



21 March 2022

AUDIT AND ETHICS COMMITTEE – 29 MARCH 2022

A meeting of Audit and Ethics Committee will be held at 6pm on Tuesday 29 March 2022 in the Council Chamber at the Town Hall, Rugby.

Members of the public may view the meeting via the livestream from the Council's website.

Mannie Ketley
Executive Director

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes.

To confirm the minutes of the meeting held on 1 February 2022.

2. Apologies.

To receive apologies for absence from the meeting.

3. Declarations of Interest.

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

Note: Members are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Member must withdraw from the room unless one of the exceptions applies.

Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.

4. Audit Progress Report and Sector Update.
5. CIPFA Financial Management Code Update.
6. Internal Audit Progress Update.
7. Internal Audit Plan 2022-23.
8. Treasury Management Practices Update 2021/22.
9. Accounting Policies 2021/22.
10. Homes England Compliance Audit Report.
11. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972.

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

PART 2 – EXEMPT INFORMATION

1. Whistle Blowing Incidents – Standing Item – to receive any updates.
2. Fraud and Corruption Issues – Standing Item – to receive any updates.

Any additional papers for this meeting can be accessed via the website.

The Reports of Officers are attached.

Membership of the Committee: Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Bearne, McQueen, Mistry and Ms Watson-Merret

Named Substitutes: Councillors Mrs A'Barrow, Mrs O'Rourke, Mrs Roberts and Roodhouse

If you have any general queries with regard to this agenda please contact Veronika Beckova, Democratic Services Officer (01788 533591 or e-mail veronika.beckova@rugby.gov.uk). Any specific queries concerning reports should be directed to the listed contact officer.

AGENDA MANAGEMENT SHEET

Report Title: Audit Progress Report and Sector Update

Name of Committee: Audit and Ethics Committee

Date of Meeting: 29 March 2022

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: All

Prior Consultation: None

Contact Officer: Jon Illingworth, Chief Officer - Finance and Performance,
01788 533410, jon.illingworth@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

Summary: This report from Grant Thornton details their progress in delivering their responsibilities as external auditors to Rugby Borough Council.

Financial Implications: None as a direct result of this report, the implications of the report are detailed in the main body of the report

Risk Management Implications:	None as a direct result of this report
Environmental Implications:	None as a direct result of this report
Legal Implications:	None as a direct result of this report
Equality and Diversity:	None as a direct result of this report
Options:	Not applicable
Recommendation:	To note the content of the report
Reasons for Recommendation:	Not applicable

Audit and Ethics Committee - 29 March 2022

Audit Progress Report and Sector Update

Public Report of the Chief Officer - Finance and Performance

Recommendation

To note the contents of this report.

1. Introduction

- 1.1. The appendix to this report provides the Audit and Ethics Committee with a report from Grant Thornton on their progress in delivering their responsibilities as the Council's external auditors.

A representative from Grant Thornton will attend the meeting to respond to any queries that the committee has.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 29 March 2022
Subject Matter: Audit Progress Report and Sector Update
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Rugby Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2022

29 March 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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Introduction

Your key Grant Thornton team members are:

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

The paper also includes:

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

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

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

The auditor's statutory responsibilities

Opinion on the audited body's financial statements

Our work enables us to give an opinion as to whether the financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards and other directions.

Our planning will be undertaken in March 2022 and will document our understanding of your key risks, your control environment and inform our testing strategy. This will continue until we begin our final accounts testing in July 2022.

We expect to issue our audit plan summarising our approach to key risks on the audit in June 2022.

We will endeavour to deliver our final accounts audit in line with the Local Government accounts timetable. Members should be aware that guidance issued by Central Government (Department for Levelling Up, Housing and Communities) on 16 December 2021 outlined measures to improve local audit delays. Subject to consultation, the deadline for publishing audited local authority accounts will be extended to 30 November 2022 for the current year, and then subsequently 30 September for five years until 31 March 2028. The proposed deadline for preparation of draft accounts will remain at 31 May each year.

Work on value-for-money arrangements

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Authority “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.”

Our initial risk assessment will build on our understanding of your arrangements, taking into account any findings from previous work on value for money. We will report our risk assessment to you at your June Committee meeting against the following reporting criteria:

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

Our final commentary in the Auditors' Annual Report will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Authority's arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. We anticipate issuing our Auditor's Annual Report in December 2022 alongside the financial statements opinion.

The auditor's statutory responsibilities

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim began in 2021. DWP extended the deadline for reporting the findings of this work to 28 February 2022 and subsequent to this, the authority applied to extend this deadline to 31 March 2022. We will report our findings to the Audit and Ethics Committee on completion of our work.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Department for Levelling Up, Communities and Housing ("DLUCH"). We submitted our return to DLUCH on 18 February.

Meetings

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

We will shortly agree a timetable of regular catch up meetings with key officers, which will commence at the beginning of the main audit fieldwork.

Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

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

We continue to review the impact of these changes on both the cost and timing of audits. We will discuss our 2021/22 fee proposal with your s151 Officer including any variations to the Scale Fee set by PSAA Limited, and communicate this to the Audit and Ethics Committee.

Added value

Grant Thornton has a large Public Sector practice and is a key supplier to the market. As a valued audit client, you will receive:

- an annual invitation to our free Financial Reporting Workshop. This will provide an opportunity to work through new accounting standards or reporting requirements prior to the year end pressure with other officers.
- the opportunity to access support from experienced technical colleagues who attend the CIPFA conferences, ICAEW Public Sector Financial Reporting Panel, ICAEW Public Sector Audit Panel as well as other technical forums and boards. This means you will be at the forefront of accounting developments. Through this relationship we also ensure that communication works both ways and feed issues up from our Local Government clients.
- insight from our regular meetings with CIPFA where we discuss emerging developments. We will also raise any areas of concern that you have over policy, procedure, or regulation with your regulators.
- technical and sector updates for the Audit and Ethics Committee.



Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p data-bbox="120 352 448 384">Auditor's Annual Report</p> <p data-bbox="120 400 1155 432">This Report communicates the key issues arising from our Value for Money work.</p>	March 2022	Not yet due
2021/22 Deliverables	Planned Date	Status
<p data-bbox="120 679 264 711">Audit Plan</p> <p data-bbox="120 727 1532 831">We are required to issue a detailed audit plan to the Audit and Ethics Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	June 2022	Not yet due
<p data-bbox="120 855 421 887">Audit Findings Report</p> <p data-bbox="120 903 1128 935">The Audit Findings Report will be reported to the Audit and Ethics Committee*.</p>	TBC	Not yet due
<p data-bbox="120 959 338 991">Auditors Report</p> <p data-bbox="120 1007 824 1038">This includes the opinion on your financial statements.</p>	TBC	Not yet due
<p data-bbox="120 1062 448 1094">Auditor's Annual Report</p> <p data-bbox="120 1110 1155 1142">This Report communicates the key issues arising from our Value for Money work.</p>	TBC	Not yet due

Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

Financial Reporting Council annual report

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Financial Reporting Council annual report (cont.)

Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

Grade	Number 2020/21	Number 2020/19	Number 2019/18
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

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Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis.

As auditors we have shown compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

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- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Having formal internal consultations when considering complex technical issues.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

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Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Sector Update

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

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

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

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

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

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Levelling up White Paper – Department for Levelling Up, Communities and Housing (“DLUCH”)

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)
(www.gov.uk)



Grant Thornton – reaction to Levelling up White Paper

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”

Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

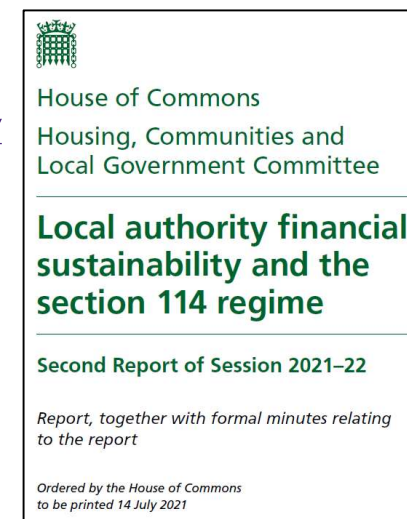
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons
Committee of Public Accounts

Local auditor reporting on local government in England

Eleventh Report of Session 2021–22

Emergency consultation on 2021/22 reporting requirements – CIPFA

On 4 February CIPFA released an emergency four week consultation on time limited changes to the Code to help alleviate delays to the publication of audited financial statements. This explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code.

The decision to launch the consultation came after the Department for Levelling up, Housing and Communities (DLUHC) asked CIPFA to consider amendments to the Code of Practice on Local Authority Accounting, after just 9% of local audits for 2020-21 were published on time.

After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

- 1) An adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
- 2) Deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

CIPFA Chief Executive Rob Whiteman said: “DLUHC is understandably concerned about this growing crisis – and CIPFA shares this concern. We are committed to supporting CIPFA LASAAC in its exploration of the options that may improve timeliness issues, without significantly impacting accountability. But this is a difficult issue, and we need feedback from stakeholders on whether and how this might work.”

CIPFA said that the changes do not represent the best form of financial reporting for local authorities, but are a “temporary expedient to help improve an unacceptable situation”.

The consultation closed on Thursday 3 March. Any updates to the Code are subject to oversight by the Financial Reporting Advisory Board before implementation.

The consultation can be found here:

<https://www.cipfa.org/policy-and-guidance/consultations/emergency-proposals-for-update-of-202122-and-202223-codes>

Summary of the Grant Thornton response

Property, Plant & Equipment Valuations

In principle we are very supportive of changes to the measurement basis for operational property, plant and equipment. However our view is that it is too late to effect change for the 2021/22 reporting cycle. Our response highlighted a number of difficulties with this approach, including the risk that some assets then fall outside of the requirement to be revalued every five years as a minimum, and the challenge of consistent application of indexation. The proposed amendments to the Code do not appear to override the requirement that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period, which stems from IAS 16:31. If the financial reporting requirements are not sufficiently tightly defined and auditors therefore cannot obtain sufficient and appropriate audit evidence to support this requirement, there is a risk that audit opinions could be modified as a result.

Deferral of IFRS 16 - Leases

The removal of the requirement for disclosure (based upon IAS 8) in 2021/22 is not likely to have a significant impact in terms of freeing up auditor time and audit work covering the disclosures in 2022/23 would then be required in the 2022/23 audit. Savings to preparer time and effort would depend on what progress has already been made in preparing for the imminent implementation of IFRS 16.

Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to ‘have regard to’ their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority’s functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psaa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

2023-24 audit appointments – Public Sector Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>

Guide to support Value for Money (VfM) analysis for public managers – CIPFA

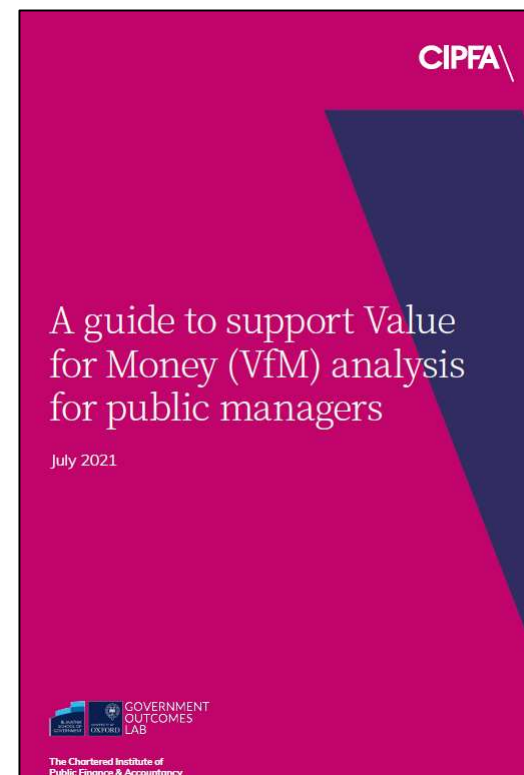
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



Good practice in annual reporting – NAO

The National Audit Office (NAO) has published this guide which sets out good practice principles for annual reporting with examples from public sector organisations

The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

The NAO further comment “The best annual reports we have seen use these principles to tell the “story” of the organisation. It is important that stakeholders, including the public and Parliament, are able to hold an organisation to account. To do this effectively, stakeholders need to properly understand the organisation’s strategy, key risks that might get in the way of delivering this strategy and the effectiveness of their management, and the amount of taxpayers’ money that has been spent to deliver the outcomes the organisation seeks to achieve.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

Although the guide does not include any local authority examples, those included, and the underlying principles, are equally relevant to all public facing organisations.



The guide can be found here:

[Good practice in annual reporting - National Audit Office \[NAO\] Report](#)

Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK’s statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities. Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

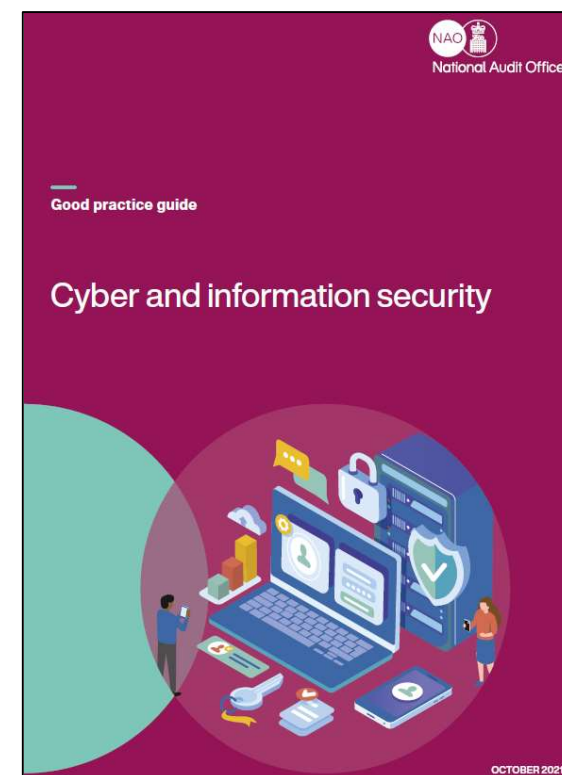
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





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AGENDA MANAGEMENT SHEET

Report Title: CIPFA Financial Management Code Update

Name of Committee: Audit and Ethics Committee

Date of Meeting: 29 March 2022

Report Director: Chief Officer – Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: None

Prior Consultation: Chief Officer - Finance and Performance
Leadership Team
Corporate Assurance Manager and Transformation Lead

Contact Officer: Jon Illingworth, Chief Officer - Finance and Performance,
01788 533410, jon.illingworth@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

Summary: The report updates members on progress towards implementation of the CIPFA Financial Management Code.

Financial Implications:	No implications arising directly from this report.
Risk Management/Health and Safety Implications:	If the Financial Management Code is not implemented and followed, there is an increased risk of the Council not being financially sustainable and in a position to demonstrate value for money. Delivery of the corporate strategy might therefore be jeopardised.
Environmental Implications:	None
Legal Implications:	No implications arising directly from this report.
Equality and Diversity:	No implications arising directly from this report.
Options:	None
Recommendation:	The self assessment and action plan be NOTED.
Reasons for Recommendation:	To comply with the requirements of the terms of reference of the Audit & Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 29 March 2022

CIPFA Financial Management Code Update

Public Report of the Chief Officer – Finance and Performance

Recommendation

The self assessment and action plan be NOTED.

1. Background

- 1.1. As previously reported to the Committee, a new CIPFA Financial Management (FM) Code has been introduced which contains six underlining principles:

Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.

Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.

Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

Adherence to professional **standards** is promoted by the leadership team and is evidenced.

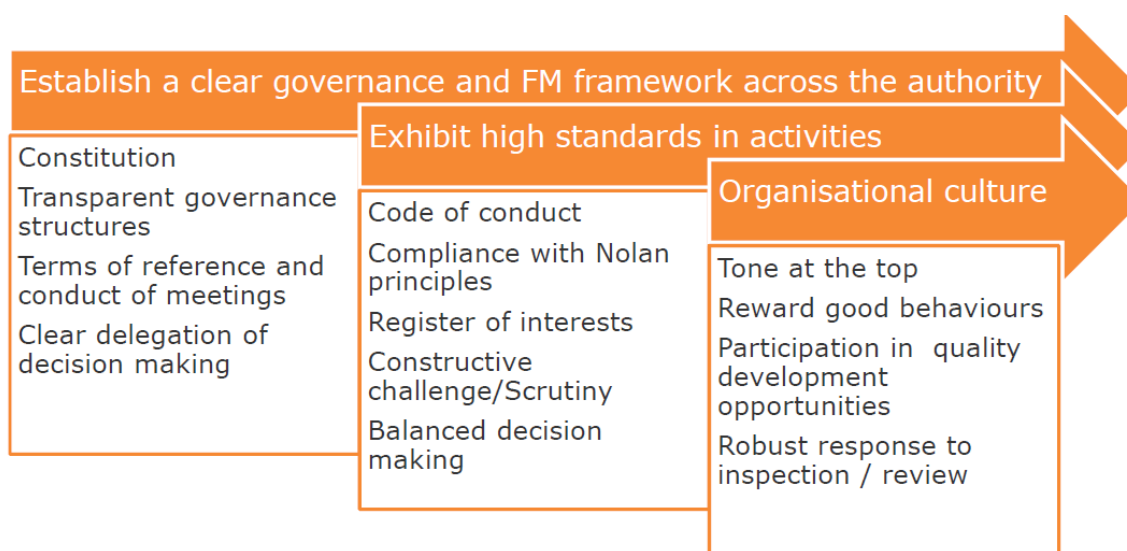
Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

- 1.2. Within these principles there are 17 standards for Local Authorities to follow; **Appendix A** is a summary of the principles and the standards.
- 1.3. The principles have been designed to focus on an approach that assists in determining whether, in applying standards of financial management, a local authority is financially sustainable.

2. Structure of the FM Code

- 2.1. Although it may be expressed differently across the different jurisdictions of the UK, the FM Code is also further supported by statutory requirement for all local authorities to have sound financial management.
- 2.2. Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should “... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.”
- 2.3. CIPFA’s judgement is that compliance with the FM Code will assist local authorities to demonstrate that they are meeting these important legislative requirements.
- 2.4. The diagram below summarises the application of the Code:



3. Implementation of the Code

- 3.1 The current financial year is the first full year for which the Code applies. During 2021/22 the Corporate Assurance Manager facilitated an independent review with the Chief Officer – Finance and Performance, and the Finance team, to document a self assessment against each of the Financial Management Standards included in the Code.
- 3.2 The self assessment against each Financial Management Standard included an agreed rating of the current level of compliance. Four compliance ratings were used, ranging from non compliant through to fully compliant.
- 3.3 Of the 17 Financial Management Standards, the self assessment shows the Council to be fully compliant with 4 standards, substantially compliant with 9 standards, and working towards compliance with the remaining 4 standards.

- 3.4 A rigorous approach to the self assessment was adopted, with a high bar being set for full compliance. The Corporate Assurance Manager agreed with the compliance ratings based upon the discussions held and the evidence reviewed.
- 3.5 An action plan has been developed and agreed, and endorsed by the Leadership Team, to enable the Council to move towards full compliance with the Code in 2022/23. The immediate focus is on those standards against which the Council is “working towards” compliance. It is proposed that a further progress update be provided to a future meeting of the Committee, to enable delivery of the action plan to be monitored.
- 3.6 One key action relates to update and approval of the Financial Regulations and Instructions, and cascading these to officers. This work is now complete, and the revised Regulations and Instructions will be cascaded by early April. In line with the objectives of the new Corporate Strategy and the Values and Behaviours framework, the Regulations and Instructions will be mandatory and officers will be expected to follow them. Internal audit will test and report on compliance where relevant as part of its work.
- 3.7 The self assessment and action plan are set out at **Appendix B**.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 29 March 2022
Subject Matter: CIPFA Financial Management Code Update
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

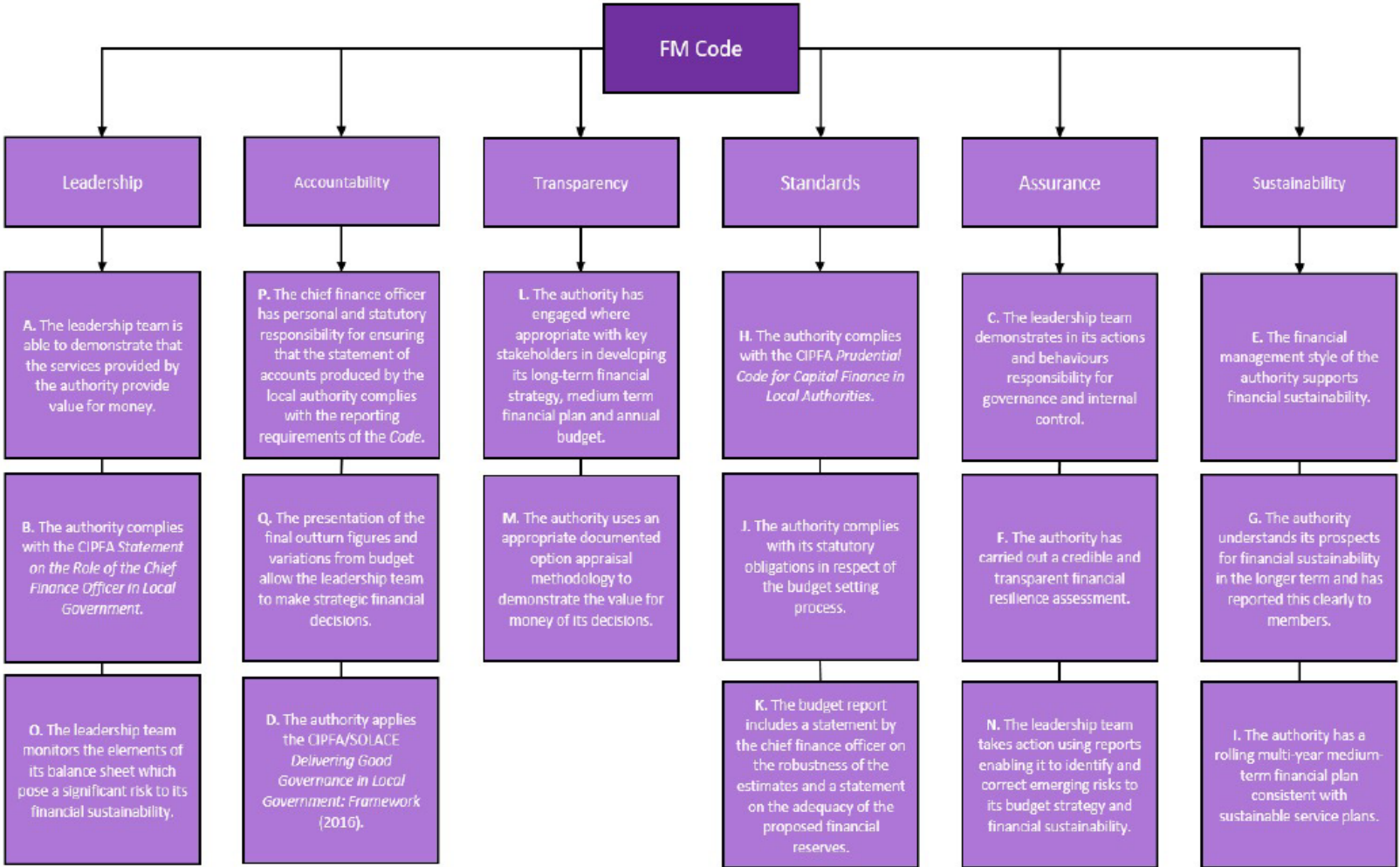
Doc No	Title of Document and Hyperlink
Appendix A	Summary of Principles and Standards
Appendix B	Self Assessment and Action Plan

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

APPENDIX A



RUGBY BOROUGH COUNCIL**CIPFA FINANCIAL MANAGEMENT CODE – SELF ASSESSMENT & ACTION PLAN****MARCH 2022**

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
1.	Responsibilities of the CFO and Leadership Team			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	<p>Financial considerations are incorporated within decision making as part of business as usual.</p> <p>The Fees and Charges framework is reviewed every year as part of the annual budget setting process.</p> <p>The Council applies systems thinking methodology. Services are reviewed using lean principles to ensure they are being delivered efficiently. Internal Audit considers and reports on VFM as part of its annual programme of work.</p> <p>All tenders consider VFM by evaluating the quality of service and not just the price.</p> <p>The Medium Term Financial Strategy and Medium Term Financial Plans set out plans to ensure services provide VFM.</p> <p>The Council's Corporate Strategy includes a commitment to treat taxpayers' money with respect.</p>	<p>Consider whether dedicated VFM reviews should be incorporated within future internal audit plans.</p> <p>Review the results of benchmarking of service unit costs against other authorities, and agree a programme of transformation projects to further improve the VFM of services.</p> <p>Embed the newly updated Financial Regulations and procedures, cascading to officers. Internal audit to test and report on compliance where relevant as part of audits.</p> <p>Embed the finance business partnering model across the organisation, including working with budget holders to monitor performance against KPIs and to embed the Council's pro VFM culture.</p> <p>Consider developing and implementing an informal peer review and challenge system with other authorities, covering arrangements to secure VFM, financial</p>	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
			<p>resilience and financial management style.</p> <p>Following the introduction of the enhanced external audit VFM assessment, review and incorporate any recommendations made.</p> <p>Review the business operating model including the performance management framework, reflecting the new corporate strategy. Ensuring Leadership Team formally reviews and actively monitors performance.</p> <p>Prepare an annual report, summarising the action taken by the Council to ensure services deliver VFM and how it has sought to improve their economy, efficiency, effectiveness and equity.</p>	
B	<p>The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government”</p>	<p>The Chief Officer – Finance & Performance is a qualified accountant and a member of CIPFA, with significant experience working both as a senior member of finance teams and as an active member of the Leadership Team.</p> <p>The Chief Officer – Finance & Performance is actively involved in, and brings influence to bear on, material business decisions. He leads the promotion and delivery of good financial management and directs a finance function which has just been restructured to ensure it continues to meet the organisation’s needs.</p>	<p>Deliver further training to members of the new Leadership Team and members to ensure they have the financial capabilities necessary to perform their roles effectively.</p> <p>Deliver further training to service managers to ensure they have the financial capabilities necessary to perform their roles effectively, with a particular focus on budgeting self service.</p>	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		<p>The Executive Director is also a qualified accountant and was the previous s151 officer. Furthermore, the finance team has a number of qualified accountants and a trainee.</p>		
2.	Governance and Financial Management Style			
C	<p>The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control</p>	<p>The Strategic Risk Management Group (SRMG) promotes good governance and internal control. The SRMG meets quarterly and consists of the entire Leadership Team including the Chief Officer Finance & Performance, the Chief Officer Legal & Governance, and the Corporate Assurance Manager.</p> <p>It monitors the action plan included in the Annual Governance Statement and review of internal control breaches is a standing item on the agenda.</p> <p>The Annual Governance Statement sets out in detail the framework in place.</p> <p>Managers are also asked to complete an Assurance Statement at the end of each financial year which confirms the internal controls in place during the year, any significant breaches, the remedial action taken and the impact.</p> <p>The Leadership Team has endorsed the Council's new financial regulations and is committed to ensuring compliance.</p>	<p>Implement and embed the new financial regulations and instructions.</p> <p>Ensure the Leadership Team is provided with the reports submitted to the Audit & Ethics Committee, and encourages services to implement the actions arising from internal audit reviews in a timely manner.</p>	
D	<p>The authority applies the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)"</p>	<p>The requirements of the framework are being met.</p> <p>The Annual Governance Statement sets out in detail how the Council meets the core principles of good governance. The document is informed by</p>	<p>The Local Code of Corporate Governance is to be submitted for approval by the Leadership Team and Members, and cascaded to staff, during 2021/22.</p>	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		<p>an audit opinion on effectiveness of the internal control environment and systems of internal control. The Council produces and publishes an annual action plan to deliver continuous improvement in its governance framework year on year.</p>	<p>Ensure the Annual Governance Statement for 2021/22 includes an opinion on the level of compliance with the Cipfa Financial Management Code, and details of any further action to be taken.</p>	
E	<p>The Financial Management style of the authority supports financial sustainability</p>	<p>The Council's Financial Services team has recently implemented a Business Partnering model to support managers in monitoring their services on a regular basis and ensure they are financially sustainable.</p> <p>Service planning is carried out in partnership with financial services.</p> <p>The Leadership Team review financial information regularly, and this is also reported to the Cabinet and Scrutiny Panels on a quarterly basis.</p> <p>A S25 Assurance Statement accompanies the budget reports. The Council also reports openly on its financial resilience.</p> <p>Any significant variances in year are reviewed and any mitigating actions are identified and agreed.</p>	<p>Continue to develop the skills of managers to ensure that they are able to fulfil their responsibilities effectively. For example, in the areas of financial planning and forecasting.</p> <p>Embed a new performance management framework within the business as usual work of the Finance team, integrating performance, business and financial planning.</p> <p>Where applicable, provide and discuss exception reports with Chief Officers and ensure they take a leading role in identifying and implementing any action required.</p>	
3.	<p>Long to Medium-Term Financial Management</p>			
F	<p>The authority has carried out a credible and transparent financial resilience assessment</p>	<p>The budget reports include an assurance statement on the robustness of reserves and estimates. Reserve risk assessments are carried out. Capital strategy and programme in place.</p> <p>Medium Term Financial Strategy in place.</p>	<p>Ensure a credible and transparent financial resilience assessment has been fully completed.</p> <p>Create a formal policy on reserves, highlighting the level we wish to retain</p>	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		<p>The Medium-Term Financial Plan is also updated as part of the budget setting process and includes an assessment of future resilience issues and the level of reserves.</p> <p>Progress on delivery of savings plans is reported to Cabinet on a quarterly basis and through monthly exception reports.</p>	<p>and how they may be used. This will form part of the next Medium Term Financial Strategy.</p>	
G	<p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members</p>	<p>The Council has a Medium Term Financial Strategy in place, and a Medium Term Financial Plan which is updated annually and presented to Members as part of the budget setting process.</p>	<p>Refresh the Medium Term Financial Strategy, making it a rolling annual document. Ensure it contains an analysis of the current financial position, the position the Council would like to get to, and the plan to get there including timescales. Present a balanced assessment.</p> <p>Introduce scenario planning within the Medium Term Financial Strategy. Use challenging and credible scenarios rather than just best case, worst case and average.</p>	
H	<p>The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”</p>	<p>A Capital Strategy is produced each year alongside the Annual Treasury Management Strategy.</p> <p>The Annual Strategy, Mid-Year Review and Outturn reports are considered by Cabinet and Council.</p> <p>Treasury Management monitoring reports are considered by the Audit and Ethics Committee. Prudential indicators are set at the beginning of</p>	<p>Going forward, the Chief Officer – Finance & Performance will report explicitly on the affordability and risk associated with the Capital Strategy.</p> <p>Review the processes for proposing, evaluating, prioritising and approving the capital programme and resources.</p>	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		each financial year. Reporting highlights any significant deviations.		
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	The Medium Term Financial Plan is updated annually and presented to Members as part of the budget setting process.	<p>Ensure the MTFP is consistent with service plans once completed, and integrated with other activities – risk management, asset management plan, and capital plan.</p> <p>Ensure the transformation programme, once developed, is subject to the rigorous planning, monitoring and oversight arrangements as other financial and operational plans.</p> <p>Consider including a PESTLE analysis within the MTFP.</p> <p>Make the MTFP a rolling three year document.</p> <p>Ensure the Asset Management Plan is scrutinised by a Committee and formally approved. Ensure progress in implementation is reviewed regularly and reported to the Leadership Team.</p>	
4. The Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council meets the statutory requirements in relation to budget setting. An annual balanced budget and supporting documentation are in place.	Ensure the Executive Director supports the Chief Officer Finance & Performance in identifying solutions and working with the Leadership Team to produce a measured response.	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		The Chief Officer – Finance & Performance is supported by the Executive Director and the rest of the Leadership Team.		
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	A S25 Assurance Statement accompanies the budget reports and as such the requirement is met.	Set out the process of internal scrutiny to which the budget has been subject prior to it being submitted for approval.	
5. Stakeholder Engagement and Business Plans				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Statutory business ratepayers consultation carried out as part of budget setting process. Consultation engagement is carried out with the public and specific communities.	Public Consultation methodology to be developed for the 2022/23 budget setting process, MTFS and MTFP. Produce a separate report setting out the key findings of the consultation process. Invite the Scrutiny Committee to comment on draft budget proposals.	
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions.	A business case is required for all capital schemes which sets out the rationale for the project, capital and revenue costs, payback period if appropriate and project risks. Contract Procedure Rules in place. All tenders consider VFM by considering the quality of service and not just price. Council reports include formal documentation to show the financial implications.	Include specific reference to VFM in the financial implications section of the Council reports template. Develop a standardised approach to options appraisals, making use of external tools where necessary.	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
6. Monitoring Financial Performance				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The quarterly Finance and quarterly Performance reporting to the Leadership Team enables a proactive response to emerging risks and for mitigating actions to be identified.		
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	The Council is developing its processes to monitor key balance sheet items. Any potential issues are reported to the Executive Director and the Leadership Team.	Determine which elements of the balance sheet pose a significant risk to the Council's financial sustainability, through a comprehensive review of assets and liabilities. Establish mechanisms to monitor those elements of the balance sheet including through the management accounts reporting process, and ensure any issues are responded to promptly and proactively.	
7. External Financial Reporting				
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom"	The annual accounts are produced in compliance with the CIPFA Code with an unqualified audit opinion being received.	Subject to capacity constraints, consider whether to publish a simplified version of the financial statements along with a link to the full statements	
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	Leadership Team and Cabinet consider the outturn report and year end variances enabling strategic financial decisions to be made as necessary. A review of underspends/ carry forward requests at the end of each financial year also enables potential savings or reallocation of budgets to be identified.	Leadership Team enhances its role in reviewing the final outturn position by asking relevant key questions such as: <ul style="list-style-type: none"> • Is the final outturn broadly in line with the budget? • How well have various different services performed against budget? 	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
			<ul style="list-style-type: none"> • Have any issues been highlighted prior to the end of the year? • Has the Council achieved its savings targets? • Is the Council's capital programme on track? 	

STATUS KEY

Fully compliant

Substantially compliant

Working towards compliance

Not compliant

AGENDA MANAGEMENT SHEET

Report Title:	Internal Audit Progress Update
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	29 March 2022
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	None
Prior Consultation:	Chief Officer - Finance and Performance
Contact Officer:	Chris Green - Corporate Assurance Manager & Transformation Lead, 01788 533451, chris.green@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
Summary:	The report sets out progress towards delivery of the annual internal audit plan, proposed in year amendments to the plan, and provides an update on service performance.
Financial Implications:	None

Risk Management/Health and Safety Implications:	Non delivery of an adequate internal audit plan would have an adverse impact on the level of assurance provided in the Annual Governance Statement.
Environmental Implications:	None
Legal Implications:	The Council has a legal duty to maintain an adequate and effective Internal Audit service.
Equality and Diversity:	No implications
Options:	None
Recommendations:	<ol style="list-style-type: none">1. The internal audit progress update be NOTED.2. The proposed amendment to the internal audit plan be APPROVED.
Reasons for Recommendations:	To comply with the requirements of the terms of reference of the Audit & Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 29 March 2022

Internal Audit Progress Update

Public Report of the Chief Officer - Finance and Performance

Recommendations:

1. The internal audit progress update be NOTED.
2. The proposed amendments to the internal audit plan be APPROVED.

1. Introduction

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2021/22.

The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- The Council's assets and interests are safeguarded;
- Reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- Services are delivered in an efficient, effective and economic manner.

This work is normally referred to as Section 151 work.

2. Summary of Audit Work

- 2.1 The Internal Audit plan for 2021/22 was approved by the Audit and Ethics Committee on June 29th, 2021. Progress against delivery of that plan is set out at Appendix A.

3. Revisions to the 2021/22 Audit Plan

- 3.1 The Committee's role as gatekeeper requires it to approve any significant changes to the internal audit plan, in accordance with the Public Sector Internal Audit Standards. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation.

3.2 There is 1 proposed amendment to the internal audit plan. Details of the proposed changes, and the rationale, are set out in the table below:

<u>Assignment</u>	<u>Objectives</u>	<u>Proposed Change</u>	<u>Rationale</u>
Licensing	Provision of assurance that efficient and effective controls are in place to comply with all legislative requirements.	Defer the audit to 2022/23.	Management has requested a deferral, on the basis that fares and fees are currently undergoing a full review and team capacity to support an internal audit is currently limited. Management proposed that the audit be completed in September, and it will include testing to provide assurance that the new framework of fees and charges is being correctly applied.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 29 March 2022
Subject Matter: Internal Audit Progress Update
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appx A	Internal Audit Progress Update March 2022

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



**INTERNAL AUDIT PROGRESS UPDATE
MARCH 2022**

Date: 29 March 2022

Introduction

- 1.1** The Public Sector Internal Audit Standards (the Standards) require the Audit and Ethics Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

Performance

2.1 Will the Internal Audit Plan be delivered?

The expected position by the date of the Committee meeting is as follows:

- 13 final reports have been issued;
- 6 draft reports have been issued;
- 5 assignments are in progress;

Internal audit work continues to be delivered remotely. If there are any areas which cannot practically be covered in any audits, these will be highlighted in the reports and any significant implications will be reported to the Committee. At this stage there are no significant assurance gaps arising from work carried out during the current financial year.

Since the last progress report in December, and following the emergence of the Omicron variant, the government announced further grant schemes to support businesses. With the Council's Economic Development Manager post currently being vacant, two members of the Corporate Assurance team were redeployed in January to administer the discretionary support grants, which were again made available to certain businesses which did not qualify for the mandatory grant support. The unplanned redeployment had impacted on the resources available to complete the internal audit plan, at arguably the busiest time of year for the service. In order to mitigate the impacts of this, and to ensure provision of an adequate internal audit opinion for the financial year, in February TIAA were commissioned to deliver 3 additional audits. At the time of reporting these audits are in progress and are expected to be completed by mid May. There are also 2 audits still in progress which are being delivered by the in house team. Outstanding work on these 2 audits is expected to be complete by Easter. As such, the impact on resources available to deliver the 2022/23 internal audit plan will be minimal and in line with previous years. At the time of writing it is expected that the 2 redeployed officers will be back working for the Corporate Assurance team before the end of March.

The Corporate Assurance Manager will present the annual internal audit report at the next meeting, and there will be no limitation in relation to scope or coverage. Progress on individual assignments is shown at pages 6 to 9 of this report.

2.2 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control Framework.

2.3 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, a combined **75% of management actions have been implemented by the agreed implementation date, with a further 22% implemented late, giving an overall implementation rate of 97%**. There has been an increase in the overall implementation rate compared with 94% in September and 92% in March. This is reflected in the reduction in the number of overdue recommendations. The percentage of actions implemented by the agreed date has remained stable during the year. A summary analysis of progress on implementation of audit recommendations is shown at pages 10 to 11. **At the time of reporting there are 6 agreed management actions for which implementation is overdue, none of which are regarded as High Risk and 4 of which are regarded as Medium risk.** The details of the actions related to High or Medium risks, along with a summary of the latest position, are set out at page 12. Implementation of the actions will continue to be monitored by the Corporate Assurance team and reported to each Committee meeting.

2.4 Internal Audit Performance Indicators

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit and Ethics Committee:

<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	Average end to end time for audits (number of days)	Q4 2021/22 Result: 87 days Q2 2021/22 Result: 84 days Q4 2020/21 Result: 88 days Q2 2019/20 Result: 177 days There has been a substantial reduction in the average end to end time over the last 2 years.
Adding Value	Customer Satisfaction – Average Rating	Reported as an annual measure.
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	6.0 days An improvement compared with 2020/21, where draft reports were taking on average 8 to 10 days to be issued following fieldwork completion. Last year's performance was impacted by additional pandemic related workload.
Effectiveness	Implementation of Agreed Actions – Percentage implemented on time	75% - at the time of reporting there are 6 recommendations which are past their agreed implementation date, none of which are regarded as High risk and 4 as Medium risk. Refer to page 12 onwards for detail.

Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and Ethics Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit and Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time at which the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

Progressing the Annual Internal Audit Plan

KEY
Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Procurement/ Contract Management	30			✓					Being delivered by TIAA
Budget Setting and Monitoring	20			✓					
Council Tax	20					✓			
Additional Restrictions Grants	12					✓			Being delivered by TIAA
Treasury Management	18					✓			
CIPFA Financial Management Code	10						✓	Substantial*	*The Council is working towards full compliance with the Code and a separate report is being presented by the Chief Officer – Finance & Performance.

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Counter Fraud									
Fraud Awareness	6						✓	Not applicable	Training provided as part of 'The Way We Manage' in February 2022. The departmental training programme will recommence face to face in the next quarter.
Fraud Risk Review	10			✓					
ICT									
Payment Card Industry Data Security Standards	8						✓	Substantial	
IT Helpdesk	8					✓			
Cyber Security Maturity							✓	Not graded	
Corporate Risks									
Corporate Health & Safety – consultancy support	12						✓	Not applicable	
Data Protection and Records Management	16			✓					Being delivered by TIAA
Governance & Ethical Risks									
Policies and Procedures review	12						✓	Not applicable	

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Housing Project Governance	8						✓	Substantial	
Working Groups Review – consultancy support	12						✓	Not graded	
Operational Risks									
Follow up work	16						✓	Substantial	
Housing Rents – Local Authority Data Return	8						✓	Not graded	
Health & Safety Improvement Plan	20					✓			External specialist delivering this review.
Trade Waste	15					✓			
Housing Rent Arrears	10			✓					Being delivered by TIAA
Additional Support									
Annual Governance Statement	12						✓	Substantial	
National Fraud Initiative	8							Not applicable	Ongoing co-ordination of the Council's NFI work.
Control Environment - Advice	15						✓	Not applicable	

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Corporate Investigation Work	25						✓		One investigation completed in 2021/22.

Summary: Implementation of Audit Recommendations

Audit	Not yet due	Overdue	Within time	Extended time	Out of time	Cancelled	Total Recs
Absence Management	1	0	4	3	0	0	8
Benefits	0	0	0	0	1	0	1
Car Parking Enforcement	0	0	1	0	0	0	1
Creditors	0	1	3	1	2	0	7
Data Protection Governance	0	0	3	4	1	1	9
Elections	0	0	0	0	1	1	2
Fraud Risk Review	0	0	4	6	2	0	12
Grants to Community Groups	0	0	13	0	0	0	13
Green Waste Optimisation	0	0	2	0	0	0	2
Health and Safety Follow Up	0	0	2	9	2	0	13
Independent Living	0	0	9	0	3	1	13
Insurance	0	0	1	0	0	0	1
ICT Backup	0	0	3	1	0	0	4
Patch Management	0	0	4	2	0	0	6
Property Repairs	0	0	6	2	3	0	11
Treasury Management	0	0	2	0	4	0	6
Tenant Recharges	0	0	5	0	2	0	7
Freedom of Information	0	0	6	1	1	0	8
Local Government Transparency Code	0	0	6	9	3	0	18
Complaints, Compliments & Suggestions	0	0	4	1	3	0	8
IT Security	0	0	0	3	0	0	3
Cash & Bank	1	1	7	4	1	0	14
Customer Service Centre Demand Management	5	0	0	0	3	0	8
Housing Rent Arrears	3	1	1	0	5	0	10
Digitalisation	0	0	1	7	0	1	9
IT Business Continuity	0	2	0	3	0	0	5

Audit	Not yet due	Overdue	Within time	Extended time	Out of time	Cancelled	Total Recs
Completeness of Income	1	0	7	0	1	0	9
HR Capability & Disciplinary	2	0	5	0	4	0	11
Local Government Transparency Code	1	1	1	0	0	0	3
Expenses	0	0	1	0	2	0	3
Payroll	1	0	2	1	2	0	6
Covid Business Grants	2	0	0	1	1	0	4
Test and Trace Support Payments	1	0	1	0	1	1	4
Equal Pay & Single Status	5	0	2	0	1	0	8
Payment Card Industry Data Security Standards (PCI DSS)	9	0	0	0	0	0	9
Policies, Procedures and Strategies	1	0	0	0	0	0	1
Totals	33	6	106	58	49	5	257

Notes:

Extended time: This is where the Corporate Assurance and Improvement Manager had agreed an extension to the original timescale.

Out of time: This is where the action was implemented later than the agreed timescale.

Details of Overdue Medium and High Risk Audit Recommendations

Audit	Title	Due Date	Latest Note	Risk Rating Description
Housing Rent Arrears	Ensure sufficient resource is put into the monitoring of garage arrears on a regular basis in order to reduce them and prevent them escalating any further.	31-Jan-2022	In progress. Garage arrears are now being reviewed using the Rentsense system. The new system targets rent arrears including garages based on priority rules, and is managed by the income focused Tenancy Sustainment Officers.	Medium Risk
IT Business Continuity 2019/20	Ensure as part of a Business Impact Assessment that ICT liaise with system owners to ensure all key systems have been captured and that recovery time objectives (RTO's) have been appropriately.	30-Sep-2021	Update from ICT Manager 03/03/2022; Business Continuity and DR is still currently being reviewed. We are now actively listing and engaging with system owners to determine RTO's. However, some more immediate DR requirements have had to be immediately addressed which has led to the extended time to complete this across the organisation. Namely the Control Centre move has created a new system move project to improve DR and continuity, which given the nature of the service is a priority area. We are also awaiting 3rd party information and costs to improve the technical architecture for the provision of appropriate DR and BC. The estimated completion date is now August 2022.	Medium Risk
IT Business Continuity 2019/20	Ensure there is regular testing of the ICT Business Continuity Plan.	30-Sep-2021	See above. The estimated completion date is now August 2022.	Medium Risk
Local Government Transparency Code	Include all Purchase Orders in excess of £5k within the quarterly published Procurement Information.	30-Sep-2021	Whilst the percentage of invoices being paid with a Purchase Order has increased to approximately 60% following the introduction of the No PO No Pay policy, it is considered that publishing this information would not be an accurate representation of current council spending.	Medium Risk

AGENDA MANAGEMENT SHEET

Report Title:	Internal Audit Plan 2022-23
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	29 March 2022
Report Director:	Chief Officer – Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	None
Prior Consultation:	Chief Officer - Finance and Performance Leadership Team
Contact Officer:	Chris Green, Corporate Assurance Manager and Transformation Lead, 01788 533451, chris.green@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
(C) Climate (E) Economy (HC) Health and Communities (O) Organisation	
Summary:	The report presents the 2022/23 internal audit plan for approval.
Financial Implications:	No implications arising directly from this report.

Risk Management/Health and Safety Implications:	If the internal audit plan does not cover the key risks to the Council the quality of the assurances it provides about the control framework would be compromised.
Environmental Implications:	None
Legal Implications:	No implications arising directly from this report.
Equality and Diversity:	No implications arising directly from this report.
Options:	None
Recommendations:	<ol style="list-style-type: none"> 1. That any amendments to the proposed internal audit plan be identified and agreed. 2. That, subject to 1 above, the internal audit plan for 2022/23 be APPROVED.
Reasons for Recommendations:	To comply with the requirements of the terms of reference of the Audit & Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 29 March 2022

Internal Audit Plan 2022/23

Public Report of the Chief Officer – Finance and Performance

Recommendations

1. That any amendments to the proposed internal audit plan be identified and agreed.
2. That, subject to 1 above, the internal audit plan for 2022/23 be APPROVED.

1. Background

- 1.1** The Public Sector Internal Audit Standards require the Internal Audit Plan to be reviewed and approved by the 'Audit Committee'. The Internal Audit Plan should be developed based upon an evaluation of the Council's key risks.

2. Internal Audit Plan

- 2.1** The Internal Audit Plan is designed to support the provision of an annual Internal Audit Opinion. The basis for forming this opinion is as follows:

- An assessment of the design and operation of the systems underpinning Governance, Assurance and Risk Frameworks and supporting processes; and
- An assessment of the range of individual opinions arising from the risk-based assignments, which will be reported throughout the year.

- 2.2** The Internal Audit Plan covers the two key component roles of Internal Audit:

- The provision of an independent and objective opinion to the Section 151 Officer/ Chief Officer Finance & Performance and the Audit & Ethics Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
- The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.

- 2.3** The internal audit plan has been developed using the approach approved by the Committee on 1st February 2022. The long list of potential areas for internal audit review (the "audit universe") has been reviewed and updated, by identifying key risks from the following sources:

- Risk Management Framework, Strategic and Operational Risk Registers;
- The Corporate Strategy;
- Financial Statements;

- The results of internal audit work carried out during the last 4 years;
 - Cumulative knowledge and experience; and
 - Ongoing stakeholder engagement during 2021/22 – including with Members
- 2.4** The long list of potential audits formed the basis of stakeholder discussions with the Leadership Team during February 2022, from which the planned audit coverage was refined and prioritised. At the stakeholder meetings Leadership Team also provided details of additional areas of risk/ concern which would benefit from internal audit assurance work and/ or consultative support. Following this consultation, a draft Internal Audit Plan was compiled and approved by the Leadership Team on 21st March 2022. The draft Internal Audit Plan is set out at **Appendix A** and covers a broad range of areas including financial risks, IT risks, fraud risks, governance and ethics risks, corporate/ strategic risks, and operational/ service risks.
- 2.5** The Chief Officer Finance & Performance and the Corporate Assurance Manager have reviewed the level of resources required to deliver the proposed risk based Internal Audit Plan. The level of resources required to deliver the plan has been assessed as 428 days. The level of resources required was calculated on a prudent basis, taking into account:
- Management time
 - Training and development
 - Sickness
 - Annual leave and bank holidays
 - Administrative time
 - The time required to finalise completion of the 2021/22 audit plan
- 2.6** During the planning process the governance arrangements for external and internal audit of the joint venture trading company's activities were discussed. At this stage internal and external auditors have not yet been appointed. A member led shareholders committee is in place with an independent chair and vice chair. The committee will oversee the activities of the company including governance matters. A business plan has been presented in March and the company is about to commence its activities. A further update will be provided to the Audit & Ethics Committee once auditors have been appointed. At this stage there is no assurance work included within the Council's internal audit plan for 2022/23.
- 2.7** A tender exercise is currently in progress to appoint an external contractor to deliver the IT audits. The Council will also appoint the external contractor where necessary to help deliver non IT audits; this helps to ensure the service is resilient and able to adapt to changing circumstances.
- 2.8** The full long list of potential audits is also set out at **Appendix B**; this enables members to see the basis upon which assignments have been included or excluded from the Internal Audit Plan. The Plan is flexible and members can request amendments to the audits included.

3 Arrangements for Approving In Year Changes to the Internal Audit Plan

- 3.1** The Public Sector Internal Audit Standards require the Audit & Ethics Committee to act as the 'Gate Keeper' to any significant changes to the Internal Audit Plan. It may be necessary during the year to change the Plan in response to emerging risks and to ensure that internal audit work adds the maximum value and remains aligned with the needs of the organisation.
- 3.2** Before authorising changes to the Internal Audit Plan, the Committee would need to be satisfied that such a change would not impact, negatively, on the ability for Internal Audit to provide an adequate level of assurance to the Council. In previous years the Committee agreed that, due to the timing of meetings, and to avoid delays in completion of audit work, it was more appropriate to grant the Chief Officer – Finance and Performance delegated authority to approve such changes in consultation with the Chair. Such decisions were then subject to approval by the Committee at the subsequent meeting. It is proposed that this arrangement be continued for 2022/23.
- 3.3** In this context, significant changes to the Internal Audit Plan are regarded as any alteration in the allocation of resources of more than 5 days.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 29 March 2022

Subject Matter: Internal Audit Plan 2022/23

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appendix A	Draft Internal Audit Plan 2022/23
Appendix B	Long List of Potential Audits

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

APPENDIX A - DRAFT INTERNAL AUDIT PLAN 2022/23

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
<u>Financial Risks</u>				
Growth Hub Grants – Post Payment Assurance	Finance & Performance	Assurance that grants have been used for the purposes intended and in line with terms and conditions.	New time limited discretionary scheme to support business achieve their growth plans post Covid. Administered by a third party. Risk of monies not being used for the purposes intended.	15
Sundry Debts	Finance & Performance	Assurance the sundry income is billed in full and in a timely manner. Assurance the appropriate controls are in place, and operated consistently, to ensure the Council collects sundry debts efficiently and effectively.	Fundamental financial system. Risk of fraud, error, financial loss and reputational damage.	18
NNDR	Finance & Performance	Review of accuracy and completeness of billing, processing and authorisation of reliefs. Evaluation of system access controls. Review of controls to ensure the maximisation of collection rates, and the accuracy and completeness of accounting records.	Fundamental financial system; risk of fraud, error, financial loss.	20

APPENDIX A - DRAFT INTERNAL AUDIT PLAN 2022/23

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
Housing Rents	Communities & Homes	<p>Accuracy and completeness of billing, system access controls, arrangements to ensure accuracy and completeness of accounting records.</p> <p>Note: rent collection and recovery arrangements are subject to an internal audit at the time of producing this plan, and, providing the results are satisfactory, will not be included in the scope of this Housing Rents audit.</p>	Fundamental financial system; risk of fraud, error, financial loss.	15
			Total – Financial Risks	68
<u>Counter Fraud Risks</u>				
Fraud Awareness	All	Ongoing, targeted provision of training to raise awareness of fraud - what is fraud, types of fraud, how the risks can be reduced, and what to do if fraud is suspected.	Supports delivery of the Anti-Fraud, Bribery and Corruption Strategy.	8
Corporate Credit Card Desktop Review	All	Desktop analytical review of expenditure and, subject to the results, targeted risk based sample testing of transactions.	Risk of fraudulent use and/ or circumvention of procurement rules including the requirement for purchase orders.	8

APPENDIX A - DRAFT INTERNAL AUDIT PLAN 2022/23

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
Right to Buy	Legal & Governance Communities & Homes	Assurance that property transactions are at the correct prices based upon market rates, that the Council has appropriate procedures to prevent fraudulent abuse of the Right to Buy scheme (for example through identity checks), that tenancy length conditions have been met, and that management are operating appropriate monitoring controls. Assurance that the Council is using the monies realised from sales in line with the recently amended legislation related to the purchasing of homes.	Risk of fraud, money laundering, financial loss, reputational damage and stakeholder concern.	12
Note: The risk of fraud/ bribery and corruption will be evaluated prior to the commencement of all audits and where appropriate testing will be carried out.				
			Total - Counter Fraud	28
<u>ICT Risks</u>				
IT Financial Processes	Digital & Communications	Review and evaluation of the efficiency and effectiveness of financial processes and workflows currently undertaken by officers in the IT & Digital Services team, and Customer Service Centre. Identification of any areas of waste, inefficiency or duplication of controls, and any areas of potential control weakness.	Advisory review to support the transformation programme in line with the organisation objectives set out in the corporate strategy.	20

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<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
System Resilience	Digital & Communications	Assurance that there are appropriate arrangements in place to ensure that the Council's network and systems are resilient and can be restored in a prioritised and timely manner, and that there are appropriate arrangements to prevent loss of data.	Loss or outage of various systems is highlighted on the risk register; this could cause significant disruption to services. A network infrastructure review is currently being carried out.	10
			Total - ICT	30
<u>Corporate Risks</u>				
CIPFA Financial Management Code Action Plan	All	Assurance that the action plan is being implemented as expected.	Risk of external public criticism, reputational damage and stakeholder concern if the requirements of the Code are not met.	10
Workforce Training	All	Assurance that staff are being developed and trained in line with the corporate framework. Including a review of how learning outcomes are reinforced across the organisation.	Significant risk to the success of the organisation; key to delivery of the organisation outcomes detailed in the Corporate Strategy.	15

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<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
Impact Assessments	All	Review of the quality of environmental, equality and risk management assessments carried out as part of the Council's decision making process.	Quality impact assessments are essential to the Council making the right decisions for Rugby.	12
			Total – Corporate Risks	37
<u>Governance & Ethical Risks</u>				
Counter Fraud Framework	Finance & Performance	Assurance that the Council's anti fraud, bribery and corruption framework is fit for purpose and has been effectively implemented.	The current framework has been in place for 5 years and the Public Sector Internal Audit Standards require coverage in this area. Whilst proactive counter fraud work has been completed in recent years, the framework itself is due for independent review.	8

APPENDIX A - DRAFT INTERNAL AUDIT PLAN 2022/23

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
Risk Management	All	<p>Assessment of the effectiveness of the Council's arrangements to manage its risks, and the level of risk maturity of the Council.</p> <p>To review risk management controls and identify any assurance gaps. Programme of testing to be delivered to provide assurance that stated controls are operating in practice.</p>	<p>The Public Sector Internal Audit Standards require independent review and evaluation of the effectiveness of the Council's risk management framework.</p> <p>Effective risk management increases the likelihood of the Council achieving its objectives.</p>	8
Ethical Governance	All	<p>Assurance that the Council applies its scheme of delegated authority in line with the Constitution, and in relation to legal requirements to publish delegated decisions.</p>	<p>Supports achievement of corporate strategy outcomes related to the organisation.</p> <p>Meets the requirements of the Public Sector Internal Audit Standards.</p>	15

APPENDIX A - DRAFT INTERNAL AUDIT PLAN 2022/23

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
Internal Audit – External Quality Assessment	Finance & Performance	Independent external assessment of the internal audit service.	Provides assurance that the service meets the requirements of the Public Sector Internal Audit Standards	10
			Total – Governance & Ethical Risks	41
<u>Operational Risks</u>				
Follow up work	All	Assurance that agreed actions arising from internal audit reviews have been implemented.	The work of internal audit would not be considered effective if this work was not completed.	16
Business Improvement District	Growth & Investment	Review of income and expenditure to provide assurance that monies are utilised for the purposes intended and that value for money is achieved.	There are governance and financial transparency related risks.	15
Planning Enforcement	Growth & Investment	Review and evaluation of the efficiency and effectiveness of processes and resource utilisation in the planning enforcement service. Identification of any areas of waste, inefficiency or duplication of controls, and any areas of potential control weakness.	Advisory review to support the transformation programme in line with the organisation objectives set out in the corporate strategy.	20

APPENDIX A - DRAFT INTERNAL AUDIT PLAN 2022/23

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
Licensing	Regulation & Safety	Provision of assurance that efficient and effective controls are in place to comply with all legislative requirements.	Audit deferred from 2021/22 at the request of management.	18
Complaints Processes	Digital & Communications	Review and evaluation of the efficiency and effectiveness of processes applied across the Council. Identification of any areas of waste, inefficiency or duplication of controls, and any areas of potential control weakness.	Advisory review to support the transformation programme in line with the organisation objectives set out in the corporate strategy.	15
S106 Agreements	Growth & Investment	Assurance that there are appropriate arrangements in place to ensure funding is spent on time, as detailed in the agreements.	Risk that works are not planned and scheduled prior to agreements expiring.	15
Food Safety	Regulation & Safety	Assurance that inspection regimes are being delivered efficiently and effectively to protect the public. Assurance that schedules are designed so that the new requirements implemented by the Food Standards Agency, to ensure all visits are completed within two years, will be met.	Change in regulatory requirements. Risk of reputational damage and stakeholder concern if the Council is seen to be failing to protect the public.	18

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<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
Assets – Statutory Compliance	Communities & Homes	Assurance that the Council is operating in compliance with its statutory health and safety responsibilities in relation to asset maintenance.	Significant reputational and financial damage if the Council has not taken reasonable steps to ensure health & safety.	12
			Total: Operational Risks	129
<u>Additional Areas of Support</u>				
Annual Governance Statement		Assurance that the Council operates a robust framework of corporate governance, in accordance with the “Delivering Good Governance in Local Government” framework.	Statutory requirement under the Accounts and Audit Regulations 2021.	12
National Fraud Initiative		Ongoing co-ordination of the review of data matching, and assurance that investigations are conducted where required.	The Council participates in the National Fraud Initiative, in line with its Counter Fraud Strategy.	8
Control Environment - Advice	All	Ongoing ad hoc advice to senior management and officers in relation to the control environment. This will include a review of the new Medium Term Finance Strategy, once developed.	The earlier any significant risks are identified, the sooner they can be considered and any further changes in control implemented.	15

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<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
Corporate Investigation Work		Provision of independent investigatory support, in relation to allegations or suspicions of fraud, bribery and/ or corruption.	In line with the public interest and the Council's zero tolerance approach to fraud, bribery and corruption, as set out in the Strategy.	30
Contingency Allowance			An allowance to enable unforeseen events to be absorbed without the need to revise the approved audit plan. This represents the application of sound project management.	30
			Total: Additional Support	95
TOTAL DAYS				428 days

GROSS LIST OF POTENTIAL AUDITS

Corporate Risks

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Comments/ Rationale for Excluding</u>
Business Continuity/ Emergency Planning	Strategic & Operational Risk Registers	Consistently referred to as being high risk. There have been recent resourcing issues in this area.	Assurance that plans are fit for purpose and that the agreement with CSW is operating effectively.	MEDIUM	No	<p>Full audit in 2016/17 provided substantial assurance.</p> <p>Resilience agreement started with CSW in April 2019, under which there is a focus on emergency planning in Year 1 and BCP in Year 2.</p> <p>Emergency Plan is with LT currently, once approved will go to full council. CSW representative to pick up BCP during 22/23.</p>
Corporate Health & Safety	Health & Safety Operational Risk Register	Substantial damage to the Council in the event of a serious incident e.g. reputation, finance, fatality, loss of building.	Assurance that appropriate policies and procedures are in place and operated effectively, and that appropriate staff training, monitoring and remedial action is taken where necessary.	HIGH	No	<p>Follow up review completed 18/19. Limited Assurance.</p> <p>Reviewed in 2016/17. Limited Assurance. Follow Up 2018/19 also Limited.</p> <p>Action plan being monitored and progress updates being provided to Audit & Ethics. Policy and duty holder responsibilities reviewed in 2021. Oversight by Strategic Risk Management Group.</p>

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Comments/ Rationale for Excluding</u>
						<p>External review of COVID secure arrangements in 2020/21. Internal Audit also reviewed DSE assessment compliance in 2020/21 and are present on the Health & Safety Squad in an advisory capacity.</p> <p>MAKE UK commissioned to review implementation of improvement plans for Parks and Property Repairs in 2021/22. Results will be reported to Audit & Ethics in July 2022.</p> <p>New SHE system currently being implemented across the council.</p> <p>A further corporate health & safety audit will be scheduled for 2023/24.</p>
Fraud Risk Review	Internal Audit	In order to implement the new Counter Fraud Strategy, the Council will need to assess its fraud risks, in order to develop and implement an appropriate fraud response plan.	Assurance that appropriate risk assessments have taken place, and that appropriate mitigating controls are being developed and implemented.	MEDIUM	No	Full review completed in 2016/17, 2018/19 and 2021/22. Substantial assurance.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Comments/ Rationale for Excluding</u>
Counter Fraud Framework	Internal Audit	The current framework has been in place for 5 years and the Public Sector Internal Audit Standards require coverage in this area. Whilst proactive counter fraud work has been completed in recent years, the framework itself is due for independent review.	Assurance that the Council's anti fraud, bribery and corruption framework is fit for purpose and has been effectively implemented.	MEDIUM	Yes	Not Applicable
Asset Maintenance	Internal Audit	Significant reputational and financial damage if the Council has not taken reasonable steps to ensure health & safety.	Assurance that the Council is operating in compliance with its statutory health and safety responsibilities in relation to asset maintenance.	MEDIUM	Yes	Not Applicable
Agency Staff	Internal Audit	Risk of poor Value for Money; excessive need for agency staff may indicate an ineffective workforce retention strategy.	Assurance that use of Agency Staff is for appropriate reasons, authorised in advance, and not used to circumvent procedures such as restrictions on filling vacant positions. Assurance that use is not for extended periods of time.	MEDIUM	No	The control framework is being reviewed as part of the contract management audit being delivered for 2021/22.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Comments/ Rationale for Excluding</u>
Business Improvement District	Stakeholder consultation meetings	SLA being reviewed in 2016/17. Some concerns have been expressed around financial transparency.	Review of income and expenditure to provide assurance that monies are utilised for the purposes intended and that value for money is achieved.	MEDIUM	Yes	Not Applicable
Climate Change and Carbon Management	Internal Audit	Council priority to deliver on its established aims in response to declaring a climate emergency.	Assurance that effective arrangements are in place to ensure that the Council achieves the aims set out by the Climate Emergency Working Group.	HIGH	No	It is currently early considered too early to assess progress; an audit will be reconsidered in one year. Climate change strategy has been developed.
Partnership/ Shared Service Governance	Strategic Risk Register	Risk of loss of sovereignty.	Appropriate arrangements to manage partnerships such that corporate objectives and VFM are achieved.	MEDIUM	No	Reviewed in 2017/18. Substantial assurance. Crematorium Joint Venture audit completed in 2019/20; high assurance. Operation of GLL contract being included in contract management audit.
Workforce Planning and Development/ Training	Common theme throughout the Council's strategic and operational risk registers.	Critical to the success of the organisation; higher risk due to the economic climate and recovery of the private sector. Workforce planning currently in progress.	Review of design and effectiveness of the Council's strategy to develop and retain its workforce in key areas. 22/23 focus - Assurance that staff are being developed and trained in line with the corporate	MEDIUM	Yes	Not Applicable

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Comments/ Rationale for Excluding</u>
			framework. Including a review of how learning outcomes are reinforced across the organisation.			
Consultancy Expenditure	Internal Audit	Poor Value for Money, failure to achieve intended outcomes.	Assurance that expenditure on consultants is appropriately controlled, that there are clear terms of reference, that intended outcomes are delivered and Value for Money is secured. Assurance that the requirements of IR35 are being met.	MEDIUM	No	Reviewed in 2016/17. Substantial assurance.
Financial Planning & Governance	Financial Reports	Challenging financial climate for local government.	Financial resilience, financial planning follows best practice. Financial strategy modelling is robust. Openness and transparency. Priority assessed as Medium because external audit have concluded again that the Council has effective financial management arrangements in place.	MEDIUM	Yes	Reliance has previously been placed upon assurances provided by external audit. Budget setting & control being reviewed in 21/22. As the new Medium Term Financial Strategy is developed, it will be reviewed by the Corporate Assurance Manager as a critical friend prior to its adoption.
Contract Management	Internal Audit	Failure to deliver outcomes and achieve value for money.	Contract manager training, compliance with Contract Standing Orders, financial, project and risk management. Review of arrangements to monitor supplier resilience.	MEDIUM	No	Reviewed in 2016/17. Substantial assurance. Being reviewed 21/22.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Comments/ Rationale for Excluding</u>
Project Management	Internal Audit	Projects fail to deliver outcomes in a way which demonstrates value for money. Failure to achieve corporate objectives.	Project risk management, officer skills and expertise, design and operation of project governance and monitoring arrangements, consistency of application of good project management.	MEDIUM	No	Digitalisation programme reviewed in Q4 2019/20. Housing project governance framework reviewed in 2021/22. New corporate framework developed in 2021/22. Internal audit review will be scheduled for 2023/24 to provide assurance that the new framework is working efficiently and effectively.
Capital Programme	Internal Audit	Risk of non-delivery of the programme and/ or poor use of monies.	Assurance that appropriate arrangements are in place to ensure delivery of the programme on time, and in a way which secures Value for Money.	MEDIUM	No	Review of programme delivery shows the Council has a sound track record in this area. Will reconsider an audit in 1 year's time.
Fraud Awareness	Internal Audit	The Council is developing and implementing a new Counter Fraud Strategy	Training to raise awareness of fraud – what is fraud, types of fraud, how the risks can be reduced, what to do if fraud is suspected.	MEDIUM	Yes	Not Applicable
Member Development	Internal Audit	Risk of failure to hold officers to account, poor decision making, failure to achieve corporate priorities.	Review of arrangements designed to ensure that Members are equipped to effectively carry out their role, make effective decisions (where appropriate), and effectively scrutinise senior officers.	MEDIUM	No	Member training programme being updated. Consultative review completed in 2020/21 to examine how other Councils ensure members are effectively developed.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Comments/ Rationale for Excluding</u>
Freedom of Information	Internal Audit	Significant risk of reputational damage. Failure to minimise costs of compliance.	To provide assurance that the Council meets its statutory obligations in relation to the Freedom of Information Act, and that the arrangements are efficient and effective.	LOW	No	Audit completed in 2019/20. Substantial assurance.
Equal Pay/ Single Status	Internal Audit	Risk of employee Equal Pay claims leading to significant financial loss and reputational damage.	Comparison of the pay of men and women carrying out equal work, identification and review of equal pay gaps, resolution of equal pay gaps, ongoing monitoring arrangements.	MEDIUM	No	Audit completed in 2020/21. Substantial assurance
Corporate credit/ purchase cards	Internal Audit	Potential fraudulent use of the card/s	Detailed review of transactions to provide assurance that purchases were appropriate and supported by valid receipts.	MEDIUM	Yes	Not Applicable
Community Engagement and Consultation	Internal Audit	Risk of legal challenges if insufficient engagement and consultation is carried out.	Assurance that appropriate and effective community engagement and consultation arrangements are in place.	LOW	No	Considered low risk at present; will reconsider in 1 year.
Risk Management	Internal Audit	The Public Sector Internal Audit Standards require independent review and evaluation of the effectiveness of the Council's risk	Assessment of the effectiveness of the Council's arrangements to manage its risks, and the level of risk maturity of the Council.	MEDIUM	Yes	Not Applicable

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

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		management framework. Effective risk management increases the likelihood of the Council achieving its objectives.	To review risk management controls and identify any assurance gaps. Programme of testing to be delivered to provide assurance that stated controls are operating in practice.			
Data Protection/ GDPR/ Law Enforcement Directive	Internal Audit	Risk of significant financial loss and reputational damage	Assurance that the Council operates in compliance with the Data Protection principles when storing and sharing data.	MEDIUM	No	Completed in Q4 2018/19. Limited assurance Data Protection and Records Management review being undertaken for 2021/22
Local Government Transparency Code	Internal Audit	Legal and reputational damage risk	Assurance that the Council is, as a minimum, operating in compliance with the mandatory elements of the Code.	LOW	No	Completed 19/20 Limited assurance. Follow up audit completed 2020/21 provided Substantial assurance.
Procurement	Internal Audit	Risk of statutory breaches, not delivering value for money, and fraud/ corruption.	Design and operation of controls designed to ensure that the Council complies with statutory and policy requirements, and to ensure that value for money is demonstrated throughout procurement activities. To include review of rolling IT contracts –	MEDIUM	No	Full audit completed in 2016/17. Substantial assurance. Audit being completed for 2021/22

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Comments/ Rationale for Excluding</u>
			specifications, commissioning and management.			
Complaints, Compliments & Suggestions	Internal Audit/ Chief Officer Digital & Communications	Reputational damage if complaints are not dealt with appropriately	Review and evaluation of the efficiency and effectiveness of processes applied across the Council. Identification of any areas of waste, inefficiency or duplication of controls, and any areas of potential control weakness.	MEDIUM	Yes	Not applicable
Values and Behaviours	Internal Audit	Legal and reputational damage, low employee morale	Assurance that expected standards of behaviour and values have been defined, are measured objectively and reported upon. To assess and report on actual attitudes and behaviours (culture) through a series of interviews and surveys. Could be attributes based upon a maturity model.	MEDIUM	No	Reviewed in 2017/18 and again in Q4 2019/20.
Ethical Governance	Internal Audit	The PSIAS require the audit plan to cover the Council's ethical governance. Supports achievement of corporate strategy outcomes related to the organisation.	22/23 focus - Assurance that the Council applies its scheme of delegated authority in line with the Constitution, and in relation to legal requirements to publish delegated decisions.	MEDIUM	Yes	Not Applicable

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Comments/ Rationale for Excluding</u>
Right to Buy	Stakeholder Consultation	Risk of fraud/ money laundering/ financial loss/ reputational damage	Assurance sought that property transactions are at the correct prices based upon market rates, the Council has appropriate procedures to prevent fraudulent abuse of the Right to Buy scheme (for example through identity checks), that tenancy length conditions have been met, and that management are operating appropriate monitoring controls. Assurance that the Council is using the monies realised from sales in line with the recently amended legislation related to the purchasing of homes.	MEDIUM	Yes	Not Applicable
Impact Assessments	Executive Director	Quality impact assessments are essential to the Council making the right decisions for Rugby.	Review of the quality of environmental, equality and risk management assessments carried out as part of the Council's decision making process.	MEDIUM	Yes	Not Applicable

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Service Risks – Finance & Performance

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Including in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Creditors	Financial Services Operational Risk Register, Fundamental Financial System	Risk register highlights risk of incorrect payments, late payments, and fraud.	Accuracy and timeliness of payments, system accuracy, recovery of duplicate payments, accuracy of accounting records.	MEDIUM	No	Completed 19/20. Substantial assurance.
Completeness of Income (Sundry Debts)	Internal Audit	Fundamental financial system. Risk of fraud, error, financial loss.	Assurance that income is billed in full and in a timely manner. This work will involve a review with service managers, comparing invoices issued by the Revenues team with records held by departments.	MEDIUM	Yes	Not Applicable
Cash & Banking	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Assurance that income from all sources is received and accounted for in full in a timely manner. Review of system access controls, accuracy and completeness of accounting records.	MEDIUM	No	Completed in 2019/20 with Substantial assurance.
Fees and Charges	Internal Audit	The Council may not achieve financial self sufficiency if fees and charges are not set at optimum levels.	Assurance that fees and charges are subject to regular review and set at levels which are designed to achieve the optimal level of income. Assurance that fees and charges are being applied accurately and consistently, and that income is being collected.	MEDIUM	No	Reviewed in 2016/17. Substantial assurance provided.

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<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Including in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Main Accounting System	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Assurance that the Main Accounting System is secure, and adequately supports the production of accurate financial statements.	MEDIUM	No	Reliance placed on assurance work completed by external audit.
Non – Current (Fixed) Assets	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Valuations, additions and disposals, accuracy and completeness of accounting records.	MEDIUM	No	Reliance placed on assurance work completed by external audit.
Treasury Management	Financial Services Operational Risk Register, Fundamental Financial System	Risk register highlights risk of financial losses on investments, higher than necessary debt, and insufficient cash.	Authorisation of transactions, compliance with Treasury Management Practices, assurance that there is an appropriate strategy in place, system access controls, accuracy and completeness of accounting records.	MEDIUM	No	Carried out in Q4 2018/19. Substantial Assurance Also reviewed in 2021/22.
Budget Setting & Monitoring	Financial Services Operational Risk Register, Fundamental Financial System	Risk register highlights risk of significant budget setting errors.	Assurance that the budget setting process is robustly designed to mitigate the risk of significant error. Assurance that budget monitoring is sufficiently robust to identify and address any in year financial pressures.	MEDIUM	No	Last reviewed in 2014/15. Full assurance. Being reviewed in 2021/22.
Council Tax and NDR Fraud	Internal Audit	Risk of financial loss and reputational damage, limited internal resource capacity to undertake proactive work in this area.	Review of the design of controls in place to mitigate the risk of Council Tax and/ or NDR fraud. Proactive sample testing of a sample of accounts to confirm the operation of controls and to provide assurance that fraud is not taking place.	MEDIUM	No	Reviewed in 2016/17. Substantial assurance. Council Tax audit being completed in 2021/22.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Including in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Expenses including Members	Internal Audit	Risk of fraud and/ or error	Assurance that expenses processed and paid to members and officers are accurate and bona fide.	MEDIUM	No	Completed 2020/21 Substantial assurance.
NDR	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, processing and authorisation of reliefs, system access controls, maximisation of collection, accuracy and completeness of accounting records.	MEDIUM	Yes	Not Applicable
Council Tax	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, system access controls, maximisation of collection, accuracy and completeness of accounting records.	MEDIUM	No	Full audit completed in 2015/16. Full assurance. Counter fraud arrangements also reviewed in 2016/17. Being audited in 2021/22
Performance management and data quality	Corporate Assurance and Improvement Operational Risk Register	Risk of ineffective management, failure to achieve outcomes, inappropriate targeting of resources.	Assurance the Council's performance management framework is fit for purpose, and that data is accurate, complete and timely.	MEDIUM	No	Data quality assurance programme in place. Self-assessment completed in 2019/20, data maturity review completed in 2020/21 and action plan in place. Performance management is also part of the transformation programme.
Internal Audit	Public Sector Internal Audit Standards	Mandatory requirement & provides assurance that the service meets the requirements of the Public Sector Internal Audit Standards.	External Quality Assessment (EQA) of the effectiveness of the service, including compliance with the Standards.	LOW	Yes	Not Applicable

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Including in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Change Management and Control	Internal Audit	The Council's change methodology may not be effective.	Assurance that the change management methodology is effective and delivering the desired outcomes. Assurance that the implementation of change is subject to effective risk management and control. Such a review would need to be delivered by an independent person outside of the Corporate Assurance and Improvement team.	MEDIUM	No	A independent review will be considered for 2023/24 once the transformation programme and governance has had some time to embed.
Insurance	Internal Audit	The Council's insurance coverage might be inappropriate for its needs and might not represent value for money; claims processing arrangements might not be sufficiently robust.	Assurance that administration of the insurance function is efficient and effective and represents value for money.	MEDIUM	No	Carried out Q4 2018/19. High Assurance
CIPFA Financial Management Code Action Plan	Chief Officer Finance & Performance	Risk of external public criticism, reputational damage and stakeholder concern if the requirements of the Code are not met.	Assurance that the action plan is being implemented as expected.	MEDIUM	Yes	Not Applicable

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Including in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Growth Hub Grants – Post Payment Assurance	Internal Audit	New time limited discretionary scheme to support business achieve their growth plans post Covid. Administered by a third party. Risk of monies not being used for the purposes intended.	Assurance that grants have been used for the purposes intended and in line with terms and conditions.	MEDIUM	Yes	Not Applicable

Service Risks – Leisure & Well-being

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Community Grants	Internal Audit	Reputational damage if funds are misused or not used for the purposes intended	Assurance that grant monies received are delivering the expected outcomes and that funds are used for the intended purposes.	LOW	No	Considered low risk at present; grant terms have to be complied with and assurance arrangements are specified as appropriate. No grants to be issued in 22/23. Administered by C & H service.
Play Service/ On Track	Stakeholder consultation	There are significant income targets for the service, with the potential to significantly reduce the net costs to the community.	Assurance that there are appropriately designed processes in place to accurately and completely record income. Assurance that all service related costs have been appropriately considered and understood when setting prices. Assurance that there are	MEDIUM	No	Reviewed in 2017/18. Limited assurance. All activity is now coded separately. Staff costs and utilisation are being recorded and monitored by activity. Business plan being developed although income

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
			suitable arrangements in place to monitor income levels and take appropriate remedial action if targets are not being met.			has dropped in line with activity.
Benn Hall	Stakeholder Consultation	Investigation in 2016/17 highlighted procedural weaknesses	Assurance requested that income and expenditure is appropriately accounted for, with a particular focus on ticket sales, stock control and cash receipting.	MEDIUM	No	Reviewed in 2017/18. Limited Assurance; however, the agreed actions were followed up in 2018/19 and found to be implemented.
RAGM – Visitor Centre	Stakeholder consultation	Key front-line service. Risk of financial loss due to poor value for money, if business decisions are not soundly based.	Assurance that the Visitor Centre, including the shop, is efficiently and effectively managed.	MEDIUM	No	RAGM income completed 17/18, substantial assurance. Not high income/ turnover. Considering how best to utilise the Hall of Fame space again currently.
Parks and Open Spaces	Internal Audit	Council priority to enhance local, open spaces to make them places where people want to be, might not be achieved.	Assurance that the service is being run efficiently and effectively.	MEDIUM	No	Changes to the service are being implemented; will consider scheduling an audit in one year's time. Scheduling of works to be examined as part of Section 106 22/23 audit.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

Service Risks – Growth & Investment

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Planning Development and Enforcement	Internal Audit	<p>High level of officer judgement involved in decision making, and this could lead to inconsistent treatment and decision making.</p> <p>Risk of fraud/ corruption/ bribery.</p> <p>Advisory review to support the transformation programme in line with the organisation objectives set out in the corporate strategy.</p>	<p>Assurance that planning admin, management and enforcement processes are consistently applied, efficiently and effectively, in line with the framework of Council policies and statutory requirements.</p> <p>22/23 focus - Review and evaluation of the efficiency and effectiveness of processes and resource utilisation in the planning enforcement service. Identification of any areas of waste, inefficiency or duplication of controls, and any areas of potential control weakness.</p>	MEDIUM	Yes	Not Applicable
Land Charges	Internal Audit	Risk of financial loss and/ or reputational damage.	Maintenance and update of the land charges register, efficient and timely completion of search requests, accuracy and completeness of land charge search income, system access controls.	LOW	No	Responsibility transferring to central government.
Building Control	Internal Audit	Risk of financial loss and reputational damage.	Assurance that charging is timely and accurate, and that income is collected in full and correctly accounted for. Service managed by Warwick District.	LOW	No	Audit completed by Warwick District Council in 2018/19. Substantial assurance.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Section 106 Agreements	Internal Audit/Chief Officer for Leisure & Wellbeing	Risk that works are not planned and scheduled prior to agreements expiring.	Assurance that the requirements, as detailed in the agreements are being seen through to completion.	MEDIUM	Yes	Not Applicable

Service Risks – Legal & Governance

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Legal Services	Legal Services Operational Risk Register	Risk register highlights risks of failure to deliver prompt service and to meet deadlines.	Timeliness of service provision, prioritisation of workload, efficiency and effectiveness.	LOW	No	New case management system implemented to digitalise processes. More efficient and risks around document management have reduced.
Elections	Stakeholder consultation	Risk of legal and reputational damage	Assurance that elections are managed efficiently and effectively to ensure the smooth running of elections.	LOW	No	Completed in 18/19. High Assurance.
Stocks and Stationery	Stakeholder Consultation – Requested by Head of Communities and Homes	Assurance sought by the Head of Communities and Homes	Assurance sought that procurement processes are being correctly followed, that best value is obtained when purchasing supplies, and that the issue of stationery is appropriately controlled.	LOW	No	Reviewed in 2016/17. Substantial assurance.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Equalities Act 2010 Compliance	Operational Risk Register, Stakeholder Consultation	Accreditation review to take place in Q4 2016/17. The Council is currently accredited as 'excellent'.	Equality Framework for Local Government, quality of Equality Impact Assessments, Employee Awareness, recruitment practices, review of evidenced outcomes.	MEDIUM	No	<p>Reviewed in 2016/17</p> <p>Reaccreditation to take place in 2020/21 based upon a self-assessment. Ongoing.</p> <p>EQAs will be examined as part of Impact Assessment 22/23 audit.</p>

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

Service Risks – Communities & Homes

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Benefits	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy of payments to claimants, system access control, recovery of overpayments, accuracy and completeness of accounting records. Assurance that the issues identified by the external audit review of the housing benefit subsidy claim have been addressed.	MEDIUM	No	Audit completed in 2018/19. Substantial assurance.
Homelessness and Housing Options	Internal Audit	Reputational damage and adverse media coverage.	Assurance that the Council is efficiently and effectively fulfilling its statutory duties to prevent homelessness in accordance with the Homelessness Reduction Act 2017.	MEDIUM	No	An audit will be scheduled in 2023/24, once the new housing management system has been implemented.
Grants to Community Groups and Lottery	Internal Audit	Risk of fraudulent use of grant monies.	Assurance that grant monies are being used for the purposes intended and that expected outcomes are being achieved.	MEDIUM	No	Reviewed in 2018/19. Limited Assurance. Action plan implemented. Administration of the Lottery is managed by a third party.
Independent Living Service	Internal Audit	The service might not meet the needs of stakeholders and charges might be insufficient to cover expenditure.	Assurance that residents are receiving the service that they are paying for, and that quality and effectiveness of the service has been maintained following a restructure.	MEDIUM	No	Audit completed in 2018/19. Substantial assurance.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
CCTV	Internal Audit/ Strategic Risk Management Group	A new CCTV policy has been adopted. Risk of data protection requirements being breached.	Assurance that all camera locations have been assessed, that data protection impact assessments have been completed, and that access to the system and images is effectively controlled.	MEDIUM	No	
Housing Rents	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, system access controls, maximisation of collection, accuracy and completeness of accounting records.	HIGH	Yes	Full audit completed in 2015/16. Recovery and customer care elements reviewed in 2018/19, which resulted in Limited Assurance. Audit completed 2019/20 on housing rent arrears. Limited Assurance.
Travellers - Woodside	Internal Audit	Risk of failure to protect, engage with and support the local community.	Assurance that the Council's management of travellers' sites is compliant with the relevant legislation, and that the Council provides the same standards of management and support services to travellers' sites as to customers in other forms of social housing.	LOW	No	Currently assessed as low risk. Will reconsider in one year.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

Service Risks – Regulation & Safety

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Licensing	Stakeholder Consultation	Changes in working practices and control design – new system being implemented.	Mapping of amended procedures and provision of assurance that efficient and effective controls are in place to comply with all legislative requirements.	MEDIUM	Yes	New system being implemented. Deferred from 2021/22
Car Parking and Enforcement	Internal Audit	Traditionally a risky area from an audit perspective.	Assurance that income is accounted for correctly and in full.	LOW	No	Enforcement audit completed in 2018/19. Income collection examined in Comp of Income Audit 2019/20 Both Substantial assurance. New Car Park Strategy being developed post Covid 19. Consider for 23/24
Pest Control	Internal Audit	Financial loss, reputational damage	Accuracy and completeness of income and expenditure, compliance with statutory obligations, value for money.	LOW	No	Considered low risk at present. One person, not high value/cost.
Food Safety	Internal Audit	Change in regulatory requirements. Risk of reputational damage and	Assurance that inspection regimes are being delivered efficiently and effectively to protect the public. 22/23 focus - Assurance that schedules are	MEDIUM	Yes	Not Applicable

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
		stakeholder concern if the Council is seen to be failing to protect the public	designed so that the new requirements implemented by the Food Standards Agency, to ensure all visits are completed within two years, will be met.			
Environmental Health	Internal Audit	Risk of reputational damage if a quality service is not delivered.	Assurance that the service is being delivered efficiently and effectively in a way which protects the public.	LOW	No	Considered low risk at present. Reconsider in one year.
Crematorium and Cemeteries	Stakeholder Consultation	Partnership governance risk	Review of the governance and operation of the Joint Venture with Daventry District Council. Assurance that recharges are appropriate and that any surplus is fairly distributed between the two authorities. Review of the efficiency and effectiveness of the services.	LOW	No	Internal audit review completed by Daventry District Council in 2019/20. Full assurance. A number of commercialisation opportunities exist but still in early development.
Community Safety Partnership	Internal Audit	Corporate priority of protecting the public might not be achieved. Change in operational structure implemented.	Assurance that the partnership is delivering its action plans and expected outcomes. Assurance that statutory requirements under the Crime and Disorder Act are being fulfilled.	MEDIUM	No	A new 'Safe' Strategy is being developed currently, starting at Board level first. Looking to improve engagement, become more strategic in focus and then cascade down the groups which operate under the CSP. Will reconsider in 1 year.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

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Warden Services	Internal Audit	Risk of reputational damage if a quality service is not delivered.	Assurance that the service is being run efficiently and effectively.	LOW	No	Currently assessed as low risk; will reconsider in one year.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

Service Risks – Operations & Traded Services

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Fleet Management	Internal Audit	Risk of loss of operator's licence, risk of reputational damage	Compliance with operator licence regulations, value for money, planning of the fleet to ensure that operational needs are met, compliance with safety standards, purchasing and disposals.	MEDIUM	No	Reviewed in 2017/18. Limited assurance. Action plan implemented.
Transport – Fuel Usage	Transport Operational Risk Register	Risk of fuel loss due to theft.	Assurance that appropriate controls are operated to mitigate the risk of fuel theft, either by officers or by members of the public.	MEDIUM	No	Included in review of fleet management completed in 2017/18
Trade Waste	Internal Audit	Risk of financial loss, reputational damage due to failure to deliver a quality service.	Accuracy and completeness of billing, value for money of the service, financial sustainability of the service, collection and recovery of outstanding income.	LOW	No	Completeness of billing and recovery arrangements reviewed in 2019/20. Audit completed 21/22 and project squad formed as part of Transformation programme.
Refuse & Recycling	Internal Audit	Risk of substantial reputational damage if a quality service is not delivered, or if the Council breaches statutory requirements.	Assurance that the service is operating efficiently and effectively, including compliance with applicable regulations.	MEDIUM	No	Will schedule for internal audit review in 2023/24.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Street Cleansing	Internal Audit	Risk of reputational damage if a quality service is not delivered.	Assurance that the service is being run efficiently and effectively.	LOW	No	Currently assessed as low risk; will reconsider in one year.
WSU Garage	Internal Audit	Expenditure might not represent value for money. Risk of reputational damage if facilities are used inappropriately by officers.	Assurance that the garage is being run efficiently and effectively, in compliance with applicable health and safety regulations. Assurance that expenditure represents value for money.	MEDIUM	No	Will schedule for internal audit review in 2023/24.
Streetscene	Environmental Services Operational Risk Register	Operational risk register highlights the risk of deterioration of assets.	Assurance that the bridge inspection regime is being operated as expected, and that repairs and maintenance is carried out in an effective and timely manner. Review of expenditure to provide assurance that it is efficient and effective, including a review of whether or not such spend is based upon necessity.	MEDIUM	No	Will schedule for internal audit review in 2023/24.
Tenant Recharges including Voids	Stakeholder consultation	New system implemented	Assurance that recharges are accurate and complete, and correctly reflect the Council's expenditure incurred when carrying out repairs. Assurance that there are appropriate	MEDIUM	No	Reviewed in 2018/19. Limited Assurance. Action plan implemented.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
			arrangements in place to maximise the collection of outstanding income.			
Housing Repairs including Handyman and Voids	Stakeholder consultation	New system implemented in 2016	Assurance that the Oneserve system is delivering its expected outcomes. Assurance that appropriately designed controls are in place, consistently applied. To include a review of performance management arrangements.	MEDIUM	No	Reviewed in 2018/19. Substantial assurance.
Housing Repairs Stock Control	Stakeholder consultation	New system. Robust stock control procedures are fundamental to ensure that the service runs efficiently, that material costs are appropriately controlled, and that opportunities for theft or fraud are minimised.	Assurance that appropriately designed and embedded stock control and stock taking procedures are in place.	MEDIUM	No	Reviewed in 2017/18. Substantial assurance.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

Service Risks – Digital & Communications

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
ICT Disaster Recovery/ Backup Procedures	ICT Services Operational Risk Register	Loss or outage of various systems is highlighted on the risk register; could cause significant disruption to services.	Appropriate arrangements in place to ensure, in the event of a disaster, that systems are restored in a prioritised and timely manner, and that there are appropriate arrangements to prevent loss of data.	MEDIUM	No	Reviewed in 2018/19. Substantial assurance. Included in system resilience audit for 2022/23.
IT Systems Admin	Stakeholder consultation	There might not be effective and controlled administration of the Council's IT network.	Administration of software and systems, including user access rights. Specific focus on administration of user account creation and deletion.	MEDIUM	No	Full review in 2016/17, substantial assurance provided. IT security audit completed in 2019/20 – Substantial assurance
IT Helpdesk	Internal Audit	Fundamental back office service.	Assurance that the helpdesk service is managed efficiently and effectively, within its agreed level of resources, in a way which meets the needs of the Council.	MEDIUM	No	Reviewed in 2016/17 with substantial assurance provided. A change of system has been implemented. Audit being completed for 2021/22.
Payment Card Industry Data Security Standards Compliance	Stakeholder Consultation	Failure to comply with standards leading to reputational damage and loss of ability to process card payments.	General review of compliance with the standards across the Council.	MEDIUM	No	Reviewed in 2016/17 and again in 2021/22.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

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IT Security	Internal Audit	<p>Risk of data loss or theft, substantial reputational damage.</p> <p>Highlighted in the recent Fraud Risk Review.</p>	Assurance that appropriately embedded IT Security measures are in place. Assurance that the risks of fraud by IT officers who may have enhanced access to Council systems is appropriately mitigated.	MEDIUM	No	Completed 2019/20 Substantial assurance.
IT Strategy, Governance & Policies	Internal Audit	Effective ICT Governance is vital in ensuring that the ICT team are fully engaged with all services areas, can meet their needs and, in return, service areas also work in line with the Council's ICT requirements.	Assurance that appropriate and embedded ICT governance arrangements are in place, including strategy and policies. To include a joint ICT/ HR review of policies including ICT security and code of conduct, and agile working. Review of arrangements in place to ensure agile staff are being effectively managed.	MEDIUM	No	<p>Full audit completed in 2015/16. Substantial assurance.</p> <p>New policy framework implemented in 2020/21</p>

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Cyber Security	Internal Audit	There have been a number of cyber-attacks, both nationally and internationally. It was confirmed that the Council's IT network has been independently accredited as having satisfactory defences against cyber-attack.	To be confirmed.	MEDIUM	No	Staff awareness review completed in 2017/18. Independent external review completed in 2021/22.
IT Business Continuity	Internal Audit	Risk of substantial service disruption and reputational damage.	Assurance that the IT Business Continuity Plan, which is undergoing review, is fit for purpose and has been adequately tested.	MEDIUM	No	Audited 2019/20 Substantial. Included in system resilience audit for 2022/23.
IT Financial Processes	Chief Officer - Digital & Communications	Advisory review to support the transformation programme in line with the organisation objectives set out in the corporate strategy.	Review and evaluation of the efficiency and effectiveness of financial processes and workflows currently undertaken by officers in the IT & Digital Services team, and Customer Service Centre. Identification of any areas of waste, inefficiency or duplication of controls, and any areas of potential control weakness.	LOW	Yes	Not Applicable

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
System Resilience	Chief Officer - Digital & Communications	<p>Loss or outage of various systems is highlighted on the risk register; this could cause significant disruption to services.</p> <p>A network infrastructure review is currently being carried out.</p>	Assurance that there are appropriate arrangements in place to ensure that the Council's network and systems are resilient and can be restored in a prioritised and timely manner, and that there are appropriate arrangements to prevent loss of data.	MEDIUM	Yes	Not Applicable
Customer Service Centre Demand Management	Customer & Business Support Services Operational Risk Register	<p>Risk of inconsistent approach to dealing with customers leading to reputational damage.</p> <p>Corporate Strategy aims to deliver digitally enabled services that residents can access.</p>	Review organisational arrangements in place to ensure that customers are attended to in a fair consistent and timely manner. Assurance that customer use of self service digitalisation is being actively promoted, and that the service is operating efficiently and effectively.	MEDIUM	No	Audit completed 2019/20 Substantial assurance.

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Apprentices	Internal Audit	Apprenticeship scheme may not be effective.	Assurance that the apprenticeship scheme requirements are being complied with and take-up is being maximised. Review of the level of retention of apprentices and arrangements to ensure their integration within the organisation.	LOW	No	Considered low risk at present; will reconsider in one year.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

Service Risks – Executive Directors

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
Absence Management	Human Resources Operational Risk Register	Risk register highlights the risk of adverse impacts on services and teams caused by sickness absence. Leadership Team review currently in progress.	Assurance that policy and procedures are appropriately designed, and consistently applied to ensure that absence is effectively managed.	MEDIUM	No	Reviewed in 2018/19. Substantial assurance.
Recruitment and Selection	Internal Audit	Risk of fraud/ corruption. Recruitment may not meet the needs of the Council e.g. if the officer does not have the skills or potential to carry out the duties of the post.	Review of design and compliance with recruitment and selection procedures.	LOW	No	Considered low risk at present; will reconsider in one year.
Payroll	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Payroll processing including deductions, administration of starters and leavers, system access controls, accuracy and completeness of accounting records.	MEDIUM	No	Full audit completed in 2015/16. Substantial assurance. Full Audit completed 2020/21. High assurance.

APPENDIX B GROSS LIST OF POTENTIAL AUDITS 2022/23

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating & Priority</u>	<u>Included in 22/23 Audit Plan</u>	<u>Rationale for Excluding</u>
HR Capability and Disciplinary	Internal Audit	CANDO values and behaviours framework would not be effective without being underpinned by capability and disciplinary procedures.	<p>Assurance that there is a consistently embedded and effective framework in place for managing capability and disciplinary.</p> <p>This will include an analysis of cases to establish whether there are any recurring themes, how the Council learns lessons from such cases, and how they are used to reinforce the values and behaviours framework.</p>	MEDIUM	No	2019/20 Consultancy completed

AGENDA MANAGEMENT SHEET

Report Title:	Treasury Management Practices Update 2021/22
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	29 March 2022
Report Director:	Chief Officer – Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	All
Prior Consultation:	N/A
Contact Officer:	Jon Illingworth, Chief Officer - Finance and Performance, 01788 533410, Jon.Illingworth@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
(C) Climate (E) Economy (HC) Health and Communities (O) Organisation	
Summary:	Officers have reviewed the treasury management practices (TMPs), of the organisation to ensure that they are still relevant for delivering robust Treasury Management
Financial Implications:	None as a direct result of this report

Risk Management/Health and Safety Implications:	There are no risk management or health and safety implications for this report
Environmental Implications:	There are no environmental implications for this report
Legal Implications:	There are no legal implications for this report
Equality and Diversity:	There are no equality and diversity implications for this report
Options:	N/A
Recommendation:	To endorse the updated Treasury Management Practices (Appendix 1) that will be adopted by the Council
Reasons for Recommendation:	Although only minor updates, the new Treasury Management Practices provide the basis for all treasury management activity undertaken by officers

Audit and Ethics Committee- 29 March 2022

Treasury Management Practices Update 2021/22

Public Report of the Chief Officer – Finance and Performance

Recommendation

To endorse the updated Treasury Management Practices (Appendix 1) that will be adopted by the Council

1. Background

1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses

- 1) This organisation will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives, and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the way the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 2) This organisation (i.e. full board/council) will receive reports on its treasury management policies, practices, and activities, including, as a minimum, an annual strategy and plan, in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- 3) This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to [note 1], and for the execution and administration of treasury management decisions to [note 2], who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- 4) This organisation nominates [note 3] to be responsible for ensuring effective scrutiny of the treasury management strategy and policies

1.2. In February the Committee was presented with an updated Treasury Management Strategy incorporating the Annual Investment Strategy.

1.3. There have been no material changes made to the TMPs for this year

2. Treasury Management Practices

2.1. Below is a summary of requirements of each of the 12 TMP's

2.2. TMP01 – CREDIT AND COUNTERPARTY RISK MANAGEMENT

This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment. The responsible officer will design, implement, and monitor all arrangements for the identification, management, and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP06 Reporting requirements and management information arrangements.

2.3. TMP02 – PERFORMANCE MANAGEMENT

This organisation is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement. Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

2.4. TMP03 – DECISION MAKING AND ANALYSIS

This organisation will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were considered at the time.

2.5. TMP04 – APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

This organisation will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the strategy, and within the limits and parameters defined in TMP01 Risk management. Where this organisation intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The organisation will seek proper advice and will consider that advice when entering arrangements to use such products to ensure that it fully understands those products. This organisation has reviewed its classification with financial institutions under MIFID II and has set in the Treasury Management Strategy those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

2.6. TMP05 – ORGANISATION, CLARITY AND SEGREGATION OF DUTIES, AND DEALING ARRANGEMENTS

This organisation considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is always a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly regarding the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

When or if this organisation intends, because of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover.

The responsible officer will also always ensure that those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document. The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

2.7. TMP06 – REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

This organisation will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function. As a minimum:

- The organisation (i.e., full board/council) will receive:
 - an annual report on the strategy and plan to be pursued in the coming year
 - a mid-year review
 - an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.
- The board/council, or the committee to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks.
- The body responsible for scrutiny, such as an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.
- Local authorities should report the treasury management indicators as detailed in their sector-specific guidance notes. The present arrangements and the form of these reports are detailed in the schedule to this

2.8. TMP07 – BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The responsible officer will prepare, and this organisation will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP01 Risk management, TMP02 Performance measurement, and TMP04 Approved instruments, methods, and techniques. The responsible officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP06 Reporting requirements and management information arrangements. This organisation will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

2.9. TMP08 – CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the responsible officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP01[2] liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

2.10. TMP09 – MONEY LAUNDERING

This organisation is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained.

2.11. TMP10 – TRAINING AND QUALIFICATIONS

This organisation recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.

2.12. TMP11 – USE OF EXTERNAL SERVICE PROVIDERS

This organisation recognises that responsibility for treasury management decisions always remains with the organisation. It recognises that there may be potential value in employing external providers of treasury management services, to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

2.13. TMP12 – CORPORATE GOVERNANCE

This organisation is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its treasury management activities will be undertaken with openness and transparency, honesty, integrity, and accountability. This organisation has adopted and has implemented the key principles of the Code.

This, together with the other arrangements detailed in the schedule to this document, is considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if or when necessary, report upon the effectiveness of these arrangements.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 29 March 2022

Subject Matter: Treasury Management Practices Update 2022/21

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

TMP01 – Credit and Counterparty Risk Management

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council’s policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. To facilitate this objective, the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e., high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months once the remaining period to maturity falls to under twelve months. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).

2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated -BBB by Standard and Poor's, Moody's and / or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society {although non-rated subsidiaries and non-rated building societies will need to be non-specified investments.}). For category 5 this covers bodies with a minimum Short-Term rating of – BBB or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. Amount and time limits for counterparty investments are shown within table B4 of this report.

Non-specified investments – are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

	Non-Specified Investment Category	Limit (£ or %)
a.	<p>Supranational bonds greater than 1 year to maturity</p> <p>(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.).</p> <p>(b) A financial institution that is guaranteed by the United Kingdom Government (e.g., National Rail)</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. However, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	AAA long term ratings (or other of your choice)
b.	<p>Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Like category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	

c.	The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	
d.	Any bank or building society that has a minimum long term credit rating of -BBB for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	
e.	Share capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	
f.	Loan capital in a body corporate. See note 1 below.	
g.	Bond funds. See note 1 below.	
h.	Other fund: 1. Property and Diversified Income Funds 2. Real Estate Investment Trusts Depending on the type of fund used, such investments may or may not, constitute capital expenditure. Where funds are capital, use of such investments would constitute capital expenditure, and as such an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	

NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

Within categories *e* to *h* and in accordance with the Code, the Council has developed additional criteria to set the overall amounts of monies which will be invested in these bodies. These criteria are the Authority will ensure Due Diligence is carried out on the Counterparty before any such investment is undertaken.

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link as and when ratings change, and counterparties are checked promptly on occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Officer Finance and Performance, and if required new counterparties which meet the criteria will be added to the list.

Use of external fund managers – It is the Council’s policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories and are contractually committed to keep to the Council’s investment strategy.

The Council’s existing pooled investments include holdings in the CCLA and Lothbury Property Funds and the CCLA Diversified Income Fund.

The Council fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. To aid this assessment, the Council is provided with a suite of regular reporting from its manager.

This includes monthly statements received from Fund Managers along with annual reports in addition to formal reports, the Council also meets with representatives of the fund manager on a semi-annual basis. These meetings allow for additional scrutiny of the manager’s activity as well as discussions on the outlook for the fund as well as wider.

Treasury Management Practices 2

Performance Measurement

“This organisation is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Strategy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisations stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.”

TMP02 – Best Value and Performance Measurement

2.1 Methodology to be applied for evaluating the impact of treasury management decisions

The Council carries out strategic, scrutiny and efficiency best value reviews. Consideration will be given to the appropriateness of a scrutiny review. An efficiency review will be undertaken on a three-year cycle.

Our Treasury Management Consultants review our existing debt portfolio twice yearly and all transactions that have occurred in the interim to ensure that best practice has been achieved.

We are also members of the Link Management Services benchmarking group and have participated in their 2019/2020 information gathering exercise.

Our Treasury Management consultant will carry out a health check of our Treasury Management function on a per-value basis. The performance of the external fund managers will also be evaluated by our Treasury Management consultants on a quarterly basis.

2.2 Policy concerning methods for testing best value in treasury management

2.2.1 Frequency and process for tendering

Tenders are normally awarded on a three-yearly basis. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.2.2 Banking services

Banking services will be retendered or renegotiated every 3 years, to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.2.3 Money-broking services

The Council will use money broking services to make deposits or to borrow and will establish charges for all services prior to using them.

An approved list of brokers will be established which takes account of both prices and quality of services.

2.2.4 Consultants'/Advisers' services

This Council's policy is to appoint full-time professional treasury management consultants and separate leasing advisory consultants when needed.

2.2.5 Policy on external managers

The Council's current policy is to oversee all investments in-house. This will be kept under review and in-house performance will be benchmarked in relation to external fund manager performance.

2.2.6 Methods to be employed for measuring the performance of the organisation's treasury management activities.

- Performance measured against Annual Treasury Strategy statement targets.
- Compliance to CIPFA Code of Treasury Practice.
- Expenses contained within approved budget.
- Performance measured against Security-Liquidity-Yield benchmarking model.
- Review of performance against external fund manager average rates of model.

2.3 Benchmarks and calculation methodology

2.3.1 Debt management

- i. Average rate on all external debt
- ii. Average rate on external debt borrowed in previous financial year
- iii. Average rate on internal borrowing
- iv. Average period to maturity of external debt
- v. Average period to maturity of new loans in previous year

2.3.2 Investments

The performance of in-house investment earnings will be measured against 7 day LIBID.

The performance of the external fund managers will be measured against the 7 day LIBID rate compounded weekly. Performance will also be measured against other local authority funds with a similar benchmark and parameters managed by other fund managers

Treasury Management Practices 3

Decision-making and analysis

“This organisation will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were considered at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.”

TMP03 – Decision Making and Analysis

3.1 Funding, Borrowing, Lending and New Instrument/Techniques

3.1.1 Records to be kept

- The Treasury section records all transactions electronically
- All loan/investment transactions are recorded on the investment spreadsheet and with its Treasury Management system, Logotech. Full details of the system are covered in the procedure notes.
- The following records will be used relative to each loan or investment
 - ❖ Daily cash projections
 - ❖ Telephone rates/internet dealing rates
 - ❖ Dealing slips for all money market transactions – including rate changes
 - ❖ PWLB loan schedules
 - ❖ Brokers confirmations for deposits/investments
 - ❖ Contract notes received from fund manager
 - ❖ Fund manager's valuation statements

3.1.2 Processes to be pursued

- Cash flow analysis
- Maturity/refinancing analysis
- Ledger reconciliations
- Review of borrowing requirement/medium term financial plan (MTFP)
- Monitoring of projected loan charges, interest, and expenses costs
- Review of opportunities for debt rescheduling/PWLB premium/discount rate
- Collection of quarterly performance information

3.1.2 Issues to be addressed

In respect of every decision made the organisation will: -

- a) Above all be clear about the nature and extent of the risks to which the organisation may become exposed.
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- c) Be content that the documentation is adequate both to deliver the organisation's objectives and protect the organisation's interests, and to deliver good housekeeping.
- d) Ensure that third parties are judged satisfactory in the context of the organisation's creditworthiness policies, and that limits have not been exceeded.

- e) Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

In respect of borrowing and other funding decisions, the organisation will: -

- a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- b) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- c) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- d) Consider the ongoing revenue liabilities created, and the implications for the council's future plans and budgets.

In respect of investment decisions, the organisation will: -

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.

Treasury Management Practices 4

Approved instruments, methods and techniques

“This organisation will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in *TMP01 Credit and Counterparty Risk Management*”

TMP04 – Approved Instruments, Methods & Techniques

4.1 Approved Activities of the Treasury Management Operation

- borrowing
- lending
- debt repayment and rescheduling
- consideration, approval and use of new financial instruments and treasury management techniques
- managing the underlying risk associated with the Council's capital financing and surplus funds activities
- managing cash flow
- banking activities
- leasing
- managing the underlying exchange rate risk associated with the Council's business activities
- merchant acquiring & credit card /procurement card facilities.

4.2 Approved Instruments for Investment

All investments will comply with the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (SI 2003/3146) and subsequent amendments.

The instruments used will be:

- term deposits with banks and building societies up to a maximum of 10 years
- certificates of deposits up to a maximum of 364 days
- gilts
- euro sterling bonds
- money market funds that meet the criteria set in SI 451 of 2002
- Corporate bonds.

4.3 Approved Techniques

- Forward dealing up to 364 days providing the forward period and term of the deposit does not exceed the time limit for the category of investment.
- LOBOs
- Stepped interest rate.
- Variable interest rate. (LIBOR linked)
- Fixed term deposits

4.4 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Council has several approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	•	•
EIB	•	•
Market (long-term)	•	•
Market (temporary)	•	•
Market (LOBOs)	•	•
Stock issues	•	•
Local temporary	•	•
Local Bonds	•	
Overdraft		•
Negotiable Bonds	•	•
Internal (capital receipts & revenue balances)	•	•
Commercial Paper	•	
Medium Term Notes	•	
Leasing (not operating leases)	•	•
Deferred Purchase	•	•
Other Methods of Financing		
Government and EU Capital Grants		
Lottery monies		
PFI/PPP		

All forms of funding will be considered dependent on the prevailing economic climate, regulations, and local considerations. The Chief Officer – Finance and Performance has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of delegation to Officers Policy, and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

Treasury Management Practices 5

Organisation, clarity and segregation of duties, and dealing arrangements

“This organisation considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.”

The principal on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly regarding the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If or when this organisation intends, because of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with *TMP06 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The present arrangements are detailed in the schedule to this document.

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the organisations policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*.”

TMP05 - Organisation, Clarity and Segregation of Duties and Dealing Arrangements

5.1 Limit to Responsibility

Council

- Receiving and reviewing reports on treasury management policies, practices, and activities.
- Approval of annual treasury management strategy

Cabinet

- Approval of amendments to the organisations adopted clauses, treasury management policy statement and treasury management practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Receiving and reviewing regular monitoring reports and acting on recommendations.
- Approving the selection of external service providers and agreeing terms of appointment.

Audit and Ethics Committee

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Chief Officer – Finance and Performance

- Recommending clauses, treasury management policy/practises for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function and promoting best value reports.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit and liaising with external audit
- Recommending the appointment of external service providers.

Lead Accountant

- Execution of transactions.
- Adherence to agreed policies and practices on a day-to-day basis.
- Maintaining relationships with third parties and external service providers.
- Supervising treasury management staff.

- Monitoring performance on a day-to-day basis.
- Submitting management information reports to the responsible officer.
- Identifying and recommending opportunities for improved practices.

5.2 Segregation of duties

1. Dealing in the market

Lead Accountant

Whenever possible the recording/checking of the details of deals is kept separate from the negotiating and closing of them.

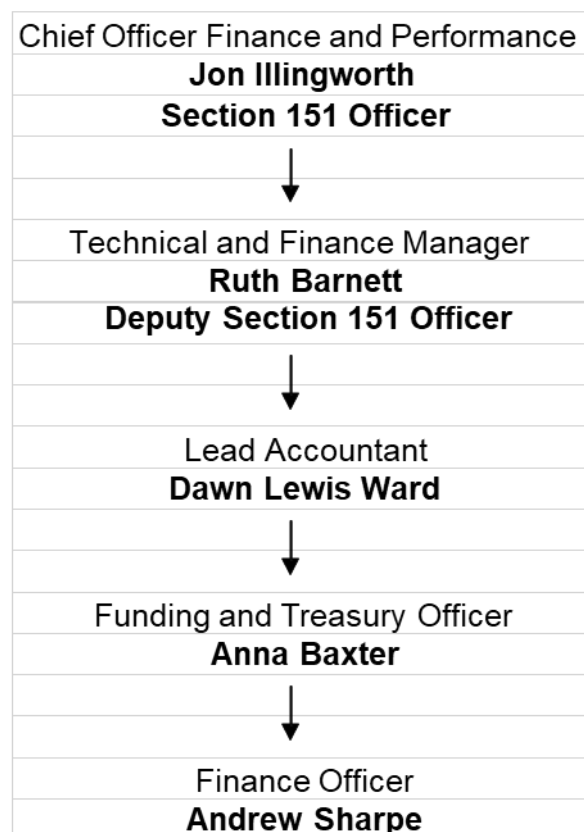
2. Authorisation of market transactions

Chief Officer – Finance and Performance

Technical and Finance Manager

Lead Accountant

5.3 Treasury Management organisation chart



5.4 Statement of duties/responsibilities of each treasury post

At Rugby Borough Council the following division of responsibility are in place:

Chief Officer – Finance and Performance

- a) Preparing the Treasury Management Strategy Statement.
- b) Deciding on funding and short-term policies for the ensuing period.
- c) Deciding on lending and investment policy for the ensuing period.
- d) Advising on the acceptability and characteristics of treasury instruments.
- e) Establishing the vires of the proposed action and the instruments to be used.
- f) Reviewing performance of the treasury management function at least twice a year.
- g) Ensuring that the Treasury Management Manual is regularly reviewed.
- h) Ensuring that the organisation of the treasury management function is adequate to meet current requirements.
- i) Monitoring adherence to approved policy by delegated officers.
- j) Authorisation of loans transactions.
- k) Reporting to elected Members and advising the Monitoring Officer where appropriate.
- l) Ensuring that the system is specified and implemented.

Technical and Finance Manager

- a) Ensuring appropriate divisions of duties.
- b) Authorisation of loan transactions.
- c) Deputising for Chief Officer Finance and Performance in his absence.

Lead Accountant

- a) Ensuring the day-to-day activities accord with the Treasury Management Policy Statement.
- b) Implementing the Treasury Management Practices.
- c) Ensuring compliance with policies, limitations, and directions.
- d) Assessing, appointing, and monitoring performance on brokers.
- e) Production of regular performance reports.
- f) Dealing in the market.
- g) Execution of transactions

Funding and Treasury Officer

- a) Deputising for Lead Accountant
- b) Dealing in the market.
- c) Execution of transactions

Finance Officer

- a) Dealing in the market.
- b) Execution of transactions.

Internal Audit

- a) Reviewing compliance with approved policy and procedures.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

5.5 Absence Cover arrangements

1. One of the following Officers must be available to authorise loan transactions.

Chief Finance Officer	One signatory for authorising borrowing/
Technical & Finance Manager	lending transactions and approving
Lead Accountant	bank transfers.

2. One of the following officers must be available to deal in the market.

Lead Accountant
Funding and Treasury Officer
Finance Officer

5.6 Dealing limits

Persons authorised to deal are identified at 5.4 above. Dealing limits are prescribed by the Annual Investment Strategy included within the annual Treasury Management Strategy.

5.7 List of approved brokers

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them.

5.8 Policy on brokers services

It is Council's policy to rotate business between brokers.

5.9 Policy on recording of conversations

It is not Council Policy to record brokers' conversations.

5.10 Direct dealing practices

Direct dealing with counterparties is permitted subject to comparison with rates offered via brokers. Direct dealing has the benefit of making it possible to invest smaller amounts than are traditionally available via brokers and, potentially, offer a saving on broking fees.

5.11 Settlement transmission procedures

For payments a transfer will be made through Lloyds Commercial Online Banking System to be completed by 3.00pm on the same day.

5.12 Documentation requirements

For each deal undertaken a record is prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

5.13 Arrangements concerning the management of third-party funds

All third-party funds are held in the Council's sole bank account, but separate records are maintained.

5.14 System of recording transactions

All treasury transactions, both investments and borrowings along with daily banking transactions are now recorded and reconciled within Logotech, an approved for use in Local Government treasury management system.

Treasury Management Practices 6

Reporting requirements and management information arrangements

“This organisation will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year.
- A mid-year review.
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation’s treasury management policy statement and TMP’s.

The body responsible for scrutiny, such as an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

Local authorities should report the treasury management indicators as detailed in their sector-specific guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.”

TMP06 – Reporting Requirements and Management Information

6.1 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to Council for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this organisation may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy is concerned with the following elements:
 - the current Treasury portfolio position.
 - the prospects for interest rates.
 - the limits placed by this organisation on treasury activities.
 - the expected borrowing strategy.
 - the expected temporary investment strategy.
 - the policy concerning retention of the set aside capital receipts.
 - the expectations for debt rescheduling.
 - borrowing requirements.
 - any extraordinary treasury issues.
4. The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable) and highlight sensitivities to different scenarios.

6.1.1 Policy on Interest Rate Exposure

1. The Council approves before the beginning of each financial year the following treasury limits:
 - the amount of the overall borrowing limit which may be outstanding by way of short-term borrowing
 - the maximum proportion of interest on borrowing, which is subject to variable rate interest.
2. The Chief Officer Finance and Performance is responsible for incorporating these limits in the Annual Treasury Management Strategy, and for ensuring

compliance with the limits. Should it prove necessary to amend these limits, the Executive Director shall submit the changes for approval to Cabinet.

6.2 Annual Report on Treasury Management Activity

An annual report will be presented to Cabinet at the earliest practicable meeting after the end of the financial year, but in any case, by the end of September. This report will include the following: -

- a. A comprehensive picture for the financial year of all treasury policies, plans, activities, and results.
- b. transactions executed and their revenue (current) effects.
- c. report on risk implications of decisions taken and transactions executed.
- d. monitoring of compliance with approved policy, practices, and statutory/regulatory requirements.
- e. monitoring of compliance with powers delegated to officers.
- f. degree of compliance with the original strategy and explanation of deviations.
- g. explanation of future impact of decisions taken on the organisation.
- h. measurements of performance.
- i. report on compliance with CIPFA Code recommendations.

6.3 Management Information Reports

Management information reports will be prepared every quarter by the Lead Accountant and will be presented to the Technical and Finance Manager.

These reports will contain the following information: -

- a) A summary of transactions executed and their revenue (current effects).
- b) measurements of performance including effect on loan charges/investment income.
- c) degree of compliance with original strategy and explanation of variances.

6.4 Periodic Monitoring Reports

Cabinet will receive and consider as a minimum:

- a) an annual treasury strategy before the commencement of the new financial year.
- b) an annual treasury management activity report before the 30 September after the year end to which it relates.
- c) a mid-year review (as of 30th September of the year to which it relates)
- d) the outcome of debt rescheduling undertaken and reported to Cabinet as soon as possible after completion of the exercise.

6.5 Summary of Review and Reporting Arrangements

Annual reporting requirements before the start of the year

- Review of the organisation's approved clauses, treasury management policy statement and practices.
- Strategy report on proposed treasury management activities for the year.

Mid-year review

- Activities undertaken.
- Variations (if any) from agreed policies/practices.
- Interim performance report.
- Regular monitoring.
- Monitoring of treasury management indicators for local authorities.

Annual reporting requirements after the year end

- Transactions executed and their revenue (current) effects.
- Report on risk implications of decisions taken and transactions executed.
- Compliance report on agreed policies/practices, and on statutory/regulatory requirements.
- Performance report.
- Report on compliance with CIPFA Code recommendations.
- Monitoring of treasury management indicators for local authorities.

Treasury Management Practices 7

Budgeting, accounting, and audit arrangements

“The responsible officer will prepare, and this organisation will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *TMP01 Credit and Counterparty Risk Management*, *TMP02 Best value and Performance Measurement*, and *TMP04 Approved Instruments, Methods, and Techniques*. The form which this organisation’s budget will take is set out in the schedule to this document. The responsible officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with *TMP06 Reporting Requirements and Management Information Arrangements*.

This organisation will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of this organisation’s accounts is set out in the schedule to this document.

This organisation will ensure that its auditors and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.”

TMP07 – Budgeting, Accounting and Audit Arrangements

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

7.2 Accounting Practices and Standards

Due regard is given to the CODE and Accounting Standards as they apply to Local Authorities in Great Britain. The Council adopts in full the principles set out in CIPFA's 'Code of Best Practice and Guide for Treasury Management in the Public Services' (the 'CIPFA Code and GUIDE'), together with those of its specific recommendations that are relevant to this organisation's treasury management activities.

7.3 Sample Budgets/Accounts

The Lead Accountant will prepare an annual budget for treasury management, which will bring together all the costs involved in running the function, together with associated income. The Lead Accountant will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with section 6 above.

7.4 List of Information Requirements of External Auditors

- Reconciliation of loans interest and premiums paid to financial ledger by loan type.
- Maturity analysis of loans outstanding.
- Calculation of loans fund interest and debt management expenses.
- Annual Treasury Report.
- Treasury Progress Report.
- Treasury Management Strategy.
- Calculation of Revenue Interest.
- Interest accruals report and those from external fund manager(s).
- External fund manager(s) valuations including investment income schedules and movement in capital values.

7.5 Budget Setting Exercise

A budget for interest, expenses and loan charges costs is prepared as part of the budget setting process.

Treasury Management Practices 8

Cash and cash flow management

“Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the responsible officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with *TMP01 liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.”

TMP08 – Treasury Management Practices

8.1 Arrangements for Preparing/Submitting Cashflow Statements

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous year's daily cash flow records, adjusted for known changes in levels of income and expenditure and changes in payments and receipts dates.

8.2 Content and Frequency of Cashflow Budgets

Payroll	Monthly
Precepts to County & Police	10 x pa
Precepts to Parishes	2 x pa
Housing Subsidy	10 x pa
Credit Payment Runs (inc. HB & Refunds)	Weekly
Housing Benefit Subsidy	Monthly
Council Tax – Direct Debits	3 x pm & weekly
NNDR – Direct Debits	3 x pm & weekly
PWLB – interest & repayments	Various – per agreements
Revenue Support Grant	7 x pm
BRR – net payment to Pool	7 x pm

8.3 List of Sources of Information

- Payroll for pay runs, NI, Superannuation, and Income Tax information
- Treasury Management records for interest and loans premium payments
- Revenues for Council Tax & NNDR
- DCLG for grants
- Financial Services Unit for Creditor runs
- PWLB
- Individual Counterparties.
- WCC for Warwickshire for precept payment.

8.4 Bank Statement Procedures

Downloaded daily from the Lloyds Commercial Banking Online electronic banking system and exported to Agresso (FMS). Presented cheques are then automatically reconciled using the automatic bank reconciliation system, which updates the creditor system and clears unrepresented cheques. All other items going through the financial ledger are matched to the Bank Statement and discrepancies investigated. Income is electronically sorted and exported into the various relevant systems.

8.5 Payment Scheduling and Agreed Terms with Creditors

Our policy is to pay creditors within 30 days of the invoice date, and this effectively schedules the payments. Certified payments to sub-contractors and SME's will be paid within 14 days.

8.6 Arrangements for Monitoring Revenue/Accounts Payable Levels

The Revenue section provide the Technical and Finance Manager with monthly reports detailing the average age of outstanding amounts against debtors and rate of collection compared to rate of invoicing. Bad debt provisions are made at the end of each year.

The Accounts Payable section provides regular reports information of invoices outstanding for over 20 days to Authorising Officers listed on the report. Statistics are produced to show the percentage of invoices paid within 30 days.

8.7 Procedure for Banking of Funds

All money received by an Officer on behalf of the Council will without unreasonable delay be paid to the Cashiers Department to deposit in the Council's banking accounts. No deductions may be made from such money save to the extent that the Technical and Finance Manager may specifically authorise.

8.8 Practices Concerning Prepayments to Obtain Benefits

All prepayments must be authorised by the Chief Officer Finance and Performance

TMP09 – Money Laundering

Since the topic of money laundering is quite wide and complex this TMP has been structured in the following way:

- Background legislation – This outlines the different statutory requirements applying to local authorities
- Requirements of the legislation – This introduces the individual elements of the legislation each council will need to consider.
- Schedules – This provides a skeleton procedure note to prompt consideration of each of the areas above.

9.1 Background Legislation

There are several Acts of Parliament, and the FSA has also made provisions relating to money laundering, with the main legislation being contained in the Criminal Act 1993 (which contains the provisions to implement the EU Money Laundering Directive). Detailed money laundering regulations came into effect on 1st March 2004 under SI 2003 No. 3075 (references to each regulation from the SI are shown in the body of the TMP), and this Statutory Instrument, The Terrorism Act 2000, the Anti-Terrorism, Crime & Security Act 2001, and the Proceeds of Crime Act 2002 cover the main compliance requirements.

The key requirements of this legislation cover an area wider than the fairly narrow treasury management function, including possessing, or in any way dealing with, or concealing, the proceeds of any crime.

Whilst the Council is not directly required to implement the requirements of the Money Laundering Regulations 2003 (except through this TMP), the implications of the Terrorism Act 2000, the Anti-Terrorism, Crime & Security Act 2001, and The Proceeds of Crime Act 2002 place an onus of responsibility on individuals associated with treasury process to consider its implications.

9.2 Outline of the requirements of the regulations and statues

Every officer should whilst conducting Council business implement: -

1. Identification procedures (SI 2003/3075 Money Laundering Regulations, 4 & 5). This regulation applies if: -
 - a) You are forming a business relationship; or
 - b) Considering undertaking a one-off transaction, and
 - i. Suspect a transaction involves money laundering; or
 - ii. A payment is to be made for Euro10,000 or more (approximately £8,600)
 - c) In respect of two or more one-off transactions that the transactions are linked and involve Euro 15,000 or more.

The Money Laundering and Terrorist Financing Regulations 2019 implemented the EU Fifth Money Laundering Directive in the UK and came into effect on 10 January 2020.

This legislation extends the scope of regulated industries and ensures enhanced due diligence is conducted.

2. In these instances, you should: -
 - a) Set up and maintain identification procedures to ensure the counterparty produces satisfactory evidence of their identity.
 - b) Follow the procedures to ensure the counterparty provides satisfactory evidence.
3. These procedures should reflect: -
 - a) The greater potential for money laundering if the counterparty is not physically present when being identified.
 - b) If satisfactory evidence is not obtained the relationship or transaction does not proceed.
 - c) If the counterparty acts, or appears to act, for another person, reasonable measures must be taken for the purpose of identifying that person.
4. The primary exception to this requirement is if the counterparty carries on FSA regulated business in the UK (or comparable or by overseas regulatory authority) it is not required that you obtain evidence. In this case most treasury transactions will be undertaken with or via relevant businesses, although there may be isolated exceptions such as the Post Office.
5. Record keeping procedures (Money Laundering Regulation 6).
The Council should maintain procedures covering the retention of records. To ensure compliance, records are required to be kept for 5 years after the end of the transaction or relationship.
6. Internal reporting procedures (Money Laundering Regulation 7).
The Council should maintain internal reporting procedures which document: -
 - a) The “nominated officer” who will be the Money Laundering Reporting Officer (MLRO) who will receive nominations under this regulation.
 - b) Any other person in the organisation to whom information may arise which may result in them knowing or suspecting reasonable grounds of knowing or suspecting money laundering, fraud or use of the proceeds of crime.
 - c) If the MLRO receives a disclosure they should consider, in the light of all information, whether it gives rise to such knowledge or suspicion.

- d) If the MLRO determines that the information or matter should be disclosed, they should do so to the National Criminal Intelligence Service (see 8 below).
7. Other procedures (Money Laundering Regulation 3(b))
The Council should establish other procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering.
 8. Training (Money Laundering Regulation 3(c))
The Council should take appropriate measures to ensure that relevant employees are: -
 - a) Made aware of the provisions of these regulations, Part 7 of the Proceeds of Crime Act 2002, Section 117 of the Anti-Terrorism, Crime and Security Act 2001 and sections 18 and 21A of the Terrorism Act 2000 (these deal with the offences and are available from www.legislation.hmsso.gov.uk)
 - b) Given training in how to recognise and deal with transactions which may be related to money laundering. National Criminal Intelligence Service - In the event of an offence or a possible offence you should contact: NCIS Law enforcement personnel: Contact NCIS initially through 0207 238 8000.

9.2 Schedules addressing compliance

To address these requirements, the Council has set up the following procedures: -

9.3.1 For treasury management purposes

1. Training - Through this document and specific training, staff will be kept aware of developments in money laundering regulations and the appropriate staff are encouraged to keep abreast of money laundering issues through publications and the internet. The MLRO will be required to attend specific professional courses on money laundering developments to ensure local knowledge is kept up to date.
2. Material and regular deposits or borrowing - For all investment or borrowing counterparties, the Council will ensure that the counterparty has been suitably identified. This will take the form of:
 - a) Investment counterparties - All investment counterparties which are maintained on the Council's lending list should be a deposit taker authorised by a regulatory body (e.g. the FSA {check via www.fsa.gov.uk/register}). As such the identification procedures usually required above do not apply since the institution carries out relevant business in the UK. Those counterparties not authorised as a deposit taker through the FSA are institutions,

such as the Bank of England or Post Office, are not required to be the subject of stringent identification procedures, but the Council will review these on a case-by-case basis.

- b) Borrowing counterparties - All borrowing counterparties are dealt with through either of the following routes: -
- i. Via money brokers – in this instance money laundering. Regulations 5(2) applies in as much as the combination of the use of brokers and reasonable grounds that the counterparty carries on authorised business in the UK. However even when dealing via a broker it is the council's responsibility to verify the counterparty, not the brokers. OR
 - ii. Direct dealing - In this instance the Council uses only recognised names, ones with credit ratings and to which the Council has reasonable grounds to expect that the counterparty carries on regulated business in the UK. For a few notable exceptions (such as Bank of England or Post Office), the nature of their business does not require stringent identification procedures, but the council will undertake procedures to “know the counterparty”.
3. If any treasury investment counterparties are not known to the Council, the treasury officer will ensure identification of the counterparty by checking the credit rating of the organisation via the Council's treasury advisers Link Asset Management. This would normally be undertaken during the compilation of the counterparty list. If the counterparty is neither credit rated, nor known to be carrying on regulated business (e.g. FSA), the Council will not deal with that organisation.
4. Small or irregular treasury deposits - The Council may from time to time accept deposits from local institutions or individuals. In these circumstances the Council will require and copy identification of the institution's contact officer or individual and the Council will take such steps that are reasonable (as defined by the Council) to ensure the activities and operations of the counterparty are appropriate. The identification process and documentation will be held with the information relating to the transaction. In the event that identification is inadequate or not forthcoming the Council will not deal with that institution or individual.
5. Reporting – Appoint a “nominated officer” - The MLRO, who is nominated to receive disclosures under this regulation. The MLRO for this council is the Chief Internal Auditor. Any concern of a transaction possibly being linked to either money laundering or the proceeds of crime must be referred to the MLRO for consideration

and if the concerns are validated the NCIS must be notified. It may be best for the Council to draw up examples of the types of transactions which may be considered abnormal for front line employees who may find themselves in an exposed position. For instance, an unknown person paying a large bill by cash, are the cashiers required to ask for identification? Should they refuse the cash or ask additional questions? Should notices be displayed in cashiers to this effect?

9.3.2 Non-treasury management transactions

1. Regular cash and other receipts - The Council will in the normal operation of its services accept cash payments from individuals or organisations in relation to rents, Council tax, sundry debtors etc. However, the de-minimus limit of Euro10,000 applied in the regulations will mean that the requirements of the regulations do not apply to the majority of the Council's customers, unless the Council employee would have reasonable grounds to suspect money laundering activities or proceeds of crime or is simply suspicious. Where in the case of rental income, business rates etc. which are in excess of the de-minimus limit the Council employee can take some confidence from the following: -
 - a) Receipts will normally be paid by BACS or cheques and the relevant bank will be required to comply with the money laundering regulations for their customer.
 - b) These types of transactions relate to usage of a property or specific service which would not normally be ideal conduits for money laundering.
 - c) Most customers will be locally known businesses.
2. Significant cash receipts should be properly evaluated, evidence gathered and if not supported refused. Any bank payments from unknown or overseas banks should be subject to similar scrutiny.
3. Occasional receipts from infrequent customers – The main receipts accepted by the Council will be related to capital receipts from the sale of assets, although any other receipts in excess of £1,000 should be reviewed. In ensuring the identification procedures the Council can take confidence from the following: -
 - a) The legal section will deal with the sale and will identify the payee during the process of sale.
 - b) Receipts will normally be paid by BACS or cheques and the relevant bank will be required to comply with money laundering regulations for their client.

- c) Most customers will be long standing tenants or known businesses.
4. Payments – The majority of the payments by the Council will be via the payroll directly to bank accounts. Similarly, the majority of creditor payments will be paid via BACS directly to domestic bank accounts or by crossed cheques and so the same controls will apply. In these cases, the relevant bank will be required to comply with the money laundering regulations for their client's further use of the money.
 5. Cash payments – The local procedures and magnitudes for cash payments (as well as receipts) will need to be reviewed to ensure compliance with the above procedures.
 6. Refunds – Care will need to be taken especially with the procedures for refunds. For instance, a significant overpayment which results in a repayment will need to be properly investigated and authorised before payment.
 7. Fraud – Whilst each council will be aware of system risk areas, and these will be the subject of controls or regular review, a council wide review of risk areas, materiality and probability of loss should be considered.

In the event of any suspicious transactions the MLRO should be contacted for investigation, and the possible perpetrator should not be informed (i.e. not "tipped off").

Treasury Management Practices 10

Training and qualifications

“This organisation recognises the importance of ensuring that all staff involved in treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.”

TMP10 – Training and Qualifications

- 10.1 Details of staff training needs will be identified as part of the training needs analysis.
- 10.2 Training and training updates will be provided as appropriate on the Treasury Management system
- 10.3 Treasury Management seminars (CIPFA, TMAs, etc.) will be attended as appropriate.
- 10.4 The Chief Officer - Finance and Performance is committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other staff involved in treasury management activities are committed towards compliance with the SOPP.
- 10.5 Members of Audit and Ethics Committee and Cabinet will be offered appropriate training relevant to their needs and responsibilities at regular intervals via treasury management staff briefings or the use of external consultants.

Treasury Management Practices 11

Use of external service providers

“This organisation recognises the potential value of employing external providers of treasury management services, to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.”

TMP11 – Use of External Service Providers

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisors

11.1.1 Banking services

- a) Name of supplier is Lloyds Bank plc. The branch address is:
City Office, Unit 7a 1 Paternoster Square, London EC4M 7DX
- b) Contract commenced 01/04/2019 and runs for 3 years until 31/03/2022 with an option to renew annually for a further 3 years.
- c) Cost of service is variable depending on schedule of tariffs and volumes
- d) Payments due quarterly
- e) Review after 3 years. This review was carried out and the option to renew for a further year was taken for 2022/23.

11.1.2 Money-broking services

Name of supplier of service:

Tradition Brokers – Contact: Alex Cicopalus
Imperial Treasury Ltd – Contact David Coverdale
King and Shaxson Ltd – Contact Lisa Denton
BGC Brokers LP – Contact Emily Ballard
Martin Brokers – Contact Helen Ellerton
Link ATS – Contact Zoe Lawton

11.2 Treasury and Leasing Consultancy Services

- a) Name of supplier of services is Link Asset Services Ltd
- b) Their address is:
6th Floor,
65, Gresham Street,
London EC2V 7NQ

The contract commenced 01/10/2017 for 3 years, with an option to extend, which was agreed for a further year. The service will be retendered during 2022.

- b) Cost of service is £7625.00 per year
- c) Payments due half yearly, April and October.

NB

Other Consultancy services may be employed on short-term contracts as and when required.

For Procedures and Frequency for Tendering Services, please See TMP02

Treasury Management Practices 12

Corporate Governance

“This organisation is committed to the pursuit of proper corporate governance throughout its business and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.”

This organisation has adopted and has implemented the key recommendations of the code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, when necessary, report upon the effectiveness of these arrangements.”

TMP12 – Corporate Governance

12.1 List of Documents to be made available for Public Inspection

- Annual accounts
- Annual Budget
- 3 Year Capital Plan
- Treasury Management Policy
- Treasury Management Strategy
- Treasury Progress Report
- Annual Treasury Report

AGENDA MANAGEMENT SHEET

Report Title:	Accounting Policies 2021/22
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	29 March 2022
Report Director:	Chief Officer – Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	All
Prior Consultation:	N/A
Contact Officer:	Jon Illingworth, Chief Officer - Finance and Performance, 01788 533410, jon.illingworth@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
Summary:	Approval is sought for the Council's accounting policies (Appendix A) for the production of the Council's 2021/22 Statement of Accounts.
Financial Implications:	There are no financial implications for this report

Risk Management/Health and Safety Implications:	There are no risk management or health and safety implications for this report
Environmental Implications:	There are no environmental implications for this report
Legal Implications:	There are no legal implications for this report
Equality and Diversity:	There are no equality and diversity implications for this report
Options:	N/A
Recommendation:	To approve the accounting policies (Appendix A) underpinning the production of the 2021/22 Statement of Accounts
Reasons for Recommendation:	Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements. The Committee is responsible for approving the financial statements and therefore required to understand the basis on which they have been prepared.

Audit and Ethics Committee - 29 March 2022

Accounting Policies Update 2021/22

Public Report of the Chief Officer – Finance and Performance

Recommendation

The committee approve the Council's accounting policies (Appendix A) underpinning the production of the 2021/22 Statement of Accounts

1. Introduction

- 1.1. This report provides the Committee with some context within which the 2021/22 Statement of Accounts (the Accounts) are being produced.
- 1.2. Approval is sought for the Council's accounting policies for 2021/22

2. Statement of Accounts approval and publication

- 2.1. At the end of each financial year, we are required by the Accounts and Audit Regulations 2015 to publish a Statement of Accounts setting out the financial position of the council and the transactions that have been made during the year.

Since 2019/20, the above regulations have been amended by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

- 2.2. After being approved by the council's Chief Financial Officer as a true and fair view, draft accounts for the year are published, along with the council's annual governance statement. For the 2020/21 and 2021/22 financial year, the dates for publication and audit of local authority have been amended to 31 July and 30 November as a special measure because of the impact of Covid. Once the draft accounts are approved, they must be made available for public inspection, along with the supporting accounting records and associated documents for 30 working days. During this period, local electors can ask the external auditors questions about the draft accounts or raise objections to them.
- 2.3. For the 2022/23 financial year deadlines will revert to the statutory timetable with local authorities having to publish their financial statements by 31 May and have them audited by 31 July.

3. Local Authority Accounting Framework

- 3.1. For the completion of the 2021/22 Statement of Accounts there are no material updates to the CIPFA code of practice from 2019/20 that the Committee needs to be aware of.
- 3.2. The up-coming accounting change that will impact on the production of future Statement of Accounts is;

IFRS 16 – Leases. This will affect how organisations account for the assets that they lease from other organisations. This new standard is due to become operational from 1 April 2022 after being deferred for two years. The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has recently issued a consultation exercise on the deferral of the implementation of IFRS 16 Leases for one more year. This deferral would ease the pressure for the audit of the 2022/23 accounts. We are currently awaiting the outcome of this consultation.

The consultation issued by CIPFA/LASAAC also seeks views on other matters related to the valuation of non-current assets to try and ease the delays that the sector has faced in being able to publish audited financial statements.

- 3.3. An update on this will be reported to the committee in further detail throughout the 2022/23 financial year.

4. Accounting Policies

- 4.1. Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements and is detailed within Appendix A.
- 4.2. The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices and, in preparing those Accounts, is responsible for selecting suitable accounting policies and applying them consistently.
- 4.3. The Audit and Ethics Committee is responsible for approving the Statement of Accounts and should therefore be aware of and understand the basis on which those Accounts have been prepared.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 29 March 2022

Subject Matter: Accounting Policies Update 2021/22

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Draft Accounting Policies 2021/22

1. General Principles

The Statement of Accounts (the Accounts) summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare annual Accounts by the Accounts and Audit Regulations 2015, which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

The Council's revenue and capital activity is accounted for in the year that it takes place, by including sums due to or from the Council in the year, not simply when cash payments are made or received.

Where material income and expenditure amounts have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts).

This concept is not applied to electricity and gas supplies and other routine on-going business expenses. However, the Accounts do reflect twelve months' supply in each year, and this does not have a material effect on the Accounts.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than one month from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

5. Employee Benefits

Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that leave benefits are charged to revenue in the financial year in which the leave of absence occurs.

Termination Benefits

Termination benefits are amounts payable because of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accrual's basis to the relevant service line in the Comprehensive Income & Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for restructuring.

Pension Costs

Pension Benefits

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that the employees earn their future entitlement.

The pension scheme is operated under the framework of the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Investment sub-committee of Warwickshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

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

Recognition and Measurement

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of xx.x% (broadly equivalent to the yield available on high quality corporate bonds with duration, consistent with the term of the liabilities).
- The fair value of the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Market quoted investments – current bid price on the final day of the accounting period
 - Fixed interest securities – net market value based on their current yields
 - Unquoted investments – professional estimate

The change in net pensions liability is analysed into the following components:

- **Service Cost** - comprising:
 - Current year service cost – the increase in the liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increases in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Net interest on the net defined liability – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements** - comprising:
 - The return on plan assets – excluding amounts including in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the pension fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

6. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of 2021/22 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2022 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

7. Financial Instruments

Financial Liabilities

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

For most of the Council’s borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund and Housing Revenue Account Balances is managed by a transfer

to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

8. Income

Grants

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

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

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant line in the Comprehensive Income & Expenditure Statement.

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

Revenue from contracts with customers

Where revenue is charged or received for goods or services provided to customers there will be an assessment of this income following the following 5 step approach.

- 1) Identify contract - agreement that creates enforceable rights and obligations
- 2) Identify performance obligations in the contract

- 3) Determine transaction price
- 4) Allocate transaction price to performance obligations
- 5) Recognise revenue when or as an entity satisfies performance obligations

The outcome of this evaluation will determine how this will be accounted for within the statement of accounts.

9. Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. They are a distinct class of asset which is reported separately from Property, Plant, and Equipment. Previously the majority of these assets had been held as Community Assets with the exception of one or two which were held in Infrastructure Assets or Other Land and Buildings. The heritage assets held by the Council have been categorised as follows:

- Art & Social History Collections
- Monuments & Statues
- Historic sites / buildings
- Civic Regalia

The Code requires councils to recognise heritage assets where the Council has information on the cost or value of the asset. However, the unique nature of many heritage assets makes reliable valuation complex. Where it is not practical to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the financial statements) and cost information is available, the asset will be carried at historical cost (less any accumulated depreciation, amortisation and impairment losses) as permitted by the Code.

Valuations may be made by any method that is appropriate and relevant to the heritage asset: this includes insurance valuations for museum collections, monuments & statues, historic sites, and civic regalia. It is not a requirement of the Code for valuations to be carried out or verified by external valuers. Although there is no prescribed minimum period between full valuations, the Council considers it appropriate to seek a full valuation every five years.

Impairment reviews will only take place where there is physical deterioration or new doubts as to the authenticity of the heritage asset. Any impairment recognised will be treated in accordance with the Council's policy on impairments.

10. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance are identifiable and controlled by the Council is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Normal examples are those of software or software licences, which are initially recognised at cost, and which have a useful life, of 3 –10 years and the depreciable amount is therefore written down over that useful life.

11. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

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

12. Investment Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustments Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including any held jointly
- Its liabilities, including any share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its expenses, including its share of any expenses incurred jointly
- The Council has a 50% interest in the Rainsbrook Crematorium Joint Committee with the other 50% relating to Daventry District Council. The decision making and operational arrangements of the Joint Committee fulfil the features associated with a jointly controlled operation in that:
 - Each operator incurs its own expenses and liabilities and raises its own finance, which represent its own obligations; and
 - The joint operation agreement provides a means by which the revenue from the service and any expenses incurred in common are shared among the operators.

Therefore, in line with the contractual arrangements set out in the joint agreement, the Council recognises its share of the operational assets and liabilities of the Joint

Committee on its Balance Sheet and debits and credits the Comprehensive Income and Expenditure Statement with 50% of the expenditure and income of the Joint Committee. This is also recognised in the Movement in Reserves Statement and the Cash Flow Statement as appropriate. Further detail on this Joint Operation is also provided in Note 35 Related Party Transactions.

14. Leases

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

Where a lease covers both land and buildings, the land and building elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. This definition includes rental agreements, contract hire and licences.

15. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

16. Property Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as a revenue expense when it is incurred. The Council has established a de-minimis level of £10,000. Expenditure on assets under this level is not capitalised within the Accounts and the assets are fully depreciated within the year.

Measurement

Assets are initially measured at cost, comprising:

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have any commercial substance (i.e., it will not lead to

a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. This includes assets such as the Queen's Diamond Jubilee Leisure Centre, Benn Hall, and the John Barford Car Park.

Where non-property assets have short useful lives and/or low values, for example, vehicles and IT equipment, they are measured at depreciated historical cost as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and building assets under £10,000 are not revalued except for investment properties. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains or may be credited to the Comprehensive Income & Expenditure Statement to reverse a previous downward revaluation.

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & Expenditure Statement, up to

the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Impairment Losses

No impairments were recognised in the year following a review of asset compliance with our componentisation policy.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (i.e., freehold land and Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Where depreciation is provided for, assets are depreciated using the straight-line method over the following periods:

- Dwellings and other buildings – 5-60 yrs.
- Vehicles, plant and equipment – 3-25 yrs.
- Infrastructure – 7-40 yrs.

Depreciation is charged on council dwellings in the year of disposal.

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

Componentisation

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £500,000 for determining whether an asset needs to be componentised and an individual asset cost of more than 25% to determine whether an asset is considered as a component.

The carrying amount of a replaced or restored part of an asset (component) is derecognised, with the carrying amount of the new component being recognised subject to the principles set out in Recognition and Measurement above. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

Subsequent Expenditure on Property Plant and Equipment

Subsequent costs incurred on an asset previously recognised as Property, Plant and Equipment will only be capitalised if they result in items with physical substance and meet the recognition principle that

- It is probable that future economic benefits or service potential associated with the item will flow to the Council; and
- The cost of the item can be measured reliably.

Exceptions to the general approach of comparing the outcome of expenditure compared to previously assessed levels of performance:

- Where subsequent expenditure will actually increase the level of performance of an asset in generating economic benefits or providing service potential but does not increase the level of performance previously assessed by the Council for that asset, then the assessment can be updated (through a revaluation adjustment) and the new expenditure capitalised
- Where subsequent expenditure represents the replacement of a component of an existing asset provided that the old component can be written out of the Balance Sheet

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal of £10,000 or more are categorised as capital receipts, whereas amounts below £10,000 are classed as revenue income. A proportion of receipts relating to Right-to-Buy housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund or HRA Balance in the Movement in Reserves Statement.

The writing off of the remaining net book value of assets which are disposed of is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Assets Held for Sale

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

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

17. Provisions, Contingent Liabilities & Contingent Assets

Provisions

Provisions represent amounts set aside to meet future liabilities which are likely or certain to be incurred but where it is not possible to determine exactly the amounts or timing of such events.

Provisions in respect of bad and doubtful debts are maintained, including amounts relating to rent, council tax and business rate arrears, which have been estimated in accordance with recommended practice and past experience and are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement. When payments are eventually made, these are charged to the provision carried in the Balance Sheet.

Contingent Liabilities

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

18. Value Added Tax (VAT)

VAT is included in service revenue or capital income and expenditure accounts only when it is not recoverable.

AGENDA MANAGEMENT SHEET

Report Title: Homes England Compliance Audit Report

Name of Committee: Audit and Ethics Committee

Date of Meeting: 29 March 2022

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: None

Prior Consultation: Chief Officer - Finance and Performance
Chief Officer - Communities and Homes

Contact Officer: Chris Green - Corporate Assurance Manager & Transformation Lead,
01788 533451, chris.green@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

Summary: The report sets out the results of a compliance audit completed by Homes England in January 2022. The Council is required to formally acknowledge the contents of the report.

Financial Implications: None

Risk Management/Health and Safety Implications:	No direct implications.
Environmental Implications:	None
Legal Implications:	No direct implications.
Equality and Diversity:	No implications
Options:	None
Recommendation:	The report be considered and NOTED.
Reasons for Recommendation:	To comply with the requirements of the terms of reference of the Audit & Ethics Committee, and to discharge the Committee's responsibilities under the Constitution. To meet the requirements for the Council to formally acknowledge the Homes England report.

Audit and Ethics Committee - 29 March 2022

Homes England Compliance Audit Report

Public Report of the Chief Officer - Finance and Performance

Recommendation:

The report be considered and NOTED.

1. Report

- 1.1 The report sets out the results of a compliance audit completed by Homes England in January 2022.
- 1.2 The audit was completed by Homes England to provide assurance that the Council is operating in accordance with the terms and conditions attached to the grant funding received under the Shared Ownership and Affordable Homes programme for the empty homes scheme “977180 Rugby BC Acquisition of an additional x2 Social units at Norman Road Norman Road, CV21 1DW”.
- 1.3 Homes England stipulates that: “providers should ensure Compliance Audit reports and any recommendations are brought to the attention of cabinet members (local authorities). After boards/committees have met and within 3 calendar months of receipt of the report, the provider is required to sign into the Compliance Audit system:
 - To verify the date that the board or committee met
 - To certify that their board/ committee has given their acknowledgement to the report and recommendations
 - To certify that their board/ committee has given their agreement to the action plan to address any breaches”.
- 1.4 In order to meet these requirements, it was determined that the report would be emailed to the Leader and Portfolio Holder for formal acknowledgement, and tabled at the Audit & Ethics Committee for consideration and noting.
- 1.5 The full report can be found at **Appendix A**. It shows the Council was rated as “**Green**” and there were **no breaches identified**.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 29 March 2022
Subject Matter: Homes England Compliance Audit Report
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appx A	Homes England Compliance Audit Report

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



Compliance Audit Report – 2021/22

44UD – Rugby Borough Council

Final Grade	Green - Meets requirements
Independent Auditor Organisation	Cottons Chartered Accountants
Independent Auditor Name	James Melvin

Report Objectives and Purpose

Compliance Audits check Provider compliance with Homes England's policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the Provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches' in this report. Breaches are used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided on page 2 of this document.

Further information is available at: <https://www.gov.uk/guidance/compliance-audit>.

Provider's Acknowledgement of Report

The contents of this report should be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement should be recorded in the IMS Compliance Audit System by your Compliance Audit Lead on behalf of your Board's Chair or equivalent. Online acknowledgement should be completed within three calendar months of the report email notification being sent.

Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.



Compliance Audit Grade Definitions

Green Grade	No high or medium severity breaches identified, although there may be low breaches identified. The Homes England audit report will show that the provider has a satisfactory overall performance but may identify areas where minor improvements are required.
Amber Grade	One or more medium severity breaches identified. The Homes England audit report will show that the provider has failed to meet some requirements but has not misapplied public money. The provider will be expected to correct identified problem(s) in future schemes and current developments.
Red Grade	One or more high level severity breaches identified, the Homes England audit report will show that the provider has failed to meet some requirements and there has been a risk of misapplication of public funds.

Compliance Audit Grade and Judgement

Final Grade	Green - Meets requirements
Judgement Summary	On review of the evidence provided, the outcome of the audit has shown the provider has complied with all the programme requirements and guidance. A GREEN grade has been assigned and no breaches were identified.

Scheme/Completions details

Scheme ID/ Completion ID	Address/Site ID	Scheme type
977180	Rugby BC Acquisation of an addition x2 Social units Norman RoadNorman Road,CV21 1DW	Empty Homes



Audit Results

Number of Schemes/Completions Audited	1
Number of Breaches Assigned	0
Number of High Severity Breaches	0
Number of Medium Severity Breaches	0
Number of Low Severity Breaches	0