

Public Document Pack



COTSWOLD
DISTRICT COUNCIL

Wednesday, 13 July 2022

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AUDIT COMMITTEE

A meeting of the Audit Committee will be held at Council Chamber - Trinity Road on
Thursday, 21 July 2022 at 4.00 pm.

Rob Weaver
Chief Executive

To: Members of the Audit Committee
(Councillors Tony Berry, Patrick Coleman, Nick Maunder, Nigel Robbins, Gary Selwyn,
Tom Stowe and Ray Theodoulou)

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 (Pages 5 - 10)**
To confirm the minutes of the meeting of the Committee held on 28th April 2022
5. **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.
6. **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
7. **KPMG LLP Reports - Housing Benefit Subsidy Certification (Pages 11 - 14)**
Purpose
For the Audit Committee to note the outcome of the Housing Benefit Subsidy Grant Certification audit for 2020/2021

Recommendation(s)
To note the outcome of the housing benefit subsidy certification work
8. **Internal Audit Annual Opinion (Pages 15 - 46)**
Purpose
To present a summary of the work undertaken by Internal Audit during 2021/22 and to give an overall opinion on levels of assurance resulting from this work.

Recommendation(s)
That the Committee considers the report and comments, as necessary.
9. **Annual Governance Statement 2021/22 (Pages 47 - 64)**
Purpose
To present the Audit Committee with the draft Annual Governance Statement (AGS) 2021/2022 for consideration and comment.

Recommendation(s)

For Members to receive and discuss the draft Annual Governance Statement for 2021/2022

10. **Corporate Risk Register Update (Pages 65 - 76)**

Purpose

To update the Committee on the changes to the Council's corporate risk register.

Recommendation(s)

To note the updates to the Council's corporate risk register

11. **Draft Accounts 2021/2022**

Purpose

To note the presentation given by the Chief Accountant Michelle Burge

12. **Value for Money Audit (Pages 77 - 106)**

Purpose

To present the external auditor's conclusion on the arrangements in place to secure value for money at the Council during 2020/21.

Recommendation(s)

For the Audit Committee to consider and note the report, the auditor improvement recommendations and the management responses.

13. **Work Plan (Pages 107 - 108)**

Purpose

To receive the Work Plan and provide feedback on future items scheduled.

(END)

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Audit Committee
28/April2022



COTSWOLD
DISTRICT COUNCIL

Minutes of a meeting of the Audit Committee held on Thursday, 28 April 2022.

Councillors present:

Patrick Coleman (Chair)	Nigel Robbins
Stephen Andrews	Mark Harris
Tony Berry	Nick Maunder

Officers present:

Jenny Poole – Deputy Chief Executive
Caleb Harris – Democratic Services
Wayne Smith – Democratic Services
Mike Butler – Strategic Support Officer Land, Legal and Property - Publica
Ciaran Okane – Senior Procurement Business Partner
Emma Cathcart - Head of Service, Counter Fraud and Enforcement Unit
Lucy Cater – Assistant Director (SWAP)

129 Apologies

There were apologies provided from Councillor Theodoulou.

130 Substitute Members

There were no substitute Members

131 Declarations of Interest

There were no declarations of interest from Members or Officers present

132 Minutes

Councillor Andrews asked that Councillor Robins be listed as the Replacement Chair and the Chair asked that Councillor Gary Selwyn be included in the list of Councillors present.

Democratic Services undertook to change the minutes as instructed.

RESOLVED: That subject to the amendments being made, the minutes are a true and accurate reflection of the previous meeting held on the 27 January 2022.

Voting Record

For 5, Against 0, Abstentions 1, Absent 1

133 Public Questions

There were no public questions.

134 Member Questions

There were no Member questions

135 Draft Accounting Policies 2021/22

The Deputy Chief Executive started by explaining that it was good practice for the Committee to review the Council's Accounting Policies when the accountants were preparing the statements for the 2021/2022. The proposed changes to the Accounting Policies were highlighted within the document for consideration.

The Chair asked for 2 minor text corrections to be made to paragraphs (ix) Post-Employment Benefits & (ix) Financial Instruments, and the Officer confirmed these amendments would be made.

The Committee queried the Statutory Provision cease date of 31st March 2023, and the Deputy Chief Executive confirmed this date was specified by the Department of Levelling Up.

The Committee queried how heritage assets with a recognised value are accounted for if they are accidentally damaged, and the Deputy Chief Executive confirmed that if an item was 'impaired' (damaged) it would be revalued.

The Committee queried whether Green Bonds were considered a financial instrument, and the Officer confirmed that they were.

RESOLVED: That the Committee approves the Accounting Policies 2021/2022

Voting

For 6, Against 0, Abstentions 0, Absent 1

136 Corporate Risk Register Update

The Strategic Support Officer started by confirming that the Corporate Risk Register is presented to the Committee each quarter as an assurance of the risk process used by Publica (on behalf of the Council) and the Council itself. The register had been rationalised and made more dynamic, providing more details and capturing external emerging risks as well as internal operational risks.

The Committee welcomed both the rationalisation of the Register and the new clearer format.

The Committee queried the risk assessments given to several of the risks, scores and responses within the Register, and the Deputy Chief Executive and Strategic Support Officer provided responses to each of these.

RESOLVED: The Committee noted the updates to the Risk Register.

137 Annual Governance Statement Action Plan

The Strategic Support Officer started by stating that the Annual Governance Statement produced a list of actions for the Council and Publica to implement to improve governance and control through the coming year. This Action Plan provided progress against these actions.

The Committee welcomed the progress that had been made and commented on several of the completed actions (and their status as Complete), and the small number of actions that remained outstanding. The Deputy Chief Executive, The Monitoring Officer and The Strategic Support Officer provided responses to each of these.

The Committee commented that in some instances the status of Completed had correctly identified that a specific action had been completed e.g. a Project Manager had been appointed, but subsequent work of that Project Manager had not yet been completed. The Deputy Chief Executive and the Assistant Director (SWAP) confirmed that the Governance of Programmes and Projects report showing progress will be part of the 2021/2022 Audit Plan that will be presented at the next Audit Committee.

RESOLVED: The Committee noted progress against the Action Plan

138 Updated Procurement and Contract Management Strategy

The Deputy Chief Executive started by thanking the Senior Procurement Business Partner for the report that now brings in social value and the environment.

The Senior Procurement Business Partner stated that this was an update to the 2015 Procurement and Contract Management Strategy and, in the absence of direction from central government, had been created using best practices and introduced social value guidance, counter fraud guidance and climate emergency guidance

The Committee welcomed the report and commented on: how the local economy and supply chains were supported, the manner in which Social Value is calculated and the extent of the 50 mile Social Value catchment area. The Senior Procurement Business Partner provided responses to each of these.

RESOLVED: That the Committee approve the strategy prior to its presentation at Cabinet.

Voting

6 For, 0 Against, 0 Abstentions, 1 Absent

139 Counter Fraud and Enforcement Unit Report

The Head of Service, Counter Fraud and Enforcement Unit started by bringing the Committees attention to the new style of the unit's name that had been changed to identify the unit's Enforcement activity of the unit as well as Counter Fraud. The report was then presented highlighting specific Counter Fraud activities including with business Grants, Omicron leisure grants, post payment activity, single person discount anomalies and test and trace payments.

Audit Committee
28/April2022

The Committee queried whether the extra work generated by the pandemic was covered by additional funds from the government. The Head of Service confirmed that New Burdens funding had been provided by the government.

The Deputy Chief Executive thanked the Heads of Service and their teams for the huge amount of work that had been done establishing entitlement processes, issuing around £70m in grants, identifying £616k of fraudulent claims and already collecting half of this.

The Committee queried whether single person discount fraud numbers had increased during the pandemic and the Head of Service confirmed that although the number of anomalies raised had increased, the number of fraudulent claims had remained at around the same figure

The Committee commented that with the high level of Test and Trace cases being investigated, and the high amount of fraudulent payments that had been successfully recovered (and kept by the Council), should more of this work be undertaken. The Head of Service stated that this was being reviewed, however the (low income, zero hours, vulnerable) demographic of the recipients needed to be considered in the wider public interest.

RESOLVED: The Committee noted the report and work plans.

140 Whistle Blowing Policy

The Head of Service, Counter Fraud and Enforcement Unit started by stating the policy had been reviewed, refreshed, updated and combined the policies of the three councils' and Publica's separate policies into a single policy. It now included signposting alternative routes to Whistle-Blowing and a simple flowchart summary showing the steps needed to Whistle-Blow.

The Committee commented that they had not had Whistle-Blowing cases referred to the Committee, and Head of Service stated that the policy was within the remit of the Committee however individual Whistle-Blowing cases would be investigated at service level e.g. HR, Counter Fraud and Enforcement Unit.

The Committee commented that a report of Whistle-Blowing activity across the Council would be welcomed to enable the Committee to review details and identify trends. The Monitoring Officer stated that it would be possible to bring such a report summarising the number of allegations received and the areas covered e.g. safeguarding, financial irregularity, and agreed this could be added to the Ombudsman's Letter

The Committee commented that alternative reporting routes to Auditor Whistle-Blowing could be made through Public Sector Audit Appointments Ltd and the Comptroller & Auditor General. The Head of Service stated these details would be added to the policy and flowchart.

RESOLVED: The Committee considered the policy with the above comments prior to its presentation at Cabinet

141 Internal Audit Progress Report

The Assistant Director (SWAP) started by confirming the Internal Audit Progress Report comes to each Audit Committee and summarised work of the Audit Team for the Council since the last report.

Audit Committee

28/April2022

The Committee welcomed the report and remarked on the excellent work completed by SWAP and the training that they provide.

The Committee queried whether the Audit Team had maintained the capacity to complete all of their work during the period of the pandemic. The Assistant Director (SWAP) confirmed that nothing had been dropped and any items to be deferred would be agreed with the Deputy Chief Executive. There was also the opportunity to source additional capacity from within (SWAP) if this was required.

The Committee commented on a number of actions including the Fire Risk Assessment, the Privileged Account Management Audit, Reconciliation of Housing Benefit Payments, the number of retrospective dates still listed but moved forward, Strategic Commissioned Services Audit. The Assistant Director (SWAP) provided responses for each of these.

RESOLVED: The Committee considered the report and commented as above.

I42 Internal Audit Plan 2022/23 and Internal Audit Charter

The Assistant Director (SWAP) started by confirming the Internal Audit Plan 2022/23 had been developed following consultation with Members, Officers and the Audit Team. The Audit Plan includes a number of core audits including financials and ICT that are completed every year and a list of proposed audit areas including the Council Tax 151 Rebates, Climate Change, Carbon Reductions and Procurement Strategy with the option to add audits if required.

The Committee commented that the 2022/23 year had started and areas for audits had still not been agreed e.g. HR. The Assistant Director (SWAP) confirmed the need for a degree of flexibility within the plan and (for instance) as HR audits usually took place in quarter 2, the specific area to be audited would be agreed with service managers in quarter 1.

RESOLVED: That the Audit Committee approves the proposed 2022/23 Internal Audit Plan and the Internal Audit Charter.

Voting Record

For 6, Against 0, Abstentions 0, Absent 1

I43 Work Plan 2022/23

The Committee queried when the Value for Money Audit would be brought to the committee and the Deputy Chief Executive confirmed the report will be presented at the next Audit Committee in July along with the Draft Accounts 2021/22, the Annual Governance Statement and the Internal Audit Annual Opinion, and these will be added to the Work Plan.

RESOLVED: The Committee noted the plan and provided feedback for items to be added.

The Meeting commenced at 4.00pm and ended at 5.55pm

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Agenda Item 7



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 21 JULY 2022
Report Number	AGENDA ITEM 7
Subject	KPMG LLP REPORTS – HOUSING BENEFIT SUBSIDY CERTIFICATION
Wards affected	None
Accountable member	Cllr Mike Evely – Deputy Leader and Cabinet Member with responsibility for Finance Email: mike.evely@cotswold.gov.uk
Accountable officer	Mandy Fathers – Business Manager for Operations and Enabling Email: mandy.fathers@publicagroup.uk
Summary/Purpose	For the Audit Committee to note the outcome of the Housing Benefit Subsidy Grant Certification audit for 2020/2021
Annexes	None
Recommendation(s)	<i>To note the outcome of the housing benefit subsidy certification work</i>
Corporate priorities	<ul style="list-style-type: none"> • Delivering our services to the highest standards
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Leader and Deputy Leader, Chief Executive and Deputy Chief Executive, Monitoring Officer, Interim Head of Legal Services, Finance Business Partner, Group Manager, Director of Finance (Publica)



1. BACKGROUND

- 1.1 In financial years prior to 2018/19, the annual housing benefit subsidy audit formed part of the procurement process for external audit services This procurement was carried out on behalf of local authorities by the Audit Commission.
- 1.2 Since the demise of the Audit Commission, the Council has used PSAA Ltd (a company established and owned by the Local Government Association) to procure its external audit services.
- 1.3 Due to changing legislation, the procurement for external audit services from 2018/19 onwards could not include the audit of the Housing Benefit Subsidy claim. Therefore, with effect from the 2018/19 financial year, the Council has been required to procure this specialist service directly and has procured the services of KPMG LLP to carry out the Housing Benefit subsidy claim audit for the 2018/19, 2019/20 and 2020/2021 financial years.

2. MAIN POINTS

- 2.1 The Certification process aims to ensure that subsidy claims are fairly stated and provided assurance that the housing benefit scheme is being administered correctly.
- 2.2 During 2020/2021, the Housing Benefit Team administered approximately 21,003 changes in circumstances, and paid out £12,159,948 in Housing Benefit. The total subsidy claimed for by Cotswold District Council was £12,159,948. The team also identified £329,525 of overpaid Housing Benefit recoverable from claimants. In the year, claimants repaid a total of £110,415, including recovery of debts from previous years.
- 2.3 In the initial sample of Housing Benefit cases, KPMG LLP found 15 claims where subsidy had either been overstated or understated. This is broken down as follows:

Type of Claim	Number of claims incorrect	Reason	Subsidy Impact (under/-over)	Subsidy Loss
Non HRA	8	Incorrect assessment of Local Housing Allowance (LHA) rate	£8,742.11 -£8,742.11	£0.00
Non HRA	1	Misclassification of Claimant Error Overpayment	-£2,249.90	£2,249.90
Non HRA	1	System migration issues	£-55.84	£55.84



Rent Allowance	1	Claim misclassified as Rent Allowance when should be Non HRA	£636.37	£0.00
Rent Allowance	2	System migration issues	-£1,011.03	£1,011.03
Modified Local Scheme	2	Incorrect assessment of War Widows pension	-£155.44	£155.44
Total Subsidy Loss to Local Authority				£3,472.21

- 2.4** The total loss equates to 0.02% of the total Housing Benefit spend.
- 2.5** It should also be highlighted that during 2020/2021 a complete Revenues and Benefits system conversion was undertaken which resulted in three of the errors highlighted above. The service also experienced a higher increase in its changes in circumstances than it would normally have expected. This was due to the Covid Pandemic and a higher than normal increase in claimants universal credit claims for instance.
- 2.6** The Council's Deputy Chief Executive has received and reviewed a copy of the Certification Letter, which summarises the key finding from the work carried out by KPMG LLP on the Council's Housing benefit Subsidy Claims for 2020/2021. There were no recommendations made by KPMG LLP in the Letter.

3. FINANCIAL IMPLICATIONS

- 3.1** Due to the additional testing required by KPMG LLP the fees for the Housing benefit Subsidy certification work were higher than was budgeted for. The increase cost was funded through savings on the external auditor's fees in 2021/22.
- 3.2** The Council overstated its Housing Benefit expenditure in the subsidy claim by £3,472.21. Government will reduce a future subsidy payment by this amount. This will result in an in-year budget pressure in the 2022/23 financial year.

4. LEGAL IMPLICATIONS

- 4.1** There are no legal implications in respect of this report

5. RISK ASSESSMENT

- 5.1** There are no risk associated with this report.

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Agenda Item 8



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 21ST JULY 2022
Report Number	AGENDA ITEM 8
Subject	INTERNAL AUDIT ANNUAL OPINION 2021/22
Wards affected	N/A
Accountable member	Cllr Mike Evemy, Cabinet Member for Finance Email: mike.evemy@cotswold.gov.uk
Accountable officer	Jenny Poole, Chief Finance Officer Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	To present a summary of the work undertaken by Internal Audit during 2021/22 and to give an overall opinion on levels of assurance resulting from this work. Due to the information contained in The Internal Audit Annual Opinion, it is deemed unnecessary to submit a separate quarterly monitoring report. Instead, we have produced a condensed version of the usual report which contains a summary of the work concluded since the last meeting of this Committee.
Annexes	Annex A – INTERNAL AUDIT ANNUAL OPINION 2021/22 Annex B – SUMMARY OF WORK COMPLETED SINCE APRIL 2022
Recommendation(s)	a) That the Committee considers the report and comments, as necessary.
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



I. BACKGROUND

- 1.1.** The Annual Opinion Report 2021/22, Annex 'A', provides the Head of Internal Audit's (SWAP Assistant Director) opinion, on the adequacy and effectiveness of internal control within Cotswold District Council. The opinion is based on the adequacy of control, noted from a selection of risk-based audits carried out during the year, and other advice work on control systems including the proactive work of the service as it supports the control arrangements within change projects. The results of any external inspections also inform the opinion.
- 1.2.** Throughout the year the Internal Audit service have measured the degree of control assurance within the systems, or elements of systems, audited or supported by way of control advice. Overall, the opinion is that a 'High Reasonable' assurance level can be given for the controls in place, within the areas where audit activity has taken place, to safeguard these systems which in turn support the delivery of the Council's overall business objectives.
- 1.3.** Where operational control issues were raised, the risks associated with the control issues raised, in the audit reports, are being actively managed by Management.
- 1.4.** The report outlines how the Internal Audit function has supported the Council in meeting the requirements of the Public Sector Internal Audit Standards. These state that:
- "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."
 - "A relevant authority must conduct, each financial year, a review of the effectiveness of the system of internal control."
- 1.5.** The purpose of the Head of Internal Audit's Annual Opinion is to contribute to the assurances available to the Chief Executive and the Council which underpin the Council's own assessment of the effectiveness of the authority's system of internal control. This opinion is one component that the Council must take into account when completing its Annual Governance Statement.
- 1.6.** Officers from SWAP will be in attendance at the Committee meeting and will be available to address Members' questions.

2. MAIN POINTS

- 2.1.** In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon, and limited to, the work performed, on the overall adequacy and effectiveness of the organisation's control arrangements. This is achieved through a risk-based programme of activities, agreed with management and



approved, for 2021/22, by the Audit Committee, which should provide a level of assurance across a range of Council activities.

The opinion does not imply that the internal audit service has reviewed all risks and controls relating to the Council or the systems it reviews.

Throughout a challenging year, we have tried to ensure a balance between providing direct assistance to the Council and maintaining a continuum of audit work. We are pleased to report we have achieved this, although it must be recognised coverage is not comparable to previous or 'normal' years.

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.** Weaknesses in the control framework, identified by the Internal Audit activity, will continue to threaten organisational objectives if recommendations are not implemented.

6. BACKGROUND PAPERS

- 6.1.** Internal Audit Reports and update reports presented to the Audit Committee.

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Cotswold District Council

Internal Audit Annual Opinion Report 2021/22

Internal Audit Annual Opinion – 2021/22: ‘At a Glance’

Annual Opinion



There is generally a 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.

The Headlines

	No Significant Risks were identified during the year.
	34 reviews delivered as part of the 2021/22 Internal Audit Plan. Includes assurance, advisory and follow up reviews. 3 reviews are at draft report stage and 3 are in progress. Furthermore, we continue to support the Council with ongoing projects and attend corporate meetings.
	Internal Audit staff redeployed directly into Council areas to assist with the COVID response. COVID 19 Business Grant processing and post payment checks.
	A number of agreed actions from 2020/21 remain outstanding, along with actions agreed during 2021/22 (some agreed actions have had time extensions due to Covid-19). We will continue to follow-up all agreed actions.

Internal Audit Assurance Opinions 2021/22

Substantial	5
Reasonable	10
Limited	0
No	0
Internal Audit Agreed Actions 2021/22	
Priority 1	0
Priority 2	13
Priority 3	8
Total	21

Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit Committee and Senior Management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

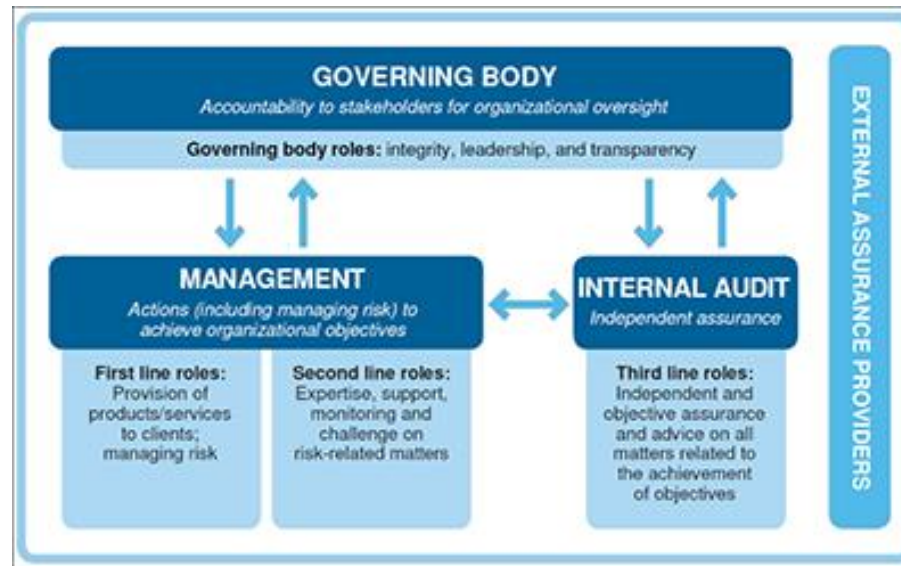


Background

The Internal Audit service for Cotswold District Council is provided by SWAP Internal Audit Services. The team's 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. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2021/22 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2021/22 audit work for Cotswold District Council, enhanced by the work of external agencies, I am able to offer a **High Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Just as in more normal times, audit work has been planned to ensure that sufficient assurance will be available to inform the annual opinion as well as supporting the three key principles:

- Rebuilding trust and confidence in the Council
- Providing value for money for our residents and businesses
- Listening to the needs of our community, and acting on what we hear

And the six key priorities:

- Deliver the Highest Standards of Services
- Respond to the Climate Crisis
- Provide Socially Rented Homes
- Make our Local Plan Green to the Core
- Support Health and Well-being
- Enable a Vibrant Economy

That are defined, and underpin, CDC's Corporate Plan 2020/2024 (updated Spring 2022)

Our audit work supports each of these principles, and priorities, whether as an assurance audit, an advisory piece of work, ad hoc requests, or support to the Council.

The professional requirements of PSIAS have remained unchanged and in line with these, audit priorities have been agreed throughout the year and this work supports the annual opinion.

The additional work performed to carry out assurance work on risks associated with the continued pandemic were:

- *Supported the Council on data input for further rounds of Business Grants (ARG Schemes, Omicron)*
- *Support to the Council in respect of post payments reviews on all Mandatory Business Grant Applications*
- *Responding to queries and complaints in respect of Covid Grants*
- *Audit of Covid grants*

Alongside direct internal audit work, the HIA can also place reliance on:

- *Work and investigations undertaken by the Council's Counter Fraud and Enforcement Unit*
- *Updates and PSN certification undertaken by the Council's ICT Audit and Compliance Manager*
- *Review undertaken by Business Manager – Corporate Responsibility on Mangers' Assurance Statements 2021/22*

As we are working to a more agile / rolling audit plan the following audits have been agreed with Management to be carried forward to 2022/23.

- *Human Resources – Following the implementation of a new recruitment process*
- *Procurement – following the adoption of the updated Procurement and Commissioning Strategy*

The following are considered key pieces of audit work that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control.

- *Business Continuity*
- *Continuous assurance*
- *Key financial audits*
- *Information governance and security*
- *Key front line services*

Throughout another challenging year, we have tried to ensure a balance between providing direct assistance to the Council and maintaining a continuum of audit work. We are pleased to report we have achieved this, although it must be recognised coverage is not comparable to previous or 'normal' years.

Summary of Audit Work 2021/22

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that relate to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit Committee attention.

We have not identified any significant corporate risks in the areas we have audited this year, but audit reviews completed during the year identified weaknesses in process / systems that should be addressed. Of the thirteen priority 2 agreed actions made during the year, 9 are not complete, these are due to be implemented during 2022/23 and we will follow these up as per our procedure.

We have also continued to follow-up all agreed actions made in previous years audits. Due to on-going worldwide events that continue to affect the Council e.g. Covid and the War in Ukraine and officers supporting these more critical services, some agreed actions haven't been implemented by the target date. Progress is being made on implementation of these actions and we will continue to follow them up.

All audits, and progress against agreed actions, have been reported throughout 2021/22 to the Audit Committee.

Summary of Audit Work 2021/22

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

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.



Summary of Audit Opinion

The following two charts summarise the audit opinions and audit work, and involvement, during 2021/22

Table 1 indicates the spread of assurance opinions across our work during the past year.

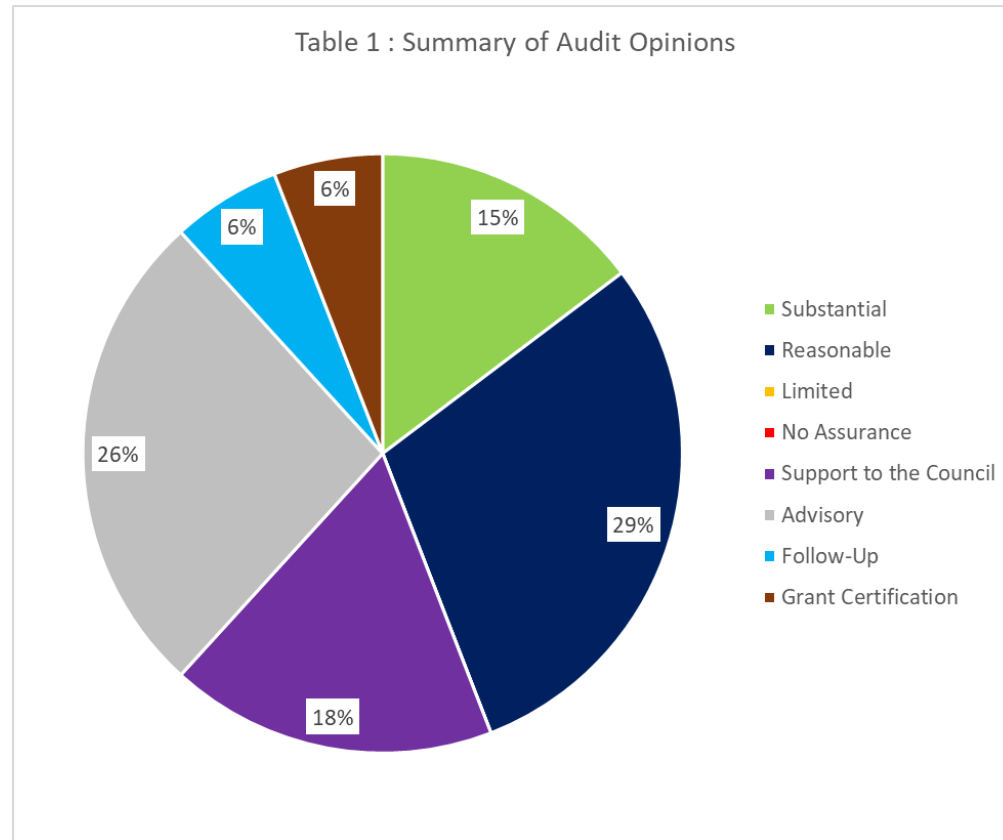
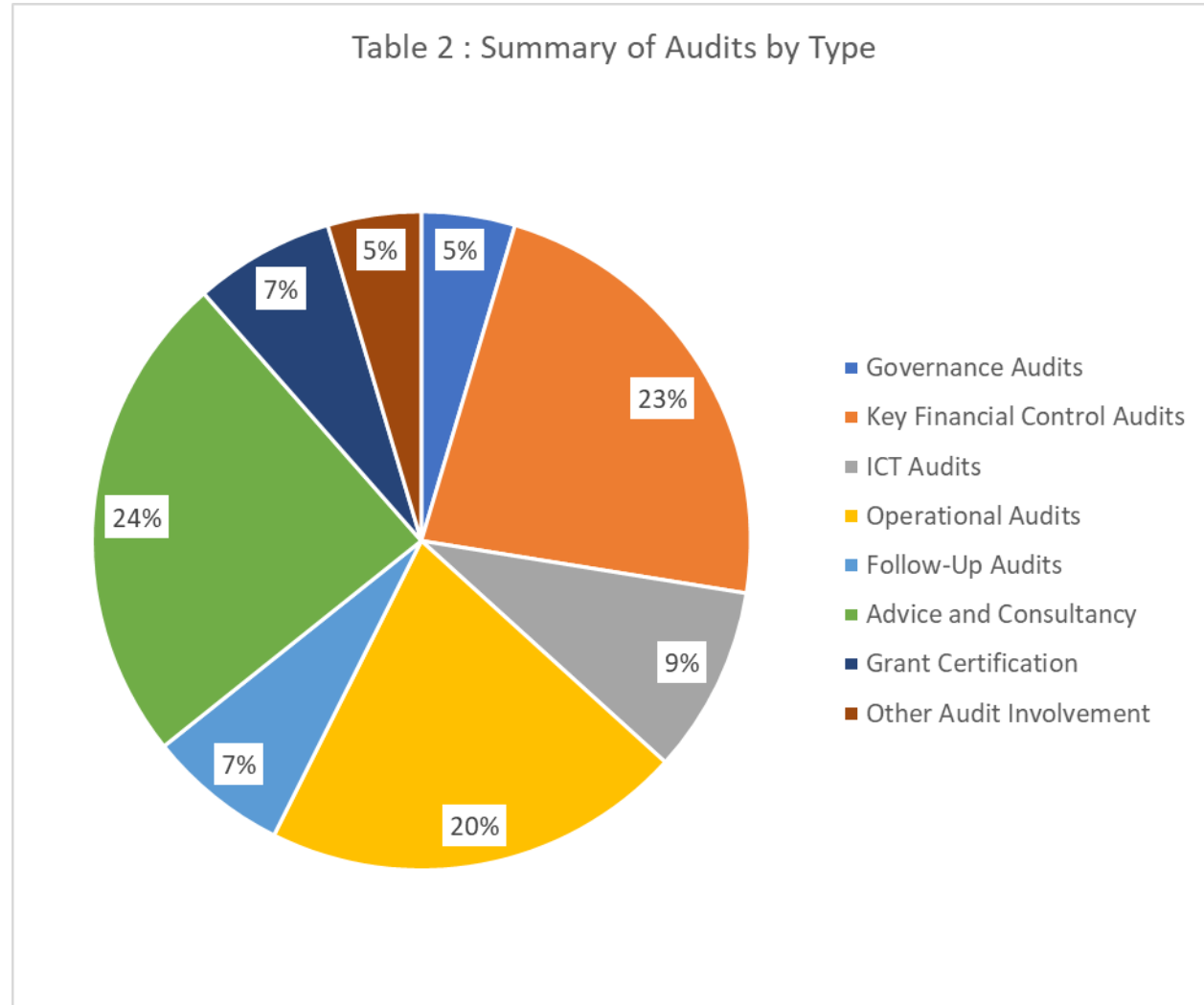


Table 2 indicates the audit work by type.



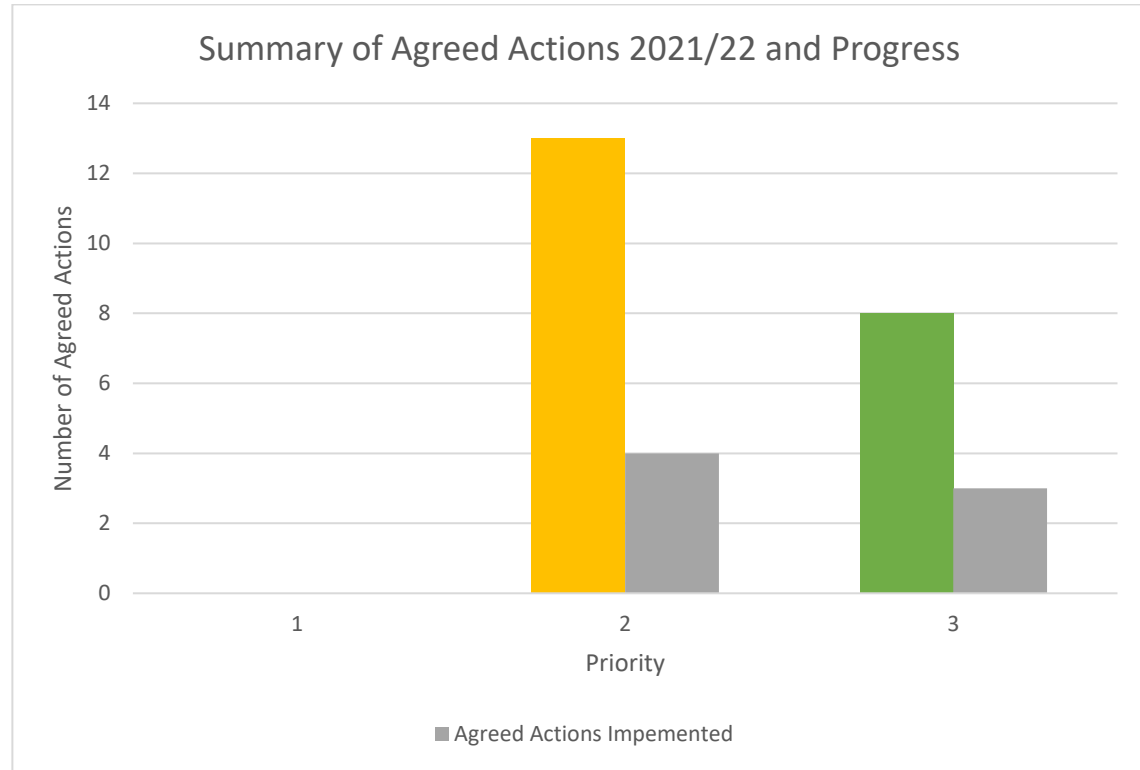
Summary of Audit Work 2021/22

SWAP Performance - Summary of Audit Actions by Priority



Priority Actions

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Business Grants

During the year the Head of Internal Audit has continued to support the Business Grant Team. Responsibilities have included:

- *Supervision of the Grant Team*
- *Responding to queries / complaints from Councillors and applicants*
- *Implementation and Administration of the Summer ARG Scheme*
- *Implementation and Administration of the Omicron Schemes*
- *Working with CFEU Head of Service to review all Mandatory Grants paid*

Corporate Groups

During the year we have attended a number of corporate groups to act as a 'critical friend'.

Benchmarking

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Local Authority Chief Auditors Network (LACAN). This data is useful for services to develop and improve their own systems and processes so that business objectives can be achieved with continually decreasing resources.

News Roundup

We produce a fortnightly newsletter that provides information on topical areas of interest for public sector bodies.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP’s performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for CDC for the 2021/22 year are as follows:

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u>	
Final, Complete, Draft and Discussion 90%	84%
In progress/Review	7%
Carried Forward	9%
<u>Customer Satisfaction Questionnaire</u>	
Feedback 95%	100%

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) 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.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance of PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want

to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.



Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Status	Opinion	No of Actions
2021/22 Finalised and Completed Reviews				
Key Financial Control	Payroll	Final Report	High Reasonable	1
ICT	Systems Administration	Final Report	Medium Reasonable	2
Governance	Risk Management	Final Position Statement	Advisory	N/A
ICT	Data Recovery Capabilities	Final Report	Low Substantial	1
Support	Business Grant Funding	Complete	Support to the Council	N/A
Support	Business Grant Funding - Post Payment Reviews – Head of IA working with CFEU Head of Service	Complete	Support to the Council	N/A
Support	Business Grant Funding – Omicron Grants (January) (NEW)	Complete	Support to the Council	N/A
Support	Ubico – New Shareholder	Complete	Advisory	N/A
Operational	Fire Risk Assessments	Final Report	High Reasonable	1
Support	Civica – Merge of 3 Systems	Complete	Advisory	N/A
Operational	Emergency Planning	Final Report	High Reasonable	4
Operational	Procurement (Contract Management and Monitoring)	Final Report	High Substantial	-
Governance	Governance of Programmes and Projects	Final Report	Medium Reasonable	2
Governance	Monitoring the Performance of Strategic Commissioned Services	Final Report	High Reasonable	2

Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Status	Opinion	No of Actions
Operational	S106 Contributions to Tetbury Town Council	Final Position Statement	Advisory	-
Key Financial Control	Council Tax and National Non-Domestic Rates	Final Report	Low Reasonable	1
Key Financial Control	Housing Benefit and Council Tax Support	Final Report	Low Reasonable	2
Key Financial Control	Accounts Receivable	Final Report	Low Reasonable	2
Key Financial Control	Payroll	Final Report	High Substantial	-
Key Financial Control	Accounts Payable	Final Report	High Substantial	-
Key Financial Control	Treasury Management and Bank Reconciliation	Final Report	High Substantial	-
Follow-Up	Risk Management	Final Report	Follow-Up	N/A
ICT	Control of Accounts with Administration Privileges	Final Report	High Reasonable	3
Grant Certification	Disabled Facilities Grants	Complete	Grant Certification	N/A
Grant Certification	Restart Grants	Complete	Grant Certification	N/A
Follow-Up	Follow-Up of All Agreed Actions	Completed	Follow-Up	N/A
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	Completed	Support to the Council	N/A
Other Audit Involvement	Management of the IA Function and Client Support	Completed	Support to the Council	N/A

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Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Status	Comment
Draft Reports			
Operational	Procurement Cards	Draft Report	
Operational	Election Expenses – Treatment of VAT	Draft Report	
ICT	Vulnerability Management	Draft Report	
In Progress			
Operational	Business Grant Funding – Post Payment Assurance	In progress	
Operational	Mechanism for Charging Council	In progress	
Follow-Up	Asset Management and Commercial Property	In Progress	
Ongoing Audit Support / Involvement			
Advisory	Support to the Agile Working Project		Support complete for 2021/22, will continue into 2022/23
Advisory	Environmental Services Improvement Programme		Support complete for 2021/22, will continue into 2022/23
Advisory	Procurement and Commissioning Group		Support complete for 2021/22, will continue into 2022/23
Advisory	Health and Safety Working Group		Support complete for 2021/22, will continue into 2022/23
Support	Co-Ordination Team		Support complete for 2021/22, will continue into 2022/23
Support	Active Cotswolds		Support complete for 2021/22, will continue into 2022/23

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Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Status	Comment
Audits Carried Forward			
Grant Certification	Carbon Data	Carried Forward	Review commenced during 2021/22, but not all data available
Governance	Human Resources	Carried Forward	Rolling Audit. Planned for 2022/23 following the introduction of a new recruitment process
Operational	Other Support Service provided by Publica Procurement (Compliance with Strategy)	Carried Forward	Rolling Audit. Planned for 2022/23 following the adoption of the Updated Procurement and Commissioning Strategy
Operational	Publica Performance Information	Carried Forward	Review Commenced during 2021/22 but IA advised of change to service. Consultancy review now planned to support service

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Cotswold District Council

Report of Internal Audit Activity

Summary of Work Completed since April 2022

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

Risk Management Follow Up – Final Audit Report – April 2022

Follow Up Audit Objective

To provide assurance agreed actions to mitigate against risk exposure identified within the 2020/21 Risk Management Position Statement have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	0	0	0	0
Priority 2	1	1	0	2
Priority 3	1	0	0	1
Total	2	1	0	3

Follow Up Assessment

The 2020/21 audit of Risk Management processes was not completed due to planned improvements, instead a Position Statement was issued in September 2021. Based on our observations, an action plan to enhance compliance with policy and process was agreed with the Business Manager.

This follow up audit has found most actions have now been completed; the agreed action still in progress has been partially implemented. Key findings from the audit follow up have been summarised below. Evidence has been seen to support the implementation of these actions. A Risk Management review will be undertaken in 2022/23 to assess the effectiveness of the controls introduced.

Key Findings

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Training, Support and Guidance.

- Risk and Opportunity Management Strategies have been approved by the Audit Committees and adopted at all 3 Councils; each council strategy will be used in conjunction with the Publica Risk and Opportunity Management Strategy.
- The Publica Strategic Support Officer - Risk and Compliance (SSO-R&C) has attended management meetings at all 3 Councils to discuss risk management.
- The Business Manager - Corporate Responsibility (BM-CR) and the Strategic Support Officer - Risk and Compliance have attended Publica Business Manager meetings to provide training.



Templates and Tooling.

- The use of new or existing Risk Management software is still being considered.
- Publica has implemented a new operational risk register template for each Group Managers' service areas, but at the time of audit (March 2022) work there were some incomplete fields and inconsistencies in how the templates had been completed.
- The same Strategic Risk Register template is used by all 3 Council's and Publica.



Policy, Governance and Compliance.

- A standardised approach to risk and opportunity management processes has been adopted across Publica and the 3 Councils. Considering risk tolerance and the impact on each organisations objectives and priorities should help to determine the choice of action for each council.
- Publica Group Managers and Executive Directors are responsible for the effective implementation of the Risk and Opportunity Management Strategy.
- A separate Risk Management Group which will also include Council officers is due to have its first meeting in April 2022, with the aim to provide better links between project, operational and strategic risk registers across the 3 Councils and Publica.

Follow Up Scope

The BM-CR confirmed the use of risk management software is part of a wider piece of work looking at how Pentana can be used by Publica. Training has been delivered to Business Managers, but training material was still due to be published on the Publica Portal. Roles and responsibilities have been defined, but how well risk management is embedded across all organisations will depend on how Publica Group Managers and Executive Directors implement the strategy, encourage officer engagement, and recognise each councils' individual circumstances.

Privileged Account Management – Final Audit Report – May 2022

Audit Objective

To gain assurance the processes and controls surrounding the management of privileged accounts are working effectively to mitigate risks.

Assurance Opinion



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.

Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	3
Total	3

Risks Reviewed

Failure to control Privileged User Accounts increases exposure to malicious attack, potentially enabling threat actors to gain elevated privileged access to networks, systems, and applications. This creates a high risk of misuse, fraudulent activity or a security incident leading to legal, financial, and reputational damage.

Assessment

Low

Key Findings

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Privileged Account Management is a complex but critical process. It requires software solutions with good functionality and access controls alongside robust processes to be effective.

We did not identify any significant concerns within the scope of this audit; however, management have agreed to consider some minor areas of improvement that should enhance security and governance in this area.



We can confirm agreed actions from the 2020/21 Systems Administration audit have been implemented.

Audit Scope

The areas reviewed as part of this audit included;

- *Controls surrounding identification and management of user accounts providing privileged system access.*
- *Control and review of access to privileged user accounts.*
- *Monitoring and review of privileged user account usage.*
- *Identified related risks and exceptions to Policy and review and follow up of previous, related audit actions.*

Discussions were held with the Infrastructure Manager and ICT Audit and Compliance Manager and evidence viewed or requested where appropriate.


Additional Information

Whilst no significant areas of concern have been identified, it is important all ICT personnel continue to monitor risks surrounding Privileged Account Management, including the identification and review of any specific exceptions to the processes or technical standards, that may exist or arise in the future. Failure to do so, will potentially leave significant gaps in the controls and increase exposure to misuse or compromise.




Governance of Programmes and Projects – Final Audit Report – June 2022

Audit Objective

To provide assurance that the governance of programmes and projects is efficient and effective and supports the Council to help them achieve their priorities.

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	<p>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.</p>	Priority	Number	<p>An ineffective Programme and Project Management framework could lead to the Council not being able to deliver anticipated outcomes and their associated benefits within timescale or budget, potentially leading to non-delivery of Corporate aims and objectives, financial loss or reputational damage.</p>	Medium
		Priority 1	0		
		Priority 2	1		
		Priority 3	1		
		Total	2		

Key Findings

<p>Page 41</p> 	<p>Local management teams are informed of new programmes / projects through the Lifecycle Decision Report, but not formally consulted with. A Statutory Officer Consultation Box on the reports will prompt engagement with Officers and record details of their input. Statutory Officer approval (or delegated approval) should be sought for all registered projects. The framework and any templates will be updated to include any amendments to the process.</p>
	<p>There were inconsistencies with the way in which key milestones were recorded within the Project Register. Some project milestones had a good level of chronological detail, while others had expired dates and had not been updated. All programmes / projects should have key tangible and meaningful milestones for measurability purposes. There have been significant improvements in this area since fieldwork commenced and work is ongoing.</p>
	<p>Locality reports update individual Council's on all their registered projects monthly. These reports are provided to Statutory Officers and Publica client lead for each Council. Documentation evolves in response to feedback and operational and strategic requirements. Applicable projects had evidence of closedown reviews which included capturing outcomes and lessons learnt.</p>

Audit Scope

This work addressed the above objective and reviewed the controls operating in the following areas:

- Planning and approval processes
- Reporting and monitoring arrangements
- Roles and responsibilities
- Review of outcomes and the achievement of objectives

Discussions were held with the Corporate Programme Manager and Project Managers. Further clarification from the S151 Officer was obtained.

One live and closed project, and a Publica programme was selected for review. Testing undertaken has assessed the effectiveness of processes operating.

Additional Information

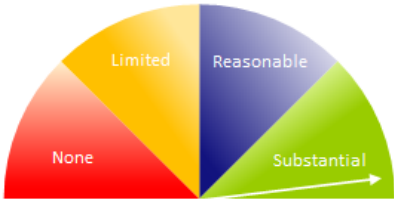
Two actions have been developed and agreed with Publica to enhance the governance of programmes and projects. If these actions can be implemented, it will also support Statutory Officers being able to manage Member expectations, confidently answer queries and support officers when reports are presented to Cabinet / Council.





The framework will require update, as well as guidance on setting and challenging milestones, and independent assurance requirements. Best practice is to be shared with all Officers responsible for project management and for it to be embedded throughout the organisation.

Accounts Payable – Final Audit Report – June 2022

Audit Objective

To ensure an effective control framework is in place for the Accounts Payable / Creditor's function

Assurance Opinion	Number of Agreed Actions		Risks Reviewed	Assessment
 <p>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.</p>	Priority	Number	Fraudulent, invalid, or late payments are made resulting in financial loss and/or reputational damage.	Low
	Priority 1	0		
	Priority 2	0		
	Priority 3	0		
	Total	0		

Key Findings	
	Sound processes and controls are in place which ensure creditors are paid accurately, and in accordance with Financial Rules and/or payment terms.
	During 2021/22 a total of 6,666 suppliers, many with multiple payments each week were paid covering the 4 partner councils, Publica and Cheltenham Borough Homes. 1,111 of these suppliers were for the Council. 10 payments were identified as duplicate payments. Good recovery actions are in place, most payments have been recovered and actions are ongoing to recover any outstanding payments.
	Sundry Supplier codes are used to process one off payments. This means that full company checks are not completed which has the potential of increased fraudulent payments. We were advised Companies House and VAT checks are completed where these details are provided. Evidence confirmed officers are challenged if payment requests are made to pay the same supplier on a second occasion.
	Previous year's agreed actions have all been implemented.

Audit Scope
Discussions were held with the Accounts Payable Team Leader to confirm working practices.
Our quarterly testing of potential duplicate payments, and use of the sundry supplier codes (used when a creditor is not set up on the system) has been included to inform the effectiveness of the controls in place. Where duplicate payments were made, recovery actions were examined to ensure reimbursements were received.
Agreed actions from the 2020/21 AP audit have been followed up.
The test period covered 2020/21 and 2021/22. Clients reviewed were G1, G2, G3, G4, G5 and P8.

Conclusion
<p>Our assurance opinion is based on the continuous audit work we have undertaken during the year (which have been reported in our quarterly progress reports), progress on the implementation of agreed actions, and working procedures/practices. We have also considered the increased workload the team have faced processing the numerous business grant payments.</p> <p>In summary, we confirm an effective control environment is operating over the processes we have reviewed this year, identification of duplicate payments, use of sundry supplier code and AP controls</p> <p>Our AP audit for 2022/23 will cover the process for the approval of payments to suppliers.</p>

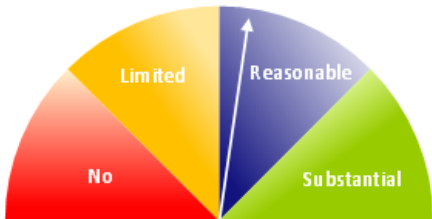


Testing / Findings	Q1 (Aug 21)	Q2 (Nov 21)	Q3 (Feb 22)	Q4 (Apr 22)
Duplicate Payments				
Number of Duplicate Payments identified (paid twice by Council / Publica / CBH)	2	4	0	0
Value of Duplicate Payments identified (paid twice by Council / Publica / CBH)	£2,502.00	£8,201.63	£0	£0
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	1	2	1
Value of Payments outstanding from previous quarter	n/a	£462.00	£336.84	£0
Number of Duplicate Payments identified (paid by Council and Publica or Council and CBH)	0	1	1	2
Value of Duplicate Payments identified (paid by Council and Publica or Council and CBH)	£0	£435.89	£165.60	£995.00
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	n/a	0	0
Value of Payments outstanding from previous quarter	n/a	£0	£0	£560.60*
Sundry Suppliers				
Number of supplier(s) appearing more than once under the Sundry Supplier Record	1	0	0	5
Number of payments made to supplier(s) who appear more than once under the Sundry Supplier Record	2	0	0	11
Supplier record created on BW	0	0	0	0

*Includes amount o/s after Q4 duplicate res.

Accounts Receivable – Final Audit Report – June 2022

Audit Objective

To provide assurance debts are managed and written off in accordance with financial rules.

Assurance Opinion	Number of Agreed Actions	Risks Reviewed	Assessment										
 <p>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.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Priority</th> <th style="width: 50%;">Number</th> </tr> </thead> <tbody> <tr> <td style="background-color: red; color: white;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="background-color: yellow;">Priority 2</td> <td style="text-align: center;">2</td> </tr> <tr> <td style="background-color: blue;">Priority 3</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="background-color: #e0e0e0;">Total</td> <td style="text-align: center;">2</td> </tr> </tbody> </table>	Priority	Number	Priority 1	0	Priority 2	2	Priority 3	0	Total	2	<p>The Council suffers financial loss as a result of not being subject to appropriate debt management and write off procedures.</p>	<p>Low</p>
Priority	Number												
Priority 1	0												
Priority 2	2												
Priority 3	0												
Total	2												
<h3>Key Findings</h3> <div style="display: flex;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 10px;">Page 44</div> <div> <p> There is no separation of duties when actioning a write off in Business World On! (BWO). Some supporting documentation was either missing or where several accounts were mentioned, the documentation was only attached to one of the accounts. This lack of an audit trail may result in mismanagement of debt recovery and/or write off processes. Publica will review processes, and introduce separation of duties where possible.</p> <p> Some of the budget managers we spoke to would benefit from process training as they were unclear on responsibilities despite monthly aged debt reports been received. Publica AR will provide guidance to ensure all budget holders are aware of their debt management, recovery and write off responsibilities.</p> </div> </div>		<h3>Audit Scope</h3> <p>A review of debt management, recovery and write off processes in place on behalf of CDC was undertaken.</p> <p>Discussions were held with the Publica Accounts Receivable Team Leader and a selection of budget managers. Sample testing was undertaken on aged debts and write offs during the period April 2020 – December 2021.</p> <p>Two actions agreed in our 2019/20 audit were also followed up.</p>											
<h3>Additional Information</h3> <p>At the time of audit work we were advised Publica’s finance processes were being reviewed. We examined the draft procedure/guidance documentation and provided control advice where applicable. Effective debt recovery processes rely not only on the AR team, but also on service managers ensuring they actively review their outstanding debt and instruct AR when recovery actions need to be escalated. Therefore, it is important that training and guidance is provided and for service managers to actively seek advice from the AR team.</p> <p>Previously agreed actions are not fully implemented, but these will be actioned in the current review. We will follow up on all actions in due course.</p>													

Agenda Item 9



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 21 JULY 2022
Report Number	AGENDA ITEM 9
Subject	ANNUAL GOVERNANCE STATEMENT 2021/2022
Wards affected	All
Accountable member	<p>Cllr Joe Harris, Leader Email: joe.harris@cotswold.gov.uk</p>
Accountable officer	<p>Robert Weaver, Chief Executive Email: rob.weaver@cotswold.gov.uk Report Author: Michael Butler – Risk and Compliance Officer Tel: 01594 812538, email mike.butler@publicagroup.uk</p>
Summary/Purpose	To present the Audit Committee with the draft Annual Governance Statement (AGS) 2021/2022 for consideration and comment.
Annexes	<p>Annex A – Draft Annual Governance Statement 2021/2022 Annex B – Local Code of Corporate Governance</p>
Recommendation(s)	<i>For Members to receive and discuss the draft Annual Governance Statement for 2021/2022</i>
Corporate priorities	<ul style="list-style-type: none"> Delivering our services to the highest standards
Key Decision	NO
Exempt	NO
Consultees/ Consultation	The Corporate Action Plan has been shared with statutory officers, and executive directors



1. BACKGROUND

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk. Attached at Annex B is a copy of the Council's Local Code of Corporate Governance. The Local Code remains consistent with the principles of the CIPFA/SOLACE Guidance.
- 1.3 The Annual Governance Statement (AGS) details how the Council has complied with the Code and also meets the requirements of Regulation 4(4) of the Accounts and Audit Regulations 2011 in relation to the publication of an AGS and, from 1st April 2015 the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Annual Governance.

2. THE ANNUAL GOVERNANCE STATEMENT

- 2.1 The AGS is a corporate issue and has been developed, and subsequently reviewed, by the Council's Local Management Team and Publica Directors.
- 2.2 The AGS details the Governance Framework and the Review of Effectiveness that has been used to measure the Council's existing governance arrangements. The AGS also includes improvements which have been identified to strengthen the Governance Framework.
- 2.3 A copy of the draft AGS is attached at Annex A.
- 2.4 The draft version of the AGS for 2021/2022 is brought to this Committee for consideration and comment. Amendments will be made where appropriate, and the final version of the AGS will be brought to this Committee, for approval, in September 2022 together with the audited Statement of Accounts.

5. FINANCIAL IMPLICATIONS

- 5.1 None

6. LEGAL IMPLICATIONS

- 6.1 None

7. RISK ASSESSMENT

- 7.1 None



8. EQUALITIES IMPACT

8.1 None

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

9.1 None

10. ALTERNATIVE OPTIONS

10.1 None

11. BACKGROUND PAPERS

11.1 None

(END)

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COTSWOLD
DISTRICT COUNCIL

Cotswold District Council

Local Code of Corporate Governance Updated June 2022

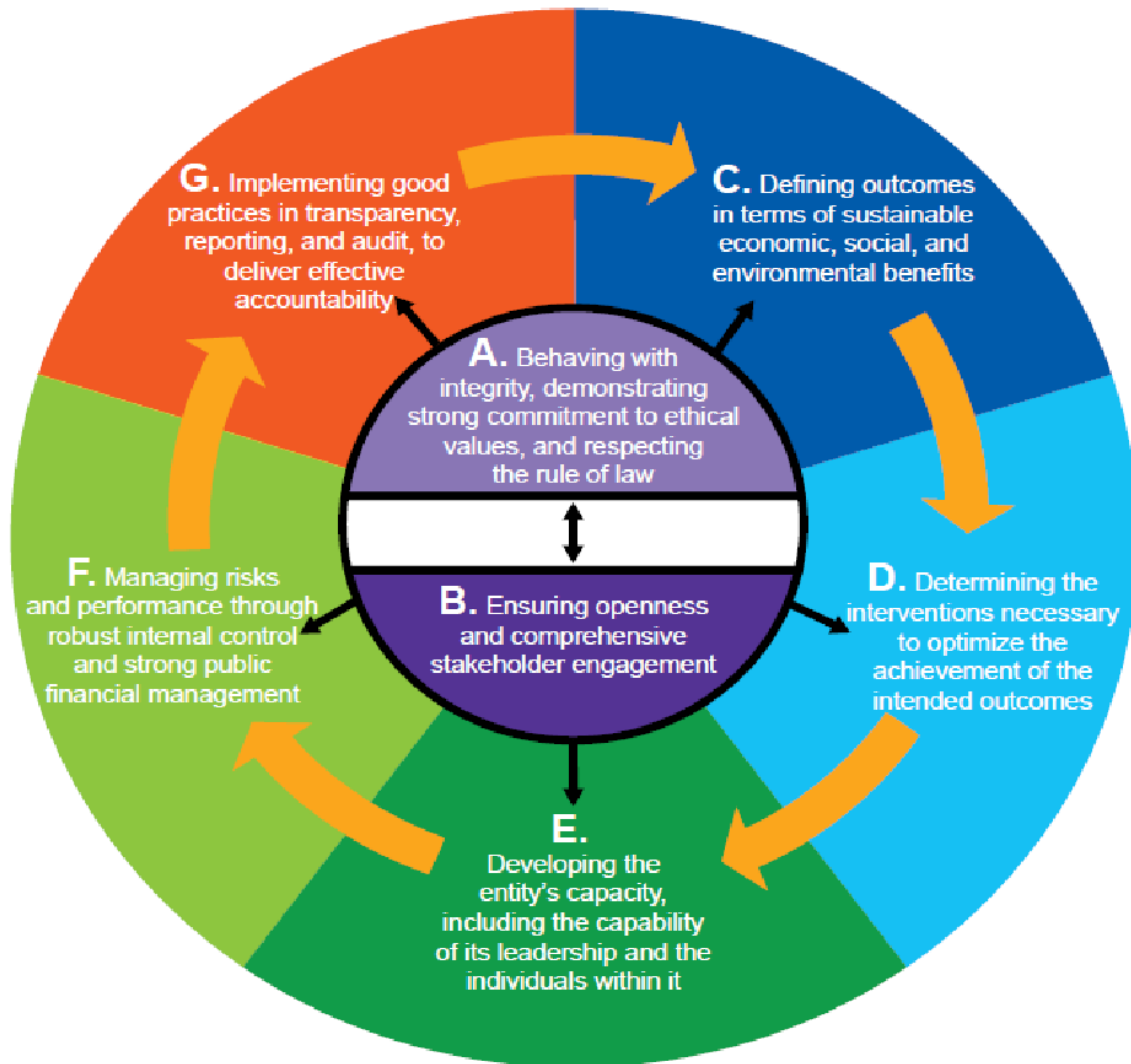


1. Delivering Good Governance

- 1.1** The Delivering Good Governance in Local Government; Framework, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:
- Resources are directed in accordance with agreed policy and according to priorities
 - There is sound and inclusive decision making
 - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities
- 1.2** Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
- 1.3** Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.
- 1.4** The Delivering Good Governance in Local Government Framework, sets out seven core principles of governance as detailed in the diagram below. Cotswold District Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of the document – The Council’s Local Code of Corporate Governance.
- 1.5** Our Local Code is underpinned by the Delivering Good Governance in Local Government; Framework and is comprised of policies, procedures, behaviours and values by which the Council is controlled and governed. These key governance areas and how the Council provides assurance that is complying with these are set out in more detail within its Governance Assurance Framework.
- 1.6** The Council recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. The Council expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.



Achieving the Intended Outcomes While Acting in the Public Interest at all Times



- 1.7 This diagram illustrates how the various principles for good governance in the public sector relate to each other. Principle A and B permeate the implementation of Principles C to G.
- 1.8 Further information regarding each of the above principles and the behaviours and actions that demonstrate good governance in practice are detailed at Appendix A.

2. Status

- 2.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and



include a statement reporting on the review with any published Statement of Accounts. This is known as an Annual Governance Statement.

- 2.2** The Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be prepared in accordance with proper practices in relation to accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government; Framework (2016) and this section of the Code.

3. Monitoring and Review

- 3.1** The Council will monitor its governance arrangements for their effectiveness in practice and will report them on a continuing basis to ensure that they are up to date. The Council's Governance Assurance Framework sets out in more detail how the Council will seek assurance on its adherence to the adopted principles of governance.
- 3.2** On an annual basis, the Chief Executive and Leader of the Council will publish an Annual Governance Statement which will:
- Assess how the Council has complied with this Code of Corporate Governance
 - Provide an opinion on the effectiveness of the Council's arrangements
 - Provide details of how continual improvement in the systems of governance will be achieved.
- 3.3** The Audit Committee considers the Annual Governance Statement before it is published as part of the Council's financial statements.

4. Certification

- 4.1** We hereby certify our commitment to this Code of Corporate Governance and will ensure that the Council continues to review, evaluate and develop the Council's Governance arrangements to ensure continuous improvement of the Council's systems.

Joe Harris
Leader of the Council

Robert Weaver
Chief Executive

Date:

Date:



COTSWOLD
DISTRICT COUNCIL

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law</p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest by adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and respect the rule of the law.</p>	<p>Behaving with integrity</p>	<ul style="list-style-type: none"> ● Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation ● Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) ● Leading by example and using the above standard operating principles or values as a framework for decision making and other actions ● Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively
	<p>Demonstrating strong commitment to ethical values</p>	<ul style="list-style-type: none"> ● Seeking to establish, monitor and maintain the organisation's ethical standards and performance ● Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation ● Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values ● Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation
	<p>Respecting the rule of the law</p>	<ul style="list-style-type: none"> ● Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations ● Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements ● Striving to optimize the use of the full powers available for the benefit of citizens, communities and other stakeholders ● Dealing with breaches of legal and regulatory provisions effectively ● Ensuring corruption and misuse of power are dealt with effectively

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p>B. Ensuring openness and comprehensive stakeholder engagement</p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens, and service users, as well as institutional stakeholders.</p> <p>NB: Institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p>	<p>Openness</p>	<p>Where possible:</p> <ul style="list-style-type: none"> ● Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness ● Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided ● Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear ● Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action
	<p>Engaging comprehensively with institutional stakeholders</p>	<p>Where possible:</p> <ul style="list-style-type: none"> ● Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcome for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably ● Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively <ul style="list-style-type: none"> * Ensuring that partnerships are based on trust * A shared commitment to change * A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit
	<p>Engaging with individual citizens and service users effectively</p>	<ul style="list-style-type: none"> ● Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individuals, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes ● Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement ● Encouraging, collecting and evaluating the views and experiences of communities, individuals, service users and organisations of different backgrounds including reference to future needs ● Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account ● Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity ● Taking account of the impact of decisions on future generations of tax payers and service users

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p>C. Defining outcomes in terms of sustainable, economic, social and environmental benefits</p> <p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>Defining outcomes</p>	<ul style="list-style-type: none"> ● Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning or other decisions ● Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer ● Delivering defined outcomes on a sustainable basis within the resources that will be available ● Identifying and managing risks to the achievement of outcomes ● Managing service users' expectations effectively with regard to determining priorities and make the best use of resources available
	<p>Sustainable, economic, social and environmental benefits</p>	<ul style="list-style-type: none"> ● Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision ● Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints ● Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs ● Ensuring fair access to services

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p>Determining interventions</p>	<ul style="list-style-type: none"> ● Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided ● Considering feedback from individuals and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts
	<p>Planning Interventions</p>	<ul style="list-style-type: none"> ● Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets ● Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered ● Considering and monitoring risks facing each partner when working collaboratively, including shared risks ● Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances ● Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured ● Ensuring capacity exists to generate the information required to review service quality regularly ● Preparing budgets in accordance with objectives, strategies and the medium term financial strategy ● Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy
	<p>Optimising achievement of intended outcomes</p>	<ul style="list-style-type: none"> ● Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints ● Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and long term ● Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p>Developing the entity's capacity</p>	<ul style="list-style-type: none"> ● Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness ● Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently ● Recognising the benefits of partnerships and collaborative working where added value can be achieved
	<p>Developing the capability of the entity's leadership and other individuals</p>	<ul style="list-style-type: none"> ● Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained ● Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body ● Ensuring the leader and senior management have clearly defined and distinctive leadership roles within a structure whereby the senior management team lead in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority ● Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged <ul style="list-style-type: none"> * Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis * Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external * Ensuring that there are structures in place to encourage public participation * Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections * Holding staff to account through performance reviews which take account of training and development needs * Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Appendix A

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p>F. Managing risks and performance through robust internal control and strong public financial management</p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the achievement of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>Managing risk</p>	<ul style="list-style-type: none"> ● Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making ● Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ● Ensuring that responsibilities for managing individual risks are clearly allocated
	<p>Managing performance</p>	<ul style="list-style-type: none"> ● Monitoring service delivery effectively including planning, specification, execution and independent post implementation review ● Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook ● Ensuring an effective scrutiny or/and oversight function (independent of the executive) is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible ● Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement ● Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)
	<p>Robust internal control</p>	<ul style="list-style-type: none"> ● Aligning the risk management strategy and policies on internal control with achieving objectives ● Evaluating and monitoring risk management and internal control on a regular basis ● Ensuring effective counter fraud and anti-corruption arrangements are in place ● Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor <ul style="list-style-type: none"> * Ensuring an audit committee which is independent of the executive and accountable to the council: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment * That its recommendations are listened to and acted upon
	<p>Managing data</p>	<ul style="list-style-type: none"> ● Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data ● Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies ● Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring
	<p>Strong public financial management</p>	<ul style="list-style-type: none"> ● Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance ● Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and control

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p>Implementing good practice in transparency</p>	<ul style="list-style-type: none"> ● Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring they are easy to access and interrogate ● Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand
	<p>Implementing good practices in reporting</p>	<ul style="list-style-type: none"> ● Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ● Ensuring members and senior management own the results reports ● Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) ● Ensuring this Framework is applied to jointly managed or shared service organisations ● Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations
	<p>Assurance and effective accountability</p>	<ul style="list-style-type: none"> ● Ensuring that all recommendations for corrective actions made by external audit are acted upon ● Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon ● Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ● Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ● Ensuring when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

Overview of Corporate Governance Assurance Framework

Annual Governance

Audit Committee

Cabinet

Overview and
Scrutiny
Committee

Planning and
Licensing
Committee

Risk Management

External
Audit

Internal Audit
Counter
Fraud Unit

Management
Annual Assurance
Statements

Internal
Management
Arrangements

Other external
assurance
e.g. RIPA Inspection
Ombudsman

Performance
reports, risk
management and
external
assurance

Performance
reports, risk
management
and external
assurance

Council
Leader and
Chief
Executive
sign AGS
on behalf
of the
Council

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 21 JULY 2022
Report Number	AGENDA ITEM 10
Subject	CORPORATE RISK REGISTER UPDATE
Wards affected	All
Accountable member	<p>Cllr Joe Harris, Leader</p> <p>Email: joe.harris@cotswold.gov.uk</p>
Accountable officer	<p>Robert Weaver, Chief Executive</p> <p>Email: rob.weaver@cotswold.gov.uk</p> <p>Report Author: Mike Butler – Risk and Compliance Officer</p> <p>Tel: 01594 812538, email mike.butler@publicagroup.uk</p>
Summary/Purpose	To update the Committee on the changes to the Council’s corporate risk register.
Annexes	Annex A – Corporate Risk Register
Recommendation(s)	<i>To note the updates to the Council’s corporate risk register</i>
Corporate priorities	<ul style="list-style-type: none"> • Delivering our services to the highest standards
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None



1. BACKGROUND

- 1.1 The register of corporate risks is presented to each meeting of the Audit Committee.

2. RISK REGISTER

- 2.1 The main changes to the register are:
- 2.2 **CRR-016 Local Plan:** The current level of risk has increased. A new risk is emerging relating to the Council's ability to meet increased government housing need figures, to demonstrate a 5 year housing land supply (5YHLS) and to pass the Housing Delivery Test (HDT). This risk will be reviewed and rewritten before the next meeting to ensure these issues are captured in full.
- 2.3 **CRR-034 Waste and Recycling:** Although there is still a national shortage of qualified drivers, UBICO have been able to recruit staff which has kept the current level of risk to a manageable level.
- 2.4 **CRR-0118 Cyber security CRR-Data Security:** The current level of risk remains high in light of the heightened threat of cyber attacks. However, there is a constant work programme to ensure security measures remain updated and effective.
- 2.5 **CRR-035 2022/2023 Pay Award:** This is a new risk as the annual pay award enters negotiations between Local Government Employers and the recognised Trade Unions.
- 2.6 **CRR033 Leisure Services:** Usage numbers have seen an increase, showing a greater level of confidence to use facilities following the Covid pandemic.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications of this report but there are a number of financial risks facing the Council which are set out in the risk register.

6. LEGAL IMPLICATIONS

- 6.1 None

7. RISK ASSESSMENT

- 7.1 The purpose of this report is to consider the range of risks facing the Council.

8. EQUALITIES IMPACT

- 8.1 None

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 9.1 None



10. ALTERNATIVE OPTIONS

10.1 None

11. BACKGROUND PAPERS

11.1 The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:

- Previous version of Strategic Risk Register.

These documents will be available for inspection at the Council Offices at Trinity Road, Cirencester, GL7 1PX during normal office hours for a period of up to 4 years from the date of the meeting. Please contact democratic services via democratic@cotswold.gov.uk

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Cotswold District Council - Corporate Risk Register

Deliver the highest standards of service													
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Direction of Travel	Risk Response & Further Action
		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score		
CRR-016	<p>If the government does not provide timely and adequate guidance on the proposed changes to the planning system then the Council will be unable to identify the type of Local Plan update that is required. Delays to preparing an updated Local Plan may result in an increase of speculative planning applications on the fifth anniversary of the local plan's adoption (2023).</p> <p>Risk Logged: April 2008</p> <p>Risk Owner: Chief Executive</p> <p>Responsible Officer: Publica Business Manager for Localities</p>	4	4	16	<ul style="list-style-type: none"> Local Plan Adopted in Aug 2018. Local Plan Programme Board reconvened with updated Terms of Reference and membership * Cabinet approved Local Development Scheme in 2021, which confirms LP update key milestones and estimated delivery date. 	3	4	12	4	4	16	↑	<p>06-July-2022. Government has published its Levelling Up and Regeneration Bill which seeks to significantly alter the planning system, technical details are deferred to secondary legislation and consultations on updated policy and guidance (expected within the next 12 months).</p> <p>08-June-2021 (remains relevant at Jan 2022) Partial update of Local Plan has restarted. However, the government announced in May 2021 (via the Queen's Speech) its intention to publish a Planning Bill in the autumn 2021 and carry forward many of the proposed changes suggested by its white paper. The exact details are unknown at this stage but suggested changes are not comparable (in terms of scale and fundamentals) with recent updates and it will have a notable impact on the town planning profession and the Council's statutory duties. The Council's approach to partially updating the Local Plan (rather than a full update) is finely balanced but it continues to offer the most expeditious route to deliver Corporate Strategy actions. This position will need to be reviewed in light of the eventual Planning Bill.</p>
CRR-019	<p>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.</p> <p>Risk logged: August 2014</p> <p>Risk Owner: S.151 Officer</p> <p>Responsible Officer: Publica Managing Director</p>	3	3	9	Medium Term Financial Strategy	3	3	9	3	3	9	→	<p>The financial implications of the Council's new Corporate Strategy have been included in the Medium Term Financial Strategy. The latest MTFS was approved by Council in February 2022 and includes funding for resources to support the Council's priorities which were identified in 2020. 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> <p>This risk links to risk CRR-028 regarding the Local Government Funding Settlement over the Medium Term.</p>

CRR-028	<p>If the Local Government settlement over the medium term is unfavourable then the Council's savings target may need to increase.</p> <p>Risk logged: July 2015</p> <p>Risk Owner: S.151 Officer Responsible Officer: S.151 Officer</p>	4	4	<p>16</p> <ul style="list-style-type: none"> • Medium Term Financial Strategy • Only legacy Payments of New Homes Bonus in MTFS • Publica Transformation Programme • Recovery Investment Strategy approved by Council Sept 20 	3	3	9	3	3	9	→	<p>The updated MTFS was approved in Feb 2022. The LG Settlement for 2022/23 is essentially a roll over of funding for 2021/22. The significant changes to LG Funding from Business Rate Retention and the Fairer Funding Review were delayed. The Secretary of State has recently announced a two-year funding settlement for 2023/24 and 2024/25. The MTFS will be refreshed to reflect this announcement. The MTFS includes savings targets to address changes to government funding.</p> <p>The Council approved a Recovery Investment Strategy in Sept 20 which aims to increase income to the Council to mitigate against reduced government funding. A refresh of the Recovery Investment Strategy will be considered by Council in July 2022.</p> <p>An Environmental Services Improvement Programme has been established to develop options for reducing the cost of the waste and recycling services.</p>
CRR-018	<p>Budget Pressure: if unavoidable budget pressures exceed provision within the MTFS, such as not making expected savings or failing to meet income targets, the Council may have to consider unplanned use of revenue reserves, raise Council Tax, find further savings and/or cut services.</p> <p>Risk logged: May 2010</p> <p>Risk Owner: S.151 Officer Responsible Officer: S.151 Officer</p>	4	4	<p>16</p> <ul style="list-style-type: none"> • 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	3	3	9	→	<p>The 2022/23 budget has been set following engagement with key service providers (Publica and Ubico) and reflected expected service costs at that point in time.</p> <p>Inflation is now far higher than when the budget was set, making in-year budget monitoring and management vital. Should the Council not be able to take mitigating action to avoid the full impact of raising costs, there may be a requirement to use some of the General Fund balance to manage the in-year cost pressure.</p> <p>The MTFS refresh has commenced and will incorporate the impact of higher inflation.</p>
CRR-027	<p>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.</p> <p>Risk logged: August 2014</p> <p>Risk Owner: Chief Executive Responsible Officer: Publica Executive Director (Services)</p>	4	3	<p>12</p> <ul style="list-style-type: none"> • Programme Board • Local Political Support • National Political Support • Early Engagement with employees and Unions • Funding provided to develop detailed business case 	2	2	4	0	0	6	↑	<p>Publica is fully engaged with the Council's savings targets and the Group Managers and Business Managers took part in a workshop in June to generate ideas which will flow through to the Council's budget setting process.</p>
CRR-032	<p>Without clear and robust procurement procedures, Publica and Partner Councils will not benefit from the most economically advantageous procurement opportunities and may fail to comply with the law governing Public Procurement Rules.</p> <p>Risk logged: January 2021</p> <p>Risk Owner: S.151 Officer Responsible Officer: Publica Executive Director for Commissioning</p>	4	3	<p>12</p> <ul style="list-style-type: none"> • Procurement rules approved by Council. • Publica Procurement Team able to provide procurement advice and assistance on major procurements. • Commissioning and Procurement User Guide produced. • Training on commissioning and procurement being rolled out to all staff. • Commissioning & Procurement Board meeting monthly, attended by Chief Finance Officer 	3	2	6	3	2	6	→	<p>A refresh of the Procurement and Contract Management Strategy is in development.</p>

CRR-003	<p>In light of an extremely tight labour market and increasing inflationary pressures if Publica or the Council is unable to recruit suitable staff and retain them, particularly in some key service areas then the level of service delivery could be reduced which would impact on residents/communities.</p> <p>Risk logged: April 2022</p> <p>Risk Owner: Chief Executive Responsible Officer: Publica Executive Director</p>	3	4	<p>12</p> <ul style="list-style-type: none"> • Financial incentives (market force supplement scheme) • Work with partners to address skill shortages - Review of pay and benefits package. - Introduction of career grade structures in Planning and Project Management 	3	3	9	3	3	9	→	<p>6 June 2022 No change in rating. Quarterly performance reports enable any necessary mitigation to maintain service delivery levels to be discussed. A review of recruitment is underway to help ensure the service meets users' needs and is both flexible and modern going forward. Career-graded posts have been introduced into a number of service areas to assist with retention and development of staff. A new training offer has been promoted to staff as another retention measure with over 40 employees now undertaking professional development training. The pay and benefits system is being reviewed and consideration will be given to enhancing the pension scheme.</p>
CRR-009	<p>As we come out of the pandemic and move to permanent agile working arrangements there is a risk that the well being of our staff is not properly monitored and reviewed.</p> <p>Risk logged: April 2022</p> <p>Risk Owner: Chief Executive Responsible Officer: Publica Executive Director - Service Delivery</p>	4	5	<p>20</p> <ul style="list-style-type: none"> • Regular reviews of change process • Impact of change measured via Staff forum and staff sickness • Comprehensive consultation and engagement process • Change management training • Joint Liaison Forum 	3	3	9	3	2	6	↓	<p>The IIP report identified some areas of weakness for us to work on and we held a Q&A session post sharing of IIP report. We have held some informal staff lunch get togethers to help re-introduce staff to the office environment and re-connect with colleagues face to face. We are delivering some key actions, including a new staff forum and relaunching the Trade Union liaison forum to help address some of the shortcomings identified in the IIP report.</p>
CRR-008 Page 71	<p>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.</p> <p>Risk logged: March 2008</p> <p>Risk Owner: Responsible Officer: Publica Group Manager for Strategic Support</p>	3	4	<p>12</p> <ul style="list-style-type: none"> • 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	3	3	9	→	<p>Additional mitigation has been put in place as part of a collective effort between Corporate Performance and Business Intelligence Teams to improve the accuracy and speed at which KPI data can be collected (moving some of the information into a live environment). A working group has been set up involving members of the scrutiny committee to develop improved assurance methods and metrics for councils relating to public services. Prototyping is in progress in relation to a live data assurance framework for Publica Services.</p>

CRR-011	<p>Cyber Security: 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.</p> <p>Risk logged: May 2013</p> <p>Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Business Support</p>	5	4	20	<ul style="list-style-type: none"> Blocking of USB and other devices PSN compliance Revised policies Staff awareness training BCP in place, reviewed and tested Enhanced encryption software and other specialist cyber tools Investment in cyber training for the ICT Team All Councils have PSN accreditation, which compliments the Cyber Essential Plus. 	3	2	6	4	3	12	↑	<p>07.06.22 - Although protection measures are already well established, these are reviewed and updated to ensure they remain effective against new risks</p> <ul style="list-style-type: none"> Submission for the re-accreditation of Cyber Essentials to be sent in February 2022 Progress on the Cyber Security updates and Action Plan is being reported to the Council and Publica on a regular basis. Continual update of Information Asset Register Ongoing Password Audits across our network to evaluate weak passwords Detailed review of Business Continuity & Disaster Recovery Plans in light of the GC situation. Ongoing investment in cyber training and a review of capacity planned Security systems updated to monitor and specifically block attacks related to identified vulnerability All emails received from at risk location are quarantined and inspected by ICT staff before being released Security patches are applied to key system as soon as they are available Mandatory Cyber training rolled out to all staff Cyber briefings given to Council Exec teams
CRR-012	<p>Data Security: 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..</p> <p>Risk logged: May 2013</p> <p>Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Business Support</p>	4	4	16	<ul style="list-style-type: none"> Blocking of USB and other devices PSN compliance Revised policies Staff awareness training BCP in place, reviewed and tested Enhanced encryption software and other specialist cyber tools Investment in cyber training for the ICT Team All Councils have PSN accreditation, which compliments the Cyber Essential Plus. 	3	3	9	3	3	9	→	<p>07.06.22 - Although protection measures are already well established, these are reviewed and updated to ensure they remain effective against new risks.</p> <ul style="list-style-type: none"> Additional online training to reinforce the need for staff to be aware of their responsibilities with regards to data security, passwords and GDPR is planned. Additional Phishing awareness training to educate employees on how to spot and report suspected phishing attempts is planned. All emails received from at risk location are quarantined and inspected by ICT staff before being released Immutable Storage, Network segmentation, Backup & DR processes in place and reviewed. Report taken to the Publica Shareholders in April, outlining a request for additional funding to increase staffing capacity / retention and investment in additional capabilities / technical solutions. CEs attending the meeting agreed in principle the funding and a follow up report finalising the financial requirements both in-year and going forward has been circulated for final sign off.

CRR-033	Leisure Services: It is unclear if numbers of users for Council's Leisure Centres will return to pre-covid lockdown levels. With reduced numbers and a fall in income, the 'Leisure' contractor may struggle to meet their obligations leading to a fall in service standards and reduced customer service.. Risk logged: January 2022 Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Commissioning	4	4	16	Regular meetings with the Leisure Provider will identify any major issues that may affect service delivery, agree contingency measures and feedback to the Council The impact of Covid 19 on our leisure provider has been very significant and fully reported elsewhere within the Council The Council has been partially recompensed by the government for the loss of income during lockdown but there is still an ongoing financial risk to the council	4	2	8	4	2	8	→	14.01.22 Lower usage was seen in December as is traditionally the case, but usage recovery is comparable to the current national trend. It is unclear what affect further waves of the pandemic will have on the leisure service, but the effective cleansing and control measures implemented at the centres will remain in place. 17.03.22 Usage numbers are continuing to improve as consumer confidence builds within the industry and the provider is seeing a welcome boost in income. 06.06.22 Usage still below pre-pandemic levels but cost of living crisis may also be having an affect.
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Enable a vibrant economy													
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Direction of Travel	Risk Response & Further Action
		Impact	Likelihood	Score		Impact	Likelihood	Score	Impact	Likelihood	Score		
CRR-035	Business Grants and Council Tax Rebates: The Council is expected to undertake a further round of Business Grant Payments and Council Rebates. This will be quite extensive ensuring grant payments and rebates are applied correctly and verified. If there is a failure in how the applications are processed, this could result in a significant overpayment which may not be recovered from central government, creating a financial loss and reputational damage. Risk logged: January 2022 Risk Owner: S.151 Officer Responsible Officer: Publica Group Business Manager for Operational Services	5	3	15	Experience in payment of previous Covid Grants Verification process in place, including input from Counter Fraud Team Guidance expected from the NFI and Spotlight Comms to be published to manage expectations	5	2	10	4	1	4	↓	Working with Civica to get validated system for processing applications in respect of the Council Tax Rebate scheme. Although the likelihood is extremely low, with the extensive controls and scrutiny of payments, the significant sums involved means there will always be an element of risk to the Council.

Key to Officers

Risk Owner

S.151 Officer: Jenny Poole

Monitoring Officer: Angela Claridge

Chief Executive: Robert Weaver

Responsible Officer

Publica Group Finance Director: Frank Wilson

Publica Executive Director - Service Delivery: Sue Pangbourne

Publica Forward Planning Manager: James Brain

Publica Head of Legal Services: Susan Gargett
Publica Group Manager for Property and Regeneration: Claire Locke
Publica Group Manager for Communities: Andy Barge
Publica Group Manager for Business Services: Phil Martin
Publica Business Manager for Data and Growth: Stuart Rawlinson
Publica Data Protection Officer: Tony Oladejo
Publica Business Manager for Development Control: Phil Shaw

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Agenda Item 12

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 21 JULY 2022
Report Number	AGENDA ITEM 12
Subject	EXTERNAL AUDITOR VALUE FOR MONEY CONCLUSION 2020/21
Wards affected	ALL
Accountable member	Cllr Mike Evemy, Deputy Leader and Cabinet Member for Finance Email: Mike.Evemy@cotswold.gov.uk
Accountable officer	Jenny Poole, Deputy Chief Executive Email: Jenny.Poole@Cotswold.gov.uk
Summary/Purpose	To present the external auditor's conclusion on the arrangements in place to secure value for money at the Council during 2020/21.
Annexes	Annex A – Grant Thornton Auditor's Annual Report 2020/21
Recommendation/s	<i>a) For the Audit Committee to consider and note the report, the auditor improvement recommendations and the management responses.</i>
Corporate priorities	Always refer to named priorities from the corporate plan.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Chief Executive, Director of Governance and Development, Publica Business Manager for Finance.

I. BACKGROUND

- 1.1. The Council's external auditor (Grant Thornton) is required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, known as the Value for Money conclusion. The auditor's Annual Report for the 2020/21 financial year is attached at Annex A to this report. The Annual Report also contains details of the unqualified audit opinion issued with regard to the audit of the Council's financial statements for 2020/21.

2. MAIN POINTS

- 2.1. The auditor has not identified any significant weaknesses in arrangements but have identified five opportunities for improvement which are set out in detail within the auditor's report. The auditor has not found it necessary to apply any of the formal powers available to the auditor.
- 2.2. The Value for Money audit has focused upon three areas: financial sustainability, governance and improving economy, efficiency and effectiveness. The opportunities for improvement in each of these areas are set out below together with the management responses.



Financial sustainability

1 Recommendation	The Council should carefully monitor its investment strategy so that forecast additional savings (new sources of income and reduced costs) are generated in line with the assumptions in the MTFS.
Why/impact	Generating additional income and reducing costs based on the investment strategy is critical to the medium to long term financial sustainability of the Council.
Auditor judgement	New income forecast to be generated by the investment strategy, along with reduced costs, is a key assumption in the MTFS.
Summary findings	The Council must ensure investment projects progress in line with assumptions in the MTFS and the implementation of the strategy is carefully monitored to ensure the generation of additional revenue income and savings targets are realised.
Management comment	Management accept the recommendation and has put in place a Capital Programme Investment Board, comprising of a cross-party group of Members to consider business cases for investment, monitor and drive delivery of the Recovery Investment Strategy.



Financial sustainability

2 Recommendation	The Council should ensure continued close in year monitoring and timely corrective action will be required to ensure savings are delivered and service redesign with partners are successfully implemented.
Why/impact	The COVID-19 support provided by government will cease and this, combined with the need to manage more significant funding gaps in 2022/23 and 2023/24, will present a bigger challenge for the Council. This includes increased levels of savings required in these years, as well as the inevitable increased strain on services due to the cost of living crisis.
Auditor judgement	Increased uncertainty and the scale of funding gaps in the MTFS require close in-year monitoring to ensure planned actions to manage the gap are realised.
Summary findings	Reduced funding and increasing cost pressures mean that the Council must deliver planned savings, efficiencies and costs reductions to ensure financial sustainability.
Management comment	Management accept the recommendation. The Council has already commenced the refresh of the Council's MTFS and preparation for the budget in 2023/24. Engagement with the Cabinet will commence in July 2022. The Council receives monthly financial performance reports from Ubico, which will identify the impact of inflation, particular on the cost of vehicle fuel and employee costs. Similarly, Publica provide an update on a quarterly basis to its Board which is shared with Council Officers. Car parking revenue, has been significantly affected by the Covid-19 pandemic, as demand reduced. The income stream is reported weekly to the Cabinet Member along with other performance metrics. Information from quarterly budget monitoring is used to inform development of the budget for 2023/24 and the MTFS



Governance

3 Recommendation	The Council should consider mapping risks to corporate objectives.
Why/impact	For each risk reported to Cabinet, relevant key controls and sources of assurance should be set out and RAG-rated. Adequate evidence that risks are mapped to corporate objectives and allocated to a named senior officer should be detailed.
Auditor judgement	Each risk should be mapped to corporate objectives and this detail included in risk register.
Summary findings	Each risk is described, attached to controls, scored, RAG rated and assigned to a responsible senior officer. Risks are coded, however not mapped to corporate objectives.
Management comment	This recommendation will be considered by the Risk Management Group of officers and management support its implementation.



Improving economy, efficiency and effectiveness

4 Recommendation	To undertake a review of 2020/21 Revenue Outturn data to understand variances in unit costs with statistical neighbours.
Why/impact	To identify why the Council, for some service blocks, has very high comparative unit costs, to determine if there is any potential for savings and efficiencies beyond those already planned.
Auditor judgement	To ensure that the Council has considered all potential for additional savings and efficiencies, given the ongoing and significant financial challenges over the medium-term.
Summary findings	Our analysis of 2020/21 RO data has highlighted variances in unit costs between the Council and its nearest statistical neighbours. It will be important for the Council to understand the reasons for these variances.
Management comment	This recommendation will be implemented through the budget setting process for 2023/24.



Improving economy, efficiency and effectiveness

5 Recommendation	The Council should continue to drive these planned improvements with Publica, including reviewing the effectiveness of planned changes to contract monitoring, governance and reporting arrangements from Publica to key Council decision makers
Why/impact	These planned improvements are critical to managing medium-term budget pressures, which need to be monitored effectively by key decision makers.
Auditor judgement	The Council is progressing recommendations made by the LGA Corporate Peer Challenge to reset their relationship with Publica. Given the significance of the Council's partnership with Publica, this reset is critical to ensure ongoing economic, efficient and effective service delivery.
Summary findings	The Council has recognised the need to reset their relationship with Publica and the changes planned need to be fully implemented.
Management comment	Agreed, the Council is working closely with the Publica Executive Directors, Group Managers and Business Managers to find solutions to the financial challenges facing the Council. A Transformation working group is due to be set up to oversee the Publica Service Improvement Programme. The Chief Executive and Leader of the Council will continue to embed the improvements to governance arrangements which will make Publica more accountable for improving economy, efficiency and effectiveness.

2.3. The management team will work with colleagues in Publica to implement the actions from the external auditor recommendations.

3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

4.1. The Council's external auditor (Grant Thornton) is required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, known as the Value for Money conclusion. This report satisfies the requirement and reports the outcome to the Audit Committee, the body charged with governance responsibilities for the Council.

5. RISK ASSESSMENT

5.1. There are no risks directly arising from this report. By implementing the actions associated with the auditor's recommendations, the Council's arrangements for securing economy, efficiency and effectiveness will be strengthened.

6. BACKGROUND PAPERS

6.1. None.

Auditor's Annual Report on Cotswold District Council

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July 2022



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. We have not identified any significant Value for Money (VfM) weaknesses, but have identified four opportunities for improvement which are set out in detail within our report. We have not had to apply any of our formal auditor's powers. Information on the powers we can deploy are set out at Appendix B.

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Criteria	Risk assessment	Finding
Financial sustainability	Risk of significant weakness identified	No significant weaknesses in arrangements identified, but two improvement recommendations made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but two improvement recommendations made

	No significant weaknesses in arrangements identified.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weakness in arrangements identified and key recommendation made.

Our review of the Council's VfM arrangements for 2020/21 is retrospective by nature, and we note that there has been a significant time lag between the end of that financial year and the timing of this report which is due to finalising our audit of the Council's financial statements for 2020/21. Our VfM findings are summarised below.



Financial sustainability

The Council is operating in an increasingly uncertain financial environment, including annual funding settlements from government. Cotswold, as with all councils, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained a good financial position. The Council has put forward a series of proposals which forecast a balanced budget for the next two years.

As a result of the inherent uncertainty surrounding the funding of local government we identified in the audit plan a risk of significant weakness in relation to financial sustainability. Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified two improvement recommendations. Further details can be seen on pages 6-12 of this report.



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements, but we have identified one improvement recommendation in relation to governance.

Further details can be seen on pages 13-16 of this report



Improving economy, efficiency and effectiveness

The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements, but we have identified two improvement recommendations in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 17-21 of this report.

Opinion on the financial statements

We completed our audit of the Council's 2020/21 financial statements and issued an unqualified audit opinion on 5 April 2022.

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during July to December 2021. Full details of our findings from the audit are detailed in our Audit Findings Report dated 16 November 2021. A small number of remaining queries took some time to resolve due to competing priorities of both officers' time and that of the audit team. We delivered an unqualified opinion on the Council's 2020/21 financial statements on 5th April 2022.

Our work did not identify any material errors or adjustments to the financial statements. No adjustments have been identified that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. We recommended a small number of adjustments to improve the presentation of the financial statements.

The draft financial statements were presented for audit in accordance with the agreed timetable and were supported by working papers of a similar quality to last year. We made two recommendations for the Council as a result of our work on the financial statements, and these are included opposite.

Issue and risk	Recommendations
<p>Disclosures relating to both critical judgements and estimation uncertainty lack the level of detail envisaged by IAS 540 and as described in the most recent FRC thematic review</p>	<p>Given the additional focus on accounting estimates, management should consider working more closely with experts to ensure more detailed disclosures can be provided in relation to both estimation uncertainty and critical judgements.</p> <p>Management Response</p> <p>Disclosures relating to critical judgements and estimation uncertainty were expanded in 2020/21 but will be reviewed again as part of the 2021/22 closedown process to provide more detailed disclosures where appropriate</p>
<p>Our audit testing identified a number of assets recorded in the asset register at nil net book value. While this has no bottom line impact on the accounts, it does suggest that officers need to review the UEL and determine whether they remain appropriate for the assets that are still recorded in the asset register.</p>	<p>Officers to review the assets held in the asset register at nil net book value.</p> <p>Management Response</p> <p>Agreed. We will review the useful economic lives of equipment assets, particularly those close to being fully depreciated to assess whether the asset life and gross value remain appropriate. Given the amounts involved are not material this does not represent a significant risk to the accounts.</p>

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 21. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

As a result of the inherent uncertainty surrounding the funding of local government we identified in the audit plan a risk of significant weakness in relation to financial sustainability

COVID-19 arrangements

COVID-19 posed a significant challenge to the Council, including to its financial sustainability, as it did to all in the local government sector. The onset of the pandemic made financial forecasting challenging as new periods of national lockdown were announced and additional tranches of government funding support were confirmed during the course of the year.

Officers first reported the potential impact of COVID-19 on the financial sustainability of the council in May, June and August 2020. At this stage early indications were that there would be an adverse movement of £3.4m when compared to the original budget for 2020/21. This was largely a result of a reduction in fees and charges income due to the impact of COVID-19 and the restrictions introduced to limit the spread of the virus. Mitigating actions were taken to bring the forecast positions back in line, which included a review of staffing and recruitment activity, a review of discretionary spending and a review of reserves and provisions. We have not seen any evidence of this funding not being used for the purposes intended.

The Council has maintained a good oversight of its COVID-19 related costs and income losses which were subject to detailed monitoring and scrutiny. The Medium-Term Financial Strategy (MTFS) was reviewed and updated during the year, and detailed quarterly reporting against the budget to cabinet was maintained throughout the year.

The most significant risk to the financial sustainability of the Council remains the uncertainty over whether income from discretionary services will return to pre-pandemic levels.

The Council's arrangements have adapted to respond to new risks being faced from 2020/21 onward in respect of COVID-19 including:

- ICT arrangements: improved technology and cybersecurity. As more officers worked from home the Council's ICT team ensured all staff had the equipment and technology they required to work from home and communicate remotely.
- Agile working: adapted processes and culture to encourage more agile working. An agile working hub is available on the Publica portal for all staff to access. Options on the future use of the Trinity Road offices in Cirencester have been accelerated by home-working during the pandemic.
- During the peak of the pandemic redeploying staff to support vulnerable members of the community.

Arrangements are in place to monitor and report against various strands of COVID-19 funding including the government's Contain Outbreak Management Fund (COMF). Compliance and enforcement spend and various other grants are spent in line with grant conditions and requirements and ensure are appropriate and reasonable.

The Council has used specific grants such as the European Regional Development Fund's Welcome Back Fund and Reopening the High Street Fund in relation to the pandemic. This included communicating safety messages to businesses, webinars for the hospitality sector to support reopening after lockdown, promotional campaigns to encourage residents to return to town centres and support local businesses, as well as physical improvements to town centres such as cycle racks, signage and public realm improvements.

Financial sustainability

2020/21 outturn

As a result of the impact of COVID-19 a revised 2020/21 budget was approved by the Council in September 2020 to ensure meaningful budget monitoring for the remainder of the financial year. The revised budget recognised a reduction in income of £2.8m, largely from reduced car parking and planning income, additional costs of approximately £1 million in relation to the Council's leisure contract, and additional costs for environmental and homelessness services. After allowing for government COVID-19 related funding, the adverse impact on the General Fund was forecast to be around £1m. Savings of nearly £600k were identified to reduce the impact upon the General Fund to approximately £400k.

The Council's 2020/21 revenue outturn was an underspend of £670k on cost of services, and a net underspend of £22k after income and adjustments. This was a result of lower income losses than forecast, and higher government COVID-19 funding than anticipated. The outturn also included underspends from the Council's contracts with Publica (£74.2k underspend) and Ubico (£386.5k underspend).

The outturn position meant that the planned contribution to the General Fund from reserves of £222k was not required, with the outturn position leading to a transfer of £34k reserves.

The year end position was impacted by COVID-19 related government funding, including grants and reliefs to be disbursed to local businesses. This has had a distorting effect on the year end position, for example COVID-19 business grants increasing income by £5.5m and increasing expenditure by £5m, with £496k of undisbursed funding allocated to a Covid reserve to be used during 2021/22.

2021/22 budget, financial planning and savings plans

A Local Government Association (LGA) Corporate Peer Review, which concluded in November 2019, included a recommendation for the Council to develop an MTFS to underpin implementation of the Corporate Plan that identifies opportunities to enhance the Council's financial and organisational capacity, including additional sources of income, generating savings and developing a commercial strategy. During the course of our review, we note progress made by the Council in particular creating increased capacity at senior leadership team, including a new Chief Executive and the Section 151 Officer moving back to a full-time role during 2020/21 (having previously been a joint role with West Oxfordshire District Council).

The Council approved a new Corporate Plan in September 2020 for the period 2020 to 2024 and as already noted, approved a revised budget for 2020/21 to reflect the impact of COVID-19: Revised income budgets to reflect reforecast service income, revised expenditure budgets to reflect additional cost pressures, and incorporated known central government pandemic related funding and set out revised funding for the 2020/21 budget.

The Council's MTFS for 2021/22 to 2024/25 provides the financial envelope within which the Council will deliver its strategic priorities.

	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	2024/25 (£000)
Net cost of service	12,557	10,636	10,126	10,098
Central gov. funding	(6,696)	(3,564)	(2,959)	(3,078)
Council tax	(5,814)	(6,095)	(6,383)	(6,676)
Collection Fund (surplus) / deficit	(54)	(53)	(53)	(100)
Budgeted (surplus) / deficit	(7)	924	731	244

The MTFS included the following savings targets:

	2021/22	2022/23	2023/24	2024/25
Savings (£'000)	388	2,559	1,288	850
Savings (% of net cost of service)	3.0%	24.0%	12.7%	8.4%

Our work found no evidence that the Council is overly reliant on non-recurrent measures to achieve savings targets. The Council has a good track record of delivering savings; the Budget Plan for 2016-20 delivered savings of £47m and reinvested £30m into priority services. Throughout this period the Council delivered a balanced budget.

The pandemic impacted on savings planned during 2020/21. The Council's third review of performance 2020-21 noted 62% (£4.5m) of savings proposals were on target to be delivered and that 92% (£6.6m) were still considered deliverable.

For 2021/22, £290k of the savings are expected from an increase to fees and charges, and £98k from contract savings with Publica and Ubico.

Financial sustainability

2021/22 budget, financial planning and savings plans (cont'd)

However, the financial outlook for local government remains uncertain, including generationally significant levels of inflation, and changes to government funding is identified as a significant risk by the Council in the current MTFS.

The Councils' Budget Report also highlights the lower levels of locally generated income (Council Tax and Business Rates) which is largely due to the impact of the pandemic in particular the collection rates. In the Council's first performance Review for 2021/22, collection rates were improving but remained below pre-pandemic rates.

The savings planned during the period of the MTFS are significant, particularly in 2022/23. The Council has approved a Recovery Investment Strategy to invest in infrastructure to contribute to the Council's priorities, generate additional income and reduce costs of strategic service delivery partners. All investments will require full business cases. This strategy is pivotal for closing the gap left by the reduction in government funding. The Council must ensure investment projects progress in line with assumptions in the MTFS and the implementation of the strategy is carefully monitored to ensure the generation of additional revenue income and savings targets are realised.

The Council's financial plans reflect potential pressures such as pay and non-pay cost inflation at the time the budgets were set. The MTFS also identifies key expenditure drivers detailing the impact of inflation, as the Council has provided for inflation on salaries for Council employees, based upon an assumed local government pay award of 1%. Inflation assumptions should be regularly reviewed given the subsequent generationally significant increases in inflation for goods and services to ensure the MTFS provides a realistic forecasts of the Council's expenditure and income position.

The LGA Corporate Peer Challenge, which reported in November 2019 noted that Publica has invested significant resources in undertaking a review of pay and grading across all partner councils, and that this has had a direct impact on capacity to deliver wider transformation objectives. The LGA report noted that as a result of this work, the Council and Publica should seek assurance that organisationally, the risk of potential Equal Pay claims is fully understood and managed. Publica undertaking this review is critical to ensure services reflect changing needs and ensure financial sustainability for the Council.

Reserves

The Council had an earmarked reserve balance at 31 March 2021 of £15.5m and non-earmarked reserves of £895k. Included within the earmarked reserves is £7.4m of section 31 grants that will be applied in 2021/22 to the business rates deficit. The council has a trend of increasing earmarked reserves in recent years, with a trend of reducing non-earmarked reserves., the position to 2019/20 is set out below.



The Council's earmarked reserves were set out in a report to Cabinet in September 2020. The Council holds a Council Priorities Fund revenue reserve which is available for investment in initiatives which support delivery of the Council's priorities. As at February 2021 this reserve had been largely allocated so that new initiatives will require members to reallocate existing priorities and the associated funding from reserves.

The CIPFA Financial Resilience Index, using 2020/21 data for the Council and its statistical nearest neighbours, indicates the Council compares high on CIPFA's reserves sustainability measure, the level of reserves and change in reserves, and has the lowest level of unallocated (non-earmarked) reserves compared to net revenue expenditure of the comparator group, whilst it compares favourably to the comparator group when considering the increase in earmarked reserves over the past three years.

Whilst the level of unallocated reserves are low when compared to the Council's statistical nearest neighbours, the Council has significant levels of earmarked reserves, and we note that in setting the 2021/22 budget the Council's Section 151 Officer, in a report to full council on 24 February 2021, confirmed they were comfortable with the level of reserves and balances.

Financial sustainability

Capital

The Council's capital budget for 2020/21 was £11m. A total of £3.2m was spent with a further £1m of expenditure committed during the year. The most significant variance in planned capital spend was £4.3m which related to the planned investment in strategic property acquisition which was delayed due to wider economic circumstances.

Capital receipts for 2020/21 totalled £30,142 from the disposal of Ubico vehicles.

Ongoing revenue costs of major capital investments are considered in the Council's Capital Strategy. Capital assets shape the way services are delivered in the long-term and create financial commitments for the future in the form of financing costs and revenue running costs. This framework sets out the planning, prioritisation, management and funding of capital expenditure to take account of these costs.

Bids for new capital investment have been reflected in the revenue budget, with a clear justification and rationale in the context of the planned financial position. There are planned increases in investments, for example, a £2.2m investment in the vehicle fleet, which is identified in the MTFs and capital programme.

In 1997 the Council transferred its social housing to a registered provider and following this transfer the Council became debt free and held significant levels of capital receipts and revenue reserves which have been used to fund projects and investments to contribute to the delivery of the Council's priorities. The Council is now facing the prospect of borrowing to fund capital investment for the first time since the housing stock transfer.

The MTFs sets out unavoidable budget pressures, including £287k in 2021/22 for the revenue impact of increase to external borrowing in relation to planned capital spend.

Alignment of financial and other corporate plans

There was a change in political control of the Council following the May 2019 local elections. The new administration set out its aims and priorities for the period 2020 to 2024 which were adopted by the Council in September 2019. More detailed work was impacted by the pandemic, but also provided an opportunity to review the Council's priorities in the context of Covid recovery. A new Corporate Plan for the period 2020 to 2024 was approved by the Council in September 2020.

The Council's Corporate Strategy provides a clear link between stated corporate strategic priorities and the design of the budget, particularly in regard to investment and disinvestment in services, and the approach to financial sustainability. The Strategy sets out the 6 key priorities of the strategy as follows:

- 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.

The budget supports the priority themes set out in the Council Plan, the priorities include Climate Change, Transport options, A vibrant District Economy, Leisure services, Modern Council Services and Sustainable Finance. As already noted, the Council has approved a large scale investment strategy framework which would see the Council invest significant sums over the next few years in order to further the Council's priorities. The Council's workforce plan (as part of 2020-24 Council Plan) aligns with financial plans set out by the Council. The workforce plan outlines the financial challenges faced by the Council and the requirement to deliver savings and efficiencies.

The majority of the workforce are employed via Publica, the Council budget is set through consultation/discussion with Publica officers to ensure the Council's MTFs is consistent with workforce plans, recruitment growth/savings. Any increase in budget is agreed at Executive level. The Publica Business Plan was recently updated and will be reviewed as part of preparations for the 2023/24 budget and MTFs process.

Treasury management

The Council's Treasury Management Strategy notes that the Council uses purpose-built cash flow forecasting software, Logotech, to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.

Limits on long-term investments are set by reference to the Council's MTFs and cash flow forecast. The investment portfolio has a mixture of investments. The Quarter 4 Finance report to the July 2021 Cabinet highlighted interest received in respect of investments included a £114,000 variance to budget due to the impact of the pandemic on global financial markets. This represented an improvement from a variance of £169,000 at Q3 due to improving market conditions for property, bond and equity investments and equates to a 1.8% return on investment for the financial year. On 31st March 2021, the Authority had net investments of £23.577m (19/20 £24.987m) arising from its revenue and capital income and expenditure.

Financial sustainability

Treasury management (cont'd)

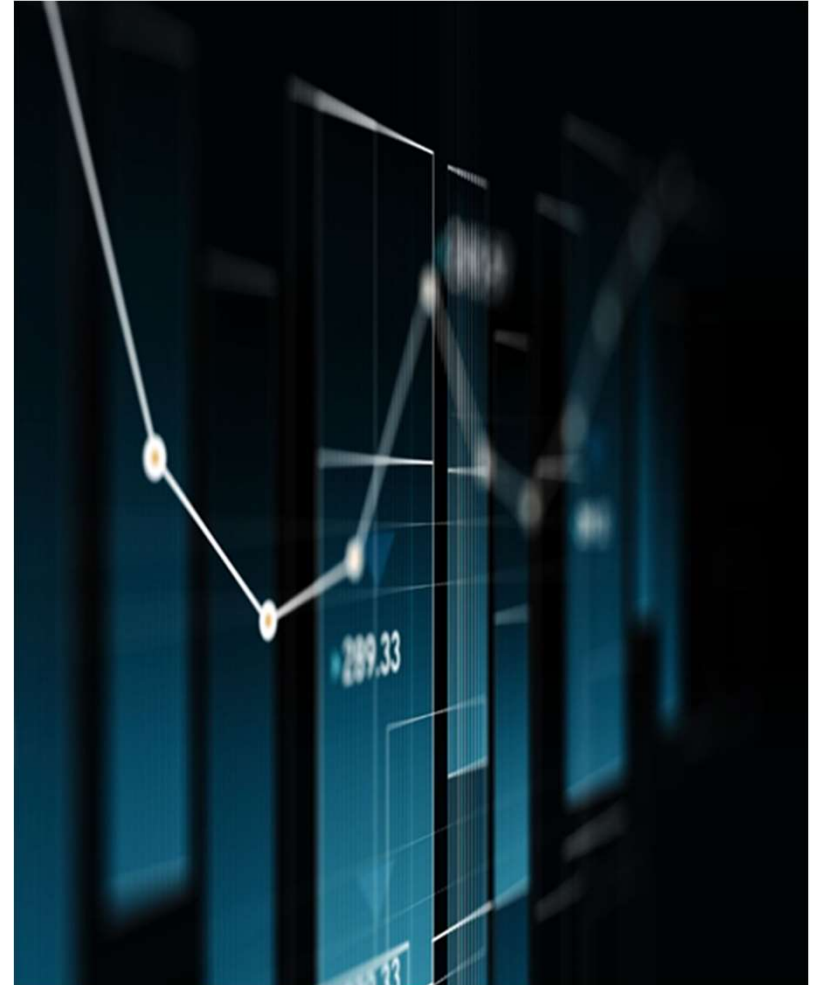
The borrowing strategy confirms that the Council does not hold any debt, but some temporary borrowing could occur in latter part of 2020/21 and into 2021/22 to fund daily cash-flow. Up to £63m is required to be borrowed in the forecast period to fund the capital programme. There is no evidence of weaknesses to the Council's cash flow, for example an inability to pay creditors.

Conclusion

We identified financial sustainability as a significant risk in planning this work. Following our review we are satisfied that the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any significant weaknesses.

However, we recognise that the COVID-19 support provided by government will cease and this, combined with the need to manage more significant funding gaps in 2022/23 and 2023/24, will present a bigger challenge for the Council. This includes increased levels of savings required in these years, as well as the inevitable increased strain on services due to the cost of living crisis. Continued close in year monitoring and timely corrective action will be required to ensure savings are delivered and service redesign with partners are successfully implemented.

We have identified two opportunities for improvement which are set out on the following pages.



Improvement recommendations



Financial sustainability

1	Recommendation	The Council should carefully monitor its investment strategy so that forecast additional savings (new sources of income and reduced costs) are generated in line with the assumptions in the MTFS.
	Why/impact	Generating additional income and reducing costs based on the investment strategy is critical to the medium to long term financial sustainability of the Council.
	Auditor judgement	New income forecast to be generated by the investment strategy, along with reduced costs, is a key assumption in the MTFS.
	Summary findings	The Council must ensure investment projects progress in line with assumptions in the MTFS and the implementation of the strategy is carefully monitored to ensure the generation of additional revenue income and savings targets are realised.
	Management comment	Management accept the recommendation and has put in place a Capital Programme Investment Board, comprising of a cross-party group of Members to consider business cases for investment, monitor and drive delivery of the Recovery Investment Strategy.

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The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Financial sustainability

2 Recommendation	The Council should ensure continued close in year monitoring and timely corrective action will be required to ensure savings are delivered and service redesign with partners are successfully implemented.
Why/impact	The COVID-19 support provided by government will cease and this, combined with the need to manage more significant funding gaps in 2022/23 and 2023/24, will present a bigger challenge for the Council. This includes increased levels of savings required in these years, as well as the inevitable increased strain on services due to the cost of living crisis.
Auditor judgement	Increased uncertainty and the scale of funding gaps in the MTFS require close in-year monitoring to ensure planned actions to manage the gap are realised.
Summary findings	Reduced funding and increasing cost pressures mean that the Council must deliver planned savings, efficiencies and costs reductions to ensure financial sustainability.
Management comment	Management accept the recommendation. The Council has already commenced the refresh of the Council's MTFS and preparation for the budget in 2023/24. Engagement with the Cabinet will commence in July 2022. The Council receives monthly financial performance reports from Ubico, which will identify the impact of inflation, particular on the cost of vehicle fuel and employee costs. Similarly, Publica provide an update on a quarterly basis to its Board which is shared with Council Officers. Car parking revenue, has been significantly affected by the Covid-19 pandemic, as demand reduced. The income stream is reported weekly to the Cabinet Member along with other performance metrics. Information from quarterly budget monitoring is used to inform development of the budget for 2023/24 and the MTFS



The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

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COVID-19 arrangements

As a result of the lockdown restrictions announced on the 16th March 2020, the Council moved to ensure that all but a handful of essential staff were able to work from home. This continued throughout the pandemic, with no significant impact identified on productivity. Following the introduction of regulations to hold formal meetings via remote attendance, committee meetings moved to video conferencing. In the intervening period, some decisions had to be taken by the Chief Executive under delegated powers, and a mechanism was put in place to ensure that any key decisions that had to be taken had the informal approval of Cabinet members. Governance arrangements were strengthened in respect of procurement and arrangements have been reviewed by Internal Audit, who reported substantial assurance in this area. The strategic risk register has also been updated to ensure Covid-related risks are recorded appropriately, mitigated and monitored.

The Council put in place a robust set of emergency governance measures to monitor and respond to the pandemic and involved working with Partner Councils and its main service providers including Publica. Regular meetings (originally twice per week) were held with Cabinet members, members of the opposition group and two ungrouped members to ensure that there was transparent and inclusive discussion on matters related to Covid-19. The Head of Paid Service and latterly the Interim Chief Executive, used powers set out in the Constitution to enable emergency decisions to be taken. Those decisions were subject to consultation with Members. A log of decisions taken were subsequently presented to the Overview and Scrutiny Committee.

In 2020/21, the Council distributed a total of £57.7m in covid support grants to local businesses. The Council's Counter Fraud Manager oversaw this grant distribution and was responsible for the post payment assurance work required by the government.

Regular reconciliations have been submitted to the Department of Business Environment and Industrial Strategy (BEIS) and repayments made of unused grant funding where applicable.

Risk management

The Council's risk and opportunity management strategy outlines the overall approach to risk and opportunity management. Including opportunities alongside risks is good practice.

The Council's risk management approach has five steps: identifying, evaluating, managing, reviewing and reporting. Most of the Council's operational and project risks are identified and managed by Publica. Roles and responsibilities are set out in the strategy with full Council approval of the associated policy framework and budget. The Council's Cabinet considers and challenges risks when making key decisions, and the Audit and Governance Committee approves the Risk and Opportunity Management Strategy and reviews risk management reports. Publica Managers and Council Managers identify team level risks and opportunities and leads reviews within their teams.

One of the objectives of the strategy, is to "embed risk and opportunity management as a key part of strategic, operational, financial and project planning and management" This includes updating service plans to reflect operational risks and priorities, and identify the need for risk management to be part of the annual business planning process. The Council's Corporate Governance group carry out quarterly "spot checks" on risk registers, and this group offer advice and guidance on reporting of risk

The Corporate Risk Register describes each risk, risk controls, is scored, RAG rated and assigned to a responsible senior officer. We note that risks are not mapped to corporate objectives. The Council should consider undertaking such mapping, and we have raised this as an improvement recommendation.

Governance

Risk management (cont'd)

Discussions with senior management highlighted various projects where the Council has used a risk management approach to support decision making by the Capital Investment Board. These include the Cotesway loan for social housing, a project on economic development (to help young people stay within the district) and green energy projects both on Council buildings, and to encourage solar farms. These are business case driven, are aligned to the Council's strategy for generating new sources of income, with risk management recognising a change in the Council's risk appetite.

Internal controls

Internal Audit is provided by SWAP Internal Audit Services (SWAP). SWAP undertake work in compliance with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, and by guidance on interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP was externally assessed in February 2020 and it was confirmed that they meet PSIAS.

SWAP was due to present its 2020/21 internal audit plan to the Council's Audit Committee in April 2020. However this meeting was postponed due to the pandemic. The plan was then amended to reflect COVID-19 related risks. It was also agreed to defer some of the less urgent audit work in the original plan to 2021/22. The outcome of all audits was reported to the Audit Committee throughout the year.

The Internal Audit Annual Opinion Report 2020/21 notes that SWAP completed 94% of planned audits in 2020/21 which compares favourably against a target of 90% with the remaining 6% of work in progress at year end. This excludes a number of audits that were deferred or were removed from the plan, based on a risk-based re-prioritisation following the outbreak of the pandemic, meaning that approximately 70% of planned audits were completed in year against the original plan.

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SWAP did not identify any significant corporate risks during the audits carried out in 2020/21. A limited assurance report was issued relating to Council Tax and Business Rates due to weaknesses in key control processes.

Our work found no significant gaps in assurance, and the reporting structure and reports provide a good overview of whether internal controls are in place and are effective.

Leadership and committee effectiveness

The Council is led by its Cabinet which is supported by an appropriate committee structure. Senior officers attend the Cabinet and Committees to present reports and are open to questions during Committee meetings. The Council's current administration is keen to modernise and innovate which will require cultural change.

The Audit Committee demonstrates appropriate challenge of financial and non-financial items. The Committee contains officers with financial knowledge to provide appropriate challenge on these items. Major decisions are made at the Cabinet Body. These are discussed at an Executive level prior to the presentation to Cabinet Body/Committee. The Council requires minutes approval of the Cabinet decisions. The Council Cabinet body has appropriate arrangements to monitor and ensure appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests) are in place and are regularly reviewed.

The work of the Council's committees is governed by the constitution. This constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Annual Governance Statement needs to be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

The policies and arrangements are in place relating to anti-fraud and corruption, and the Council has an established anti-fraud culture.

Budget setting and monitoring

The budget is reviewed quarterly by Cabinet. The accompanying reports and information supporting the budget is used to explain and clarify issues as they arise and add context to highlight potential impact on the expected outturn. The outturn report also identifies reasons for variances. A review of the MTFS and quarterly budget reports does not indicate or discuss alternative proposals or scenarios, it would be useful to evidence and discuss alternative proposals and scenarios prior to the budget being agreed. We have raised this as an improvement recommendation.

There is a good analysis of risks posed to the achievement of the budget within these reports. Forecasts are subject to a high level of challenge and scrutiny from Cabinet.

There is adequate internal and external engagement. Consultation was held with residents, businesses and Town and Parish Councils. Consultation also took place with management from Publica and Ubico, and the Council Overview and Scrutiny Committee.

Strategic directors are responsible for their budgets. Departmental managers provide advice, guidance and challenge to their strategic directors. Their performance reviews are based on this role, not necessarily on achieving budget.

Financial performance is a key responsibility of budget holders (with this included in relevant job descriptions) and they are expected to understand their budget within the wider context of the Council as a whole and recognise where savings they identify would help the Council achieve its targets (even if that's in another directorate).

Governance

Budget setting and monitoring (cont'd)

Budget holders are required to evidence their growth requirements – evidence of how any previous growth has been spent, evidence the cost driver(s) behind that spend and produce the data to support that. Consequently, budget holders are not simply asked to make requests for additional budget, but to set those requests within the context of their own management accounts information. Consequently there is formal and reasonably sophisticated accountability for budgets, and an understanding of the wider implications of financial performance is a key objective for senior managers and budget holders.

The Council closely monitors its finances with reports being reviewed by members on a quarterly basis and remedial action being taken whenever required to offset emerging budget pressures. All savings proposals are regularly reviewed for deliverability and risk assessed by officers throughout the year. The Council also undertake regular reviews of its balance sheet risks and takes appropriate action as necessary.

Managers are held to account for the delivery of their budget through quarterly budget monitoring process where significant variances and outturn at a cost centre level is reported to both the senior leadership team and to Cabinet and Overview and Scrutiny Committee demonstrating performance management against budget.

The current budget book memo distributed to group managers and business managers sets out roles and responsibilities for business managers group managers and budget holders and includes details of key areas to be discussed at meetings including explanations for significant variances to budget.

Policies, procedures and controls

The annual governance statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks..

There is a member code of conduct in place, which is based on the model LGA code, which was approved by the Audit Committee in early 2021. The Standards Committee forms part of the Audit Committee and standards matters are discussed as required. We have not identified any significant non-compliance with the constitution or other standards.

Council officers continue to look at the information that is provided to members and are working with the LGA to use best practice, and are working with the Overview and Scrutiny Committee to develop a performance management protocol. Key Performance Indicators have been developed for the Publica contract as part of the previously mentioned improvement actions.

The pandemic has led to a review of the Council's constitution and the introduction of a new scheme of delegation. The constitution is shared with all staff members on joining the Council and is openly available on the Council's website.

The council has arrangements in place for officers and members to make declarations of interest and the current Hospitality and Gifts Register has been in place from May 2019. Our work highlighted there have been no documented cases where interests were not declared.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have made one improvement recommendation which is set out on the following page.

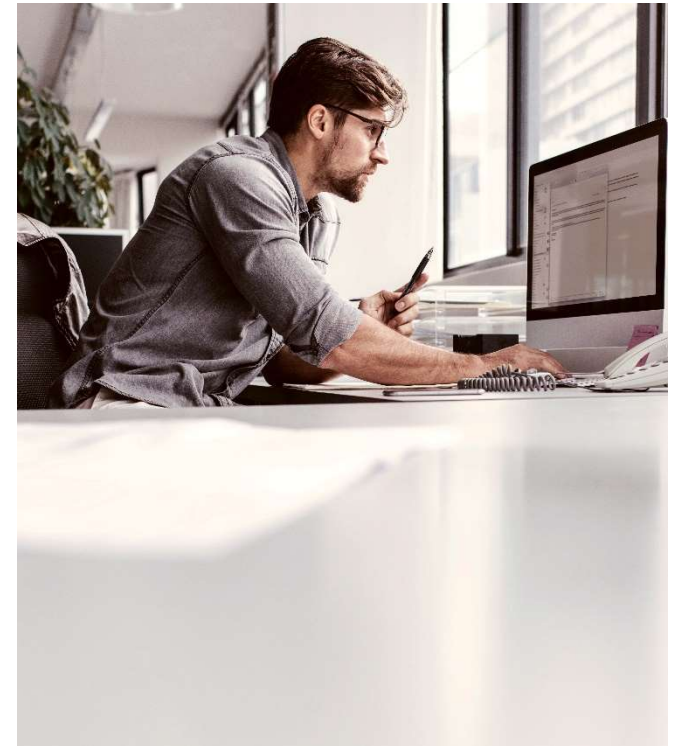


Improvement recommendations

Governance

3 Recommendation	The Council should consider mapping risks to corporate objectives.
Why/impact	For each risk reported to Cabinet, relevant key controls and sources of assurance should be set out and RAG-rated. Adequate evidence that risks are mapped to corporate objectives and allocated to a named senior officer should be detailed.
Auditor judgement	Each risk should be mapped to corporate objectives and this detail included in risk register.
Summary findings	Each risk is described, attached to controls, scored, RAG rated and assigned to a responsible senior officer. Risks are coded, however not mapped to corporate objectives.
Management comment	This recommendation will be considered by the Risk Management Group of officers and management support its implementation.

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The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

COVID-19 arrangements

The strategic risk register has been updated to ensure Covid-related risks are recorded appropriately, mitigated and monitored. Effective relationships were formed with existing partners and wider relationships developed. Decision making was more streamlined, and the better use of technology meant that issues were resolved quickly. The Council have reflected back on the 12 months of the pandemic and have used the response to date and progress made as a platform upon which to identify the issues that need to be focused on going forward. Existing plans have been adapted and discussed with a wide range of partners and challenges have been identified to guide the recovery.

The Council reacted well to the need to move meetings into a virtual environment during COVID-19, some decisions were made under delegated authority, but these were within the rules as set out in the constitution. Meetings are now returning to face to face complimented with virtual meetings which have worked well.

Performance management

The four-year Council Plan sets out strategic priorities for the period. The Annual Statement and Council Plan are heavily focused on service delivery, and there is a regular high level review of service delivery. The Authority MTFS is over a 4 year period evidencing the body is focusing on longer-term options. The MTFS highlights there are no plans for reductions in services. The Council detailed priorities and Corporate strategy are heavily focused on service delivery, and there is a regular high level review of service delivery.

Regular reviewing and monitoring of the Council Plan, is achieved using a quarterly report for performance. There is effective use of a Performance Management framework and performance reporting arrangements. The work of partnerships falls within this framework.

Each performance measure is benchmarked against West Oxfordshire and Forest of Dean District Councils, and this data shows performance against targets and areas for improvement, as well as comparison with these other councils.

Through the production of the Performance and Finance Report, which is accessible from the Council's website, the Council have demonstrated a detailed reporting mechanism on financial and operational performance. This report includes functionality which makes it interactive and enables performance to be assessed at a Council-wide level and also at a service area level. This report also benchmarks Council performance against comparator groups and identifies areas for improvement. The performance reporting of the Council operates within a Performance Management Framework to ensure data quality when using this information to assess the Council's performance.

Members are confident in senior finance officers of the Council and with financial reporting. The new Cabinet is seeking further improvement in performance reporting, specifically the completeness and timeliness of non-financial KPIs including those in respect of Publica. This was in development during the course of our review.

Improving economy, efficiency and effectiveness

Benchmarking

We have undertaken our own benchmarking using 2019/20 Revenue Outturn (RO) data comparing the Council to its ten statistical neighbours. The Council's cost of provision benchmarks very low or average for all service areas, other than for the Environmental and Regulatory Services, and the Central Services blocks, for which unit costs are very high when compared to the benchmark group. The Council should review to determine if there is potential for efficiencies within these service blocks, or if they are comfortable with the comparative unit costs due to variations in statistical nearest neighbours' priorities, as part of their acknowledged interest in using benchmarking to learn from others.

We have set out our benchmarking on reserves in the earlier section on Financial Sustainability, which highlighted that earmarked reserves have been increasing in recent years, whilst the level of non-earmarked reserves has remained largely stable since 2017/18. The Council has had no borrowing since at least 2018/19 with capital expenditure reducing since 2015/16.

Significant partnerships

The Council have a significant partnership with Publica Group (Support) Ltd, a council owned employment company which delivers shared services between Cotswold, West Oxfordshire, and Forest of Dean District Councils. Publica provides commissioning advice and support to the Council as well as directly providing many services. The 2020/21 contract cost to the Council was £8.7m.

The LGA Corporate Peer Challenge, which concluded in November 2019, noted that there was a disconnect between the objectives of the Council and Publica, as a result of which elected members didn't appear to "own" Publica in their hearts and minds and there was confusion over the branding and identities of Publica and the Council. The LGA recognised that there was a genuine desire to reframe and reset the relationship between Publica and the Council. The appointment of a new Managing Director by Publica provided an opportunity to review how it operates and responds to the Council's priorities, whilst governance, roles and responsibilities required review, development and clarification. Feedback during the course of our review noted that officers and members of the Council are pleased with improvements made to the relationship with Publica. The Council should continue to drive these planned improvements with Publica, including reviewing the effectiveness of planned changes to contract monitoring, governance and reporting arrangements from Publica to key Council decision makers. We include this as an improvement recommendation.

There is a shared legal service across the three district councils involved in the Publica arrangement including the Council. Evidence suggests that this arrangement is working well, with the Council reviewing arrangements at the time of our audit. The Council's Monitoring Officer role formed part of the shared service arrangement with West Oxfordshire DC, and for 2020/21 was an interim post. In December 2021 the position became permanent, with the individual taking up the role of Director of Governance and Development, which includes the Monitoring Officer role. This post is now exclusive to the Council, providing further capacity at the leadership level.

Publica support service transformation with their partner councils and with the Council's other key service delivery partners. This includes Ubico Ltd, who provide waste and recycling, grounds maintenance and street cleaning services on behalf of the Council. The 2020/21 contract cost was £6.9m. Publica work with Ubico to deliver improvements and efficiencies to these services

The Environmental Services Innovation Programme (ESIP) sets out how the Council will work with Ubico to deliver new, more efficient and modern waste, recycling, grounds maintenance and street cleansing services. ESIP is also expected to improve transparency on how Ubico operates including reporting finance and performance information; opening shareholders events to all Council members; improving how risks are managed, and the recruitment of independent non-executive directors, including an independent chair. As previously noted, there was an underspend of £386.5k during 2020/21 on the Council's contract with Ubico.

The Council is working with Ubico on Cleaner Greener Cotswold which includes engaging town councils, and has been successful in securing associated grant funding monies, in particular carbon efficiency for the Council offices of £1.3m.

SLM provides the Council's leisure and cultural services. SLM provides a contribution to the Council of £100k per year, however, during 2020/21 due to the impact of the pandemic the Council waived the planned contract payment.

As experienced by many councils, the pandemic led to examples of effective partnership working by the Council. This included working closely with partners to redeploy staff to support vulnerable members of the community, and working with local groups and town and parish councils to support people self-isolating.

A help hub was established to provide advice and signposting to other partner organizations and the Council made direct contact with clinically extremely vulnerable people to ensure their needs were being met.

Improving economy, efficiency and effectiveness

Significant partnerships (cont'd)

The Council also worked with local charities and volunteer organisations to ensure that food parcels and prescription medication were delivered to those who were shielding and were unable to leave the house. The Council also worked with Young Gloucestershire and Cotswold Counselling to develop 'Cotswold - Let's Chat', a mental health counselling initiative for young people, many of whom have experienced additional challenges due to the COVID-19 restrictions.

The Council intends to build on the effective partnership working which developed during the pandemic.

Procurement of services

The Council has a defined procurement strategy in place. Every contract entered into by the Council is required to comply with all relevant statutory provisions including codes and statutory guidance, such as the Local Government Transparency Code.

The procurement of services must align to the Council's constitution and associated contract standing orders, financial regulations and scheme of delegation. In addition, procurements should demonstrate alignment to the Council's strategic objectives procurement strategy, procurement code and climate emergency policies. The procurement policy objective is to ensure that all works, goods and services are obtained with probity and propriety to ensure the proper expenditure of public funds, are appropriate for the purpose for which they are obtained and to ensure best value for money.

The arrangements in place are appropriate.

We note ongoing discussions between senior officers and members at the Council in relation to organisational risk appetite, including where ambitions require innovation to the procurement approach.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. We have made two improvement recommendations in this area.



Improvement recommendations



Improving economy, efficiency and effectiveness

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4 Recommendation	To undertake a review of 2020/21 Revenue Outturn data to understand variances in unit costs with statistical neighbours.
Why/impact	To identify why the Council, for some service blocks, has very high comparative unit costs, to determine if there is any potential for savings and efficiencies beyond those already planned.
Auditor judgement	To ensure that the Council has considered all potential for additional savings and efficiencies, given the ongoing and significant financial challenges over the medium-term.
Summary findings	Our analysis of 2020/21 RO data has highlighted variances in unit costs between the Council and its nearest statistical neighbours. It will be important for the Council to understand the reasons for these variances.
Management comment	This recommendation will be implemented through the budget setting process for 2023/24.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Improving economy, efficiency and effectiveness

5 Recommendation	The Council should continue to drive these planned improvements with Publica, including reviewing the effectiveness of planned changes to contract monitoring, governance and reporting arrangements from Publica to key Council decision makers
Why/impact	These planned improvements are critical to managing medium-term budget pressures, which need to be monitored effectively by key decision makers.
Auditor judgement	The Council is progressing recommendations made by the LGA Corporate Peer Challenge to reset their relationship with Publica. Given the significance of the Council's partnership with Publica, this reset is critical to ensure ongoing economic, efficient and effective service delivery.
Summary findings	The Council has recognised the need to reset their relationship with Publica and the changes planned need to be fully implemented.
Management comment	Agreed, the Council is working closely with the Publica Executive Directors, Group Managers and Business Managers to find solutions to the financial challenges facing the Council. A Transformation working group is due to be set up to oversee the Publica Service Improvement Programme. The Chief Executive and Leader of the Council will continue to embed the improvements to governance arrangements which will make Publica more accountable for improving economy, efficiency and effectiveness.

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The range of recommendations that external auditors can make is explained in Appendix B.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified or we qualified the financial statements on 5 April 2022

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit Committee on 16 November 2021.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

These instructions have yet to be issued and as such we cannot complete this work or formally certify the closure of our audit

Preparation of the accounts

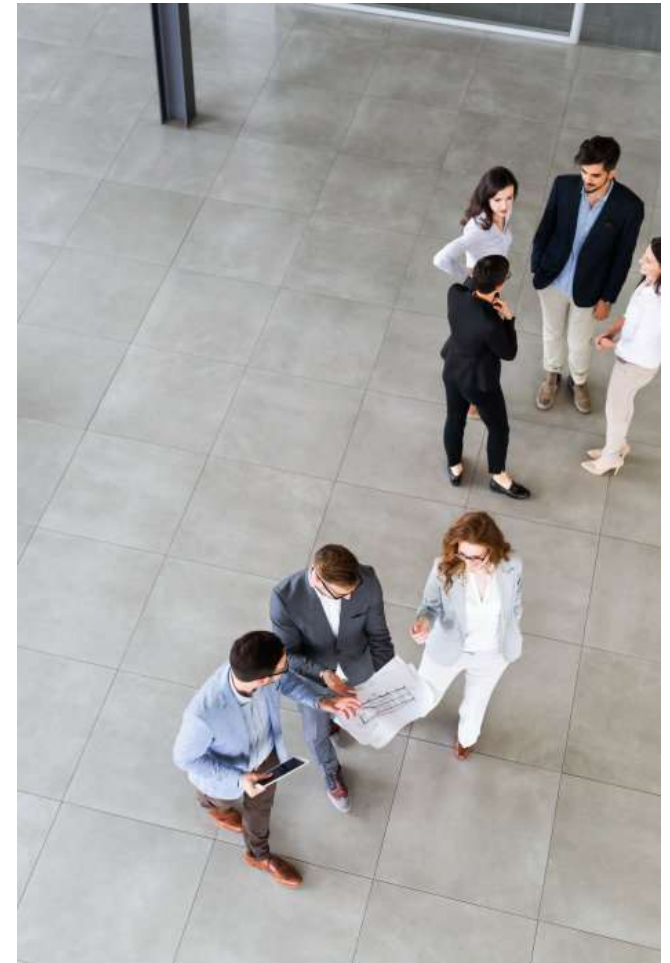
The Council provided draft accounts in line with the national deadline and provided a reasonable set of working papers to support it.

Issues arising from the accounts:

- We identified no material errors or adjustments to the outturn position.
- We recommended some adjustments to improve the presentation of the financial statements.
- We raised two recommendations for officers to consider in the preparation of the 2021/22 financial statements.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

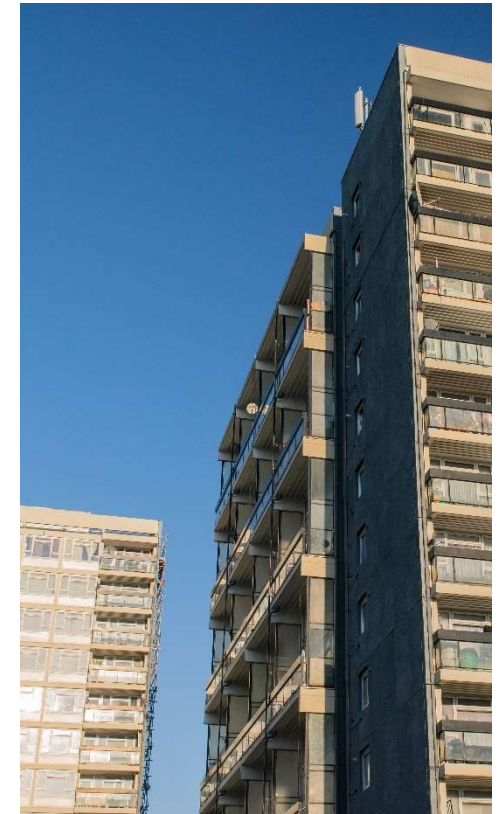
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory Page 105	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	n/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Financial Sustainability: p.11-12 Governance: p.16 3 Es: p.20-21

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