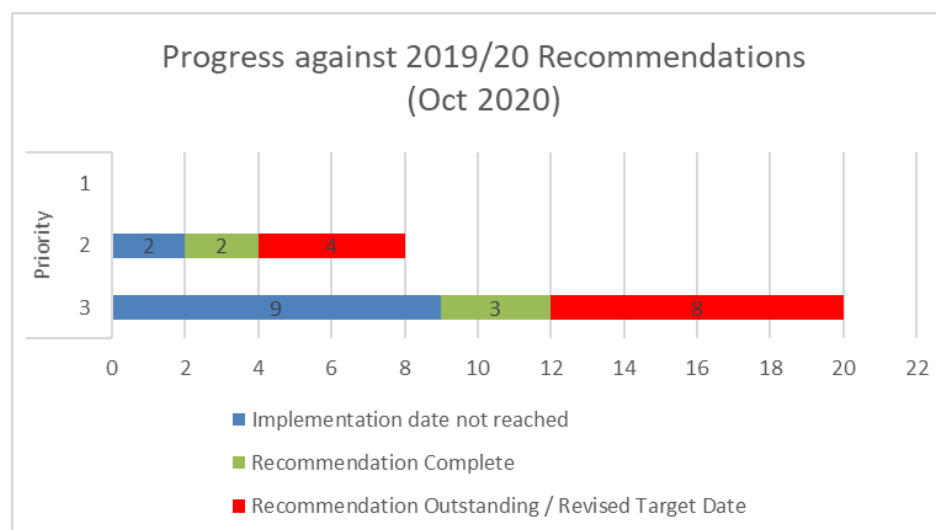
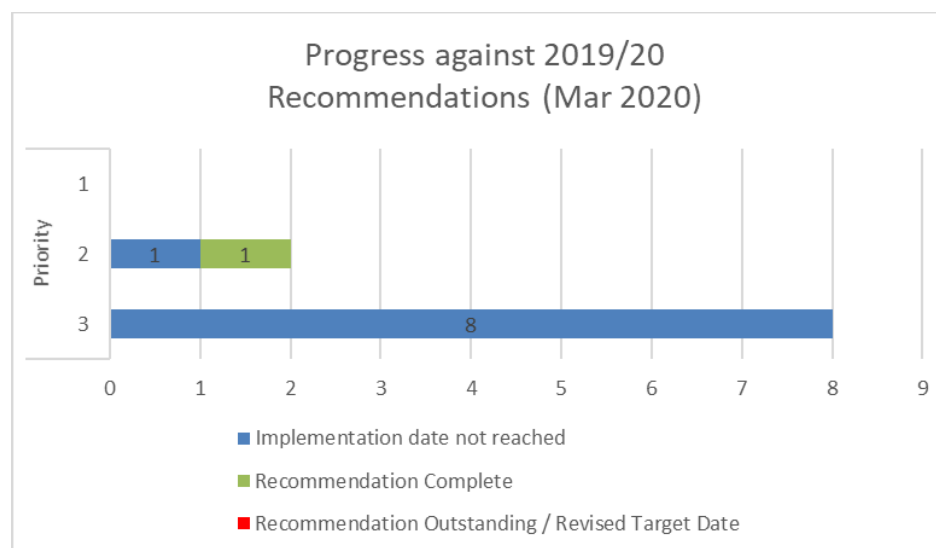
APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Procurement 41002	2	All Officers should be informed during Procurement Process training of the following to ensure when applicable; <ul style="list-style-type: none"> • Procurement are consulted on all contracts over £5,000 so all approved contracts are entered onto the Contract Register, and waiver details can be accurately recorded when appropriate 	Agreed	31 st December 2019	Training has not yet been fully delivered which includes officers' responsibilities and instruction that Procurement are required to publish all spend over £5000 and therefore must have sight of all spend. Procurement approval is required for all acquisitions over £10,000 on Agresso Business World (ABW) which will help to ensure Procurement are aware of spend over £5000 and will also allow them to identify where a waiver is used so this can be appropriately recorded. This recommendation will require further follow-up in 2020/21.
Procurement 41323	2	To ensure all transactions are raised and approved appropriately and in line with the current organisational structure, all requisitioning and approval permissions should be reviewed in BWO.	Following the recent organisation changes, the approvals permissions will be reviewed to ensure they are aligned with new roles and implemented accordingly on the ABW system.	31 st December 2019	We were advised: <ul style="list-style-type: none"> • A review of ABW requisitioner and approver roles is currently in progress. • Together with the finance team, the ABW support team aim to review all clients over the coming months. • A review of roles at both Ubico and CBC are complete. Work on CDC approvers is still underway. This recommendation will require further follow-up in 2020/21.

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Payroll	2	We recommend that all new starters are subject to a BPSS (or similar) check regardless of the role to which they are being recruited. This will ensure that consistent checks of right to work, employment history and basic criminal record checks are carried out on all employees.	A piece of work has been carried out to re-write the pre-employment check process. The HR and Recruitment Teams are also working towards the implementation of an Application Tracking System (ATS), subject to approval at Publica and the Councils, which would help to mitigate the risks identified. The ATS would not allow for progression in the recruitment and onboarding process without specific criteria being fulfilled first (e.g. obtaining references, ID checks etc).	30 th September 2020	Will be followed-up within the annual Human Resources Audit
Health and Safety – Fire Risk Assessments	2	We recommend that officers should ensure all remedial actions identified in fire risk assessments are completed using a risk-based approach.	These remedial action requirements are in progress and will be completed in accordance with the noted time scale.	30 th September 2020	Will be followed-up within the Health and Safety Audit
Safer Recruitment	2	We recommend that DBS renewal dates are regularly monitored, and checks renewed in a timely manner. All DBS check details should be recorded within ABW to aid this process, including the original DBS check date, the DBS check renewal date and the DBS check reference number.	A process has been implemented to ensure that a report showing BPSS and DBS expiry dates is produced monthly from ABW in relation to DBS/BPSS checks and any required renewals are processed accordingly.	Complete	Recommendation closed.





Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 OCTOBER 2020
Report Number	AGENDA ITEM 10
Subject	COUNTER FRAUD UNIT REPORT
Wards affected	All indirectly
Accountable member	<p>Cllr Mike Every</p> <p>Deputy Leader and Cabinet Member for Finance</p> <p>Tel: 07850 373022 Email: Mike.Every@cotswold.gov.uk</p>
Accountable officer	<p>Emma Cathcart, Counter Fraud Unit Manager</p> <p>Tel: 01285 623356 Email: Emma.Cathcart@cotswold.gov.uk</p>
Summary/Purpose	<p>To provide the Audit Committee with assurance over the counter fraud activities of the Council. The Counter Fraud Unit will continue to provide the Audit Committee with direct updates biannually.</p> <p>Work plans are presented to the Audit Committee detailing progress and results for consideration and comment as the body charged with governance in this area.</p> <p>The report also provides the annual update to Audit Committee in relation to the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA), the Council's existing authorisation arrangements and the outcome of the recent inspection by the Investigatory Powers Commissioner's Office (IPCO).</p>
Annexes	<p>Annex A – Work Plan 2019/2020</p> <p>Annex B – Work Plan 2020/2021</p>
Recommendation/s	<i>a) That the Audit Committee notes the report and the work plan.</i>
Corporate priorities	The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Work plans are agreed and reviewed regularly with the Chief Finance Officer.

	Any Policies drafted or revised by the Counter Fraud Unit have been reviewed by the Legal Team and have been issued to the Governance Group and Joint Management Team for comment.
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1. BACKGROUND

- 1.1. The Audit Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.
- 1.2. In administering its responsibilities, this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor.
- 1.3. Work plans have been agreed with the Chief Finance Officer and the Council's Management and work is underway. The Audit Committee, as the body charged with governance, is presented with a copy of the work plan for information.
- 1.4. Attached at Annex A is a copy of the work plan for 2019/2020.
- 1.5. Attached at Annex B is a copy of the work plan for 2020/2021.

2. MAIN POINTS

2.1. Counter Fraud Unit Update.

- 2.2. The Counter Fraud Unit (CFU) has been supporting work streams created as a consequence of the pandemic by providing advice relating to fraud risk and abuse, most significantly in relation to the Small Business Grant Funding, Retail, Leisure & Hospitality Grant Funding and Discretionary Grant payments. To date the CFU has received 33 referrals from the Revenues Team to review resulting in the following:
 - 13 cases that were confirmed as eligible and the grant was paid. 3 cases that were referred back for a service area decision.
 - 5 cases of loss prevention, in that the grant monies were not paid, totalling £110,000 (2 classed as fraudulent attempts and 3 classed as not eligible).
 - 15 cases of post payment recovery totalling £240,000 (2 classed as fraud and 13 classed as not eligible or error) have been identified and invoices have been raised. Of this £240,000, £140,000 has been repaid.
 - Further post payment checks are underway. All payment data is being sent for analysis to CIFAS (a fraud prevention service representing organisations from across the public, private and voluntary sectors) for matching against the National Fraud Database and to Spotlight (Cabinet Office) for wider checks relating to individual company records. A comprehensive template has been provided to ensure a consistent approach to fraud risk assessment in this area. The template contains details of how these risks are mitigated and managed.
- 2.3. The CFU developed a medium term enforcement proposal to manage the current situation whilst we cannot undertake interviews under caution in person. This proposal follows guidance from the Crown Prosecution Service, and others, which recommends that written statements under caution are obtained so that enforcement activity may continue.
- 2.4. The CFU have procured a case management system and as such we are now able to implement a new referral process which means that referrals will automatically be uploaded into the system via a secure link for all 5 partner Councils, Publica and the 10 third party clients.
- 2.5. All Local Authorities participate in the Cabinet Office's National Fraud Initiative, which is a data matching exercise to help prevent and detect fraud nationwide. The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority

under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under Data Protection Legislation.

- 2.6. The team reviewed 1,066 matches in 2019/2020. Of these matches 29 Council Tax accounts have been amended generating £14,370 increased Council Tax revenue and 9 Civil Penalties, totalling £630, have been applied. This year so far, 876 matches have been reviewed and 176 recommendations have been made to the Revenues Team for amendments to Council Tax accounts.
- 2.7. A full review of the Housing List has been carried out. This included verification of applications within Emergency Band (75 applications), Gold Band (68 applications) and Silver Band (329 applications). 180 anomalies were referred back to the Housing Team recommending removal or re-banding, results are pending.
- 2.8. Whilst undertaking the review of the Housing List, the CFU also processed the related National Fraud Initiative matches (75 matches) and referred 33 anomalies, results are pending.
- 2.9. Each cancelled housing application represents a property which can be reallocated to another eligible family. The National Fraud Initiative applies a figure of £3,240 for each application removed, to represent the value of future losses prevented as a result of removing an applicant. This represents a saving on the cost of temporary accommodation. In addition, the result of the band re-prioritisation is that those families who are correctly banded have a greater chance of being housed and housed more speedily.
- 2.10. In addition to the work carried under the annual work plans attached at Annex A and Annex B, as a dedicated investigatory support service, the CFU undertakes a wide range of enforcement and investigation work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work.
- 2.11. Summary of 2019/20 investigation and enforcement work:
 - The team received 26 referrals from across the Council and closed 18 cases.
 - The team undertakes disciplinary investigations for Publica across the partnership. 6 cases were referred and 4 cases were closed. The closed cases resulted in 3 disciplinary hearings; 2 final written warnings were issued and a member of staff was dismissed for gross misconduct. The other case resulted in management action only. The other 2 cases remained open at the start of 2019/2020.
 - The team supports the Planning, Heritage and Conservation Teams. The work undertaken by Council's Conservation Officer and the Counter Fraud Unit resulted in legal services being able to successfully prosecute a guilty plea under the Planning (Listed Buildings and Conservation Areas) Act 1990 for unlawful works to a II* listed building. The defendant received a fine of £20,000 and was ordered to pay £5,651 towards the Council's costs.
 - The team supports the Parking Services Team. The work undertaken by the Council's Projects and Contracts Officer and the Counter Fraud Unit resulted in legal services being able to successfully prosecute a guilty plea under the Fraud Act 2006 for making false representations. The defendant received a 2 x 24 week

custodial sentence suspended for 2 years, fined £200 and ordered to pay costs of £1,900.

- 2.12. As at the beginning of the year, the CFU had 15 open cases. During Quarters 1 and 2 the team have received 8 referrals and closed 7 cases. There are currently 3 cases listed in the Magistrates Court for consideration – 2 relate to Licensing offences and 1 is a Listed Building matter.
- 2.13. **Regulation of Investigatory Powers Act 2000 / Investigatory Powers Act 2016 Policies**
- 2.14. The Council's Policies are based on the legislative requirements of these Acts and the Codes of Practice relating to directed surveillance and the acquisition of communications data.
- 2.15. The Policies were reviewed and presented to the Audit Committee in November 2019; these were adopted by Cabinet in December 2019.
- 2.16. The Council must have a Senior Responsible Officer and Authorising Officers to approve any applications for surveillance or the use of a Covert Human Intelligence Source, before the Court is approached. The Senior Responsible Officer is the Interim Chief Executive, Christine Gore and the Authorising Officers are the Chief Finance Officer, Jenny Poole and the Interim Group Manager Legal Services and Monitoring Officer, Patrick Arran.
- 2.17. All applications for communications data are made online via the National Anti-Fraud Network (NAFN) which acts as the single point of contact for Councils. There is a requirement for the Council to nominate a Designated Senior Officer who will confirm to NAFN that the Council is aware of any request and approves its submission. This role is undertaken by the Counter Fraud Unit Manager and the Deputy Counter Fraud Unit Manager.
- 2.18. There have been no RIPA applications and three Non-RIPA applications (one was refused) during 2019/2020. There was one application for communications data.
- 2.19. The Council takes responsibility for ensuring its procedures relating to surveillance and the acquisition of communications data are continuously improved and all activity is recorded.
- 2.20. The recent inspection was completed remotely and the report confirms a high level of compliance by the Council. The recommendations were as follows:
- That the Authorising Officers and Senior Responsible Officer will receive refresher training at the earliest opportunity and any enforcement officers by the end of 2021.
 - That the drafted Social Media Policy be approved and adhered to. This is currently in the consultation phase and will be presented to the Audit Committee in due course.
 - That the Policies and the Counter Fraud Unit Data Retention Procedure be updated to reflect the minimum retention periods for material acquired through covert activity.

3. FINANCIAL IMPLICATIONS

- 3.1. The report details financial savings generated by the Counter Fraud Unit.

4. LEGAL IMPLICATIONS

- 4.1. In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.
- 4.2. The Council is required to ensure that it complies with the Regulation of Investigatory Powers Act 'RIPA' 2000, the Investigatory Powers Act 2016 and any other relevant/statutory legislation regarding investigations. Any authorisations for directed/covert surveillance or the acquisition of communications data undertaken should be authorised by the appropriate Officer and recorded in the Central Register.
- 4.3. The Council has a statutory obligation for enforcing a wide range of legislation, where it is necessary and proportionate to do so. Human rights implications are a consideration of this type of activity and this is included within the Policies.

5. RISK ASSESSMENT

- 5.1. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds. The Counter Fraud Unit provides assurance in this area.
- 5.2. Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption.
- 5.3. If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.
- 5.4. The RIPA and IPA Policies demonstrate the Council's consideration of necessity, proportionality and public interest when deciding on surveillance activity or the decision to obtain personal communication data.

6. EQUALITIES IMPACT

- 6.1. The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.
- 6.2. The application of the RIPA and IPA Policies and Procedures, to govern surveillance and the obtaining of personal communications data, minimises the risk that an individual's human rights will be breached. Furthermore it protects the Council from allegations of the same.

7. ALTERNATIVE OPTIONS

- 7.1. The Council is the lead authority for the Gloucestershire Counter Fraud Unit. This Unit is working with all of the Gloucestershire Local Authorities, West Oxfordshire District Council and other public sector bodies such as housing associations.
- 7.2. The service is a shared one across the County and as such overheads and management costs are also shared equally meaning there is increased value for money.

8. BACKGROUND PAPERS

- 8.1. None.

ANNEX A – Cotswold District Council Work Plan 2019/2020

Department / Contact	Task	Dates / Notes
Corporate / Strategy	Delivery of two reports for Audit Committee	April & November
Corporate / Strategy	RIPA Coordinator Role - Review of Policies / annual report to Members / advisory role for staff	Annual update - April Surveillance / CHIS Policy and Communication Data Policy redrafted and presented to Audit Committee / Cabinet for approval. Social Media Policy to be included in 20/21 work plan Authorising Officer roles to be completed / IPCO to be updated
Corporate / Strategy	Home Office Serious and Organised Crime Checklist and accompanying work plan	Finalised for issue to relevant staff, summary to be issued to members; transferred to 20/21 work plan
Corporate / Strategy	Home Office Bribery and Corruption Assessment Template and accompanying work plan	Assessment included in 20/21 work plan
Corporate / Strategy	Development / Review of Fraud Response Plan	To be included in 20/21 work plan
Corporate / Strategy	Review Corporate Risk Register	Service specific risks to be considered for 20/21 work plan
Corporate / Strategy	Development of Fraud awareness literature for staff and members	Completed - JMT approval pending; transferred to 20/21 work plan
Corporate / Strategy	Development of RTB / debt recovery process	To be included in 20/21 work plan
Corporate / Strategy	Staff and Members Fraud Awareness Sessions	April - July – complete
Corporate / Strategy	Collation and Publication of Fraud Transparency Data	Published August
Procurement	Assist with review of Procurement and Contract Strategy	To be included in 20/21 work plan
Procurement	Supplier payment review	To be included in 20/21 work plan
SWAP	Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest	Draft issued to Governance Group for consideration; transferred to 20/21 work plan
SWAP	Review of the Gifts and Hospitality Policy and Procedure	Draft issued to Governance Group for consideration; transferred to 20/21 work plan
HR	Review of HR Recruitment and Vetting Policy and Procedures	To be included in 20/21 work plan
Policy	Drafting / consultation / adoption of Money Laundering Policy	To be included in 20/21 work plan
Revenues and Housing	National Fraud Initiative (NFI) Match Review	1,066 matches reviewed (further matches still outstanding) / 29 CTAX accounts amended / 9 Penalties applied CTAX - £14,370 / Penalties £630
Revenues and Housing	NNDR (Business Rates) Charity Shop Review	To be included in 20/21 work plan
Revenues and Housing	Review of the Housing List and related NFI Data Matches	Complete, pending results
Planning	Waterpark Review	Instruction to Legal / Chief Executive
ERS	Licensing / Invoice Review	Complete, pending results

SOC = Serious and Organised Crime / IPCO = Investigatory Powers Commissioner's Office

ANNEX B – Cotswold District Council Work Plan 2020/2021

Department / Contact	Task	Dates / Notes
Corporate / Strategy	Delivery of two reports for Audit Committee	April (cancelled) & November
Corporate / Strategy	RIPA Coordinator Role - Review of Policies / annual report to Members / advisory role for staff / IPCO liaison	Annual update - CDC October IPCO Inspection complete and report issued Draft Internet and Social Media Investigations Policy and Procedure to Governance Group for consideration
Corporate / Strategy	Home Office Serious and Organised Crime Checklist and accompanying work plan	
Corporate / Strategy	Home Office Bribery and Corruption Assessment Template and accompanying work plan	
Corporate / Strategy	Development / Review of Fraud Response Plan	
Corporate / Strategy	Development of Service Specific Fraud Risk Register	
Corporate / Strategy	Development of Fraud awareness literature for staff and members	Completed - JMT approval pending
Corporate / Strategy	Development of RTB / debt recovery process	
Corporate / Strategy	Staff and Members Fraud Awareness Sessions	Online provision
Corporate / Strategy	Collation and Publication of Fraud Transparency Data	Published June
Procurement	Assist with review of Procurement and Contract Strategy	
Procurement	Supplier payment review	
SWAP	Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest	Draft issued to Governance Group for consideration
SWAP	Review of the Gifts and Hospitality Policy and Procedure	Final version presented for approval October 2020. JMT to be updated / staff cascade to be completed
HR	Review of HR Recruitment and Vetting Policy and Procedures	
Policy	Review Whistle-Blowing Policy	
Policy	Drafting / consultation / adoption of Money Laundering Policy	Draft issued to Finance and Chief Finance Officer for consideration
Revenues and Housing	National Fraud Initiative Match Review	Commenced
Revenues and Housing	NNDR Charity Shop Exemption Review	To be transferred to 2021/2022 work plan due to resource
Revenues and Housing	Business Grants Post Payment Assurance	Commenced
ERS	Licensing / Invoice Review	688 licenses reviewed / 448 recommendations made 2019/2020 but results not processed due to pandemic. Request to re-do this year.
Planning	Waterpark Review	Instruction to Legal Department / Awaiting decision from interim Chief Executive

SOC = Serious and Organised Crime / IPCO = Investigatory Powers Commissioner's Office



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE - 29 OCTOBER
Report Number	AGENDA ITEM 11
Subject	CORPORATE RISK REGISTER UPDATES
Wards affected	ALL
Accountable member	Cllr Joe Harris, Leader Email: joe.harris@cotswold.gov.uk
Accountable officer	Christine Gore, Interim Chief Executive E-mail: Christine.gore@cotswold.gov.uk
Summary/Purpose	To update the Committee on the changes to the Council's corporate risk register at the end of 2020/21 Q.2.
Annexes	Annex A Corporate Risk Register 2020/21 Q2
Recommendation/s	<i>To note the updates to the Council's corporate risk register</i>
Corporate priorities	Always refer to named priorities from the corporate plan.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None

1. BACKGROUND

- 1.1. The Corporate Risk Register was updated by the risk owners at the end of Q2.
- 1.2. The Corporate Risk Register is attached at Annex A.

2. FINANCIAL IMPLICATIONS

- 2.1. There are no direct financial implications.

3. LEGAL IMPLICATIONS

- 3.1. None.

4. RISK ASSESSMENT

- 4.1. None.

5. EQUALITIES IMPACT (IF REQUIRED)

- 5.1. Not required.

6. CLIMATE CHANGE IMPLICATIONS (IF REQUIRED)

- 6.1. Not required.

7. ALTERNATIVE OPTIONS

- 7.1. None.

8. BACKGROUND PAPERSs

- 8.1. None.

Overarching strategic risks

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D01-014	If the Government imposes legislative changes that are not expected then it could have an impact on the Council's finances and other resources	Financial Community	Horizon scanning Professional publications Four year funding settlement	4	5	20	22-Sep-20	<p>22-Sep-2020 The Council is responding to the Government's requirements of local authorities to implement initiatives related to Covid 19. The Government has provided some funding for additional costs and has promised additional funding in relation to lost income. However, the net cost to the Council of Covid 19 is £1 million. Council is considering a revised budget in September 2020 to reflect this impact .</p> <p>The Council has responded to the consultation on Defra's Waste and Resources strategy. The Strategy suggested that garden waste collection should be free which if imposed would have a significant financial impact on the Council. Defra has now published its consultations response which acknowledges the strong opposition from LAs and accepts that this proposal needs to be reconsidered. Any financial implications will be considered as part of the update to the Council's MTFS</p>	Chief Finance Officer
CRR-D01-019	If there are insufficient resources to deliver the objectives of the new Corporate Strategy and Plan then the expectations of our communities may not be met resulting in lower satisfaction and reputational damage	Financial Community Reputational	Medium Term Financial Strategy	3	3	9	22-Sep-20	<p>22-Sep-2020 No change in rating. The financial implications of the Council's new Corporate Strategy have been included in the refresh of the Medium Term Financial Strategy. The latest MTFS was approved by Council in February 2020 and included funding for resources to support the Council's new priorities. The MTFS has been updated to reflect the impact of Covid 19 on the Council's finances, decisions taken post February 2020 and to reflect delays to the implementation of the Fairer Funding Review and Business Rates Retention. The Council has also approved a Recovery Investment Strategy which allocates capital funding for investment in Council Priorities and to provide a revenue stream to the Council.</p>	Chief Finance Officer

CRR-D01-018	If the Government does not provide adequate funding to the Council to enable the Council to fulfil new expectations of the Council's role in preparations for the UK exit from the EU, there could be negative implications on the Council's reputation or the Council's finances	Financial Community	Publica Executive Director undertaking role of Brexit Lead Officer as per requirement from MHCLG Local Resilience Forum Government funding	3	2	6	20-Oct-20	20-Oct-20 The Publica brexit Planning Group is monitoring the progress of negotiations around Trade Agreements to ensure that the Council is prepared for any potential impact on Council services. The Brexit Risk Register is being reviewed to take account of the current situation.	Executive Director - Commissioning; Interim Chief Executive
CRR-D01-017	If the UK leaves the European Union with no deal then there could be a disruption to the delivery of Council services which would impact on residents/communities	Community Financial Performance	Support from the LGA Local Resilience Forum Government funding to support Councils Business Continuity Plans Service specific planning - Publica ERS, Ubico and GLL Publica Executive Director undertaking role of Brexit Lead Officer as per requirement from MHCLG	3	1	3	20-Oct-20	20-Oct-20 The Publica Brexit Planning Group is monitoring the progress of negotiations around Trade Agreements to ensure that the Council is prepared for any potential impact on Council services. The Brexit risk register is being reviewed to take account of the current situation.	Executive Director - Commissioning; Interim Chief Executive

Financial management & control

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
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CRR-D02-028	If the Local Government settlement over the medium term is unfavourable then the Council's savings target may need to increase	Financial	<p>Medium Term Financial Strategy</p> <p>Only legacy Payments of New Homes Bonus in MTFS</p> <p>Publica Transformation Programme</p> <p>Recovery Investment Strategy approved by Council Sept 20</p>	3	3	9	22-Sep-20	<p>22-Sep-20 The MTFS was approved in Feb 2020. New Homes Bonus awarded for 2020/21 will be for one year only (no legacy payments from 2021/22). The significant changes to LG Funding (75% Business Rate Retention, Business Rate Reset, Fairer Funding Review and new Spending Round) have been delayed until 2022/23 and is reflected in the update of the MTFS which will be considered by Council in Feb 21. MTFS includes savings targets to address changes to government funding.</p> <p>Council approved a Recovery Investment Strategy in Sept 20 which aims to increase income to the Council to mitigate against reduced government funding.</p>	Chief Finance Officer
CRR-D02-018	If unavoidable budget pressures exceed provision within the MTFS then the Council may need to: find additional income or savings, use its reserves, or there may be pressures on services or tax levels and agreed budget targets will not be achieved	Financial	<p>Service Delivery Planning</p> <p>Budgetary control system</p> <p>Publica Strategic Directors/Group Managers and Business Managers engaged in updated of budget and MTFS</p> <p>Key variances reported to Cabinet and Overview and Scrutiny Committee</p>	3	3	9	22-Sep-20	<p>22-Sep-2020 The 2020/21 budget has been revised to reflect the impact of Covid 19. Key service providers (Publica, Ubico and SLM) have been engaged in the revised budget and have also fed in to the draft budget proposals for 2021/22 which will be subject to consultation before Council determines the final budget for 2021/22.</p> <p>The Council has determined its Priorities and the financial resources required to enable the Council to deliver against its priorities had been included in the MTFS and associated 2020/21 budget.</p> <p>Members and Officers are working on a plan to increase income to the Council to fund both new objectives from the new Corporate Strategy and to bridge the expected funding gap from 22/23 as a result of changes to local government funding.</p>	Chief Finance Officer
CRR-D02-030	If Ubico is unable to deliver services to the required standard or to budget then it could damage the Council's reputation and result in additional costs for the Council	Financial Reputational	<p>Service management</p> <p>Performance monitoring</p> <p>Service risk registers</p>	4	3	12	22-Sep-20	<p>22-Sep-20 Ubico is experiencing demand for recycling services over and above expectations of the new service. This has resulted in additional vehicles being utilised and associated additional numbers of operatives to deliver services. Ubico has also required additional personal protective equipment to protect its staff from Covid 19. These additional costs have been incorporated within the revised budget for 2020/21 approved by Council on 23 October 2020. Provisions for some additional costs have been incorporated within the draft budget for 2021/22.</p>	Business Manager - Commissioning strategy

CRR-D02-027	If Publica does not deliver the agreed objectives in accordance with its business plan then the planned savings for the Council would not be delivered and consequently there would be a risk that services could not be delivered in line with the budget	Financial Reputational	Programme Board Local Political Support National Political Support Early Engagement with employees and Unions Funding provided to develop detailed business case	3	3	9	20-Oct-20	20-Oct-20 No change in rating. Publica is continuing to deliver savings as anticipated.	Interim Chief Executive; Managing Director
CRR-D02-024	If the Council is unable to meet the savings required to balance the budget then it may need to make unplanned use of revenue reserves, raise council tax, find further savings and/or cut services	Financial Performance Community	Regular meetings with Members and Cabinet MTFS and budget process Publica Group Managers/Business Managers and Strategic Directors involved in budget process Publica Transformation Programme Recovery Investment Strategy	3	3	9	22-Sep-20	22-Sep-2020 No change in rating. Savings from the leisure contract of £35,000 will not materialise in 2020/21 and have been removed from the revised budget for 2020/21. The level of savings required as a result of changes to local government funding which will now come into effect in 2022/23 remains unclear. The Council has approved a Recovery Investment Strategy to deliver the savings, or generate additional income, required from changes to local government funding.	Chief Finance Officer
CRR-D02-029	If contractors do not meet their obligations under key contracts then it could lead to a fall in service standards, reduced customer service or a failure to meet legal requirements	Financial Reputational	Robust and effective contract management to ensure standards and requirements in contracts are met and any failings are identified and addressed quickly and effectively Regular meetings to review performance/standards	3	4	12	20-Oct-20	20-Oct-20 The introduction of the new waste service in March 2020 coincided with the start of the Covid-19 lockdown and the two events being concurrent caused some disruption due to increased levels of household waste being presented. The garden waste service was suspended to assist with the collection of all other waste but was reinstated as soon as was practicably possible and services are now running as normal. All leisure facilities were closed during the Covid-19 lockdown and began to reopen on 3 August with financial assistance from the Council. Council on 21 October will consider a further funding package until 31 March 2021.	Business Manager - Commissioning strategy
CRR-D02-	If there is a legal challenge to any	Financial	Managerial advice and	3	2	6	20-Oct-20	20-Oct-20 No change in rating	Head of Legal
CRR-D02-	If the Council fails to meet income	Financial	Systems of budgetary control	3	3	9	22-Sep-20	22-Sep-2020 No change in rating, 2020/21	Chief Finance
CRR-D02-	If the level of pay inflation	Financial	National negotiations on pay	3	3	9	22-Sep-20	22-Sep-2020 Revised budget 2020/21 includes	Chief Finance
CRR-D02-	If there was a civil emergency in	Financial	Mutual aid arrangements would	3	3	9	15-Sep-20	15-Sept-20 There are good internal controls in	Group Manager -

Customer focus

Risk Code	Description	Risk Factors	Internal Controls	Current	Current	Current	Last	Latest Note	Assigned To
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CRR-D03-007	If the Council does not consult properly, or Publica does not consult properly on the Council's behalf, then the Council's decisions could be challenged	Community Reputational Legal Financial	Communication team Engagement strategy Neighbourhood coordination meetings Annual Town & Parish council meetings Annual Budget consultation	3	2	6	20-Oct-20	20-Oct-20 No change in rating. Preparation is underway for the 2021/22 budget consultation.	Interim Chief Executive
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Organisational learning, staffing & development

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D04-	If Publica or the Council is unable	Performance	Financial incentives (market	3	3	9	20-Oct-20	20-Oct-20 No change in rating. Quarterly	Interim Chief
CRR-D04-	If staff morale and motivation is	Performance	Communication	2	3	6	20-Oct-20	20-Oct-20 No change in rating. The biggest	Interim Chief
CRR-D04-011	If key Officers in the Council (such as the Interim Chief Executive, Chief Finance Officer or Monitoring Officer) are not available, the Council may not be able to respond effectively to urgent matters which could result in reputational or financial damage	Legal Financial Reputational	Deputy CFO and Monitoring Officers in place Support from Shared Legal Services team- employed by the Publica Partner Councils Support from professionals within Publica (e.g. Strategic Directors, Group Managers, Accountants, HR) Support available from other Statutory Officers from across the Publica Partner Councils Effective working relationships between Officers and Cabinet Members	3	2	6	22-Sep-20	22-Sep-20 No change to rating.	Interim Chief Executive; Managing Director

Business processes

Risk Code	Description	Risk Factors	Internal Controls	Current	Current	Current	Last	Latest Note	Assigned To
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CRR-D05-001	If the Council's data is of poor quality or it does not make appropriate use of its data then the decisions it makes may be flawed	Reputational Financial Legal Performance Community	Internal processes and self assessments Internal audit assurance and support Dedicated staff resource on performance management and data quality Performance Management Framework	3	3	9	15-Sep-20	15-Sep-2020 No change in rating. Data quality and the use of information is being addressed as part of the organisational re-design. The Business Manager responsible for business analytics is working with the Lead officer for information on data quality. Two new data analysis posts are currently being recruited	Chief Finance Officer; Interim Chief Executive
CRR-D05-016	If the Council does not comply with relevant Information Management legislation including the new GDPR and Transparency Agenda then the government may intervene which could have a reputational impact on the Council	Financial Reputational Legal	Access to Information Policy FOI process reviewed LGA guidance and supporting documents & templates	3	3	9	21-Sep-20	September 2020 – There is no change in the risk rating. Progress on the data protection compliance action plan is being reported to the Council and Publica on a regular basis. During the Covid Pandemic we have updated our privacy procedures to allow the Council to lawfully Identifying the vulnerable. We are now implementing the Information Governance Framework (data protection policies, revised procedures and updating Information Sharing and Data Processing Agreements , Data Asset Register). Mandatory refresher training in Information security and Data protection to all staff and Councillors .	Data Protection Officer; Interim Chief Executive
CRR-D05-019	If contractors do not comply with health and safety requirements then there could be both financial and reputational implications for the Council	Financial Reputational	Contract management in place to ensure appropriate measures such as risk assessments, appropriate policies, and training is in place. Health and Safety business partners provide advice and support	4	2	8	20-Oct-20	20-Oct-20 No change in rating	Group Manager - Commissioning
CRR-D05-010	If there is insufficient capacity to deliver key services which could impact on residents	Reputational Performance Community Reputational	Contract terms with SLM BCPs Weather reports/national news Remote working solution available to staff	3 3	2 2	6 6	15-Sept-20 15-Sept-20	15-Sept-20 The new emergency management 15-Sept-20 No change in rating. All business continuity plans have been updated.	Interim Chief Interim Chief Executive; Managing Director

CRR-D05-011	If the Council's IT System / infrastructure failed due to cyber attacks and/or virus then system performance could be reduced leading to poor service delivery/financial impact	Performance Financial Legal Reputational	Preventative measures introduced such as blocking of USB and other devices Undertaken and passed a central government ICT audit, meeting the very high standards set for network security Introduction of new / revised joint policies Periodic staff awareness training BCP in place and reviewed & tested	3	2	6	21-Sept-20	20-Sept-2020 No change in rating. All Councils have PSN accreditation, which compliments the Cyber Essential Plus, which is a Government-backed, industry-supported scheme to help organisations protect themselves against common online threats	Group Manager - Business Support Services
CRR-D05-012	If there is a loss of data (both on site and as a result of remote/mobile working) / security failure in our IT systems then it could lead to a reduced level of service and have a negative impact on the Council's reputation and finances	Performance Financial Legal Reputational	Preventative measures introduced such as blocking of USB and other devices Undertaken and passed a central government ICT audit, meeting the very high standards set for network security Introduction of new / revised joint policies Periodic staff awareness training BCP in place and reviewed & tested	3	2	6	21-Sept-20	21-Sept-2020 No change in rating. All Councils have PSN accreditation, which compliments the Cyber Essential Plus. The online training programme (Bob's Business) has now been completely rolled out and completed by 98% of staff which is helping to reinforce the need for staff to be aware of their responsibilities with regards to data security, passwords and GDPR	Group Manager - Business Support Services
CRR-D05-	If the Council's buildings are	Reputational	BCPs including ICT	3	2	6	15-Sept-20	15-Sept-20 No change in rating. All business	Group Manager -

Longer term risks

Risk Code	Description	Risk Factors	Internal Controls	Current	Current	Current	Last	Latest Note	Assigned To
CRR-D06-	If Health and Safety procedures	Legal	Health and Safety procedures	4	2	8	21-Sept-20	21-Sept-20. No reportable incidents to the	Interim Chief



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 OCTOBER 2020
Report Number	AGENDA ITEM 12
Subject	UPDATE ON SIR TONY REDMOND REPORT
Wards affected	All
Accountable member	Cllr Mike Every Deputy Leader and Cabinet Member for Finance Email: Mike.Every@cotswold.gov.uk
Accountable officer	Jenny Poole – Chief Finance Officer Email: Jenny.Poole@cotswold.gov.uk
Summary/Purpose	The report provides the Audit Committee with an update on the recent report published by Sir Tony Redmond “ <i>Independent Review into the Oversight of Local Audit and the Transparency of Local Audit Financial Reporting</i> ”. Sir Tony Redmond’s report may lead to changes to the format and content of the Council’s statement of accounts, to the membership of the Council’s Audit Committee and to the fees charged for the audit of Council’s financial statements. In the event of recommendations from Sir Tony Redmond’s report being implemented further reports will be presented to the Audit Committee, Cabinet and Council as appropriate.
Annexes	None
Recommendation	<i>To note the report.</i>
Corporate priorities	<ul style="list-style-type: none"> • delivering our services to the highest standards • responding to the challenges presented by the climate crisis • providing good quality social rented homes • presenting a local plan that’s green to the core • helping residents and communities access the support they need for good health and wellbeing • supporting businesses to grow in a green, sustainable manner, and to provide high value jobs
Key Decision	No
Exempt	No
Consultees/ Consultation	None

1. Background

- 1.1. In June 2019, Sir Tony Redmond was asked to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting. Having completed the review, Sir Tony Redmond's report (the Review) was published in September 2020. The full report is available on the Government website, Gov.uk, the link to the relevant webpage is shown below:

www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review

- 1.2. This report provides an update to the Audit Committee of the Review's conclusions and recommendations. The report also sets out actions which will now be taken by various stakeholders in response to the Review. The outcome of these actions may have an impact upon the Council and may require the Council to revise elements of its Constitution. Further reports will therefore be presented to the Audit Committee, Cabinet and Council as appropriate and necessary.

2. Main Points

- 2.1. The Review examined the following points:
- Effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public;
 - Whether the current means of reporting the Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.
- 2.2. The review received 156 responses to the Calls for Views and carried out more than 100 interviews.
- 2.3. The outcomes of the Review were summarised in the Executive Summary, which is set out below:

“Executive Summary

- *Serious concerns have been expressed regarding the state of the local audit market and the ultimate effectiveness of the work undertaken by audit firms. This is not to say that the audits are carried out unprofessionally but there remains a question of whether such audit reports deliver full assurance on the financial sustainability and value for money of every authority subject to audit. A particular feature of the evidence submitted relates to concern about the balance of price and quality in the structure of audit contracts.*
- *A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process. Although there is some scope to effect alterations to the individual roles,*

appropriately fulfilled with the existing framework, this would not achieve the overriding objective of providing a coherent local audit function which offers assurance to stakeholders and the public in terms of performance and accountability of the local authority and the auditor.

- *Consequently, a key recommendation is to create a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit. It is recognised that the new body will liaise with the Financial Reporting Council (FRC) with regard to its role in setting auditing standards. The engagement of audit firms to perform the local audit role would be accompanied by a new price/quality regime to ensure that audits were performed by auditors who possessed the skills, expertise and experience necessary to fulfil the audit of local authorities. These auditors would be held accountable for performance by the new regulator, underpinned by the updated code of local audit practice. A further recommendation is to formalise the engagement between local audit and Inspectorates to share findings which might have relevance to the bodies concerned.*
- *The Regulator would be supported by a Liaison Committee comprising key stakeholders and chaired by the Ministry of Housing, Communities and Local Government (MHCLG). The new regulatory body would be small and focused and would not represent a body which has the same or similar features as the Audit Commission.*
- *The report recognises that local audit is subject to less critical findings in respect of audit procurement and quality relating to smaller authorities. However, the recommendations include a review by Smaller Authorities' Audit Appointments (SAAA) of current arrangements relating to the proportionality of small authority audits together with the process for managing vexatious complaints where issues have been raised by those bodies which have experienced such challenges.*
- *Governance in respect of the consideration and management of audit reports by authorities has also been examined in considerable detail. Based on evidence presented, there is merit in authorities examining the composition of Audit Committees in order to ensure that the required knowledge and expertise are always present when considering reports, together with the requirement that at least an annual audit report to be submitted to Full Council. This demonstrates transparency and accountability from a public perspective which is currently lacking in many authorities.*
- *The issue of transparency is of equal relevance to the current presentation and publication of the annual accounts. Given that the feedback from practitioners and other key stakeholders revealed that current statutory accounts prepared by local authorities are considered to be impenetrable to the public, it is recommended that a simplified statement of service information and costs is prepared by each local authority in such a way as to enable comparison with the annual budget and council tax set for the year. This would enable Council taxpayers and service users to judge the performance of the local authority for each year of account. The new statement would be prepared in addition to the statutory accounts, which could be simplified. All means of communicating such information should be explored to achieve access to all communities.*
- *The outcome of this Review is designed to deliver a new framework for effective local audit and an annual financial statement which enables all stakeholders to*

hold local authorities to account for their performance together with a robust and effective audit reporting regime.

- *Aside from the additional costs arising from a fee increase, the resource implications of the new regulatory body would amount to approximately £5m per annum after taking into account the amount related to staff subject to transfer under the TUPE arrangements.*
- *Implementation of recommendations contained in this Review would, in part, require regulatory or legislative change but it is important to note that many of the issues identified in this report require urgent attention, given the current concerns about local audit demonstrated in this Review.”*

2.4. The recommendations from the Review are as follows:

External Audit Regulation

1. A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:
 - procurement of local audit contracts;
 - producing annual reports summarising the state of local audit;
 - management of local audit contracts;
 - monitoring and review of local audit performance;
 - determining the code of local audit practice; and
 - regulating the local audit sector.
2. The current roles and responsibilities relating to local audit discharged by the:
 - Public Sector Audit Appointments (PSAA);
 - Institute of Chartered Accountants in England and Wales (ICAEW);
 - FRC/ARGA; and
 - The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.
3. A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.
4. The governance arrangements within local authorities be reviewed by local councils with the purpose of:
 - an annual report being submitted to Full Council by the external auditor;
 - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
 - formalising the facility for the Chief Executive Officer (CEO), Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.
5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.
6. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.

7. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.
9. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.
10. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
11. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.
12. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.
13. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

Smaller Authorities Audit Regulation

14. SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.
15. SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.
16. SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.

Financial Resilience of local authorities

17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.
18. Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.

Transparency of Financial Reporting

19. A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.

20. The standardised statement should be subject to external audit.
21. The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.
22. CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope 7 to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.
23. JPAG be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:
 - Whether “Section 2 – the Accounting Statements” should be moved to the first page of the AGAR so that it is more prominent to readers;
 - Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and
 - Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.

Next Steps by Stakeholders

- 2.5. Since the publication of his report, Sir Tony Redmond has presented the finding of his review to various stakeholder groups. In those presentations he has set out his view of the actions which need to be action in response to his report. Those actions can be summarised as follows:
 - The Ministry for Housing, Communities and Local Government (MHCLG) will need to consider the recommendations.
 - Should MHCLG agree with the recommendation to establish a new Office of Local Audit and Regulation this will require primary legislation.
 - The proposed Liaison Committee could be established early to co-ordinate across the Local Audit market
 - A consultation on the revised presentation of local authority accounts to be carried out by the end of December 2020;
 - The use of the new standardised statement of service information and costs to be used on a trial basis for the 2020/21 financial statements and for the statement to be audited from the 2021/22 statements;
 - CIPFA to consider how it can assist with support for new Chief Finance Officers before taking on the role;
 - Training requirements for both accountants preparing the financial statements and auditors carrying out local audits to be addressed by audit firms and local Chief Finance Officers;
 - PSAA Ltd to consider the Review recommendations and plan next steps;
 - CIPFA to consider the Review recommendations and in particular to consider Property, Plant and Equipment and pension fund and reporting requirements and potential simplification of the accounts; and

- Local Councils to review their governance arrangements with regard to Full Council consideration of an Annual Report from the external auditor, appointment of one independent member (suitably qualified) to the Audit Committee and formalising the facility for the Chief Executive Officer, Monitoring Officer and the Chief Finance Officer to meet with the Key Audit Partner at least annually.

Potential Impact upon Cotswold District Council

- 2.6. If the Review recommendations are accepted the impacts for this Council can be summarised as follows:
- There will be changes to the format and content of the statement of accounts, potentially with effect from the 2020/21 financial statements;
 - External audit fees will increase;
 - The Council will need to consider the impact upon its Constitution with regard to Full Council receiving an Annual Report from the external auditor and the Audit Committee including one independent member; and
 - The Chief Finance Officer will need to consider the adequacy of training provided to accountants preparing the Council's financial statements.
- 2.7. Should the Council be required to revise its Constitution, further reports will be considered by this Committee and Council.

3. Financial Implication

- 3.1. There are no financial implications as a direct result of this report. However, any increase in external audit fees as a result of the Redmond Review will require the Council to increase the external audit fee budget accordingly.

4. Legal Implications

- 4.1. There are no legal implications arising from this report.

5. Risk Assessment

- 5.1. Any increase in external audit fees as a result of the Redmond Review will require the Council to increase the external audit fee budget accordingly.

6. Equalities Impact

- 6.1. There are no equalities implications arising from this report.

7. Climate and Ecological Implications

- 7.1. There are no climate and ecological implications arising from this report.

8. Background Papers

- 8.1. None.

13. WORK PLAN 2020/21

COMMITTEE DATE	ITEMS
26 November 2020	Annual Governance Statement
	Letter of Representation
	Statement of Accounts and External Auditor Finding Report
	Treasury Management Mid-Year Performance Report 2020/21
28 January 2021	Internal Audit Monitoring Report
	KPMG LLP Reports – Housing Benefit Subsidy Certification
	Capital, Investment and Treasury Management Strategies Report for 2021/22
	Grant Thornton Reports
	Corporate Risk Register Update
	Cyber Security Update
	Ubico – Governance Overview and Business Plan - Update
	Work Plan 2020/21
	Code of Conduct – Standards Investigations
29 April 2021	Grant Thornton Reports
	Grant Thornton Assurance
	Corporate Risk Register Updates
	Counter Fraud Unit Report and Annual RIPA/IPA Update
	Internal Audit Monitoring Report
	Draft Annual Governance Statement 2020/21
	Proposed 2021/22 Internal Audit Plan and Internal Audit Charter
	Work Plan 2021/22

(END)