N0N-CONFIDENTIAL

Borough of Tamworth

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AUDIT AND GOVERNANCE COMMITTEE

14 March 2022

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Council Chamber, Marmion House, Lichfield Street, Tamworth, B79 7BZ on Tuesday, 22nd March, 2022 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

CHIEF EXECUTIVE

A G E N D A

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1 **Minutes of the Previous Meeting** (Pages 5 - 8)

2 **Apologies for Absence**

3 **Declarations of Interest**

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

4 Auditors' Annual Report (Pages 9 - 36)

(Report of the External Auditors)

5 Informing the Audit Risk Assessment (Pages 37 - 66)

(Report of the External Auditors)

6 Final Accounts Plan 2021/22 - Accounting Policies and Action Plan (Pages 67 - 100)

(Report of the Executive Director, Finance)

7 Reset & recovery update (Pages 101 - 106)

(To receive an update from the Reset & Recovery Programme Director on project risks and quality assurance)

8 Internal Audit Plan and Charter 2022/2023 (Pages 107 - 128)

(Report of the Audit Manager)

9 Appointment of Independent Member to Audit & Governance Committee - next steps (Pages 129 - 132)

(Report of the Audit Manager)

10 Annual Report of the Audit & Governance Committee 2021/22 (Pages 133 - 140)

(Report of the Audit Manager)

11 Audit and Governance Committee Timetable (Pages 141 - 146)

(Discussion Item)

12 Exclusion of the Press and Public

To consider excluding the Press and Public from the meeting by passing the following resolution:-

"That in accordance with the provisions of the Local Authorities (Executive Arrangements) (Meeting and Access to Information) (England) Regulations 2012, and Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the consideration of the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public"

At the time this agenda is published no representations have been received that this part of the meeting should be open to the public.

13 Update from the Audit & Governance Sub-Committee meeting (Pages 147 - 148)

(To receive an update and any minutes of the Audit & Governance Sub-Committee meeting and where relevant approve any recommendations contained therein)

A Private Meeting of the Members and the External Auditor and internal Auditors will follow this meeting

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Access arrangements

If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.

Filming of Meetings

The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found here for further information.

If a member of the public is particularly concerned about being filmed, please contact a member of Democratic Services before selecting a seat

FAQs

For further information about the Council's Committee arrangements please see the FAQ page here

To Councillors: T Clements, R Ford, M Cook, A Cooper, M J Greatorex, Dr S Peaple and P Thurgood

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON 10th FEBRUARY 2022

PRESENT: Councillor T Clements (Chair), Councillors R Ford (Vice-Chair), J Chesworth, A Cooper, M J Greatorex, Dr S Peaple and P Thurgood

Officers: Stefan Garner (Executive Director Finance), Andrew Wood (Audit Manager) and Jo Hutchison (Democratic Services, Scrutiny and Elections Officer)

Visitors: Mark Stocks (Grant Thornton)

45 APPOINTMENT OF CHAIR

The Vice-Chair of the Committee opened the meeting and, on behalf of the Committee thanked the recently retired member and Chair of this Committee, Councillor M Summers for his chairmanship of the Committee.

A vote of thanks in favour of Cllr Summers was passed

(Moved by Councillor R Ford and seconded by Councillor P Thurgood)

The Vice-Chair reported, and the Committee noted, that Councillor Tina Clements had been appointed as a new member of this Committee.

RESOLVED that Councillor T Clements be elected as Chair of the Audit & Governance Committee

(Moved by Councillor R Ford and seconded by Councillor M Greatorex)

Councillor T Clements chaired the remainder of the Meeting.

46 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 28 October 2021 were approved and signed as a correct record.

(Moved by Councillor R Ford and seconded by Councillor Dr S Peaple)

47 APOLOGIES FOR ABSENCE

There were no apologies for absence.

48 DECLARATIONS OF INTEREST

There were no declarations of Interest.

49 UPDATE FROM EXTERNAL AUDITORS

The External Auditor reported that the Auditor's Annual Report would be brought to the March meeting.

50 RISK MANAGEMENT QUARTERLY UPDATE

Report of the Assistant Director Finance to report on the Risk Management process and progress for Quarter 3 of the 2021/22 financial year

RESOLVED: That Committee

endorsed the Corporate Risk Register.

(Moved by Councillor Dr S Peaple and Seconded by Councillor R Ford)

51 INTERNAL AUDIT QUARTERLY UPDATE REPORT Q3

Report of the Audit Manager to provide Audit & Governance Committee with internal audit's progress report for the period to December 2021 (Quarter 3).

RESOLVED: That Committee

1. endorsed the progress report; and

   (Moved by Councillor R Ford and seconded by Councillor A Cooper)

2. requested that additional data on outstanding issues be included in future reports

   (Moved by Councillor Dr S Peaple and seconded by Councillor R Ford)

52 AUDIT COMMITTEE EFFECTIVENESS

The Audit and Governance Committee undertook the annual self-assessment of Audit & Governance Committee effectiveness. Following a discussion regarding the independent member appointment, the Committee agreed the self-assessment.

RESOLVED: That the Committee:

1. considered the attached self-assessment checklist and endorsed any actions to improve its effectiveness as appropriate; and
2. Deferred recommendation 2, which was to consider and ratify the approach to be taken in respect of appointing an Independent Member to the Committee, pending a further discussion by the Committee at the March meeting

(Moved by Councillor R Ford and seconded by Councillor J Chesworth)

53 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE

The Committee reviewed the timetable, and in particular the items for consideration at eth March meeting and agreed to defer the following items to the June 2022 Committee Meeting:

1. The External Auditor's Audit and Governance Committee Update, the Audit Plan and the Fee Increase Letter.
2. The Review of the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement and the Treasury Management Statement and the Annual Investment Strategy Mid-Year Review Report.
3. Councillor Code of Conduct
4. Review of the Constitution and Scheme of Delegation to Officers
5. Review of Financial Guidance.

The following items would be added to the Timetable for the March meeting:
1. Independent Member appointment
2. Exclusion of the Press and Public to facilitate a report on the recommendations from the Audit & Governance Sub-Committee on the Future High Street Fund Risk report.

Chair

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Grant Thornton

Auditor's Annual Report on Tamworth Borough Council

2020-21

22 March 2022

nda Item 4

Contents

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

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

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. 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 Council 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.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

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

Key Findings

Financial sustainability

Tamworth has historically performed well, with a record of strong financial and budgetary management, despite the challenging environment in which it is operating. The Council underspent its budget in 2020-21 for both the General Fund and HRA and is forecasting that it will underspend its 2021-22 budgets . The Council had usable reserves of £63.2m at the 31st March 2021 (£50.7m 2019-20). The level of reserves places the Council in a strong financial position.

The MTFS was updated in January 2022. This indicates that the Council will continue to have a general fund surplus up to 2024-25 (£2.7m). The General Fund will move into deficit in 2025-26 (£428k) and this deficit will increase further in 2026-27 (£3.93m).

This places the Authority in a strong financial position in the short term. The Authority have identified a level of savings which need to be achieved in order to deliver a balanced budget and maintain their reserve levels.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority.

Further details can be seen on pages 7-9 of this report.

Governance

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

Our work on both business as usual governance and 'Covid' adapted structures has not identified any significant weaknesses in arrangements or improvement recommendations in relation to governance.

Further details can be seen on pages 10-12 of this report.

Executive summary

Key Findings

Improving economy, efficiency and effectiveness

The Council has a number of appropriate arrangements in place to ensure economy, efficiency and the effectiveness of services.

Key Performance Indicators (KPIs) are in place and are reported regularly to members. Service plans are also in place for services. Partnership working is also strong and the Council can evidence effective working with other authorities and government agencies. This has enabled the Council to secure significant additional funding. Procurement processes are in general appropriate.

We have not identified any significant weaknesses.

Our audit did identify a number of areas for improvement. The key ones are:

- the KPIs available do not provide a comprehensive view of service performance and we recommend that these are developed further.
- Some service plans we reviewed had not been maintained and kept up to date or the data had not been updated for a significant period. As with the KPIs, the majority of the service plans do not provide enough detail to assess how effective the service is operating.

The Council does not appear to consistently use external benchmarking as a tool against which to measure performance and identify improvement opportunities.

Our own benchmarking indicators show:

- the Council has a high percentage of reserves compared to net service revenue expenditure when compared with its statistical near neighbours.
- for 2020-21 Tamworth was a relatively high spending authority ranked 32nd out of 189 District Councils with a unit cost of £144.57/head. This is mirrored across a number of services. A notable outlier is the shared waste service with Lichfield which is low spend.

High spend is not necessarily an indicator of poor or inefficient services. Rather it can be a decision to invest in appropriate local services. We have discussed this with the Executive Director Finance, and he is satisfied that the areas of high spend are in line with the Council's priorities. The Council should reflect on this benchmarking and whether it is satisfied with service spend.

The Council is aware of these issues and has put in plans to strengthen these areas as part of its refresh of the Council's Performance Management Framework and the Commercialisation Strategy.

Opinion on the financial statements

We have audited the financial statements of Tamworth Borough Council (the 'Authority') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies . The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020-21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020-21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Executive summary (cont.)

Summary

Summary

Our audit has not identified any significant weaknesses in the Council's management arrangements for financial sustainability, Governance, and Economy, efficiency and effectiveness. Similarly, our financial statements audit has not identified any significant issues to report.

Key recommendations

The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority We have defined these recommendations as 'key recommendations'.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

We have noted some areas for improvement which are detailed further in this report.

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

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

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

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

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

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

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 - 21. Further detail on how we approached our work is included in Appendix B.

Financial sustainability

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We considered how the Council:

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

2020-21 and ongoing financial pressures

2020-21 outturn

Tamworth has historically performed well, with a record of strong financial and budgetary management, despite the challenging environment in which it is operating. The Council originally set a budget for the General Fund of £9.153m for 2020-21. The Council underspent this budget by £2.194m, largely due to increased income from Covid-19 funding, rental income and investment income. There were also reductions to the NDR Levy and savings from services. The Council originally set a budget for the Housing Revenue Account of £1.337m for 2020-21, the Council underspent by £0.696m and this was largely due to the Council not being able to access properties due to Covid-19 to undertake planned repairs and maintenance. The Council had usable reserves of £63.2m at the 31st March 2021 (£50.7m 2019-20). This is made up of General Fund £6.8m, Housing Revenue Account £6.2m, Earmarked reserves £15.6m, Capital £21.9m. The level of reserves places the Council in a strong financial position.

2021-22 forecast outturn

The Council originally set a budget for 2021-22 of £0.259m for the General Fund and £0.344m for the Housing Revenue Account. The budget also identified the need for savings of £1.1m per annum over the next 5 years. The quarter three performance report for 2021-22 has identified that the Council are currently performing better than expected and are forecasting a favourable variance of £0.895m for the General Fund and £0.68m for the Housing Revenue Account. On the basis of these forecasts the Council will have General Fund reserves of £8.6m and HRA reserves of £5.5m.

Medium term financial strategy

The MTFS was updated and presented to members in February 2022. This indicates that the Council will continue to have a general fund surplus up to 2024-25 (£2.8m). The General Fund will move into deficit in 2025-26 (£428k) and this deficit will increase further in 2026/27 (£3.93m). This does include additional policy change proposals of c.£2m over 5 years.

The headline figures for 2022-23 are:

- A General Fund net cost of services of £6.5m;
- A transfer of £0.257m from General Fund balances;
- A Housing Revenue Account Expenditure level of £16.6m;
- A transfer of £1.9m from HRA balances.

The financial settlement for 2022-23 has been announced in December 2021. This has provided the Authority with c.£2.2m of additional funding. This is included in the above forecast.

While there remain some risks to the Council's financial position this is overall a strong financial position.

Financial sustainability

Savings plans

The Council monitors the delivery of planned savings, and mitigating actions where required, on a quarterly basis. These are reported to the Corporate Management Team (CMT) on a monthly basis and to Cabinet on a quarterly basis.

The savings required by the Council are set out within the Medium Term Financial Strategy. These are updated within the quarterly updates which are reported to Cabinet. However, our review of available papers did not identify clear reporting on the delivery of savings against plan. Discussions with officers indicate that savings are built into budgets and monitored by service departments. Savings are only reported to members on an exception basis where they are not delivered. We consider that the Council could improve its reporting in this area by reporting a summary setting out the achievement of savings.

The table below sets out the savings identified in the Medium Term Financial Strategy and which savings have been identified. As can be seen in the table below, there is a reliance on the reset and recovery programme to deliver the majority of the savings required. We are aware that this is currently in phase 1 with the changes to services only recently being approved and reported in 2022-23 medium term financial strategy.

We originally identified that the savings expected from the reset and recovery programme were not broken down to explain how the reset and recovery programme would achieve the required savings. This has since been communicated as part of the Q2 21/22 performance report.

It is not unreasonable for the Council to focus its savings on the reset and recovery programme. However, given the emphasis on the programme it is important that regular updates on delivery of the savings plans are reported to members. Management plan to report savings on all major parts of the programme.

	2019-20 (£m)	2020-21 (£m)	2021-22 (£m)	2022-23 (£m)
Savings required	0.8	1.1	1.8	0.9
Savings identified outside of the reset and recovery programme	0.421 increasing to 0.721 by the 4th year	0.435	0.87	0.224
Savings required from the reset and recovery programme	0	0.665	0.93	0.676

Financial Planning

The Corporate Plan clearly sets out corporate strategic priorities, which are also referenced within the Council's financial planning. The plan provides a framework to invest in the Council's broader ambitions and long term priorities, as well as the recovery from COVID-19. We are satisfied there is a clear linkage between the Medium Term Financial Strategy and the priorities set out in the Corporate Plan.

The capital programme also supports the Council's corporate priorities. The capital programme is mainly focused on the development of the high street as part of the town centre project. The two largest projects for the Council moving forward are the town centre project (£11.8m) and the planned works to HRA dwellings (£21.75m). The Council has an ongoing capital programme of over £52m for 2021-22 and an asset base of £252m as at 31st March 2021. There was slippage in capital spending due to COVID in 2020-21, but the spending achieved does reflect the Council's priorities as set out in the Corporate Plan.

Managing risks to financial resilience

The Council has identified risks to the capital and revenue forecasts as part of the medium term financial strategy. These risks are scored as high, medium or low and given a control measure in order to reduce the risk to the medium term financial strategy. The 2022-23 medium term financial strategy has identified a shortfall in the General Fund of £4.4m over 5 years.

The majority of this shortfall will be managed by planned savings and policy changes.

Generally, we find the Council to be well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues are reported on a timely basis to those charged with governance.

Financial sustainability

Capital

The Authority has a Capital Strategy in place which is clearly linked to the priorities in the Corporate Plan. The capital programme includes spending across the future high streets project, disabled facilities grants, castle grounds tennis courts, new build housing and housing maintenance and repairs. The MTFS takes into account the revenue costs of capital expenditure and we have not identified any inconsistencies between the capital strategy and other financial plans.

We note that the delivery of capital projects in 2020-21 has slipped against initial plans, largely due to the effects of the Covid-19 pandemic, with £15.548m being reprofiled into 2021-22. We note that 2020-21 was an exceptional year due to Covid-19 and note that there is similar slippage at other public bodies. We note that in 2021-22 the Council is forecasting that it will spend £10.0m of its £30.8m general fund budget and £9.2m of its £21.4m HRA budget. We note that the capital programmes in both years are likely to have been impacted by Covid. We have therefore not raised an improvement recommendation. However, this is an area that the Council will need to focus on in future years to ensure effective and timely delivery.

The Council is currently planning for their Future High Streets Project. The Council is currently in a project handover phase whereby the work undertaken to date is handed over to the McBains team. As such individual project timelines are being revised, project costs are being looked at along with other project parameters including reporting mechanisms, roles and responsibilities and project risk. The biggest risk to this project is that the college has not yet had the full extent of their funding confirmed. The Council are clear that they would not finance this element of the project.

Investments

During 2020-21 the Council maintained an average balance of £60.571m of internally managed funds. The internally managed funds earned an average rate of return of 0.62%. The comparable performance indicator is the average 7-day LIBID rate which was -0.0706%. This compared with a budget assumption of £34.306m investment balances earning an average rate of 1.0%. The majority of the investments are with other Councils or Money Market Funds.

The Council also holds some more complex investments such as the Ankerside shopping centre but this is long term and risk is unlikely to arise in short to medium term. In recent years the council have increased their investment into property funds. This has in turn increased the Council's exposure to market. We have reviewed the Council's processes for identifying this assessment and are satisfied that the Council took appropriate advice. Property fund performance is reported quarterly to Cabinet (& Corporate Scrutiny Committee) and is also included as part of the 3 statutory Treasury reports during the year (Plan, Mid year and Outturn). It should be noted that members need to keep on monitoring the success of the property fund investment.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses.

Governance

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We considered how the Council:

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

Monitoring and assessing risk

The Corporate Risk Register is presented as part of the medium term financial strategy. The Cabinet also consider risk as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Corporate Management Team reviews corporate risks through quarterly monitoring reports.

Key operational risks are reported through to the Corporate Management Team. Risks are identified within individual Service Plans and are considered on a regular basis within departmental management teams. The risk register is maintained on the Pentana system. The risk register contains a sufficient amount of detail covering areas such as the risk matrix, risk score, severity, likelihood, risk description, consequences of the risk, vulnerabilities and causes and who is responsible for managing the risk.

The Council's understanding of and planning for risks appears appropriate.

There is an internal audit function operating at the Council and we are satisfied with the standard of work being carried out by Internal Audit. Fourteen audits were completed during the year, with a high level of recommendations accepted and implemented by management (96%). All recommendations which remain outstanding are reported to the Council Management Team for action and to the Audit and Governance Committee (AGC) for information.

The payment of COVID grants to businesses, together with the urgency with which these grants were required to be paid, presented a new risk during the year. Payments were approved under emergency powers to ensure businesses in need were given immediate assistance. There appears to have been an appreciation of the risk posed by this situation, with internal audit involved from the start. We are satisfied the Council put in place procedures to review these payments. Subsequent internal audit reviews have also investigated these payments. There were six instances of fraud in relation to the COVID grants issued by the Council. These totalled £60k and three of these have been recovered. There are three remaining cases (with a value of £30k), including 1 national fraud case, which are being followed up by the department for business energy and industrial strategy (BEIS).

Governance

Budgetary Setting Process

The budget-setting process is multi-layered and extremely thorough, with several stages. The draft budget is presented to Cabinet for review in December, with additional papers presented to Cabinet to approve the budget in February. There is also a quarterly review of budget to outturn position by Cabinet.

The budget and MTFS are considered concurrently. There is not a separate, stand alone MTFS, but the longer-term projections and any risks to the medium term are incorporated into the reports accompanying the budgetary information considered by Cabinet quarterly.

This high level of scrutiny together with the Council's track record of achieving its planned savings and balancing its budget confirm the strength and validity of the budget setting processes in place.

Budgetary control

There are good systems in place for oversight of the budget. The Finance Department engages at least monthly with budget holders. As well as quarterly budget reports to cabinet, budget holders have access to real time information through discussions with the finance team. There is stringent in year oversight of the budget at a high level, with the Scrutiny Committees and Corporate Management Team reviewing and assessing the actual outturn and future risks to the budget. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments in response to such variances are clearly set out.

Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates a Leader and Cabinet form of executive arrangements. In addition, there are four scrutiny committees which hold the Cabinet to account.

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

There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established antifraud culture. We have identified some opportunities to strengthen these with a central register of members' interests and similarly a central register of gifts and hospitality declared.

Governance

Finance team capacity

The finance team is appropriately sized for the Council, consisting of three qualified accountants and six support staff who are AAT qualified as well as three unqualified support staff. The finance team work solely for the Council and have done so for a number of years. The finance team has remained consistent for a number of years and it is clear that the level of understanding within the finance team is high. The size and experience of the team means that the finance team is able to manage additional pressures, such as unplanned absence or major projects.

It is expected that there will be a lot of changes at the Council in the coming years due to the reset and recovery programme. It will be crucial that the finance team are involved in the aspects of this project to ensure sound budgetary control.

Budget monitoring and annual accounts have been completed to a good standard overall, with no evidence of serious or pervasive weaknesses in the Council's processes for preparing its financial statements. This is detailed further on page 24. Unmodified audit opinions have been issued for the 2020-21 and previous financial statements.

Monitoring and ensuring appropriate standards

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

The Council has arrangements in place to monitor compliance with legislation and regulatory standards. The arrangements include the oversight of the Monitoring Officer, and the work of internal audit.

The Council has a Counter-Fraud and Corruption Policy, as well as a Whistleblowing Policy, Code of Conduct and Anti-Money Laundering Guidance. These document the policies and procedures of the Council, as well as the ethical behaviours expected of staff.

A Register of Interests is maintained, and there is a standing item on all meetings of the boards and panels to disclose any interests relating to matters on the agenda.

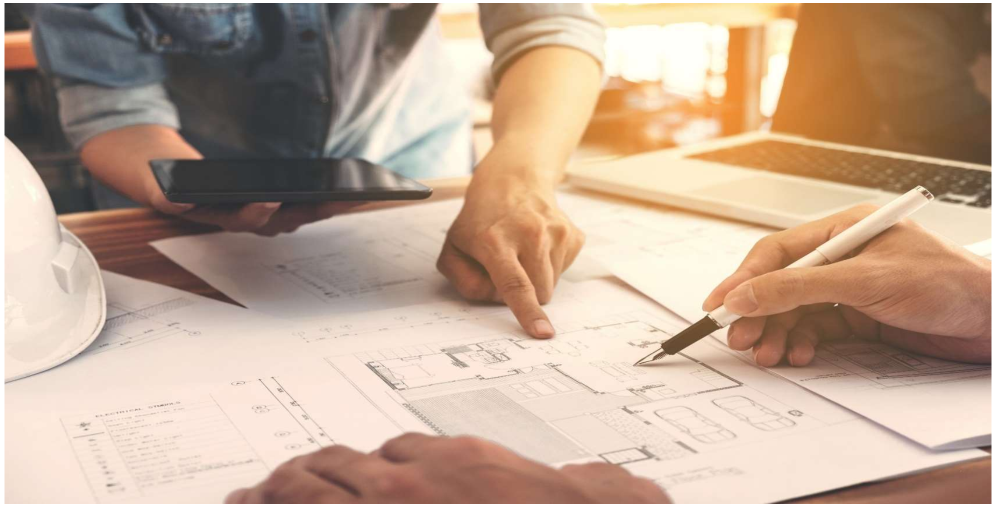
We have not been made aware of any significant non-compliance with the Authority's governance framework, other breaches of legislation or regulatory standards, or serious data breaches.

In 2020-21 there were six complaints received against members. The complaints were not for serious breaches and therefore the six complaints resulted in no further action and none were taken to the standards committee. This demonstrates that the Council has a good governance structure in place.

We have not been made aware of any significant non-compliance with the Authority's governance framework, other breaches of legislation or regulatory standards, or serious data breaches.

Summary of findings

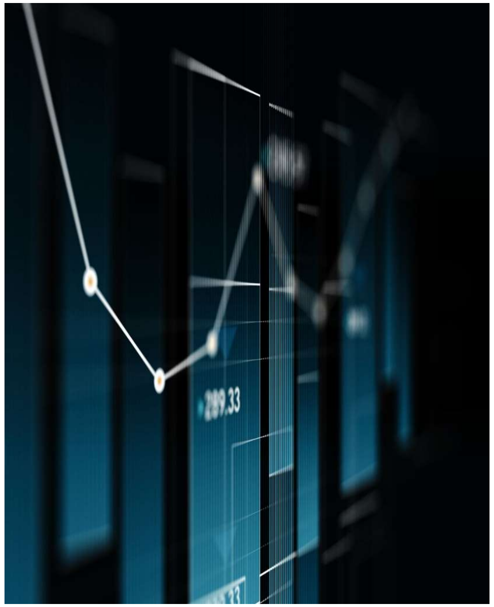
Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages risks. We have made an improvement recommendation. This is set out in more detail on page 14



Improvement recommendation

Governance

Recommendation	There is no requirement to register gifts or hospitality which have been declined. This could be helpful to report to other members as a matter of course, so they can be alert in case they are also approached and offered something which ought to be declined.
Why/impact	If there is a pattern of inappropriate gifts or hospitality being offered to members, this should be known and highlighted.
Auditor judgement	There is a risk that inappropriate gifts or hospitality could be accepted. Transparency could be improved by this knowledge sharing between officers and members.
Summary findings	Whilst all gifts and hospitality which have been accepted are recorded and published, it is not possible to see what has been declined. If one member or officer considers it inappropriate to accept a particular gift or offer of hospitality, it would be useful to share this (and the rationale for the refusal) with others.
Management comment	This will be considered as part of the next review of the gifts and hospitality policy.



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

Improving economy, efficiency and effectiveness

We considered how the Council:

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

Key findings

Performance monitoring

Key Performance Indicators (KPIs) are reported on the performance page of the Council's website and included within the quarterly performance reports. The Council changed to this method of reporting in 2019 in order to streamline the level of KPIs reported to Cabinet. Cabinet review the performance reports on a quarterly basis. KPIs are reported as part of the individual service plans.

We consider that the Council should provide a more comprehensive set of KPIs to members covering both corporate and service performance indicators. This will enable members to have a clearer oversight of the Council's performance. We have raised an improvement recommendation in this area. In particular, we consider that KPIs should be those which enable the user to form a view of whether the service is performing well. For example, the PR service review is judged based on followers and whilst this is useful, it would be helpful to have metrics that perhaps detail the view the public have of the Council.

Service plans

Service plans are in place for most services but are not always maintained and kept up to date. We noted that this differs between service lines. For example, the finance and human resources service plans are both detailed and up to date. However, the following reports have not been updated during 2020-21 or contain old data: Assets service plan. Last updated 2019-20, Environmental health. Last updated 2018/19, Leisure services - old data, Technology Information Services – old data.

The Council should ensure that all service plans are kept up to date to ensure the services are operating as expected.

Also, as outlined above, not all service plans include performance indicators which allow the user to ascertain how well the service is performing. The performance indicators should show how the indicator has performed compared to previous periods and current year targets. We note that while indicators generally show a target, not all indicators are compared to previous periods. For example, the Homelessness & housing solutions service plan only shows the performance indicator for Q1 2021-22 and so cannot be compared to previous periods. Some service plans, such as Customer services, have performance indicators which relate to activity but these do not show how well the service is performing. It would also be helpful to have some indices which capture how the public feel about the service they receive from customer services. The performance indicators are also not benchmarked to other Council's.

We recognise the impact of Covid on council planning but consider that this is an area for improvement.

Improving economy, efficiency and effectiveness

Benchmarking

The Council does not appear to consistently use external benchmarking as a tool against which to measure performance and identify improvement opportunities. We note that this is likely to improve as the reset and recovery programme progresses and more service reviews are undertaken. We have raised an improvement recommendation in this area.

Grant Thornton prepared benchmarking reports for each Council audit client to help auditors identify risks of significant weaknesses in arrangements. Review of this report for Tamworth Borough Council does not indicate any risks of significant weaknesses in arrangements.

Our key indicators show:

- The Council has a high percentage of reserves compared to net service revenue expenditure when compared with its statistical near neighbours.
- for 2020-21 Tamworth was a relatively high spending authority ranked 32nd out of 189 District Councils with a unit cost of £144.57/head

There are some low spending areas such as waste collection but there are also a number of services where the council is high spend. These are:

- cultural and related services costs. This is due to the higher spend on; museums and galleries, open spaces, theatres and public entertainment, tourism and sports and recreation facilities.
- environmental and regulatory services. This is due to very high spend on community safety (including CCTV), defences against flooding and safety services. When looking at the budget for 2020-21 it is also expected that the licensing cost will be very high.

High spend is not necessarily an indicator of poor or inefficient services. Rather it can be a decision to invest in appropriate local services. We have discussed this with the Executive Director Finance, and he is satisfied that the areas of high spend are in line with the Council's priorities. The Council should reflect on this benchmarking and whether it is satisfied with service spend.

Working in partnership

The Council works in partnership with a large number of organisations, contributing effectively to the arrangements and agenda for each partnership or group. For example, the Council's waste service is delivered as part of a joint operation with Lichfield District Council and has been successful.

The Council has good relationships with the Voluntary and Community Sector, and joint projects were delivered during the Covid-19 pandemic.

The council have obtained various funding over the last few years through working with partners as shown below:

- Heritage Lottery funding Assembly rooms refurb (c.£2m)
- Arts Council funding Assembly Rooms refurb (c.£0.4m)
- Heritage Lottery funding Castle Mercian Trail (c.£0.7m)
- Football Foundation (Football Association) funding – 3G pitch (c.£0.5m)
- Homes England Funding – Tinkers Green and Kerria regen (£5.2m)
- Single Local Growth Fund (c.£2.1m).
- Future High Streets

The Council does not however have a partnership plan in place at present, though we are aware that one is being developed.

We are satisfied that the Council can demonstrate partnership working across a number of areas.

Procurement

The Council do not have a formal procurement strategy. We have discussed with the Council how they ensure they are following the recommendations set out in the LGA national procurement strategy and we are satisfied the Council has good processes and controls in place to meet the recommendations within the LGA national procurement strategy. The Council monitors the performance of procurement through monthly reports to the Corporate Management Team.

Whilst the Council has good processes and controls in place over procurement there are some improvement points. The Council have not updated the Transparency code disclosures since December 2020. This should be updated in order to make it easier for local people to contribute to the local decision making process and help shape public services.

The Council do not monitor spend on a supplier by supplier basis. This would be helpful to identify any unusual suppliers but also to identify whether there were instances where contracts were not being used which may be at a higher cost to the Council.

Those charged with governance are only made aware of the performance of contracts on an exception basis. This means that they are only made aware of contract performance when a contract is not performing as it should. We consider that those charged with governance should be informed of all significant contracts which could impact the Council.

Through our review of the procurement processes in place we have concluded that overall the procurement processes in place are appropriate, though there are some improvement recommendations stated overleaf.

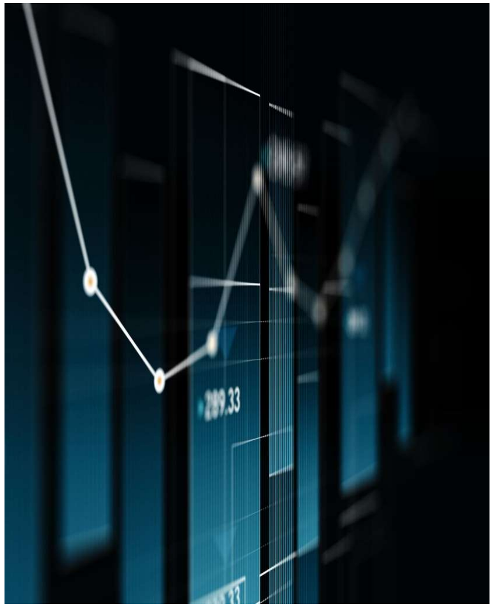
Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for improving service delivery. We have made some improvement recommendations, which are set out from page 16.

Improvement recommendation

Improving economy, efficiency and effectiveness

Recommendation	Service plans should be kept up to date and contain sufficient detail to enable management to assess the performance of the service lines. This should also be included in reports to members. In addition, key performance indicators (KPIs) should be provided to members so that they can form a view of whether the service is performing well.
Why/impact	As not all of the service plans are kept up to date, management may not be aware of the service lines performance. This could lead to services not operating in an efficient and effective way. In addition to this, some of the plans do not contain enough detail to assess whether the service is performing efficiently and effectively. The KPIs included in various service plans do not currently demonstrate whether the service is performing as expected. If KPIs do not provide this information there is a risk that the Council cannot identify poor service performance.
Auditor judgement	There is a risk that inappropriate decisions could be made based on service plans which are out of date and do not include sufficient detail. There is also a risk that inappropriate decisions could be made based on KPIs which do not effectively demonstrate how a service is performing.
Summary findings	Not all service plans are up to date or comprehensive enough. In addition, some service plans contain KPIs which do not demonstrate whether the service is operating economically, efficiently or effectively. We do note however, that the Covid Pandemic has been a reason for the delay in updating the service plans.
Management comment	This has already been recognised by CMT and is being developed as part of a refresh of the Councils Performance Management Framework - with planned regular reviews by CMT

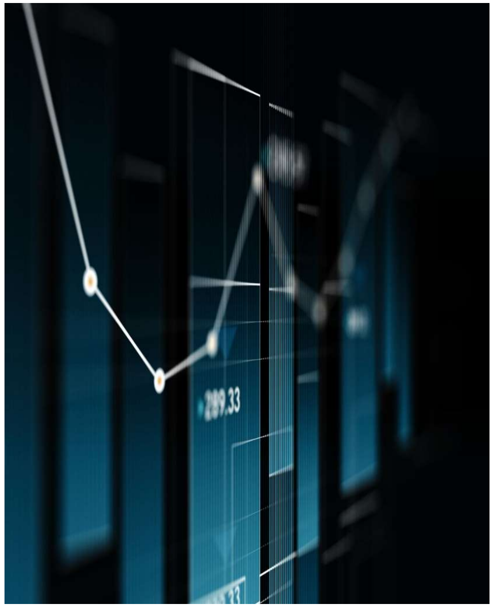


The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation

Improving economy, efficiency and effectiveness

Recommendation	The Council does not have a consistent approach to the use of external benchmarking (to measure performance and identify improvement opportunities).
Why/impact	Benchmarking can be a useful tool when comparing with similar Councils to identify whether the Council is performing as well as it could be.
Auditor judgement	Benchmarking can challenging due to the vast range of differences between Councils. However, where like for like comparisons can be made, benchmarking would be useful to ensure the Council is operating in an economic, efficient and effective way.
Summary findings	Benchmarking is not used effectively by the Council and is only used on an ad-hoc basis. We do recognise that this is likely to improve as the service review phase of the reset and recovery programme progresses.
Management comment	This has been recognised in the emerging Commercialisation Strategy arising from the Recovery and Reset Finance & Commerciality review and a review of benchmarking information is planned during 2022/23 - including plans to improve the understanding of costs in some areas where this has not been fully developed already



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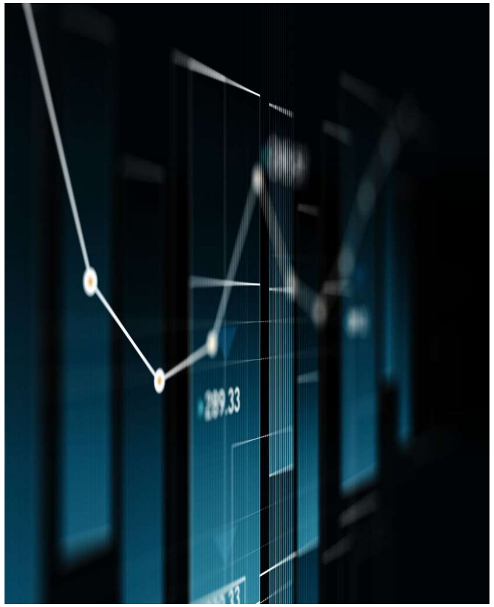
Improvement recommendation

Improving economy, efficiency and effectiveness

Recommendation	The transparency code disclosure should be kept up to date and published in line with the code guidelines.
Why/impact	The local government transparency code is issued to meet the government's desire to place more power into citizens' hands to increase democratic accountability. It will make it easier for local people to contribute to the local decision making process and help shape public services.
Auditor judgement	The transparency code was last updated in December 2020. This is over a year out of date and should be updated. It is noted that the Council have suffered some staff shortages which is part of the cause for these disclosures not being up to date.
Summary findings	The transparency code disclosures were last updated in December 2020.
Management comment	These disclosure are now up to date and included on the Council's website.



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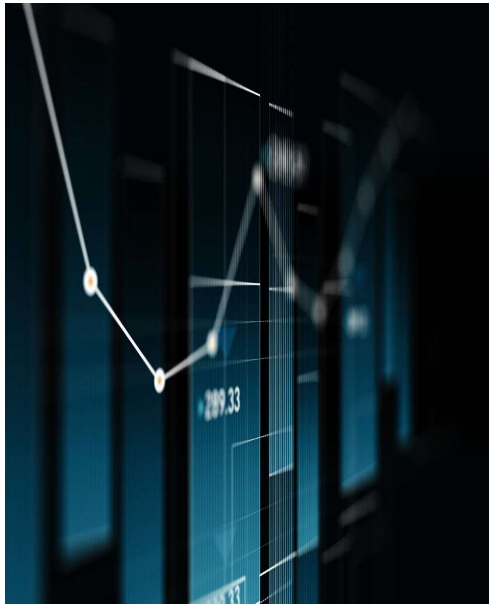
Improvement recommendation

Improving economy, efficiency and effectiveness

Recommendation	The Council should monitor spend with each supplier to identify any unexpected amounts. This will aide in identify whether contracts for the supply of goods are being used appropriately.
Why/impact	The Council do not currently monitor spend on a supplier level which means there could be instances of spend with suppliers who are not expected. The Council could also be spending outside of agreed contracts with other suppliers which may not deliver the most economic, efficient or effective solution for the Council.
Auditor judgement	Through discussions with the Procurement Manager it was identified that this does not currently happen. We are of the view that it would aide the Council to identify any spend which is unusual or not expected.
Summary findings	The Council should perform a review of spend with suppliers at least annually to identify unusual amounts spent.
Management comment	The Council is currently reviewing its approach to procurement and developed a quarterly update report to CMT (which has been in place since 2021/22) to include key procurement issues



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

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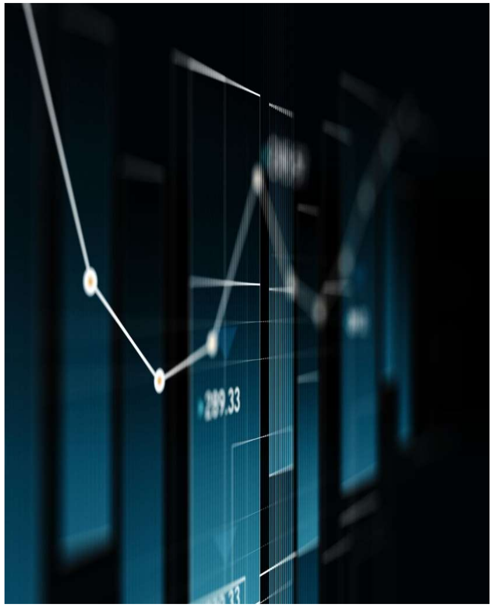
Improvement recommendation

Improving economy, efficiency and effectiveness

Recommendation	Those charged with governance are only made aware of the performance of contracts on an exception basis. This means that they are only made aware of contract performance when a contract is not performing as it should. We consider that those charged with governance should be informed of all significant contracts which could impact the Council.
Why/impact	The council has a significant number of large capital projects. And other contracts. Regular reporting will ensure that members are aware of he progress on all significant contracts and will help avoid delays and overspends
Auditor judgement	Overall, the Council has good contract management. This control would enable the Council to mitigate the risk of contracts not operating as expected.
Summary findings	Those charged with governance should be regularly updated on the performance of contracts.
Management comment	The Council will consider ts contracts and consider what reporting is needed for members.



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COVID-19 arrangements

Page 29

Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

Finance officers established procedures to identify and record Covid-19 related expenditure, and this, along with the overall financial impact on the Council and MTFS, has been regularly reported to Members.

The financial statements explain the impact that Covid-19 has had on Council finances in various areas.

The financial statements also explain the additional funding the Council have received due to the pandemic. The Council also discloses the delays to the business rates retention and fairer funding reviews as a result of the pandemic.

The financial statements identify that "In light of the projected impact of COVID-19 on the Council's Medium Term Financial Strategy, an immediate suspension of all non-essential spending was approved by Cabinet on 9th July 2020 and that Managers review their budgets and identify all non-essential spending for 2020-21 as part of the quarter 1 projections at 30th June 2020 - and approval sought for the budget to be revised to remove these."

Governance

As a result of the Covid-19 pandemic internal controls and processes did not need to adapt significantly, as systems were already in place for remote working. Over time we have seen that officers have been provided with improved technology, for example, Microsoft Teams.

The Council has also administered the distribution of around £18 million for the various grant support schemes in which the Council has operated as an agent.

Internal Audit has played a key role in the reviewing of grant applications, particularly from local businesses. Internal did identify a small amount of claims being paid incorrectly due to fraudulent claims though these are for a limited number for an insignificant value.

Improving economy, efficiency and effectiveness

The Council has an opportunity to build on some of the positive changes that have resulted from the pandemic. For example, more flexible working, with appropriate use of technology, to support staff with their work / life balance and also to reduce the office space required. There is also scope to keep services on-line where these have worked well, with reduced face to face contact with service users.

These positive changes are being considered as part of the Council's reset and recovery programme. The programme has already identified the opportunity for the Council to exit Marmion House. This is likely to lead to more working from home for the Council's employees and this change is complemented by the Council's working from home policies which have been introduced.

Opinion on the financial statements

Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 22 October 2021

Audit Findings Report

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

Whole of Government Accounts

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

Our work has not yet started as the instructions have not been issued to the Council and the audit guidance has not been issued.

Preparation of the accounts

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

Issues arising from the accounts:

The key issues were:

- There were significant changes to the pension liability values disclosed in the financial statements. This was due to the Council obtaining an up to date version of the actuary's report,
- The accounting treatment of the assets and liabilities incurred as a result of the waste service joint operation held with Lichfield District Council,
- Several changes to disclosure notes to improve clarity and better comply with the CIPFA Code of Practice.

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

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

Appendices

Appendix A - Responsibilities of the Council

Role of the Chief Financial Officer (or equivalent):

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

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

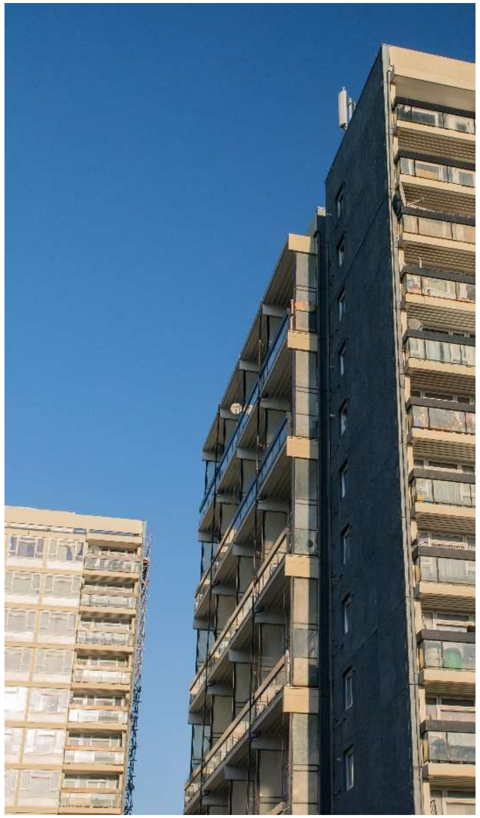
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Governance p. 13 3Es p. 16 – 21

Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We did not make any statutory recommendations.
Public interest report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a Public Interest Report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not apply to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue an Advisory notice.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not apply for a judicial review.

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Grant Thornton

Informing the audit risk assessment for Tamworth Borough Council 2021/22

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Table of Contents

Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Council's external auditors and the Council's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Governance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Audit and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	During the year the council has received a number of grants in relation to Covid-19, including acting as an agent and principal for Central Government to distribute business grants and test and trace isolation payments. Asset valuations and the net pension liability estimate, have the potential to have a significant impact on the financial statements due to their materiality and the fact that they are based on various assumptions, e.g. investment returns, retirement ages, mortality rates.
2. Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Accounting Policies are reviewed by Executive Director Finance each year as part of the final accounts process – no material changes for 2021/22. They are due to be reported to Audit and Governance Committee in March 2022.
3. Is there any use of financial instruments, including derivatives?	There is no use of derivatives but the Council does report on its use of financial instruments in line with the code - comprising investments in property funds, banks, building societies and Local Authorities.
4. Are you aware of any significant transaction outside the normal course of business?	During the year the Council has acted as an agent for the payment of COVID 19 business grants and test and trace isolation payments amounting to c. £4m. In addition, significant levels of additional Business Rates Relief of c.£5m has been awarded financed through Section 31 grants payments from the Government.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No. The outbreak of Covid-19 has impacted on the global financial markets and market activity. A material valuation uncertainty was disclosed in the 2019/20 and 2020/21 Statement of Accounts and this is also likely to be the case for 2021/22.

General Enquiries of Management

Question	Management response
6. Are you aware of any guarantee contracts?	No.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No.
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	During the year, the Council has been supported by the legal team at South Staffordshire District Council (SSDC). With effect from January 2020, the Council entered into as a Legal shared service arrangement with SSDC and Lichfield DC. A copy of the report used to monitor this spend will be included as part of the Final Account working papers Ongoing support was received during the year regarding the NHS Trusts NNDR claim via LGA appointed solicitors.
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Various advisors used in the year on a range of projects including Gungate master planning, Assembly Rooms, Future High Streets & Recovery & Reset projects.

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Governance Committee and management. Management, with the oversight of the Audit and Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

Question	Management response
1. Have the Council assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the Council's risk management processes link to financial reporting?	The risk of material misstatement of the accounts due to undetected fraud is low. Although there is an on-going risk of fraud being committed against the Council, clear and effective arrangements are in place to prevent and detect fraud. No material instances of fraud, have been identified in 2021/22. The Council has in place strong controls over its financial transactions in order to prevent fraud. Internal audit 's planned programme of work also targets fraud through key financial systems audit work. The Audit & Governance Committee receive regular reports on counter fraud arrangements (fraud response plan, fraud risk register, outcomes from MFI matches) and also recently approved the newly refreshed: • counter fraud and corruption policy statement, strategy & guidance notes • whistleblowing policy • anti money laundering policy Corporate Risks are reviewed on a quarterly basis by CMT and reported to Audit and Governance Committee. This includes financial risk and the associated actions.

Fraud risk assessment

Question	Management response
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	There have been no material instances of fraud identified during the year. There are some areas that are inherently at risk from fraud such as: • Council tax • Council tax reduction • Single person discount • Housing waiting list • Various COVID-19 Grants These areas are targeted by National Fraud Initiative data matching undertaken by the Council's Corporate Anti Fraud Officer. Outcomes identified are routinely reported to the Audit & Governance Committee.

Fraud risk assessment

Question	Management response

3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole or within specific departments since 1 April 2021?
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?
	No; management would be made aware of any actual or alleged instances of fraud via the following:-
	
	• S151 Officer is informed of (and takes appropriate action in relation to) suspected or alleged areas of fraud from the following sources:
	  • Whistleblowing / informants,
	  • Benefits Fraud Investigations including single person discounts, housing benefit, business rates, housing and the Local Council Tax Reduction Scheme
	  • Management identification of irregularities
	  • Internal Audit reports / reviews
	
	• Any areas of actual fraud will be / are reported to the Audit & Governance Committee as part of the normal annual report as well senior management and police (where appropriate);
	
	• Requirement of Managers / Officers / Members to report to S151 any suspicions / allegations of fraud for appropriate investigation.

4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within the Council where fraud is more likely to occur?	These are detailed within the fraud risk register which is subject to regular review and is reported routinely to the Audit & Governance Committee. No. Fraud is more likely to occur in cash handling facilities. These are subject to robust internal controls and regular audit reviews as part of the risk assessed audit plan. The main cash handling facilities of the Council have been closed for a period of the year due to the COVID Pandemic.

Fraud risk assessment

Question	Management response
5. What processes do the Council have in place to identify and respond to risks of fraud?	The newly refreshed whistleblowing policy encourages employees to report any suspicions of fraud or irregularity, and explains the procedures to follow. The newly refreshed counter fraud and corruption policy statement, strategy & guidance notes detail the processes in place to respond to the risk of fraud. These policies are available to all staff via the Council's intranet, and are included as part of the induction programme for new staff. Training is available to all staff via Astute Use of Astute to update all policies

Fraud risk assessment

Question	Management response
6. How do you assess the overall control environment for the Council including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	The overall control environment is assessed via the outcome of internal audit's planned programme of work and the production of the annual governance statement (including management assurance statements). Where risk areas are identified during audit work, action plans are in place to address at risk control issues identified. A new approach to audit follow up has been endorsed by CMT and the Audit & Governance Committee this year to enhance overall arrangements in this area. None other than previously mentioned. No potential for override of controls or inappropriate influence over the financial reporting process has been identified during the period.
7. Are there any areas where there is potential for misreporting?	No areas have been identified where there is potential for misreporting.

Fraud risk assessment

Question	Management response
8. How do the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported?	Available on the intranet, is the employees' code of conduct and the below key counter fraud policies for all staff to access: • counter fraud and corruption policy statement, strategy & guidance notes • whistleblowing policy • anti money laundering policy All employees are required to be aware of these policies at induction and reminders are held for existing staff intermittently Procurement rules within the Financial Guidance are regularly reviewed providing staff with guidance and encouragement to conduct procurements in an open, transparent and fair manner. The standard procurement T&Cs used by the council include clauses relating to the timely payment of sub-contractors; behaviour of personnel; compliance with diversity & equality legislations; commission, bribery and corruption; counter-terrorism & security act; data protection; H&S and adherence to safeguarding policies and procedures. Depending on the value and risks of a contract, we regularly conduct suitability checks which may include financial and insurance appraisals; modern slavery checks; H&S checks; safeguarding policy checks; accreditations & qualifications etc. Further procurement training planned for delivery in February 2022.
9. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	From a fraud and corruption perspective, high-risk posts would routinely be those that handle cash and are involved in financial transacting. The risk of these post holders committing fraud is mitigated via internal control such as segregation of duties, management supervision (1st line), exception and report monitoring (2nd line) and internal / external audit (3rd line) assurance activities

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Fraud risk assessment

Question	Management response
10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Not aware of any related party relationships or transactions that could give rise to instances of fraud. Risk of this is mitigated via: • Annual declarations of interest are required from Senior Managers and all Members of the Council to inform the related party note in the accounts. • All members have to disclose any interest when making decisions. • Monitoring officer keeps a register of members interests. • Transparency requirements / publications & public interest disclosures.
11. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee? How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	The Audit & Governance Committee receive regular counter fraud updates (including the fraud risk register). The terms of reference of the Committee clearly sets out its responsibility in terms of counter fraud and they receive routine internal audit progress reports, including the Audit Manager's opinion on internal control. For 2021/22, no matters of material concern have been identified.

Fraud risk assessment

Question	Management response
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No.
13. Have any reports been made under the Bribery Act?	No.

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Governance Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Governance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	• Quarterly reports are received from the Audit Manager on systems reviewed. High risk areas are identified. • The Annual Governance Statement assurance gathering process involves assessing against the objectives and managers providing assurance statements. • The Monitoring Officer's independent reporting on relevant compliance with laws. The External Auditor review and assurance opinion on the financial affairs (management processes) of the Authority. • For Council & Cabinet reports both the Monitoring Officer and Finance Officer are required (subject to options) to sign-off the reports prior to members approving recommendations and to identify that proposed actions comply to legislative requirements. • Periodic update to Officers / Members on new legislative requirements. • Regular update by the External Auditor on potential compliance issues / understanding. • Undertaking NFI Anti Fraud initiatives indicates potential fraudulent violations. • Pro-active Internal Audit Plan focused on provision of assurance reports on status of management control processes. • Regular review and update of Financial Guidance and Counter Fraud Policies
2. How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	The Monitoring Officer's independent reporting on relevant compliance with laws. The Monitoring Officer also attends the Audit and Governance Committee meetings and advises appropriately.

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Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2021/22 financial statements?	Not aware of any.
4. Is there any actual or potential litigation or claims that would affect the financial statements?	Not aware of any.
5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Once identified, all claims are considered for their impact on the accounts, with appropriate action taken (e.g. reserve, provision, contingent liability etc.)
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

Related Parties

Issue

Matters in relation to Related Parties

The Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in the Council's 2021/22 financial statements? If so please summarise: • the nature of the relationship between these related parties and the Council whether the Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	During the year the Council has acted as an agent and principal for the payment of COVID 19 business grants and test and trace isolation payments.
2. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?	A number of arrangements are in place for identifying the nature of a related party and reported value including: • Maintenance of a Register of interests for Members and a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions. • Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and that they state the details of any known related party interests. • Challenge from public
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The Director of Finance and Assistant Director – Finance regularly review all significant transactions. Payments of over £30k are reviewed by a senior officer on a weekly basis before they are made.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Activities outside normal business are referred to CMT and/or Cabinet for authorisation.

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Valuation, depreciation and impairment of property, plant and equipment Valuation of defined benefit net pension liability
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	Management consult guidance, e.g. the Code of Practice on Local Authority Accounting and RICS guidance; attend GT Workshops and review CIPFA Closedown bulletin.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Management consult guidance, e.g. the Code of Practice on Local Authority Accounting and RICS guidance; attend GT Workshops and review CIPFA Closedown bulletin.
4. How do management review the outcomes of previous accounting estimates?	Management look back retrospectively to assess whether previous accounting estimates were reasonable where possible and/ or compare to estimates provided for the current year.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No changes have been made to the estimation processes in the current year.

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Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management review activities from previous years which together with an updated action plan is presented to CMT for consideration which includes detailed resources required from other Council Departments. This report is then presented to Audit and Governance Committee. Any specialist skills/knowledge is identified as part of this process.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Management determines what control activities are needed through liaison with internal audit, referring to the Code of Practice on Local Authority Accounting and other guidance, attendance at seminars and workshops (e.g. Grant Thornton's annual Local Government Accountants Workshop and CIPF Closedown Bulletin and through liaising with other authorities (formally as part of Staffordshire Accountants Group and informally through contact with other LA Accountants).
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Management review the output of service providers and the assumptions underpinning them, challenging any discrepancies or unexpected outcomes.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	Accounting Policies/Estimates are included in the Action Plan identified above and are discussed at Audit and Governance Committee.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No although will be continuously reviewed as part of closedown process.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The significant accounting estimates are reported, as part of this report and included within the notes to the accounts, to Audit & Governance Committee. This includes an explanation of the underlying assumptions and likely impact of any variances. External Audit also provide assurance as part of the annual audit / review process.

Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	All valuations are made by an external company, Jones Lang LaSalle (JLL) and are in line with RICS guidance on the basis of 5 year valuations with interim reviews for significant assets and asset classes.	Assistant Director Finance discusses with the valuer the programme of rolling valuations or any conditions that warrant an interim re-valuation.	Use of external valuers being Jones Lang LaSalle (JLL) for all land and buildings including HRA Dwellings. ICT Acquisitions. Heritage Assets valuations. Cipfa Asset Manager System.	Valuations are made in-line with RICS guidance (reliance on expert). ICT: purchases at cost Heritage Assets: Use of valuation (inflated) or cost	*No, however the policy detailed here was in place for the 2020-21 financial year, given the change in valuer used by the Council this is subject to change and will be monitored and updated accordingly during our audit.*
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: • Housing stock 50 years • Other Buildings 5 to 100 years • Vehicles, plant & equipment 1 to 20 years • Community 100 years • ICT Equipment 3 years • Infrastructure 30 years	Assistant Director Finance discusses with the valuer	Use of external valuers being Jones Lang LaSalle (JLL) for all land and buildings including HRA Dwellings. Cipfa Asset Manager System. DCLG published updated the 'Stock valuation for resource accounting: guidance for valuers 2016'. The guidance included an update of the regional adjustment factors used to calculate the social housing value of their property stock for 2016/17 to take account of changes in the housing market.	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS Member.	*No, however the policy detailed here was in place for the 2020-21 financial year, given the change in valuer used by the Council this is subject to change and will be monitored and updated accordingly during our audit.*

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Appendix A - Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and Amortisation	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets.	Use of external valuers being Jones Lang LaSalle (JLL) for all land and buildings including HRA Dwellings. Cipfa Asset Manager System.	The length of the life is determined at the point of acquisition or revaluation according to: • Assets acquired in year are depreciated on the basis of a charge from acquisition date. • Assets that are not fully constructed are not depreciated until they are brought into use.	*No, however the policy detailed here was in place for the 2020-21 financial year, given the change in valuer used by the Council this is subject to change and will be monitored and updated accordingly during our audit.*
Impairments	Assets are assessed at each year-end as to 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	Assets are assessed in year (e.g. garage sites) and at each year-end as to whether there is any indication that an asset may be impaired.	Use of external valuers being Jones Lang LaSalle (JLL) for all land and buildings including HRA Dwellings. Cipfa Asset Manager System.	Valuations are made in-line with RICS guidance - reliance on expert.	*No, however the policy detailed here was in place for the 2020-21 financial year, given the change in valuer used by the Council this is subject to change and will be monitored and updated accordingly during our audit.*
Measurement of Financial Instruments	Council values financial instruments at fair value based on the advice of their external treasury consultants and other finance professionals.	Take advice from finance professionals.	Yes; Link Asset Services/PWLB	Take advice from finance professionals.	No

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Appendix A - Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are made where an event has taken place that • gives the Council a legal or constructive obligation • that probably requires settlement by a transfer of economic benefits or service potential, and • a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Charged in the year that the Council becomes aware of the obligation.	No	Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.	No
Bad Debt Provision	A provision is estimated using a proportion basis of an aged debt listing.	Revenues provide the aged debt listing and Finance calculate the provision.	No	Consistent proportion used across aged debt and confirmed as not materially different to the expected credit loss model for impairment as required by the Code. Business Rates: each case (limited number) assessed to determine estimated recoverable amount	No

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Appendix A - Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Finance collate accruals of Expenditure and Income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No
Non Adjusting events – events after the balance sheet date	S151 Officer makes the assessment. If the event is indicative of conditions. that arose after the balance sheet date then this is an non-adjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.	Heads of Service notify the S151 Officer	This would be considered on individual circumstances. Discussions with Link Asset Services/ External auditor	This would be considered on individual circumstances.	N/A

Appendix A - Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension liability	The Council is an admitted body to the Staffordshire Local Government Pension Scheme. The administering authority (the County Council) engage the Actuary who provides the estimate of the pension liability.	Payroll data is provided to the Actuary. Management reconcile this estimate of contributions to the actuals paid out in the year.	Consulting actuary	As disclosed in the actuary's report. Complex judgements including the discount rate used, rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	No
Overhead Allocation	The Finance Team apportion central support costs to services based on fixed bases as detailed in the 'Allocation Summary' spread sheet.	All support service cost centres are allocated according to the agreed 'Allocation Summary' spread sheet.	No	Apportionment bases are reviewed each year to ensure equitable	No

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AUDIT & GOVERNANCE COMMITTEE

22nd March 2022

Report of the Executive Director Finance

FINAL ACCOUNTS 2021/22 – ACCOUNTING POLICIES AND ACTION PLAN

Purpose

To advise Members of the proposed Accounting Policies for 2021/22.

To provide an outline of the corporate requirements that will need to be achieved in order to produce the Council's Annual Statement of Accounts for 2021/22 (including deadlines but not including detailed responsibilities) and to obtain corporate commitment to the action plan.

Recommendations

That:

1. **the proposed Accounting Policies for 2021/22, attached as Appendix A are approved;**

2. **the target of 30th June 2022 for closure of the final accounts and production of the statement for 2021/22 be approved;**

3. **staffing resources be committed to the provision of appropriate information and support in order to meet the published timescales and the Committee receive progress updates (if required);**

4. **CMT receive a fortnightly update until completion of the audit; and**

5. **the Statement be presented to the Audit & Governance Committee before the end of September 2022.**

Executive Summary

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used.

As part of its statement of accounts, the Council needs to disclose the accounting policies it has applied to all material balances and transactions. There is little discretion to the Council as the proper accounting practices, that all local authorities follow, are set down in the Code.

The proposed accounting policies are presented at **Appendix A**. The policies are reviewed annually to identify any which should be removed as they are no longer relevant or have no material effect for the Statement of Accounts.

Apart from the dates, these have not significantly changed from the 2020/21 policies. These do not depart from the provisions of the 2021/22 Code.

However, it should be noted that Cipfa have recently consulted on emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code – the results of which may significantly affect the accounting policies for 2021/22, if approved, which is doubtful given the late consultation and the fact that most Councils will already have put measures in place to carry out revaluations of operational property, plant and equipment as at 31st March 2022 (in order to prepare the accounts in a timely manner).

CIPFA LASAAC issued an exceptional consultation on time limited changes to the code to help alleviate delays to the publication of audited financial statements. Only 9% of local authority accounts in England met the audit publication deadline of 30 September 2021.

This arose as, in December 2021, the Department of Levelling-up Housing and Communities asked CIPFA LASAAC to consider ways in which the code may ameliorate this crisis position. CIPFA LASAAC considered this request and issued an exceptional consultation, which 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.

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

- 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

- 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.

The consultation also shows the wide range of options that CIPFA LASAAC considered, which includes some which the board considered were outside of its terms of reference.

The council's 2021/22 valuation programme is already underway (& due to complete by late March); therefore the changes being explored as part of the CIPFA/LASAAC consultation are unlikely to have a significant effect on the workload for the 2021/22 Statement of Accounts and may be of more benefit on the 2022/23 workload. Work on IFRS 16 (leases) is also fairly advanced, and all work undertaken to date would have been necessary even if implementation of this standard is delayed. Until the outcome of the consultation is known, we will continue to prepare for the accounts on the basis of the 2021/22 Code as it currently stands.

Legislation detailed in Accounts and Audit (England) Regulations 2015, requires the Council to prepare a Draft Statement of Accounts by 31st May (approved by the Council's Chief Finance Officer - the Executive Director Finance), a Committee of the Council to approve the Statement by 31st July and for the Council to publish the Statement together with the Auditors' opinion by 31st July.

However, because of the impact of the covid-19 virus on local authorities' ability to have prepared their draft statement of accounts by the end of May, the requirement has been amended again for 2022, with the deadline to publish its unaudited accounts moved from 31st May to 31st July and the deadline for publishing audited statements being pushed back from 31st July 2022 to 30th September.

Following discussions with Grant Thornton in February it has been agreed that the Council will aim to comply with the original deadlines and work to produce a draft Statement of Accounts for 30th June 2022 with a completed audit by 30th September 2022 (subject to any outstanding issues on the audit of the County's Pension Fund) . The delays in producing and auditing the accounts experienced in 2021 have negatively impacted on various other projects including the main period of budget preparation in September and October and should be avoided if possible this financial year.

The annual plans for the production of the statutory accounts for recent years has been reviewed so that the draft accounts for 2021/22 can been produced before the deadline of 30th June 2022.

The key issues affecting the achievement of these deadlines are detailed in **Appendix B**. The action plan identifies key processes and milestones in achieving the statutory requirement.

The way the Council prepares and reports its accounts (including professional reporting standards and statutory timetables) is a key element within the Council's External Auditors', (Grant Thornton - GT) assessment of the Council's performance within the Annual Audit Letter.

The action plan is a key element in the process to deliver the Council's final accounts in compliance with legislation and maintain a high quality standard.

Key milestone dates will be regularly reviewed / monitored to achieve deadlines with material variances reported to CMT and Members (with proposed remedial actions). It is proposed that CMT receive an update, by exception, every 2 weeks until completion of the audit.

The information provided (detailed in **Appendix C**), although not comprehensive, highlights information that will need to be supplied in order to meet the deadline.

Key milestones – Provisional Dates:

- Completion of the draft accounts by 21st June 2022;
- Detailed management quality assurance review by 30th June 2022;
- Submission to Grant Thornton (and to Members) on or before 1st July 2022;
- Report to Audit & Governance Committee by the end of September 2022;
- Latest publish date 30th September 2022;

Consideration and approval of this report is a key control and evidence of the Council’s plans for the closedown and production of its accounts in compliance with statutory requirements.

Legal and Risk Implications

There is a risk that if the Council is not sufficiently pro-active, the Council’s Statement of Accounts may not remain compliant with both the Code of Practice on Local Authority Accounts and International Financial Reporting Standards (IFRS) which would result in a potential delay or criticism over the production of the Accounts and potentially a qualified audit opinion.

The following top level risks have been identified. The full details are contained within the Pentana risk register.

Risk No	Description of Risk	Likelihood Impact	Action Required to Manage Risk
1	Further research reveals the new requirements of either the Code of Practice or IFRS to be more complex and time consuming than initially thought.	**M H**	An early start, adequate research, adequate initial resources, sufficient resource/budget provision for contingencies
2	Incorrect interpretation of changes in either the Code of Practice or IFRS	**M H**	Adequate training, sufficient resources. Ensure all reasons for actions, inclusions and exclusions, are fully documented and agreed with External Audit.
3	Guidance by CIPFA changing possibly causing delays	**M H**	Regular review and rescheduling of project timetable
4	Delay in receiving information from external parties / contractors	**M H**	Ensure regular contact with all concerned and continually monitor completeness of the information provided
5	Inadequate training	**L M**	Research available training, ensure all relevant staff attend, training budget to be adequate
6	Failure to identify all leases	**L M**	Ensure staff understand exactly what is involved / process to outline the requirements
7	Key staff leaving	**H H**	Ensure there are sufficient skills within the team to cover / handover arrangements in place
8	Insufficient Resources from External Auditors Grant Thornton	**M H**	Continued liaisons with Grant Thornton to ensure they adequately allocate resources to the audit to meet timescales outlined above
9	Incorrect/inaccurate assumptions made re Pensions	**M H**	Figures are produced by SCC based on a set of assumptions and estimates for inclusion in the draft statement. SCC were then able to

Risk No	Description of Risk	Likelihood Impact	Action Required to Manage Risk
			provide actual figures in June 2021 and these were then updated in the Final Audited Statement.
10	Continuing Impact of the response to the pandemic on staffing resources	**M H**	Prioritisation of the accounts production over all other work where possible; Re-assessment of deadlines where needed.

Resource and Value for Money Implications

There are no financial implications arising from this report.

A significant amount of work will need to be undertaken during the period February through to 21st June 2022 to ensure completion of the Financial Statements by 30th June. There is a high risk of this deadline not being achieved should insufficient resources be directed towards the achievement of this goal – deadline / key milestones will be closely monitored.

Report Author

Please contact Lynne Pugh, Assistant Director Finance extension 272.

Background papers	Accounts and Audit Regulations 2015
	Code of Practice on Local Authority Accounting in the United Kingdom (2021/22) based on IFRS

NOTES TO THE ACCOUNTS

Accounting Policies

BASIS FOR PREPARATION

The notes relating to specific financial statement lines include the corresponding accounting policy. As a result, there is not an overall principal accounting policies note. However, the general accounting policies where there are not any accompanying notes are detailed within this note.

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31st March 2021. The Accounts and Audit Regulations (England) 2015 require the Authority to prepare an Annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of Non Current Assets and Financial Instruments.

ii. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received, other than prepayments which are accounted for on a cash basis. In particular:

a) Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;

b) Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as Inventories on the Balance Sheet;

c) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

d) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;

e) Where revenue and expenditure 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 in financing and investment income and expenditure for the income that might not be collected.

The Authority's policy is to review all accruals over £1k together with payments over £5k made in February, March and April to ensure that they are appropriate. Any accruals below this amount are not considered to be material.

iii. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. 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 Authority'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.

iv. CHARGES TO REVENUE FOR NON CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

a) depreciation attributable to the assets used by the relevant service;
b) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
c) amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

v. COUNCIL TAX AND NON-DOMESTIC RATES (ENGLAND)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Taxation and Non-Specific Grant Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vi. INTANGIBLE ASSETS

Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the Intangible Asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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 Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

vii. 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 authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to any interest in a joint operation, the Authority as a joint operator would recognise:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

The Authority has a Joint Waste Management arrangement with Lichfield District Council which does not fulfil the definition of a joint operation – detailed at Note **Error! Reference source not found.**f.

viii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

ix. FAIR VALUE MEASUREMENT

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Authority uses internal and external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Authority's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

x. INTERESTS IN COMPANIES AND OTHER ENTITIES

The authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xi. INVENTORIES AND LONG-TERM CONTRACTS

Inventories are included in the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the [FIFO/weighted average] costing formula.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Within notes to the Accounts:

Events after the Reporting Period

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date (31st March 2022) and the date when the Statement of Accounts is authorised for issue (30th June 2022). Two types of events can be identified:

a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where such a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Transfers to / (from) Earmarked Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund or Housing Revenue Account balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund or Housing Revenue Account balance so that there is no net charge against Council Tax or housing rent for the expenditure.

Certain reserves are kept to manage the accounting processes for Non Current Assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

Property, Plant & 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.

a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, subject to a de minimus level of £10k, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority 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 an expense when it is incurred.

b) Measurement

Assets are initially measured at cost, comprising:

i. the purchase price;
ii. 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; and
iii. the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). 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 Authority.

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

i. Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost;
ii. Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH); and
iii. 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 current value because of the specialised nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value. Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. In the case of the Assembly Rooms and Cemeteries valuations, there is no active market and so DRC is used.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years – including an annual desktop review of all Council Dwellings. A review of the valuation of all significant assets is undertaken annually.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

i. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down firstly against that balance (up to the amount of the accumulated gains);

ii. 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 lines in the Comprehensive Income and Expenditure Statement.

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

c) Impairment

Assets are assessed at each year end as to 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 the Authority has incurred capital expenditure on Council dwellings this is included within the Gross Book Value (GBV) and where it is not considered to add value it is included as impairment. These impairments are subject to write out annually.

The Authority has an ongoing programme of regeneration including disposal and redevelopment of garage sites and previously the redevelopment of housing at Tinkers Green and Kerria Centre. Where the decision had been made to dispose of a garage site, the value of the buildings element has been impaired to zero leaving only a residual land value. Similarly, the value of the dwellings in the housing redevelopment areas that were no longer available to let have been impaired to zero leaving only a residual land value.

Where impairment losses are identified, they are accounted for by:

i. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down firstly against that balance (up to the amount of the accumulated gains);
ii. 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 lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and 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.

d) 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 finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction).

Deprecation is calculated on the following bases:

i. **Council Housing Stock:** on a straight line basis to an appropriate residual value over the expected useful life of the asset of 50 years.

ii. **Other Land and Buildings:** on a straight line basis to a nil residual value over the expected useful life of the asset being a range of 5 years to 70 years.

    Historical properties: on a straight line basis to a nil residual value over the expected useful life of the asset being over 100 years

iii. **Vehicles, Plant and Equipment:** on a straight line basis to a nil residual value over the expected useful life of the asset, being between 1 and 20 years.

iv. **Infrastructure:** on a straight line basis to a nil residual value over the expected useful life of the asset of 30 years.

v. **Community Assets:** on a straight line basis to a nil residual value over the expected useful life of the asset of 100 years.

vi. **Heritage Assets:** the Authority considers that the Heritage Assets held will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets.

vii. **Computer Hardware:** is depreciated over a period of 3 years on a straight line basis to a nil residual value.

viii. **Investment Properties and Surplus Assets:** no depreciation has been applied to either the land or building value of Investment Properties or Surplus Assets.

ix. **Intangible Fixed Assets:** computer software licences are amortised to revenue over a period of 3 years.

x. **Furniture and equipment** – minor purchases by the Authority are charged to revenue in the year of acquisition and are not capitalised in the accounts.

xi. **De minimus items** of expenditure on computer equipment and software are capitalised under the concept of 'Grouped Assets' where the value of such items is material. A charge is made for these assets (depreciation for equipment and amortisation for software), calculated using the straight line method over a period of three years.

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 – as detailed within the Component Accounting Policy for Property, Plant and Equipment.

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.

e) Disposals and Non Current 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 current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current 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 not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the authority’s underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent 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.

f) Component Accounting Policy for Property, Plant and Equipment

i. De Minimus Level

The de minimus threshold for the Authority is a current net book value of £250k. Individual assets with a value less than £250k will be disregarded for componentisation. This level will be reviewed annually.

ii. Policy for Componentisation

The code requires that each part of an asset should be separately identified and depreciated where the cost is significant in relation to the overall cost of the asset.

To be separately identified as a component, an element of an asset must meet the following criteria:

- have a cost of at least 20% of the cost of the overall asset and
- have a materially different useful life (at least 20% different) and/or
- have a different depreciation method that materially affects the amount charged

The componentisation policy will be applied to new capital spend and new assets with a total cost of over £250k will be considered under the componentisation policy as follows:

- when an asset is enhanced, the cost of the replacement component is compared with the cost of the total asset and the result is measured against the agreed de minimus threshold;
- When an asset is acquired: the cost of any component parts are compared with the overall cost of the new asset and the results assessed against the agreed de minimus threshold;

iii. Valuation

The 5 year valuation cycle remains and therefore componentisation needs to be considered for each asset in the portfolio.

In addition in each financial year, a list of assets that have had capital expenditure incurred will be passed to the finance team and/or valuers who can consider componentisation for any properties not already reviewed.

iv. Impairment

We will continue to complete a desktop Impairment review on an annual basis.

Heritage Assets

Heritage Assets are assets that are held by the Authority because of their cultural, environmental or historical value. Tangible Heritage Assets include historical buildings, paintings, sculptures / statues, archives and other works of art.

The Authority's Museum, Art and Civic Heritage Assets are held in various sites. The Museum Collection has four main collections, General Collection, Art, Furniture and Archaeological Collection and Ephemera.

The collections are used for education, learning, research, enjoyment and are preserved for the use of future generations.

Valuation of Heritage Assets

The Code requires that Heritage Assets are measured at valuation in the 2021/22 financial statements (including the 2020/21 comparative information). The Authority will recognise in the Balance Sheet each asset shown in the table which has an identified value.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below.

The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below.

- **General Collection:** Tamworth Castle has held collections and maintained a museum since it was purchased for the Borough in 1897. The collections are crucial for maximising access to and understanding of Tamworth's heritage. These items are reported in the Balance Sheet at insurance valuation which is based on Market values. Acquisitions, although rare, are initially recognised at cost.

- **Art Collection:** The collection consists principally of views of Tamworth by local artists although some are nationally recognised. The mediums covered include oil, watercolour, lithographs, mezzotints and prints. These too are reported in the Balance Sheet at insurance valuation based on Market values.

- **Archaeological Collection and Ephemera:** The archaeological collection consists mainly of finds from various excavations local to Tamworth, usually as a result of building development around Tamworth Castle site but also in the town and further afield. These are not recognised on the Balance Sheet as cost or valuation information is not reliable for items of this type due to the diverse nature, and lack of comparable market values for the assets held.

- **Civic Collection and Statues:** The Authority's Civic Collection and Statues were valued in April 2012 by external valuers. These assets are deemed to have an indeterminate life with high residual values; hence the Authority does not consider it appropriate to charge depreciation.

- **Tamworth Castle:** The castle dates from c1070 but has been updated and modernised during the interim period. The current value is based on historic cost but there are regular works to maintain the property.

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.

Investment Properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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 and 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 Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 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 borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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).

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The authority’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 (ie 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 Authority 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 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 Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The Authority recognises expected credit losses on all of 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 authority.

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 authority 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.

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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 authority 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.

Cash & 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 highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, Cash and Cash Equivalents are shown net of Bank Overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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 current 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 and 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 not to sell.

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Acquisitions & Discontinued Operations

The results of discontinued operations are shown as a single amount on the face of the Comprehensive Income and Expenditure Statement comprising the profit or loss of discontinued operations and the gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. A discontinued operation is a unit that has been disposed of, or is classified as an Asset Held for Sale.

Officers' Remuneration

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. Healthshield cover) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and 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 (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and 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 the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

During 2021/22 the Council received a number of grants in relation to the COVID Pandemic where it acted as an agent for Central Government. Paragraph 2.6.2.4 of the Code requires that where an authority acts as an agent, transactions will not be reflected in an authority's financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal. In these cases a debtor or creditor will be recognised and the net cash position included in financing activities in the cash flow statement.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this Authority may be used to fund revenue expenditure.

Capital Expenditure & Financing

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a Non Current Asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund or Housing Revenue Account to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax or housing rent.

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 buildings 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.

a) Authority as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant and Equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

b) Authority as Lessor

i. Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Authority’s net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (Long Term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

ii. Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Defined Benefit Pension Schemes

The pension costs included in these accounts have been determined in accordance with government regulations and IAS 19. The standard requires the full recognition of the pensions liability (and the movement of its constituent parts) in the Comprehensive Income and Expenditure Statement. These requirements are included within the accounts in accordance with CIPFA recommended practice.

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013:

i. The liabilities of the Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. 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, etc., and projections of projected earnings for current employees.

ii. Liabilities are discounted to their value at current prices, using a discount rate of 2%.

This is based on an approach whereby a Corporate Bond yield curve is constructed based on the constituents of the iBoxx AA Corporate Bond Index.

Separate discount rates are then set (and corresponding RPI/CPI inflation assumptions) for individual employers, dependent on their own weighted average duration.

iii. The assets of Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price;
- property – market value.

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

Service Cost Comprising:

- **Current Service Cost:** The increase in 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 increase in liabilities as a result 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 as part of Non Distributed Costs;

- **Net Interest Cost:**
net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- **Expected Return on Plan Assets:** excluding amounts included 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 Staffordshire Local Government Pension Fund:** Cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund and the Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable 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 on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

a) Participation in Pension Schemes

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

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Staffordshire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

b) Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund (and HRA) via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund

Balance via the Movement in Reserves Statement during the year:

Contingent Liabilities

A Contingent Liability arises where an event has taken place that gives the Authority 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 Authority. 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 disclosed in a note to the accounts.

Appendix B

Key Issues in the Production of the Statement of Accounts

One of the main ways a Local Authority communicates its financial performance to local stakeholders and the wider community is through its published financial statements.

Between completion of the statement in June and the conclusion of the on-site audit in September, a substantial amount of work will be required liaising with the external auditors to ensure an unqualified audit report.

Following the completion of the 2020/21 audit a number of amendments to the Draft Statement (as published on the website, 2nd June 2021 and circulated to the Audit & Governance Committee on 28th July 2021) were discussed & agreed with Grant Thornton.

This included an adjustment relating to the Pensions figures included in the statement. There was a material (c.£2m) change between the draft figures provided by the Actuary in April 2021 and the final report received in June 2021 – relating mainly to the estimated return on the pension fund investments. This has reduced the net pension fund liability on the balance sheet from £52m to £50m.

It is important to note that, other than the adjustments to the pension fund figures, there were only minor changes relating to presentational or disclosure notes within the main financial statements and the associated notes and did not have any impact on the reported outturn position and net balances of the General Fund, Housing Revenue Account or Collection Fund and does not impact on the taxpayer.

Although the External Auditors had concluded the vast majority of their work on the accounts before the end of September, we were advised that assurance from Staffordshire County Council's external auditors in relation to the Staffordshire Pension Fund would not be available till November. For this reason it was agreed to delegate authority to the Chair to approve any changes and re-sign the accounts, and if necessary, report any significant changes to the members of Audit and Governance Committee at the earliest available opportunity.

To meet the necessary deadlines, the closure process for 2020/21 has been reviewed to identify any lessons to be learned for future years.

The main issues affecting the closure of accounts for 2020/21 included:

- the need for corporate ownership of the process;
- reliance on staff in Services and third parties who have other priorities;
- the need for key officers (lead by Corporate Finance) to focus on the achievement of critical deadlines, in the face of and in preference to other competing priorities;
- the need to check/validate creditor accruals (and avoid large numbers of reversals where evidence cannot be provided) – it would aid timely completion of the process if accruals were processed by Managers in compliance with

laid down parameters (i.e. receipt of goods/services ***before*** 31st March);

- Pensions - actual rate of return on the pension fund's assets for the year differed from that assumed by the actuary due to the effect of the pandemic on financial markets at 31st March 2021. This required a change to the accounts as it was above the materiality threshold for changes following the audit;
- Delays in completion of the audit by Grant Thornton following the on-site audit. There have been changes to the planned audit process for 2021/22 which should focus audit resources at the timely completion of the audit but we will need to ensure adequate resources are allocated to the audit for 2021/22 to meet timescales outlined above.

Commitment will be required to ensure that appropriate time and staffing resources will be focussed on the achievement of the key tasks within all Services.

A brief planning meeting has already been held with the Audit Lead from Grant Thornton to discuss any emerging issues. The next meeting has been arranged for 14th April to discuss progress from Interim Audit visits and agree the draft timetable of the year end process (**Appendix D**) .Further meetings will be agreed, if necessary, prior to the commencement of the onsite audit of the accounts to discuss progress to date.

A detailed year end timetable has been prepared **(attached at Appendix C)** and communicated; ensuring tasks are allocated, in the right sequence, to named individuals. The timetable will include a firm cut-off date for accruals and practical details, such as publication and committee deadlines.

It is essential that there is a review at the end of closedown to highlight any lessons to be learned for next year. Equally vital is clear supporting documentation and an audit trail. These will not only help in the current year audit process but will be a sound base for future years.

A risk management approach is essential when resources are limited. The focus will be on known areas of risk based on past experience. A summary of issues from the 2020/21 closedown with material delays are detailed below.

An escalation process will be in place if it is evident that critical tasks are slipping – together with fortnightly updates to CMT. There is still some room for development to ensure an efficient closedown for 2021/22.

2020/21 – Significant Issues

Item	Issue	Proposed Solution / Action Already taken	Action
Manual Accruals	A reduced number from previous years but still several manual accruals were received after the deadline and/or following identification by Accountant (i.e. not identified proactively by budget managers) – improvement needed as any late or missed accruals could delay the process and create additional work	By 31/03/22, Managers will be asked to ensure that where goods/services have been received the majority of orders are ‘goods receipted’ within e-financials, thereby generating ‘auto-accruals’ on 01/04/22 The minimum level for manual accruals will be £5k (as set by Executive Director Finance). However, should material accruals have been missed (i.e. over £5k) then the Service Accountants must be advised and appropriate action taken	ALL
Related Party Transactions	Again – Delayed return of some signed statements.	Requirements for any remaining Members to be contacted in person at Council/Committee meetings – for sign off by 30/04/22 at the latest.	Head of Paid Service
External Valuations	Delays / incomplete information from external valuers	Terms of engagement have been re defined with regular meetings arranged so that any issues can be quickly identified and solutions found at an earlier stage. Agreed that for 2021/22 only necessary to undertake desktop valuation of HRA assets – this will mitigate delays from not being able to gain access to properties in previous years	Finance and Assets
Pension Assumptions	• actual rate of return on the pension fund’s assets for the year differed from that assumed by the actuary	To request initial data from the Actuary as at 31/03/22, supplemented by an updated report in June 2022.	Finance
Final Sign Off	• Delays in completion of the audit following completion of on-site audit	Continued liaisons with Grant Thornton to ensure they adequately allocate resources to the audit to meet timescales outlined above and dates included in agreed Audit Plan (due A&G Cttee 22/03/22)	Finance

A flexible `teamwork' approach to make the most of scarce staff resources will be implemented, if necessary. Agreed variations to the flexible working policy or overtime pay (under the discretion of the Executive Director Finance) to speed up the closure of accounts would be considered as well as the need to bring in contract staff.

System weaknesses can cause delays and frustrations and appropriate contingency support will be essential, should problems arise.

Procedures have been in place for a number of years to ensure that key reconciliations are performed on a monthly basis during the year and centrally managed suspense or bank control accounts are cleared regularly. A full review of all working papers has been carried out with key staff during the year in preparation for the 2021/22 closedown.

The continued requirement to prepare accounts under IFRS will require a well thought-out approach to the use of estimates and de minimus levels for year-end accruals.

The aim should be to provide appropriate information to enable the efficient closedown without the need to re-open the accounts for late / omitted items i.e. a '**get it right first time'** approach. Managers should make every endeavour to include appropriate accruals, temporary reserves and retained funds and provide the required information in a timely manner.

Knowing the previous year's outturn position earlier will help inform not only the current year's financial performance monitoring but the forthcoming year's budget strategy.

It could also further boost confidence in the Council's financial management - the timeliness and accuracy of the financial statements and the supporting records form part of the auditor's assessment within the Annual Audit Letter.

Appendix C

REF	CORPORATE REQUIREMENTS FINAL ACCOUNTS 2021/22	LEAD OFFICER	DEADLINE
1	Temporary Reserve / Retained Fund information	ALL	08/04/2022
2	Review all outstanding orders and delete where necessary	ALL	01/03/2022
3	All “goods receipts” should be on e-financials by 31/03/22, with evidence held by the Service Departments, in order to ensure ‘auto-accruals’ are generated. (It is recommended as many as possible done by 19/03/22)	ALL	31/03/2022
4	Deadline for approved manual accruals. (ie goods need to be received by 31/03/22.) Refer to year end guidance	ALL	08/04/2022
5	Staff Holiday and Flexi Leave entitlement as at 31/03/22	ALL	08/04/2022
6	Manual accruals to be kept to a minimum, with ED Finance approval/authorisation only. The minimum level for manual accruals will be £5,000. (However, should material accruals have been missed (i.e. over £5,000) then the Directorate Accountant must be advised and appropriate action taken)	ALL	08/04/2022
7	Notify all stock holders of the need for stocktakes to be carried out at 31/03/22 and information returned to accountancy	ALL	08/04/2022
8	Petty Cash imprest reconciliation. A reminder of the need to complete returns at 31/03/22 will be issued	ALL	08/04/2022
9	IT stock purchases and disposals (hardware and software) information	AD PEOPLE	08/04/2022
10	Bad debt information: E-financials Sundry Debtors and overpayments Homelessness and Housing Rents	AD FINANCE / AD NEIGH	08/04/2022
11	Completion of asset acquisitions / disposals / revaluations / impairment and production of the asset register certified by qualified valuer	AD ASSETS	Draft by: 10/03/22 Final by : 01/04/2022
12	All reconciliations to be complete and returned to accountancy; debtors, benefit, HAA/mortgages, rent, car loans, rent allowance etc. (monthly reconciliations should be completed during the year)	ALL	08/04/2022
13	Related Party Transaction information. Letters to be sent by 19/03/22 - Approach at Committee if delayed	S151 / MO	08/04/2022
14	Managers confirmation of continued existence and responsibility for assets	ALL	08/04/2022
15	Information for completion of DWP and Subsidy estimated claims from benefits	AD FINANCE	08/04/2022
16	Improvement grant reconciliation	AD ASSETS	08/04/2022
17	Collection fund information (NNDR3)	AD FINANCE	15/04/2022
18	FRS17 Pension information from SCC Pension Fund	SCC	15/04/2022
19	Review Code of Corporate Governance and prepare Annual Governance Statement	Head of Audit	15/04/2022
20	Review grant estimates (Benefits) / comparison to actual submissions	AD FINANCE	15/04/2022
21	Review potential post balance sheet events / impact on accounts	ALL	Up to 30/09/22

Audit Planning Timetable 2021/22

Date / Deadline	Completion of:	
Feb-22	Audit Planning Meeting / requirements (following changes to code, financial analysis, working papers & format, use of estimates etc)	
Feb-22	GT Workshop	
Feb-22	1st Interim Visit (5 days) – walkthrough and early testing	
Feb-22	2nd Interim Visit (5 days) – walkthrough and early testing	
Mar-22	Audit Planning Meeting / requirements	
Mar-22	Opinion / Informing the Audit Risk Assessment and Audit Plan to Audit & Governance Cttee	
21/06/2022	Draft Statement preparation	
1 week	Quality assurance	
30/06/2022	***Submission of Accounts (to GT / Members)***	
July / Aug	High Level Audit Plan for 2021/22 Audit confirmed (for planning / management purposes)	
July / Aug	Engagement Lead review	
July / Aug	Off Site Audit Commences (prepare working papers / reconciliations / quality assurance process)	Accountants / Key Officers to be available for Auditor questions by appointment
July / Aug	Weekly Meetings with Audit Manager (including emerging Governance report issues) - issues to date documented in **one logical list i.e. no repeated issues**	
July / Aug	On Site Audit Concludes (the statement will be changed, as necessary, as the audit proceeds) - Weekly Meeting with Audit Manager	
Weekly	**Draft list of audit amendments / issues received (subject to Engagement Lead review)**	
Early Sept	**Final list of audit amendments / issues received (after Engagement Lead review)**	
By 05/09/2022	**Close out meeting (with Engagement Lead review)**	
12/09/2022	Amended Statement of Accounts prepared	
15/09/2022	Audit Findings Report received	
22/09/2022	Audit Report to be circulated via Modgov	
28/09//2022	Audit Findings Report to Audit & Governance Committee / Sign Off	
30/09/2022	Publish at latest	

Back to Agenda

Scrutiny and Board Oversight

Reporting

- Programme Team schedule a monthly meeting with Tamworth Assistant Directors (AD)
- TC and AD’s complete Highlight Report, update Project Plan

Reviewing

- Programme Lead reviews Highlight Reports and team completes Programme Summary in readiness for monthly R&R ops meeting

Evaluating

- Programme Team prepare R&R pack for bi-monthly R&R board and routine via John Day for Scrutiny updates (with usual performance packs)

Corporate Scrutiny (inc. Budget review)

Recovery & Reset Programme

Finance

Service Redesign

Health & Wellbeing Scrutiny

SMART Working

Third Sector & Vulnerability

Customer Service Offer

Infrastructure Safety & Growth Scrutiny

Building Utilisation

Economic & Regeneration

Audit Governance Committee

Links to co planning, R&R risk management e.g., Quality Assurance Audit

Programme Risk Management

Likelihood \ Severity	Very Low	Low	Medium	High
High			4	7
Medium			2	1
Low		2		3
Very Low				

Summary of active risks

November	High	11	Medium	7	Low	2	Very Low	0	Total	20
December	High	10	Medium	8	Low	1	Very Low	0	Total	19
January	High	11	Medium	8	Low	1	Very Low	0	Total	20
March	High	12	Medium	5	Low	2	Very Low	0	Total	19

Tamworth Borough Council

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Programme Risk Management

Area	Description	Mitigation	2021	Jan 2022	March 2022
Programme	Council reputational risk	Robust comms plus staff comms on the intranet that is kept up to date and agreement of direction of travel from cabinet in December 2021	16	16	16
Building Requirements	Likelihood of challenge from MH leaseholders around level of MH development planning. Any delay in the options appraisal will directly affect the decommissioning.	Clear political steer and robust constraints mapping underway. To achieve timescales, it's likely we will have to negotiate out of the lease which will have a cost implication. Legal advice sought.	16	12 Additional legal advice reducing risk	12
Building Requirements	Cost assumptions have not been market tested and could exceed current cost estimates	Working with external consultants to monitor costs. March 2022: costs are becoming clearer but remains high risk.	16	16	12
Econ & Regeneration	Financial savings will not be realised through MH regeneration and vacation. Feasibility and/or site constraints may increase costs or reduce options for regeneration	Cost assumptions to be market tested, robust constraints mapping commissioned. MH vision viability testing to shore-up decision making	16	16	16
Econ & Regeneration	Reputational management – empty property concerns when MH is vacant	Demolition to take priority after vacation and stripping out. Public comms to support key messages around action being taken and that the building is not "abandoned".	16	16	16
Econ & Regeneration	Dependencies and shared risks with FHSF, Regeneration Agenda, Levelling Up. Risk of mission creep, overlapping or conflicting agendas.	Ongoing monitoring of dependencies, internal communications and senior leadership awareness.	16	16	16
Programme	Key critical projects are interlinked and mutually dependent	Detailed planning and dependency management. Workshops for projects completed and more planned, vigilance around project visibility and feed into programme reporting.	12	16 As programme develops, dependencies are more complex and require additional monitoring.	16

Tamworth Borough Council

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Programme Risk Management

Area	Description	Mitigation	2021	Jan 2022	Mar 2022
Programme	Resource concerns across the programme	A robust resource plan has been submitted for 3 months to ensure the stability of the programme. This should be revisited when cabinet have chosen a delivery option	12	16 Staffing continuity, procurement timetable & corporate project overlaps	12
Building Requirements	There are no places for the council to be relocated at the moment and it must be in the town centre	Responses to be reviewed and options appraised	12	12	12
Building Requirements	Council rental/purchase/building options being delayed may impact on sale or repurposing of MH.	Critical project management inplace, close relationship between projects and risk being monitored closely	16	16	16

Summary of Governance Timescales

Event	Timeline	Comments
Programme Audit	As per Audit Plan	On Audit plan for Qtr 2
Recovery & Reset Operational Meetings	Bi-monthly	Organisational Wide Senior management team to review and assess programme highlight reports and progress
Scrutiny Committees	ISAG 19th Jan 2022 H&W 15th Jan 2022 Corporate 01st Feb 2022 Audit and Governance 22nd March 2022	To date all scrutiny committees have received the programme well, low volume additional requests such as having sight of the project timeline.
Recovery and Reset Board	15th December 2021 23rd February 2022 27th April 2022	Each Board meeting attended by all Cabinet colleagues along with Executive Leadership team, Programme Lead
Cabinet on the Forward Plan	07th April 2022	Proposed recommendations likely to include: • Marmion House Options Regeneration • Town Centre Premises Options • Customer Services Offer (Short/Med/Long Term) • Service Redesign Framework (Timing Plan)

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TUESDAY, 22 MARCH 2022

REPORT OF THE AUDIT MANAGER

INTERNAL AUDIT PLAN AND CHARTER 2022/2023

EXEMPT INFORMATION

None.

PURPOSE

For the Audit & Governance Committee to comment on and endorse the 2022/23 proposed internal audit plan (**Appendix 1**) and charter (**Appendix 2**).

RECOMMENDATIONS

1. **That the Committee comment on and endorse the 2022/23 proposed internal audit plan (Appendix 1) and charter (Appendix 2).**

EXECUTIVE SUMMARY

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

The Audit & Governance Committee's consideration and endorsement of an effective audit plan, charter and protocol is an important element in providing assurance to the organisation that arrangements are in place to provide an independent and objective opinion on the adequacy of the internal control environment.

The proposed audit plan is detailed at **Appendix 1**.

During 2022/23, to maintain compliance with PSIAS, we will need to undertake an external review of Internal Audit's processes, this occurs every five years and will provide where appropriate an improvement plan. The results will be reported to Committee.

The Shared Service agreement between Tamworth Borough Council and Lichfield District Council in respect of the provision of internal audit services was reviewed and updated and covers the period 1st October 2021 to 30th September 2023.

The Audit Charter is detailed at **Appendix 2**. Minor changes for clarity have been made and are highlighted in the document.

RESOURCE IMPLICATIONS

Available resources have been considered and optimised; and there is a continuous review process in place to monitor plan delivery. Regular quarterly updates are provided to Audit & Governance Committee.

LEGAL/RISK IMPLICATIONS BACKGROUND

The audit planning process ensure that audit resources are directed to areas of most significance / highest risk.

EQUALITIES IMPLICATION

None.

ENVIRONMENT AND SUSTAINABILITY IMPLICATIONS (INCLUDING CLIMATE CHANGE)

None.

BACKGROUND INFORMATION

None

REPORT AUTHOR

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Ext 234

LIST OF BACKGROUND PAPERS

APPENDICES

Appendix 1 – Audit Plan
Appendix 2 – Audit Charter

Appendix 1

Internal Audit
Draft Audit Plan & Charter 2022/23



Contents

In the event of any questions arising from this report please contact Andrew Wood, Audit Manager andrew-wood@tamworth.gov.uk

01 Introduction

Background

This report sets out the Internal Audit operational plan for Tamworth Borough Council (TBC) for endorsement by the Audit & Governance Committee. The purpose of this plan is to identify the work required to achieve a reasonable level of assurance to be provided by Internal Audit in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and the Audit Committee with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work in accordance with an annual operational plan as endorsed by the Audit Committee.

02 Audit Planning

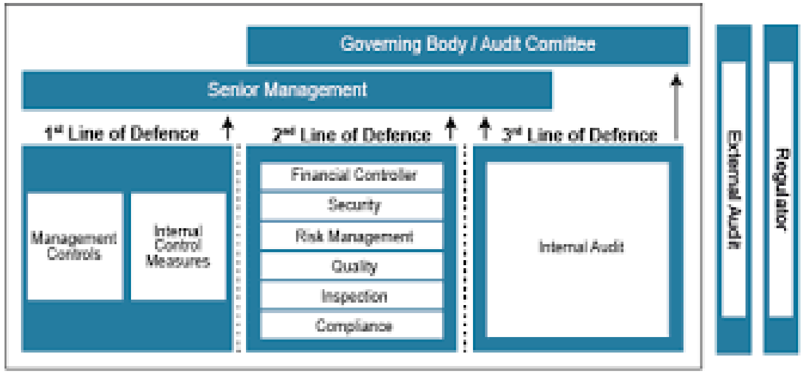
As part of the planning for 2022/23, the proposed plan of work has been developed based on:

- **Key risks –** the plan for 2021/22 is based on an analysis of strategic and operational risks; strategic objectives; internal control and governance processes and other factors which may affect the year ahead, including any changes within the external environment and the sector .
- **Reference to previous assurance work** – a review of the outcome of previous audit and assurance work undertaken and where assurance is now required again.

- **Level of resources** – in 2020/21 a benchmarking exercise was undertaken to compare the level of audit resources with similar council's. Audit days were reduced from 318 days (2019/20) to 256 days (2020/21) and 260 days (2021/22) to be competitive with peers. It is proposed to increase the number of days slightly to 269 days during 2022/2023. The Council's risk profile has been reviewed and it has not changed. This is not unusual (a reasonable assurance opinion has been given for the last 3 years) and the level of fraud risk has remained low. For these reasons the 2022/23 draft plan resources have not materially changed.
- **Agile approach –** our approach will be one where we will respond to the changing assurance need, by having a level of contingency, we will be able to change the focus of the audits / audit deliver

Discussions with the Corporate Management Team (which include the Section 151 Officer) have been included and their views reflected in the final plan.

Our strategy is based upon a three lines of defence model of assurance:



Internal Audit seeks to identify assurances provided through the first and second lines of defence and selects the most appropriate method for obtaining assurance to support the Head of Internal Audit's opinion and the Council's governance requirements.

03 Internal Audit Plan

The detailed audit plan at **Appendix 1** sets out the assurance requirement in terms of core financial systems; strategic and operational risk; ICT; governance, fraud and other assurance. The draft plan is for a total of 269 days and in particular seeks to provide assurance over areas of higher risk.

04 Joint Working

During 2021/22 we renewed the shared service agreement with Lichfield District Council to include their auditor resources took place. Despite challenges with remote working, the arrangement has been largely successful in terms of customer feedback and performance against KPI's (reported to Audit & Governance Committee in audit's routine performance reports). This agreement is for two years and covers the period 1 October 2021 to 30 September 2023.

During 2022/2023, as part of continued compliance with Public Sector Internal Audit Standards, we will be required to undertake an external assessment. The Audit Manager in Quarter 1 will undertake an internal self-evaluation prior to the inspection, this will identify any areas of improvement for the service.

05 Charter

The Audit Charter is at **Appendix 2.**

Appendix 01: Detailed Audit Plan 2022/23

Assurance Requirement	Audit	Scope	Risk	Planned Days	Total Days	Proposed Quarter
Core Financial Systems	Council Tax	Risk based review covering the adequacy and effectiveness of controls around the maintenance of systems; billing, discounts and reliefs, collection, refunds and write offs.		10	40	Q2
	Payroll	Risk based review of Payroll systems to ensure controls in place for the timely and accurate payment of salaries and subsistence allowances to staff and members. In include; new starters, leavers, accounting for tax and deductions.		10		Q3
	Housing Rents	Risk based review of housing rents systems to ensure correct rent charged, payments recorded, rent accounting systems are accurate. Controls in place for the setting up of rent debit.		10		Q3
	Business Grants	Risk based review grants allocated to businesses to ensure compliance with award criteria and accurate/robust payment systems in place and operating. Proactive assessment processes in place prior to grant award. Robust processes in place for the repayment and recovery of grants.		10		Q1
Strategic & Operational Risks	Cemeteries	Risk based review of the cemetery operations to ensure compliance with Health & Safety requirements, together with overall management controls of the service. Development of new systems/review.		10	96	Q4
	Recovery and Reset	Programme assurance based review of Recovery and Reset programme. Programme assurance includes programme planning, governance structure and controls, delivery, change management, RAIDD management (Risk, Action, Issue, Decision, Dependency), testing and reporting.		10		Q3
	Future High Street Fund	Programme assurance review (as recovery and rest above) of progression towards		10		Q3

Assurance Requirement	Audit	Scope	Risk	Planned Days	Total Days	Proposed Quarter
		transformation of the town centre following the £21.65m allocation of Future High Street Funding.				
	Housing White Paper – follow up	Risk based review of organisation implementation for new regulatory inspection regime.		6		Q3
	Climate Change	Risk based review looking at the Council's preparation to de-carbonisation / climate change agenda.		10		Q1
	Income Management	Risk based review of the Council's controls around the management of income throughout the Council is ensure that this collected in a robust manner that accounts for monies received.		10		Q4
	Project Management	Programme assurance based review of Council's Project Management systems. Programme assurance includes programme planning, governance structure and controls, delivery, change management, RAIDD management (Risk, Action, Issue, Decision, Dependency), testing and reporting.		10		Q3
	Health & Safety – Landlord and Premise Compliance	Compliance review to ensure that the Council maintains compliance with relevant H&S legislation as it affects; gas, electrical, asbestos, lifts, fire assessments and general H&S within both housing stock and Council premises.		10		Q1
	Events Management	Risk based review looking at key aspects of the council's operations in relation to the management of events, to include; bidding for external events, management of internal events.		10		Q3
	Contracts and Investment	A risk based review of Housing Repairs and investment contract management.		10		Q1
ICT	Web Portals	ICT review of the development and management of web portals to ensure that this is developed and rolled out in a consistent and managed manner. To ensure that web portals		10	20	Q2-Q4

Assurance Requirement	Audit	Scope	Risk	Planned Days	Total Days	Proposed Quarter
		do not place Council systems at risk. Web Portal management is maintained and regularly updated.				
	GDPR	A risk based review to ensure compliance with GDPR legislation across the authority.		10		
Governance, Fraud & Other Assurance	Disabled Facilities Grant	Assurance statement		5		Q3
	Municipal Charities	Preparation of municipal charities accounts		2		Q3
	Pensions	Assurance statement		4		Q4
	Counter Fraud	Work to support the mitigation of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.		10	37	Q1-Q4
	Annual Governance Statement	Production of the AGS.		13		Q1-Q2
	Annual Audit Opinion	Production of the Annual Audit Opinion		3		Q1-Q2
	Follow Up of Recommendations	To follow up all no and limited assurance reports and all high priority recommendations.		20		Q1-Q4
	Management and Planning	Management, planning and assurance reporting to CMT and Audit & Governance Committee		26	76	Q1-Q4
	Ad hoc / Contingency / Consultancy	Contingency allocation to be utilised upon agreement of the Chief Finance Officer		22		Q1-Q4
	IA QAIP and PSIAS	Review of PSIAS standards and review		8		
				Total	**269**	

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APPENDIX 2

Tamworth Borough Council

INTERNAL AUDIT CHARTER



March 2022

Document Location
This document is held by Tamworth Borough Council (TBC) and the document owner is the Audit Manager.

Printed documents may be obsolete. An electronic copy will be available on TBC's intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
25/01/13	1.01.01	1st draft
05/03/14	1.01.02	Review
04/03/15	1.01.03	Review
20/11/15	1.01.04	Review
08/03/17	1.01.05	Review
13/03/18	1.01.06	Review
07/06/18	1.01.07	Roles and responsibilities following management restructure
05/03/19	1.01.08	Review
12/06/20	1.01.09	Review – changes to follow up process
10/03/21	1.01.10	Review including role title changes
11/02/22	1.01.11	Review

Approvals

Name	Date:
Audit & Governance Committee	
Chief Executive	
Audit Manager	11.02.22

Document Review Plans

This document is subject to a scheduled annual review. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be available on the Intranet and the website.

CONTENTS PAGE

1 Definition of Internal Auditing

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

The internal audit service will comply with the Public Sector Internal Auditing Standards (PSIAS) as adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA). The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing;
- Code of Ethics; and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

The mandatory core principles for the Professional Practice of Internal Auditing are:

- Demonstrate integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, ad risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement.

This Charter will be periodically reviewed in consultation with the Chief Executive and the Audit & Governance Committee. Changes to the International Professional Practice Framework will be incorporated as and when they occur.

The Audit Manager will report conformance to the PSIAS in the annual report to the Audit & Governance Committee.

2 Mission Statement of Internal Audit

To enhance and protect the authority's values by providing risk-based and objective assurance, advice and insight.

3 Purpose and Statutory Requirements

The internal audit activity will evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information amongst the Audit & Governance Committee, external and internal auditors and management.

In addition, the other objectives of the function are to:

- Support the Executive Director Finance to discharge their s151 duties of the Local Government Finance Act 1972 by maintaining an adequate and effective Internal Audit service;
- Contribute to and support the Authority’s objectives of ensuring the provision of and promoting the need for, sound financial systems; and
- Investigate allegations of fraud or irregularity to help safeguard public funds.

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015 which state in respect of Internal Audit that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

The work of Internal Audit forms part of the assurance framework, however, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

4 Objectives

The Audit Manager’s responsibility is to report to the Audit & Governance Committee on its assessment of the adequacy of the entire control environment.

They do this by:

- Providing assurance, which is risk based and objective and relevant (Internal Audit’s primary role) to the Council and its management on the quality of the Council’s operations, whether delivered internally or externally, with particular emphasis on systems of risk management, control and governance. Assurance to third parties will be provided where specific internal audit resources are allocated to the area under review (e.g. pension contributions).

- Providing consultancy services to internal and external delivered services. Consultancy services are advisory and insightful in nature and will be performed at the specific request of the organisation with the aim to improve governance, risk management and control.
- Providing counter fraud and corruption services to include investigating fraud; increasing awareness of the counter-fraud responsibilities at all levels within and outside the Council; further embedding and supporting the effective management of fraud risk within the Council; setting specific goals for improving the resilience against fraud and corruption through the support of counter-fraud activities across the Council; and minimising the likelihood and extent of loss through fraud and corruption.

5 Role and Scope of Work

The scope on internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's risk management, control and governance processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of management and financial information processes and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Evaluating the potential occurrence for fraud as part of the audit engagements;
- Monitoring and evaluating governance processes;
- Monitoring and evaluating the effectiveness of the organisation's risk management processes;
- Monitoring the degree of coordination of internal audit and external audit;
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters to the Audit & Governance Committee;

- Evaluating specific operations at the request of management, as appropriate;
- Support management upon the design of controls at appropriate points in the development of major change programmes.

6 Proficiency and Due Professional Care

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Core Principles of the Internal Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to Lichfield District Council's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

Job descriptions and person specifications for each post within Internal Audit Services define the appropriate knowledge, skills and experience and are reviewed periodically.

Personal Development Reviews will be completed in accordance with the Council's policy. Staff will be supported to fulfil training and development needs identified in order to support their continuous professional development programme.

Internal Auditors will exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives with detailed Terms of Reference (including consultancy engagements);
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

Where gaps exist in knowledge and skills in the delivery of internal audit plans, the Audit Manager can engage specialist providers of Internal Audit Services.

Internal Audit staff will be suitably supervised and work will be reviewed by a senior member of staff.

7 Authority

The Internal Audit service, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Tamworth Borough Council's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit service in fulfilling its roles and responsibilities.

8 Organisation

The Audit Manager will report functionally to the Audit & Governance Committee and administratively (i.e. day to day operations) to the Chief Executive.

The Audit & Governance Committee will receive performance reports on the internal audit function on a quarterly basis.

9 Independence and Objectivity

The service is managed by the Audit Manager who is professionally qualified as required by the PSIAS. The Audit Manager has a direct reporting line to the Chief Executive and also provides regular reports to the Audit & Governance Committee which has responsibility for overseeing audit arrangements.

The Audit Manager does not manage any other Council function to ensure their independence and objectivity is maintained.

The internal audit service will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or reporting content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

Regular review of the placement/location of Internal Audit team members will be completed to ensure independence, taking into account the consultancy work individual internal auditors have performed when completing assurance engagements. Internal auditors will not provide assurance in areas where they have been involved in advising management.

The internal audit service will also have free and unrestricted access to the Chief Executive and the Audit & Governance Committee.

The Audit Manager will confirm to the Audit & Governance Committee, at least annually, the organisational independence of the internal audit activity.

10 Internal Audit Plan

At least annually, the Audit Manager will submit to Executive Leadership Team and the Audit & Governance Committee an internal audit plan for review and endorsement.

The internal audit plan will be developed based on prioritisation of the audit universe using a risk-based methodology, which takes into account, results from previous audits, stakeholders expectations, feed back from Senior Managers, objectives in strategic plans and business plans, the risk maturity of the organisation (including managements response to risk), and legal & regulatory requirements. The use of other sources of assurance and the work required to place reliance on them will be highlighted in the audit plan.

Contingency time will be built in to the annual audit plan to allow for any unplanned work. This will be reported on in accordance with the internal reporting process to the Audit & Governance Committee.

Approval will be sought from the Audit & Governance Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. The Audit Plan balances the following requirements:

- the need to ensure the Audit Plan is completed to a good practice level (currently at least 90% of planned audits required are deliverable in the year);
- the need to ensure core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control;
- the need to appropriately review other strategic and operational arrangements, taking account of changes in the authority and its services and the risks requiring audit review;
- the need to have uncommitted time available to deal with unplanned issues which may need to be investigated e.g. allegations of financial or other relevant irregularities, or indeed specific consultancy. (NB there are separate guidelines over circumstances in which Internal Audit may and may not get involved in such investigations or consultancy, and further reference to this is made within the corporate Counter Fraud and Corruption Strategy and guidance);
- to enable positive timely input to assist corporate and service developments.

A joint working arrangement with External Audit will be sought such that Internal Audit resources are used as effectively as possible.

11 Reporting and Monitoring

A written report will be prepared and issued by the Audit Manager following the conclusion of each internal audit engagement and will be distributed as appropriate with executive briefing reports issued in accordance with the Internal Audit Protocol.

The final internal audit report will include management's response and corrective actions in regard to the specific findings and recommendations. It will also include a timetable for anticipated completion of action to be taken.

The Internal Audit service will be responsible for following up all high priority recommendations and those arising from overall no and limited assurance reports to ensure that management have implemented them in the agreed timescales. It is management's responsibility to ensure that the agreed actions for medium and low priority actions are implemented. All outstanding recommendations will be monitored.

Results of audit follow up will be communicated as appropriate and a summary of the results will be reported to senior management and the Audit & Governance Committee.

Where significant risk exposures and control issues, including fraud and governance issues, are identified, they will be reported to the Audit & Governance Committee.

12 Quality Assurance and Improvement Programme

The Internal Audit activity will maintain a quality assurance and improvement programme that covers all aspects on the Internal Audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the International Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Audit Manager will periodically report to the Audit & Governance Committee on the internal audit service purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Executive Leadership Team and the Audit & Governance Committee.

In addition, the Audit Manager will communicate to the Executive Leadership Team and the Audit & Governance Committee on the internal audit service's quality assurance and improvement programme, including results of ongoing internal assessments and improvement plans and external assessments. External assessments will be conducted at least every five years by a professionally qualified and experienced assessor.

The improvement plan resulting from the internal and external assessments will be reported to and monitored by the Audit & Governance Committee.

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TUESDAY, 22 MARCH 2022

REPORT OF THE AUDIT MANAGER

APPOINTMENT OF INDEPENDENT MEMBER TO AUDIT & GOVERNANCE COMMITTEE - NEXT STEPS

EXEMPT INFORMATION

None.

PURPOSE

To provide an update to Committee in relation to the potential appointment of an Independent Member(s) to Committee

RECOMMENDATIONS

1. **Consider and ratify the approach to be taken in respect of appointing an Independent Member to the Committee.**

EXECUTIVE SUMMARY

At this Committee's meeting on 10 February 2022, this item was deferred from the agenda to allow consideration of the next steps.

At this Committee's meeting on 23 July 2020 it was agreed to proceed with appointing independent member/s to the Audit & Governance Committee which would be unremunerated but would attract reasonable travel expenses following consideration of the pros and cons of appointing an independent member.

CIPFA's published guidance Audit Committees Practical Guidance for Local Authorities and Police 2018 which sets out CIPFA's views on the role and functionsof an Audit Committee, recommends that Audit Committee's give due consideration to the inclusion of at least one independent member (where it is not already a mandatory requirement).

The Audit & Governance Committee's current terms of reference provides for at least 7 members (aligned with the political balance of the Council) and the option to co-optup to 2 independent members.

In terms of the voting rights of independent members, there needs to be regard to Section 13 of the Local Government and Housing Act 1989 which relates to the voting rights of non-elected committee members. Where the audit committee is operating as an advisory committee under the Local Government Act 1972, making recommendations rather than policy, then all members of the committee should be able to vote on that recommendation. If the council wishes to delegate decisions tothe committee, for example the adoption of the financial statements, then the independent member will not be able to vote on those matters for decision.

Pros of Independent Members

Good practice shows that co-option of independent members is beneficial to Audit Committees for the following reasons:

- An external view can often bring a new approach to committee discussions.
- To bring additional knowledge and expertise to the committee where there may be skills gaps.
- To reinforce the political neutrality and independence of the committee.
- To maintain the continuity of committee membership where membership isaffected by the electoral cycle.

Cons of Independent Members

There are some potential pitfalls to the use of independent members:

- Over-reliance on independent members by other committee members can lead to a lack of engagement across the full committee.
- Lack of organisational knowledge or ‘context’ among the independent members when considering risk registers or audit reports. Effort is required from both independent members and officers/staff to establish an effective working relationship and establish appropriate protocols for briefings and access to information.

A roadmap for the potential appointment of independent member/s is presented to this Committee and is shown below for consideration;

Roadmap	Indicative Timeline
Role profile for independent member to be drawn up and agreed. Committee to agree the recruitment process and number of independent members required (up to 2).	April 2022
Vacancy to be publicly advertised. Candidates to be able to demonstrate their political independence and their suitability has to be checked e.g., candidates must not; • be a Councillor or officer of the Council or have been so in the preceding five years prior to appointment; • be related to, or a close friend of, any Councillor or officer of the Council; • have been convicted of any offence. The Council has the right to DBS check any independent committee members; • be an undischarged bankrupt; • have significant business dealings with the Council; • have a formal connection with any political group; • have a proven history of vexatious and/or frivolous complaints against the Council; • be the holder of a significant office in an organisation being grant aided/supported by the Council.	May/June 2022
Selection process to take place to include members of Audit & Governance Committee.	July 2022
Independent member/s appointed. This should be for a fixed term (usually 3 years) and be formally approved by the Council. Provision to be made for early termination and extension to avoid lack of clarity in the future.	August 2022
Independent member/s commence. While operating as a member of the audit committee, the independent member/s would be required to follow the same code	September 2022

of conduct as elected members and a register of interests maintained.	

RESOURCE IMPLICATIONS

None.

LEGAL/RISK IMPLICATIONS BACKGROUND

None.

EQUALITIES IMPLICATION

None.

ENVIRONMENT AND SUSTAINABILITY IMPLICATIONS (INCLUDING CLIMATE CHANGE)

None.

BACKGROUND INFORMATION

Audit & Governance Committee 23 July 2020, Pro & Cons of Independent Members

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LIST OF BACKGROUND PAPERS

None

APPENDICES

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TUESDAY, 22 MARCH 2022

REPORT OF THE AUDIT MANAGER

ANNUAL REPORT OF THE AUDIT & GOVERNANCE COMMITTEE 2021/22

EXEMPT INFORMATION

None.

PURPOSE

This report presents the proposed Annual Report of the Audit & Governance Committee 2021/22 for Council.

RECOMMENDATIONS

1. **That the proposed Annual Report of the Audit Committee 2021/22 be endorsed and presented to Council.**

EXECUTIVE SUMMARY

Audit Committee are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

CIPFA recommend that Audit Committee's produce an annual report to promote the role and purpose of the Committee, account for the Committee's performance, evaluate whether the Committee is continuing to meet its terms of reference and document how the Committee adds value. The Audit & Governance Committee's annual report fulfilling these requirements is set out at **Appendix 1**.

RESOURCE IMPLICATIONS

None.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Council is not obliged by law to appoint an Audit & Governance Committee, however, this has been done in line with good governance and CIPFA guidance.

EQUALITIES IMPLICATION

None.

ENVIRONMENT AND SUSTAINABILITY IMPLICATIONS (INCLUDING CLIMATE CHANGE)

None.

BACKGROUND INFORMATION

None

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Ext 234

LIST OF BACKGROUND PAPERS

Audit Committees in Local Authorities and Police (2018), CIPFA
Audit Committee agendas, minutes and reports for the Committee year 2021/22.

APPENDICES

Appendix 1 – Annual Report of the Audit & Governance Committee 2021/22

Appendix 1

Annual Report of the Audit & Governance Committee 2021/22

1. Introduction from the Chair of the Audit Committee

I am pleased to present the Annual Report of the Audit Committee for the 2021/22 Committee year.

2021/2022 has continued to be a challenging year for all The Committee plays an even more vital role in being able to gain assurance that the Council's governance, risk and internal control environment remain fit for purpose and concurrent with the challenges faced.

From the challenges faced by the Committee in 2020/21 we have been able to gain assurance in respect of 'business as usual' and also Covid-19 risks. In addition we have obtained regular reports from management to ensure that the Council's overall governance framework remained robust and fit for purpose.

Towards the end of the year we incorporated a specific sub-committee to review the risks around the Future High Street Fund and this work will continue during 2022/23. The sub-committee will provide recommendations to Audit & Governance Committee which will be discussed and relayed to both management and Council as appropriate.

Both the Future High Street Fund and Recovery & Reset are themes that were being reviewed during 2021/22 and future risks will be kept on the risk horizon. Cyber Security risks were high on the agenda during the year with notable 'cyber attacks' being reported at other Councils. This will continue to be a theme that we addressed during the year and look to continue during 2022/23.

As the work continues to move in to a post pandemic recovery, any new or emerging threats or opportunities will be identified, notably the Council's response to Climate Change.

As reported last year I would welcome all to attend a meeting of the Committee and see our work in operation for yourselves!

Finally, I would like to take this opportunity to thank all those members and officers who have contributed to the work of the Audit & Governance Committee over the last 12 months.

Councillor T Clements,
Chair of the Audit & Governance Committee 2021/22
22 March 2022

2. Terms of Reference

The terms of reference, which the Committee operated to during 2021/22, is detailed at Part 2, Article 9 of the constitution which can be found at the following link:
CONSTITUTION CLICK HERE

3. Member and Officer Attendance

The Audit & Governance Committee met 6 times during 2020/21.

Membership of the Audit & Governance Committee during 2021/22 and their attendance is detailed at below:

Audit & Governance Committee Member	Date of Committee					
	9/6/21	28/7/21	16/9/21	28/10/21	10/2/22	22/3/22
Councillor M Summers	☑	☑	☑	☑		
Councillor R Ford	☑		☑	☑	☑	TBC
Councillor J Chesworth	☑	☑			☑	
Councillor A Cooper	☑			☑	☑	TBC
Councillor M Greatorex	☑	☑	☑	☑	☑	TBC
Councillor S Peaple	☑	☑	☑	☑	☑	TBC
Councillor P Thurgood	☑	☑	☑	☑	☑	TBC
Councillor T Clements					☑	TBC
Councillor M Cook						TBC

During the year Councillor M Summers left the Committee and Councillor T Clements joined and was elected Chair at the meeting of 10 February 2022. In addition Councillor Chesworth, retired and Councillor Cook joined the committee.

A number of Audit Committee Members also sat on various other Committees. There were no reports received during the year that necessitated members absenting themselves.

In reviewing the effectiveness of the Audit & Governance Committee, Members considered whether effectiveness could be further strengthened by appointing Independent Members to the Audit & Governance Committee. The Committee Terms of Reference currently enables up to 2 independents to be appointed. The Committee re-assessed the pros and cons of this during the year.

Senior officers from the Council also attend the Audit Committee as appropriate, including the Executive Director Finance (Chief Finance Officer), Assistant Directors and the Audit Manager. The External Auditor also attends.

4. Training & Effectiveness

Audit & Governance Committee receive appropriate and proportionate training. A general training session for all Councillors was held in September 2021 on the role of the Committee; the internal control environment, governance, risk management and counter fraud.

It has been identified that further training for the Members of the Committee is needed and a training plan will be developed to address the required training needs.

5. Sources of Assurance during 2021/22

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2021/22 is detailed at **Appendix A** per the following themes:

- Internal Audit
- External Audit / Inspection
- Financial Management
- Risk Management
- Corporate Governance.

The Committee gained assurance in 2021/22 from these themes as follows:

Internal Audit

In respect of the 2021/22 financial year, a positive Internal Audit Opinion was given from the Audit Manager as follows:

‘On the basis of audit work completed, the Audit Manager’s opinion on the council’s framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. These matters have been discussed with management, to whom recommendations have been made. All of these have been, or are in the process of being addressed’.

‘Specific issues:
No specific issues have been highlighted through the work undertaken by Internal Audit during the year’.

Audit Committee received internal audit’s performance reporting during the year indicating that the service was performing reasonably against its performance measures.

The Council can be assured that no issues have been identified in the 2021/22 work completed which impacts materially on the overall system of internal control.

External Audit / Inspection

The main responsibility of the External Auditor is to report on the council's accounts and whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton reported on the 2020/21 accounts. In Grant Thornton’s Audit Findings Report, they concluded that:

‘In our opinion, the financial statements:
- give a true and fair view of the financial position of the Council and its income and expenditure for the year; and

- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the requirements of the Local Audit and Accountability Act 2014'.

Financial Management

The Committee scrutinised the 2020/21 statement of accounts and also received reports on accounting policies. The Committee also had oversight of a review of the Council's financial guidance, undertook a review of the financial resilience index and received assurance on the treasury management strategy / statement. The Committee received regular Internal Audit progress reports, including a number giving assurance on financial management and controls during the period.

Risk Management

The Committee received quarterly updates on the Council's risk management arrangements via review of the corporate risk register. This included oversight and constructive challenge on risks such as financial sustainability; modernisation and commercialisation; governance; community focus; economic growth and sustainability; information safeguarding and risks arising from the UK's exit from the European Union.

Corporate Governance

The annual governance statement (AGS) and review of effectiveness for the 2020/21 financial year, concluded that the effectiveness of the system of internal control was fit for purpose overall.

The Committee also:
- undertook a review of its own effectiveness in line with CIPFA good practice;
- received updates on the Council's use of the Regulation of Investigatory Powers Act 2000;
- received assurance via the Local Government and Social Care Ombudsman Annual Review; and
- received assurance on the Council's Modern Slavery and Human Trafficking Statement.

Regular updates on the adequacy of the council's counter fraud arrangements were also received and all policies were updated in line with required timescales.

6. Conclusion

The Committee has been able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the Committee's attention during 2021/22 that were not being adequately resolved.

Through members receiving this report, the role and purpose of the Committee has been promoted and it has demonstrated that the Committee has continued to perform, meet its terms of reference and added value. This work will continue in 2022/23 with the Committee's refreshed work programme.

Appendix A

Summary of Audit & Governance Committee Work Plan by Assurance Theme 2020/21

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
9/6/21	Risk Management Update				☑	
	Regulation of Investigatory Powers Act					☑
	Internal Audit Annual Report and Update	☑				
	Public Sector Internal Audit Standards & Quality Improvement Programme	☑				
	Annual Governance Statement and Code of Corporate Governance					☑
	Role of Audit Committee		☑			
28/7/21	Annual Statement of Accounts & Report			☑		
	Risk Management - Quarterly Update				☑	
	Internal Audit Quarterly Report	☑				
16/9/21	Review of annual report on Treasury Management Service and Actual Prudential Indicators			☑		
	Local Government & Social Care Ombudsman Annual review 2020/21		☑			
	Modern Slavery & Human Trafficking Statement					☑
	Management Representation Letter 2020/21		☑			
	Fee Increase Letter		☑			
	Audit Findings Report		☑			
28/10/21	Appointment of External Auditor re Accounts Commencing 2023/24		☑			
	Risk Management - Quarterly Update				☑	
	Counter Fraud Update	☑				
	Internal Audit Quarterly Report	☑				
	Future High Street Fund – Risk Management				☑	
10/2/22	Update of External Audit		☑			
	Risk Management – Quarterly Update				☑	
	Audit Plan		☑			

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
	Internal Audit Quarterly Report	☑				
	Review of Audit Committee Effectiveness					☑
22/3/22	Auditors Annual Report		☑			
	Informing the Audit Risk Assessment		☑			
	Final Accounts – Accounting Policies and External Audit Plan			☑		
	Internal Audit Charter and Audit Plan 2022/23	☑				
	Annual Report of Chair of A&G Committee					☑
	Reset & Recovery - Risks				☑	
	Appointment of Independent Member – next steps					☑
	Future High Street Fund - Risks				☑	

PLANNED REPORTS TO AUDIT AND GOVERNANCE COMMITTEE 2022-2023

	Report	Committee Date	Report Of	Comments
1	Role of the Audit Committee	**June**	Grant Thornton	Presentation/training
2	Audit and Governance Committee update	**June**	Grant Thornton	
3	Audit Plan	**June**	Grant Thornton	
4	Fee Increase Letter	**June**	Grant Thornton	
5	Review of the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report	**June**	Executive Director Finance	
6	RIPA Annual Report & Review of the RIPA Policy	**June**	Assistant Director - Partnerships	
7	Internal Audit Annual Report and Quarterly Update	**June**	Audit Manager	
8	Public Sector Internal Audit	**June**	Audit Manager	

	Report	Committee Date	Report Of	Comments
	Standards/Quality Assurance and Improvement Programme			
9	Annual Governance Statement and Code of Corporate Governance	**June**		
10	Risk Management Quarterly Update	**June**	Assistant Director – Finance	
11	Councillor Code of Conduct – following finalisation of LGA new Model Code	**June**	Monitoring Officer	
12	Review of the Constitution and Scheme of Delegation for Officers	**June**	Monitoring Officer	
13	Review of Financial Guidance	**June**	Assistant Director Finance	
1	Risk Management Quarterly Update	**July / August**	Assistant Director – Finance	
2	Internal Audit Quarterly Update	**July / August**	Audit Manager	

	Report	Committee Date	Report Of	Comments
	Private meeting of Internal and External Auditors and Committee members	**July**		
1	Audit Findings	**September**	Grant Thornton	
2	Management Representation Letter	**September**	Grant Thornton	
3	Annual Statement of Accounts	**September**	Executive Director Finance	
4	Annual Treasury Outturn	**September**	Executive Director Finance	
5	Local Government Ombudsman's Annual Review and Report 2021/22	**September**	Assistant Director – People	
6	Modern Slavery and Human Trafficking Statement	**September**	Assistant Director – Partnerships	
1	Internal Audit Quarterly Update	**October**	Audit Manager	
2	Risk Management Quarterly Update	**October**	Assistant Director – Finance	

	Report	Committee Date	Report Of	Comments
3	Counter Fraud Update	**October**	Audit Manager	*Annual report in October*
	Private meeting of Internal and External Auditors and Committee members	**October**		
1	Auditor's Annual Report	**February**	Grant Thornton	
2	Audit & Governance Committee update	**February**	Grant Thornton	
3	Fee Increase Letter	**February**	Grant Thornton	
4	Internal Audit Quarterly Update	**February**	Audit Manager	
5	Risk Management Quarterly Update	**February**	Assistant Director – Finance	
6	Audit Committee Effectiveness	**February**	Audit Manager	
1	Audit and Governance Committee update	**March**	Grant Thornton	
2	Audit Plan	**March**	Grant Thornton	

	Report	Committee Date	Report Of	Comments
3	Informing the Audit Risk Assessment	**March**	Grant Thornton	
4	Review of the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report	**March**	Executive Director Finance	
5	Final Accounts – Accounting Policies and Action Plan	**March**	Assistant Director of Finance	
6	Internal Audit Charter and Audit Plan	**March**	Audit Manager	
7	Councillor Code of Conduct – following finalisation of LGA new Model Code	**March**	Monitoring Officer	
8	Review of the Constitution and Scheme of Delegation for Officers	**March**	Monitoring Officer	
9	Review of Financial Guidance	**March**	Assistant Director Finance	
9	Annual Report of the Chair of A&G	**March**	Audit Manager / Chair	
	Private meeting of Internal and External	**March**		

	Report	Committee Date	Report Of	Comments
	Auditors and Committee members			

The Portfolio Holder for Finance, Risk and Customer Services

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 13

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