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agenda.

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 26 April 2023
Location	Boardroom, Council Offices, Coalville
Officer to contact	Democratic Services (01530 454512)

AGENDA

Item	Pages
1. APOLOGIES FOR ABSENCE	
2. DECLARATION OF INTERESTS	
Under the Code of Conduct members are reminded that in declaring interests you should make clear the nature of that interest and whether it is a disclosable pecuniary interest, registerable interest or other interest.	
3. MINUTES	
To confirm and sign the minutes of the meeting held on 15 March 2023.	3 - 6
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6. EXTERNAL AUDIT STRATEGY MEMORANDUM 2021-22	
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7. ACCOUNTING POLICIES AND MATERIALITY 2022/23	
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8. TREASURY MANAGEMENT STEWARDSHIP REPORT 2022/23	
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Circulation:

Councillor S Gillard (Chairman)
 Councillor N Smith (Deputy Chairman)
 Councillor E G C Allman
 Councillor C C Benfield
 Councillor J Clarke
 Councillor M D Hay
 Councillor R L Morris
 Councillor V Richichi
 Councillor S Sheahan
 Councillor M B Wyatt

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Board Room, Council Offices, Coalville on WEDNESDAY, 15 MARCH 2023

Present: Councillor S Gillard (Chairman)

Councillors N Smith, E G C Allman, J Clarke, R L Morris, V Richichi and S Sheahan

In Attendance: Councillors

Officers: Ms K Beavis, Mrs A Crouch, Mr G Hammons, Mrs R Wallace and Miss E Warhurst

External Audit: Mrs L Parsons and Mr M Surridge

79. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors C Benfield and M Hay.

80. DECLARATION OF INTERESTS

There were no declarations of interest.

81. MINUTES

Consideration was given to the minutes of the meeting held on 25 January 2023.

It was moved by Councillor R Morris, seconded by Councillor E Allman and

RESOLVED THAT:

The minutes of the meeting held on 25 January 2023 be approved and signed by the Chair as a correct record.

82. COMMITTEE WORK PLAN

Consideration was given to the committee work plan.

No comments were received.

By affirmation of the meeting it was

RESOLVED THAT:

The committee work plan be noted.

83. 2020/21 AUDIT COMPLETION REPORT

The Interim Head of Finance introduced the item and handed over to the External Auditor to present the report. Members were directed to the Executive Summary, and it was confirmed that although there were a few 'snagging issues' to complete, an unqualified opinion of the financial statements was to be issued. To clarify, this meant that the financial statements were true and fair.

The External Auditor informed Members that the delay in issuing the opinion was multifaceted and would be investigated. It was anticipated that a conclusion as to the reasons would be available in the coming months. The importance of getting up to date with all previous year's financial statements was now a priority but he was confident this

would be possible due to the ongoing support from officers. The External Auditor thanked officers for the level of support to date.

Concerns were raised from Members at the lengthy delay and reassurances were sought that it would not be repeated in the future. The External Auditor reiterated that there were several underlying causes and although assurances couldn't be made in relation to delays in the future, Members were reassured that, the work undertaken to date, had put the council in a much better position for future years accounts. The Interim Head of Finance reminded Members that it was an early review that identified issues within the accounts and much work had been undertaken to resolve them. He added that there was a plan in place to catch up with previous financial years.

A Member asked if the delay would result in an increase in costs and if so, what the increase would be. The External Auditor confirmed that there would be an increase in costs, but it was impossible to say what they would be at this point. It was noted that this detail would be included on completion and form part of the annual report to the committee.

In response to a question about the impact of the Covid Pandemic on the Council's finances, the External Auditor explained that any concerns would be flagged as part of the audit of the 2021/22 and 2022/23 accounts, but he did not have any concerns regarding the financial stability of the authority. The Interim Head of Finance commented that the Government provided lots of financial support during the Covid Pandemic and there could be some ongoing service provision which might have a more long-term impact. It was noted that where known, the impact had been factored into budgets, but we were yet to see any long-term impact.

It was moved by Councillor S Gillard, seconded by Councillor J Clarke and

RESOLVED THAT:

1. The External Auditor's Audit Completion Report as set out in appendix A be noted.
2. The Management Representation Letter attached at appendix B be approved.

84. ANNUAL STATEMENT OF ACCOUNTS 2020/21

The Interim Head of Finance presented the report and referred Members to the briefing held the previous week at which the content of the accounts was explained, as well as the process for approving and issuing the accounts. The reasons for delay in approving the 2020/21 accounts were highlighted at sections 2.0 and 3.0 of the report, along with the core statements at page 31 of the Statement of Accounts as detailed within the additional papers.

At the request of a Member, the Finance Team Manager agreed to provide the total cost of the revised valuation of property, plant and equipment outside of the meeting.

A general discussion followed during which several questions of clarity were raised and responded to.

It was moved by Councillor J Clarke, seconded by Councillor V Richichi and

RESOLVED THAT:

1. The Annual Statement of Accounts 2020/21 be approved.

2. The Chair of the Audit and Governance Committee be authorised to sign the Statement of Accounts 2020/21.
3. Authority be delegated to the Chair of the Audit and Governance Committee and the Section 151 Officer to approve any minor non-material amendments, as agreed with the External Auditors, to the Statement of Accounts 2020/21 on behalf of the Committee.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.07 pm

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
APRIL 2023

Title of Report	AUDIT COMPLETION REPORT - FOLLOW UP LETTER	
Presented by	Glenn Hammons Interim Head of Finance and Section 151 Officer	
Background Papers	<u>2020/21 Audit Completion Report</u> – Audit and Governance Committee 15 March 2023	Public Report: Yes
Purpose of Report	To provide the committee with a follow up letter to the Audit Completion Report.	
Recommendations	THAT THE COMMITTEE NOTE THE EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT FOLLOW UP LETTER	

1.0 BACKGROUND

- 1.1 The External Auditors (Mazars LLP) Audit Completion Report was presented to this committee on the 15 March 2023. At the time of presenting the report, the audit of the 2020/21 accounts was substantially complete but not finalised.
- 1.2 Mazars have now issued a follow up letter to the Audit Completion Report (Appendix A). A representative of Mazars will be in attendance at the meeting to present the update letter to the committee.
- 1.3 As detailed in Appendix A, a material error was identified during the conclusion of the audit. As previously reported, the Council undertook a review of its property records and discovered that the size of one investment asset was materially incorrect in the asset register. The asset (Cropston Drive) was previously recorded as 3.72 hectares in size, but the measurement exercise found it to be actually 7.42 hectares. The revised statements presented to committee in March, correctly reflected this adjustment in the carrying values as at 31 March 2021, as this error could have been reasonably known in previously years, Mazars have requested the Council to restate the prior year financial statements.
- 1.4 The Statement of Accounts are currently in the process of being finalised with the amendments requested and an extract of the changes will be issued prior to the committee meeting as an addendum report.

Policies and other considerations, as appropriate	
Council Priorities:	Effective management of the council's finances underpins the delivery of all council priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community/Tenant Engagement:	None
Risks:	The Council's governance arrangements are a fundamental part of the Authority's management of risk and contribute towards good corporate governance.
Officer Contact	Anna Crouch Finance Team Manager and Deputy S151 Officer anna.crouch@nwleicestershire.gov.uk



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13 April 2023

Dear Committee Members

Audit Completion Report – follow-up letter

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report from February 2023.

The outstanding matters and the conclusions reached are detailed below:

Audit area	Status	Description of outstanding matters																
Investment properties	Complete	<p>We have received the residual audit evidence and our work is complete.</p> <p>We identified a material error that has been corrected by adjusting prior periods, as summarised below.</p> <p>As you are aware, during 2022, the Council undertook a review of its property records and discovered the size of one investment asset was materially incorrect in the asset register. The asset (Cropston Drive) was previously recorded as 3.72 hectares in size, but the measurement exercise found it to actually be 7.42 hectares. The Council had correctly reflected this adjustment in the carrying value as at 31 March 2021, but because this error could have reasonably been known in previous years, we requested the Council restate the prior year financial statements:</p> <p>The adjustments made go back for two prior years and CY already corrected are:</p> <table><tr><th></th><th>Previous figures £'000</th><th>Corrected figures £'000</th><th>Adjustment £'000</th></tr><tr><td>2018/19</td><td>13,484</td><td>15,559</td><td>2,075</td></tr><tr><td>2019/20</td><td>14,892</td><td>16,307</td><td>1,415</td></tr><tr><td>2020/21</td><td>13,812</td><td>15,186</td><td>1,374</td></tr></table>		Previous figures £'000	Corrected figures £'000	Adjustment £'000	2018/19	13,484	15,559	2,075	2019/20	14,892	16,307	1,415	2020/21	13,812	15,186	1,374
	Previous figures £'000	Corrected figures £'000	Adjustment £'000															
2018/19	13,484	15,559	2,075															
2019/20	14,892	16,307	1,415															
2020/21	13,812	15,186	1,374															

Mazars LLP

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Audit area	Status	Description of outstanding matters
Property, plant and equipment	Complete	We have finalised our procedures in this area and our work is complete. There are no further matters arising to report in this respect.
Net pension liability	Complete	We have finalised our procedures in this area and our work is complete. There are no further matters arising to report in this respect.
Whole of Government Accounts	Outstanding	We have still not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.
Completion procedures	Complete	We have received the residual audit evidence and our work is complete. There are no matters arising to report in this respect.
Value for money	Complete	We have finalised our procedures in this area and our work is complete and we have issued our draft Annual Auditor's Report.

If you wish to discuss these or any other points, then please do not hesitate to contact me.

Yours sincerely



Mark Surridge
Mazars LLP

Appendix A – Final Form of Audit Report

Independent auditor's report to the members of North West Leicestershire District Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of North West Leicestershire District Council ('the Council') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, 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 Council as at 31st March 2021 and of the Council's 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of trading assets

We draw attention to Note 2 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's trading assets within the balance for property, plant and equipment. As disclosed in Note 2 of the financial statements, the Council's valuer included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Head of Finance with respect to going concern are described in the relevant sections of this report.

Other information

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Head of Finance for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes 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 2020/21, and for being satisfied that they give a true and fair view. The Head of Finance is also responsible for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Head of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Head of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Head of Finance's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Standards Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and

- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Standards Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Standards Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

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.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of North West Leicestershire District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Surridge, Key Audit Partner

For and on behalf of Mazars LLP

First floor,

Two Chamberlain Square,

Birmingham,

B3 3AX

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
APRIL 2023

Title of Report	ANNUAL AUDITORS REPORT 2020/21	
Presented by	Glenn Hammons Interim Head of Finance and Section 151 Officer	
Background Papers	<u>2020/21 Audit Completion Report</u> – Audit and Governance Committee 15 March 2023	Public Report: Yes
Purpose of Report	To report the Annual Auditors Report for 2020/21 to the Audit and Governance Committee.	
Recommendations	THAT THE AUDIT COMMITTEE COMMENTS AND NOTES ON THE ANNUAL AUDITORS REPORT 2020/21.	

1.0 BACKGROUND

- 1.1 Our External Auditor, Mazars LLP, were responsible for the external audit of the Council's financial statements and Value for Money arrangements for the 2019/20 financial year.
- 1.2 On 15 March 2023 reported their findings of the audit to the Committee in the Audit Completion Report. At the time of the meeting, the audit had not concluded but the auditors anticipated issuing an unqualified opinion on the financial statements and concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. A Follow Up Letter report has been issued by the auditors and is a separate report on the same agenda.
- 1.3 The Annual Auditors Report (Appendix A) provides a summary of the audit work undertaken for last year. A representative from Mazars will be in attendance at the meeting to present their report to the committee.
- 1.4 The report details the fees for undertaking the annual audit for 2020/21 which is £38,902 and the total fee is now £76,782 as detailed in the table below.

Table 1 Audit Fees 2020/21

Area of work	2020/21 fees
Scale fee in respect of our work under the Code of Audit Practice	£38,902
Additional fees in respect of the new VFM approach (Year 1)	£8,770
Additional fee for VFM significant weaknesses	£3,000
Additional fees in respect of:	
• Prior period error	£4,080
• Additional testing on IAS19 Pension Liabilities*	£3,740
• Additional testing on valuation of land, buildings, council dwellings and investment properties*	£6,200
• Additional work arising from introduction of new auditing standards (ISA 540 Estimates)	£3,590
• Additional checks required for the emphasis of matters in relation to the material valuation uncertainty clause caused by covid-19	£1,000
• Delayed audit, including redeployment of staff, and addressing issues in asset valuation and other audit adjustments	£7,500
Total fees	£76,782

Policies and other considerations, as appropriate	
Council Priorities:	Effective management of the council's finances underpins the delivery of all council priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	The Council's governance arrangements are a fundamental part of the Authority's management of risk and contribute towards good corporate governance.
Officer Contact	Anna Crouch Finance Team Manager and Deputy S151 Officer anna.crouch@nwleicestershire.gov.uk


(Draft) Auditor's Annual Report

North West Leicestershire District Council
– year ended 31 March 2021

April 2023



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- 02 Audit of the financial statements
- 03 Commentary on VFM arrangements
- 04  Other reporting responsibilities

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01


Section 01: **Introduction**

1. Introduction

Purpose of the Auditor’s Annual Report


Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for North West Leicestershire District Council (‘the Council’) for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We expect to issue our audit report in April 2023. Our opinion on the financial statements is unqualified.



Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council’s Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Council’s financial statements.

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Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council’s arrangements to secure, economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council’s arrangements.



02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended.

Our audit report, will give an unqualified opinion on the financial statements for the year ended 31 March 2021, but with an additional paragraph to emphasise the effect of the Covid-19 pandemic on the valuation of land and buildings:

"We draw attention to Note 2 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's retail and specific trading related assets/sectors such as car parks. As disclosed in Note 2 of the financial statements, the Council's valuer included a 'material valuation uncertainty' declaration within their report in relation to these assets as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter."

Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we

considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

Our detailed findings and recommendations were included in the Audit Completion Report to the Council's Audit Committee

Management co-operation during the audit

We have had full cooperation throughout our work and are grateful for the cooperation and support provided by management.



2. Audit of the financial statements

Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.	Significant risk: an area that, in our judgment, requires special audit consideration.	We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to extract accounting journals for detailed testing on specific risk characteristics.	There are no significant matters to report in respect of management override of controls.
Valuation of the net pension liability The defined benefit liability relating to the Local Government pension scheme represents significant balances on the Council's balance sheet. The Council relies on an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk of misstatement in this area.	Significant risk: an area that, in our judgment, requires special audit consideration.	<div>Our procedures to address this risk included, but was not limited to:</div> <ul style="list-style-type: none">liaising with the auditors of the Leicestershire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office.	There are no significant matters to report in respect of the net pension liability.

2. Audit of the financial statements

Main financial statement audit risks and findings (continued)

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p>Valuation of land & buildings and investment properties and council dwellings</p> <p>The valuation of these properties is complex and is subject to a number of management assumptions, judgements and a high degree of estimation uncertainty.</p>	<p>Significant risk: an area that, in our judgment, requires special audit consideration.</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none">• considering whether the overall revaluation methodologies used by the Council’s valuers are in line with industry practice, the CIPFA Code of Practice and the Council’s accounting policies;• assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;• critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council’s valuers; and• testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied.	<p>Material audit adjustments</p> <p>During our initial testing we observed that the Council’s internal records (floor plans for assets) did not reconcile to the measurements used by the valuers. We requested the Council obtain further evidence to confirm the correct measurements of assets and revaluations undertaken if required. Once asset measurements were obtained there were significant differences meaning records had not been kept properly up to date leading to material changes to the financial statements, including one investment property where we requested the prior year financial statements be corrected.</p> <p>Following adjustment, we were satisfied the balances were materially correct.</p> <p>Emphasis of matters</p> <p>In Note 2 of the financial statements, the Council explained that the valuation of certain trading assets was subject to “material valuation uncertainty” based on the Council’s external valuation report. The interpretation of “material valuation uncertainty” is consistent with our understanding of RICs professional guidance regarding the impact of covid-19 on the valuation of certain assets for the year ended 31 March 2021. A consequence of this clause is that we have included an additional paragraph in our audit report to emphasise this matter as follows:</p> <p>“We draw attention to Note 2 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council’s retail and specific trading related assets/sectors such as car parks. As disclosed in Note 2 of the financial statements, the Council’s valuer included a ‘material valuation uncertainty’ declaration within their report in relation to these assets as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.”</p>

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Section 03: **Commentary on VFM arrangements**

3. VFM arrangements – Overall summary

Context of the Auditor’s Annual Report

Our Auditor’s Annual Report summarises the work we have undertaken as the auditor for North West Leicestershire District Council for the year ended **31 March 2021**, where at the time of reporting in April 2023, we recognise that the social, political and economic environment has changed and local government is facing significant challenges including:

- **Cost of Living:** With most people experiencing financial pressure, spending habits are changing. High energy costs and increasing food prices have impacted on levels of disposable income. With wage (and potentially benefit) increases failing to keep pace with inflation, more people will be facing hardship.
- **Added budget pressures:** With inflation soaring, the cost of goods, services and resources are becoming more expensive. Local authorities are not immune to the increasing cost of energy supply, although the government announcements on energy caps help, many local authorities are still facing higher costs. Local authorities typically budget for modest salary increases year on year, but expectations and demands on salary increases have changed and consideration on how they are to be funded is required.
- **Cost of Borrowing:** The Bank of England base rate has risen to 4.25% in March 2023 meaning that the cost of borrowing for capital projects has increased significantly.
- **Contractors and Suppliers:** The cost-of-living crisis has resulted in business failures. Although government support has been announced, some businesses will continue to struggle, with a greater risk of supplier failure. Supply failures anywhere in the supply chain will have a knock-on effect.
- **Service Delivery:** Likely budget reductions and savings plans are going to impact the ability of local authority services to maintain levels of delivery, particularly at a time of increased demand.

We maintain a watching brief over the key issues facing North West Leicestershire District Council and, should we identify a risk of significant weakness in arrangements, will follow the process as described in section 3 to promptly raise these with management and issue any reports to the Audit & Governance Committee as part of our audit for the year ending 31 March 2022 and 2023.

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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

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At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	15	No	No
Governance	18	Yes	Subject to internal quality consultation
Improving economy, efficiency and effectiveness	21	No	No

Commentary on VFM arrangements

Risks of significant weaknesses in arrangements

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3. VFM arrangements – Overall summary

Risk of significant weakness in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist. The table below outlines the risk of significant weakness in arrangements that we identified as part of our planning and risk assessment.

Risk of significant weakness in arrangements	Work performed	Findings
<p>Governance: statutory financial reporting</p> <p>The Ministry of Housing, Communities and Local Government (MHCLG) put in place revised regulations effective from 31 March 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020/21 for all local authorities from 31 July to 30 September 2021 for all local authority bodies. The completion of audited 2020/21 financial statements represents a delay of some 18 months.</p> <p>We believe this delay presents a risk of significant weakness in the Council’s arrangements for Governance (how the body ensures that it makes informed decisions and properly manages its risks) including how the body supports its statutory financial reporting requirements.*</p> <p><i>* Criteria as defined by Auditor Guidance Note 3 (AGN03), Auditors’ Work on Value for Money (VFM) Arrangements (December 2021)</i></p>	<p>Our work included, but was not limited to:</p> <ul style="list-style-type: none">• Drawing from the outcome of the 2020/21 financial statement audit;• Meetings with Officers• Reviewing any applicable supporting committee reports.	<p>We presented our Audit Completion Report in February 2023, and a summary of the findings are set out in Section 2 of this report. Alongside the various delays mentioned below, we needed to re-deploy our audit team at a point at which we had the capacity and that is also a contributing factor to the delayed audit report.</p> <p><i>Property records</i></p> <p>We reported to the November 2020 Audit & Governance Committee that during the course of our 2019/20 audit, in our testing of underlying valuation data, such as floor spaces, the Council was unable to immediately find data to validate the floor areas used to support the valuation, leading to the Council having to find alternative sources of evidence. We recommended the Council perform a regular reconciliation between the underlying books and records of asset data, such as floor space and land areas, to the information used as the basis of valuation by the valuer.</p> <p>Our initial audit visit in 2021 identified ongoing issues regarding the accuracy and reliability of property records requiring the Council to appoint a company to re-measure assets to ensure asset valuations were accurate. Limited capacity in this specialist sector was a contributing factor to delays. The re-measurement exercise identified significant errors in the Council’s records that needed to be passed onto the Council’s valuation expert for review with new valuations being entered in the fixed asset register and financial statements. This included material errors that meant prior year balances had to be restated.</p> <p><i>New financial ledger</i></p> <p>The Council also intended to introduce a new financial ledger system, with intended wider benefits to financial planning and budgetary control. Capacity in the finance team was also stretched with interim finance staff at various grades and limited success in recruiting, in large part due to scarcity of skilled resource in the labour market. In 2021, we discussed the delays over the financial statements audit and were content that, due to significant finance resource constraints, the Council would focus on the implementation of its new financial ledger rather than complete the 2020/21 financial statements, particularly given the time required to complete the asset remeasurement exercise.</p> <p>The new financial ledger has only recently been put in place and there have been sustained capacity constraints in the finance team, with various interims and vacant posts.</p>

3. VFM arrangements – Overall summary

Identified significant weakness in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist. The table below outlines the risks of significant weaknesses in arrangements that we identified as part of our planning and risk assessment.

Identified significant weakness in arrangements	Recommendation(s) for improvement	Our views on action taken to date
<p>Governance: statutory financial reporting</p> <p>The Ministry of Housing, Communities and Local Government (MHCLG) put in place revised regulations effective from 31 March 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020/21 for all local authorities from 31 July to 30 September 2021 for all local authority bodies.</p> <p>Our audit report, issued in April 2023, represents a delay of over 18 months from that revision and was mainly due to:</p> <ul style="list-style-type: none">the Council not maintaining accurate or up-to-date property records leading to materially incorrect asset valuations in the financial statements; andinsufficient capacity in the finance team and its leadership, exacerbated by a shortage of skilled resources in the labour market. <p>As a result, our judgement is that this led to a significant weakness in the Council’s arrangements that can be reasonably expected to lead to a significant impact on the quality or effectiveness of service and the Council’s reputation.</p>	<p>The Council should:</p> <ul style="list-style-type: none">Ensure accurate and up-to-date property records are maintained to ensure the financial statements are fairly statedRestructure the finance team to ensure there is appropriate capacity to ensure priorities are delivered	<p>The Council’s asset remeasurement exercise during 2022 has now been completed to bring ensure key data to support accurate valuations are recorded in the financial statements.</p> <p>The Council has also agreed the finance team restructure</p> <p>We have also agreed a timetable to bring the audit of the 2021/22 and 2022/23 financial statements through to completion by the end of 2023 / early 2024.</p>

Commentary on VFM arrangements

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

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Based on the considerations and views formed in this section, we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability.



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the Council’s operating environment in 2020/21

The Council entered 2020/21 at the start of the national lockdown, and faced a significant operational impact from the effects of the pandemic. In response to the Covid-19 pandemic, central government made a series of policy announcements, a number of which have impacted on local authorities such as North West Leicestershire District Council. During the 2020/21 year the Council dealt with a wide range of issues to support local residents and businesses.

Some of the Government’s initiatives in response to the Covid-19 pandemic have been backed by additional funding, and the Council received a range of government grants during 2020/21 to either support local businesses/individuals or meet the Council’s own costs. The Council also received income relating to income compensation scheme for the sales, fees and charges income lost during the lockdown periods.

2020/21 Financial statement performance

We have carried out a high level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement.

The Council’s balance sheet does not give us cause for concern relating to financial stability. Net current assets have reduced from £39.8m to £18.1m, with short term creditors increasing from £10.6m to £24.5m which as at other councils this year is largely due to deferred Covid-19 government grants. The level of total year-end Cash and Cash Equivalents and Short Term Investments Equivalents fell slightly from £50.3m to £49.8m but this was in line with cash flow forecast and requirements.

The Council’s useable reserves increased from £45.2m to £52m in 2020/21, with:

- General Fund Reserves of £21.4, up from £16.7m in 2019/20;
- Capital Receipts Reserves of £8.1m, down from £9.5m in 2019/20; and
- Housing Revenue Account Balances of £19.4m, up from £16.7m in 2019/20.

These reserves provide some mitigation against future financial challenges, and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long term solution to funding gaps. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council’s arrangements for ensuring financial sustainability.

Financial planning and monitoring arrangements including arrangements for the identification, management and monitoring of funding gaps and savings

In February 2020 the Council set balanced General Fund and Housing Revenue Account budgets for the 2020/21 financial year. For the 2020/21 General Fund budget, the Council set a balanced budget which relied on savings target being achieved that are aimed at delivering efficiency savings and cuts against services totalling £570k. Within the budget report to Council there was an appendix that covered proposals in particular savings proposals and proposals to cover cost pressures. We are satisfied the report contains adequate information to support the budget proposals.

The report identified that the Council has been actively working towards trying to attain a balanced budgeted in future years and yet proposed savings were not achieved: our review of the Revenue And Capital Outturn Position for 2020/21 provided to Cabinet on 27th July 2021 confirmed there was a £660k unfavourable variance for the General Fund resulting in a £32k deficit. There was a £100k unfavourable variance on the HRA which resulted in a £2.6m surplus. The main reason for the slippage was due to Journey to Self Sufficiency (J2SS) savings not being made with unfavourable variances of £454k and £225k on the General Fund and HRA respectively. We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 11 and not identified any significant weaknesses.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria (continued)

Arrangements for the identification, management and monitoring of funding gaps and savings (continued)

The 2020/21 financial year was extra-ordinary and the impact of the covid-19 pandemic is still reverberating in April 2023. We believe the Council can improve its arrangements for financial planning and budgetary control including reporting to Members. Whilst financial balance and a sound financial standing has been maintained, despite difficult circumstances, in our view this has not materialised through a “journey to self-sufficiency”. We believe, based on discussions with officers since 2020, that financial planning and budgetary control could be more proactive, more transparent and therefore more accountable when it comes to delivering transformation and savings by design and not as a by-product. The Council has recently appointed a new Chief Executive and is going through the appointment process for a substantive s151 Officer, which we suggest is the catalyst to revisit the strategic planning process and improve the integration of service and financial planning in line with good practice.

Arrangements and approach to 2021/22 financial planning

The arrangements for the 2021/22 budget setting process have largely followed the arrangements in place for 2020/21 but with a better understanding based on the experiences during the year of the impact of Covid-19 on the Council’s services. There were still though a number of unavoidable uncertainties regarding likelihood and impact of any future lifting of restrictions or lockdowns, and the availability of any further government support.

A balanced budget was set for the General Fund and HRA for 2021/22 in February 2021, with the General Fund position dependent on £570k transformation savings. The level of general fund reserves and ongoing budgetary control arrangements has led us to believe satisfactory arrangements are in place. We do, however, see it as an area to be challenged by officers and members to ensure appropriate action is taken to maintain service levels under increasing cost pressures beyond 2022/23.

The Council has a Medium Term Financial Plan (MTFP) outlook in place which was approved by Cabinet in July 2022 and covers the period 2022-2027. The MTFP sets out the Council’s commitment to provide services that meet the needs of people locally and that represent good value for money within the overall resources available to it. We reviewed the MTFP and confirmed it supports the Council’s priorities communicated in its

Delivery Plan. The MTFP adequately identifies the financial implications from 2022 to 2027, noting that the key assumptions underpinning budgets through the MTFP included CPI, pay increases and uncertainty over funding reforms.

Balanced General Fund and Housing Revenue Account budgets for 2021/22 were approved at the February 2021 Council meeting with any required savings expected to be covered by actions in hand. We also reviewed the 2022/23 budget which was approved in February 2022 and noted the following with regards to reserves. The General Fund has both the journey to self-sufficiency reserve and business rates reserve to help manage deficits and funding volatility. The combined value of these reserves is forecast to be £9.4 million on 31 March 2022 and will rise to £10.6 million by 31 March 2023 based on the current budget. This indicates that the Council is planning to overcome potential future deficits.

The Council has, as described above, established reserves to support its planned transformation and savings process and to address volatility in funding.

The update to the Medium Term Financial Outlook in 2022 showed savings in excess of £1m were required through to 2023/24 and even if those were achieved the Journey to Self Sufficiency reserve (J2SS) would be fully depleted by 2024/25. Within the context of significant disruption caused by the Covid-19 pandemic, we are satisfied this does not indicate there to be a significant weakness in the Council’s arrangements during 2020/21. However, it is important that Officers maintain the channel of open communication regarding budgets with Members so informed decisions can be made on items such as council tax increases and proposed areas where savings can be made and that there is sufficient transparency that planned savings are realised as intended.

Based on the above considerations we are satisfied there is not a significant weakness in the Council’s arrangements in relation to financial sustainability.

Commentary on VFM arrangements

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

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Except for the arrangements relating to statutory financial reporting as set out on pages 13 and 14, we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

Based on our work, we are satisfied that the Council has established governance arrangements in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council.

Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, implications, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. There is an updated and approved Risk Management Policy which includes the Council's approach, guidance, the Council's risk appetite and roles and responsibilities. The Audit and Governance Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information. The Committee is presented with the risk register on a regular basis and provides challenge as part of the process. There is also a Corporate Risk Scrutiny Group, made up of technical experts and corporate leads from the Council's Service Areas. Members of the Group act as "champions" for risk within their services and the Group provides a link into the Corporate Leadership Team.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has an Internal Audit function which is provided by a shared service with neighbouring councils. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by Audit & Governance Committee prior to final approval.

The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk

management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are presented to each Audit Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council's control environment. For 2020/21 the Head of Internal Audit concluded that a reasonable level of assurance could be provided on the overall adequacy and effectiveness of the Council's framework for governance, risk management and control.

Throughout the year we have attended Audit & Governance Committee meetings. Through attendance at these meetings we have confirmed that the committee receive regular updates on both internal audit progress and risk management. We have seen active Member engagement from the Audit & Governance Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

Arrangements for budget setting and budgetary control

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the budget setting rules and financial procedures. The framework includes:

- Clear responsibilities, including the role of the S151 Officer in leading the budget setting process and providing professional advice, and the reservation of the approval of the Budget to the Council.
- Cabinet is responsible for publishing initial proposals for inclusion in the budget and policy framework.

As also explained on page 9, we have reviewed the budget setting arrangements through observation and discussions with Officer. We have also noticed issues with the turnover of finance staff which has in part led to the delayed audit completion and delays in implementing the new finance system over a two year extended period. With a limited availability of suitably skilled staff the Council has been reliant on a number of interim staff in key positions.

The Council's MTFS includes the identification and evaluation of risks to the Authority's finances and is developed in parallel to the budget for the following year and setting of the precept. We have reviewed minutes of meetings and the year end financial outturn reports presented to the Cabinet during the year as well as the and narrative statement to the financial statements. In addition, we have reviewed capital expenditure as presented in the financial statements with no issues arising from our testing of additions.

We also reviewed the capital programme, noting that the GF Capital Programme for the next four years from 2021/22 to 2024/25 is funded predominantly from capital receipts and grants other than 2021/22 when borrowing will be incurred. In contrast, revenue or reserves is the primary source of funding for the housing revenue account capital programme – funding 62% of the five year programme. The Council needs to determine the level of reserves / revenue used over the next four years remains sustainable. We have held regular discussions with officers regarding arrangements for the management and funding of capital programme, and noted no issues.

Based on the above considerations, except for the arrangements relating to statutory financial reporting, we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.

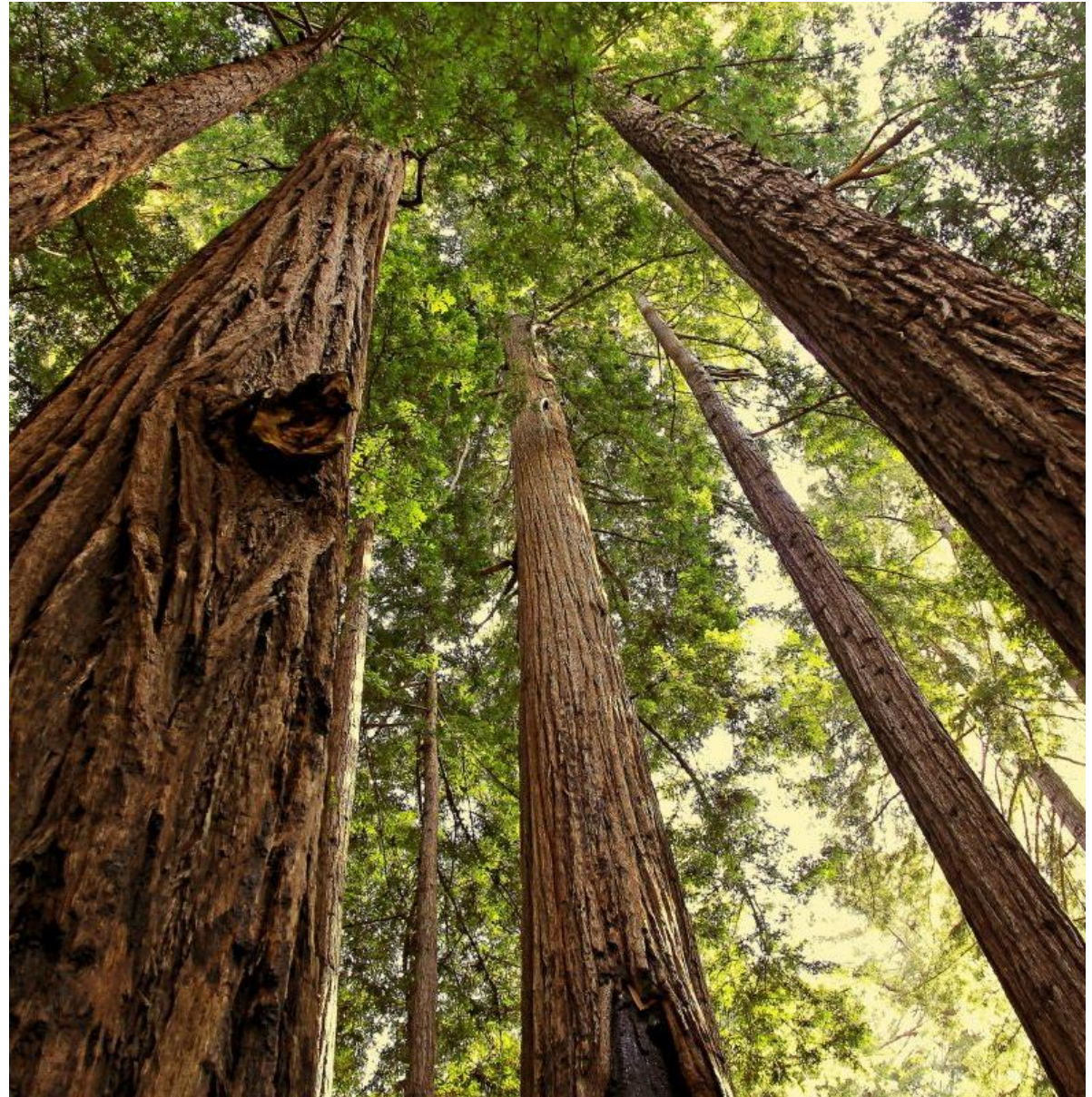
General Fund	2021/22	2022/23	2023/24	2024/25
General Fund Capital Programme (£000)	20,166	5,875	2,938	2,303
Funded by:				
Government Grant	670	670	670	670
Borrowing	13,428	5,205	2,268	1,633
Capital receipts	4,380	0	0	0
Revenue or reserves	1,687	0	0	0
Total Funding	20,166	5,875	2,938	2,303

Housing Revenue Account	2021/22	2022/23	2023/24	2024/25
HRA Capital Programme (£000)	15,559	13,650	12,124	11,897
Funded by:				
Government Grant	375	192	191	191
Developer Contributions	271	4	0	0
RTB receipts	4,290	2,750	2,608	2,642
Capital receipts	1,073	400	400	400
Revenue or reserves	9,550	10,303	8,926	8,664
Total Funding	15,559	13,650	12,124	11,897

Commentary on VFM arrangements

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Based on the considerations and views formed in this section, we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Performance Management

The Council's Delivery Plan sets out the Council's priorities and objectives for the period covered by the Plan. The core themes in the Plan are:

- Supporting Coalville to be a more vibrant family-friendly town
- Our communities are safe, healthy, and connected
- Local people live in high quality, affordable homes
- Support for businesses and helping people into local jobs
- Developing a clean green district.

Each of the themes have a detailed delivery plan in place with specific indicators to measure success.

As part of the Council's Performance Management and Continuous Improvement Framework all service areas have objectives which form part of the Council's delivery plan and Key Performance Indicators. These are reported on a quarterly basis to Cabinet to enable adequate levels of oversight on progress in detail to allow action to be taken as required.

Partnerships

The Council has a number of partnership arrangements in place, through which the Council works to deliver services in line with its ambitions and priorities. These include having shared service for internal audit and being a part of the Leicester and Leicestershire Enterprise Partnership (LLEP) which aims to drive economic prosperity across the Leicester and Leicestershire area through strong partnerships, robust intelligence and innovation. There are relevant governance frameworks in place for these arrangements and the Council continues to keep its role in these activities under review.

Procurement

The Council has a Procurement Strategy and set of Contract Procurement Rules which outlines how the procurement of goods, works and services is achieved. These documents take into account latest legislative and operational changes at the Council, and provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We expect our final audit fees to be as follows.

Area of work	2020/21 fees	2021/22 (estimate)
Scale fee in respect of our work under the Code of Audit Practice	£38,902	£38,902
Additional fees in respect of the new VFM approach (Year 1)	£8,770	£7,500
Additional fee for VFM significant weaknesses	£3,000	-
Additional fees in respect of:		
• Prior period error	£4,080	-
• Additional testing on IAS19 Pension Liabilities*	£3,740	£3,740
• Additional testing on valuation of land, buildings, council dwellings and investment properties*	£6,200	£6,200
• Additional work arising from introduction of new auditing standards (ISA 540 Estimates)	£3,590	£3,590
• Additional checks required for the emphasis of matters in relation to the material valuation uncertainty clause caused by covid-19	£1,000	-
• Delayed audit, including redeployment of staff, and addressing issues in asset valuation and other audit adjustments	£7,500	-
Total fees	£76,782	£59,932

*In respect of additional testing expectations raised by the regulator. The Council was provided with a grant of £20,054 to contribute towards additional audit fees.

All fee variations are subject to approval and confirmation by Public Sector Audit Appointments Limited.

Fees for other work

We confirm that we undertook the following non-audit services for the Council in the year:

- Certification of the Housing Benefit Subsidy Claim £8,120
- Pooling of Housing Capital Receipts Return £3,100

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
APRIL 2023

Title of Report	EXTERNAL AUDIT STRATEGY MEMORANDUM 2021/22	
Presented by	Glenn Hammons Interim Head of Finance and Section 151 Officer	
Background Papers	None	Public Report: Yes
Purpose of Report	To consider the External Audit Strategy Memorandum 2021/22	
Recommendations	THAT THE COMMITTEE NOTES THE AUDIT STRATEGY MEMORANDUM 2021/22	

1.0 BACKGROUND

- 1.1 Mazars LLP were appointed to audit the accounts of the Council for five years, for the accounts from 2018/19 to 2022/23. The appointment was made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015 and was approved by the Public Sector Appointments Limited (PSAA Ltd) Board in December 2017. PSAA Ltd are a company incorporated by the Local Government Association to manage an opt-in scheme for public bodies in appointing auditors, setting scales of fees and ensuring effective management of contracts with audit firms for the delivery of external audit services.
- 1.2 Mazars LLP have provided the Audit Strategy Memorandum for the forthcoming audit of the Council's 2021/22 accounts, as attached at Appendix A. A representative from Mazars will be in attendance at the meeting to present their plan to the committee.
- 1.3 The purpose of the document is to summarise the audit approach, highlight significant audit risks and areas of key judgements and provide details of the audit team. The Audit Strategy Memorandum focuses around three key objectives:
- Audit Opinion – providing an opinion of the accounts, including the Annual Governance Statement and narrative report.
 - Going Concern – concluding of the appropriateness of the Section 151 use of going concern basis of accounting in the preparation of the financial statements
 - Value for Money – concluding on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.
- 1.4 The proposed fee for undertaking the 2021/22 audit work (as detailed in Section 6 of the Audit Strategy Memorandum) is £61,202. Additional fees of £22,300 have been proposed compared to the scale fee set by the PSAA due to:
- additional work in relation to responding to increased regulatory challenge in auditing the IAS19 pension figures contained within the financial statements (£3,740);

- additional work in relation to responding to increased regulatory challenge in auditing the PPE (Property, Plant and Equipment) figures contained within the financial statements (£6,200);
 - IAS540 - additional work in relation to auditing accounting estimates and relates disclosures (£3,590); and
 - Work undertaken in relation to VFM (Value for Money) commentary (£8,770).
- Further details are available in Appendix A.

Policies and other considerations, as appropriate	
Council Priorities:	An unqualified audit opinion on the Council's financial statements and conclusion on the Council's value for money arrangements underpins all of the Council's priorities.
Policy Considerations:	N/A
Safeguarding:	N/A
Equalities/Diversity:	N/A
Customer Impact:	N/A
Economic and Social Impact:	N/A
Environment and Climate Change:	N/A
Consultation/Community/Tenant Engagement:	N/A
Risks:	The External Audit is an essential part of the Council's arrangements for compliance with laws and regulations, as well as maintaining good Value for Money.
Officer Contact	Anna Crouch Finance Team Manager and Deputy S151 Officer anna.crouch@nwleicestershire.gov.uk

Audit Strategy Memorandum

North West Leicestershire District Council

Year ending 31 March 2022



Contents

- 01** Engagement and responsibilities summary
- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Value for money
- 06** Fees for audit and other services
- 07** Our commitment to independence
- 08** Materiality and misstatements

Appendix – Key communication points

This document is to be regarded as confidential to North West Leicestershire District Council. It has been prepared for the sole use of Audit and Governance Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.



Audit and Governance Committee

Council Offices,
Whitwick Road,
Coalville,
Leicestershire,
LE67 3FJ

April 2023

Dear Committee Members

Mazars LLP
First floor
Two Chamberlain Square
Birmingham
B3 3AX

Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for North West Leicestershire District Council for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing North West Leicestershire District Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on mark.surridge@mazars.co.uk.

Yours faithfully

Mark Surridge, Mazars LLP

Mazars LLP – First floor, Two Chamberlain Square, Birmingham, B3 3AX
Tel: 0121 232 9500 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London EC4M 7AU. We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of North West Leicestershire District Council for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

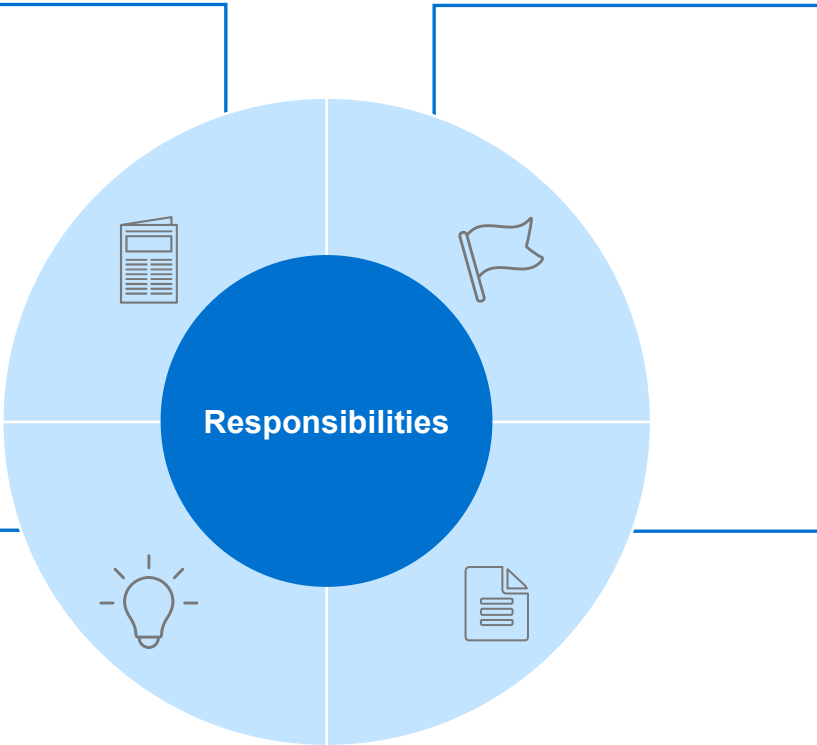
Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or Audit and Governance Committee as those charged with governance, of their responsibilities.

The section 151 officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the section 151 officer's use of the going concern basis of accounting in the preparation of the financial statements.

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Fraud

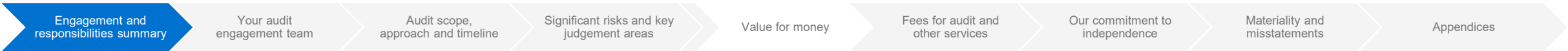
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and Internal audit, as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

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

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.



02

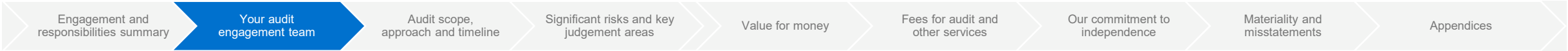
Section 02:

Your audit engagement team

2. Your audit engagement team

Individual	Role	Contact details
Mark Surridge	Engagement Lead	Mark.surridge@mazars.co.uk +44 (0)7875 974 291
Leah Parsons	Audit Manager	Leah.parsons@mazars.co.uk +44 (0)7387 242 114
David Schofield	Audit Assistant Manager	David.Schofield@mazars.co.uk +44 (0)7580 290 272

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Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

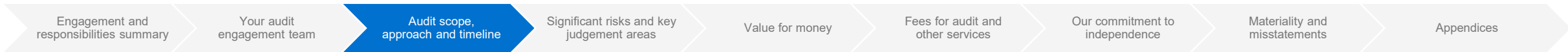
Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit and the indicative timeline at this stage. The specific dates are subject though as always to:

- the timely provision of information by third parties; and
- us being able to fully complete the audit procedures to the required quality standards.



3. Audit scope, approach and timeline

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Planning March – April 2023

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion September 2023

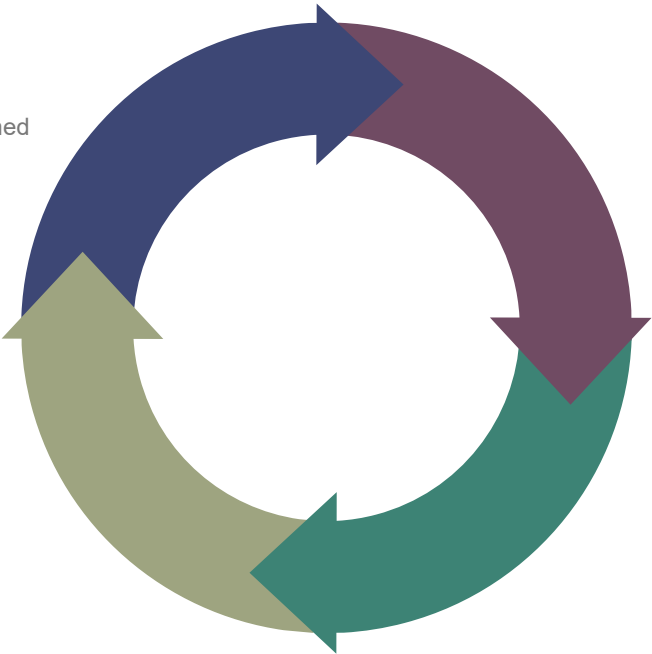
- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit and Governance Committee
- Signing the auditor's report
- Issuing the Auditor's Annual Report

Interim March 2023

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Ongoing value for money risk assessment procedures
- Reassessment of audit plan and revision if necessary

Fieldwork July-August 2023

- Receiving and reviewing draft financial statements
- Receiving and reviewing the Annual Governance Statement
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Ongoing assessment of potential VFM risks
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Management's and our experts

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

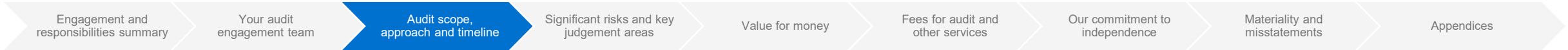
Item of account	Management's expert	Our expert
Property, Plant and Equipment	External valuer Wilks, Head and Eve	None. Third party evidence provided via the NAO support our challenge of valuation assumptions.
Pensions 5	Hymans Robertson LLP Actuary for Leicestershire Pension Fund (LGPS)	PWC (Consulting actuary appointed by the National Audit Office).
Financial Instrument disclosures	Arlingclose Treasury management advisors	None.

Service organisations

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

Internal audit

We will continue to liaise with internal audit to inform our continual risk assessment



04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

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

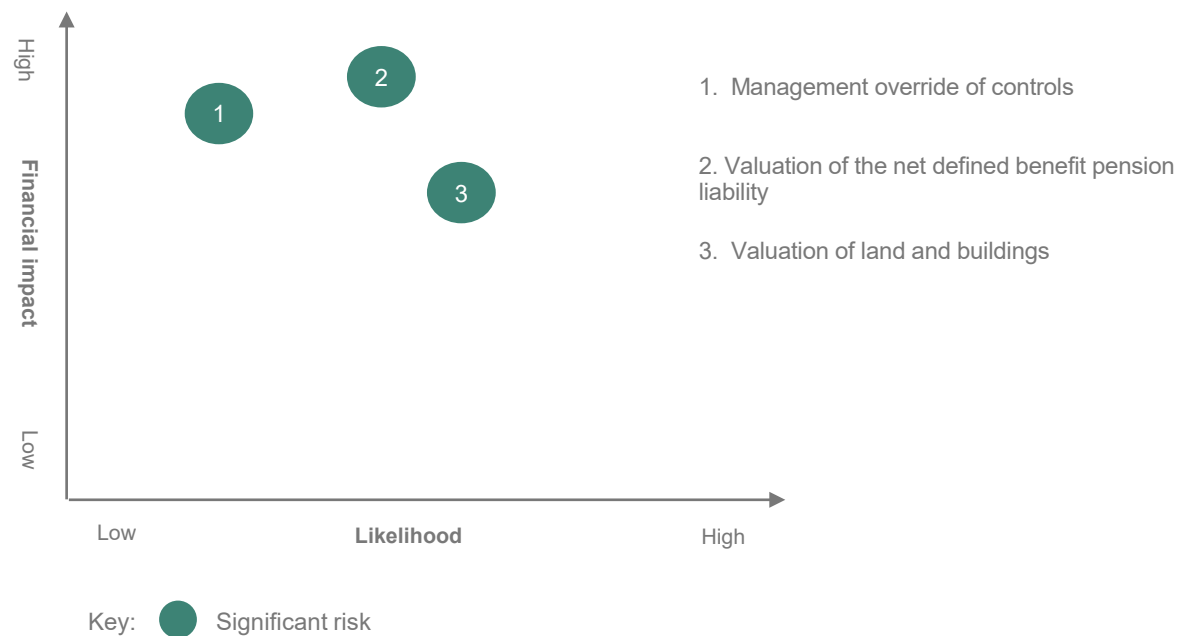
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

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

Summary risk assessment

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



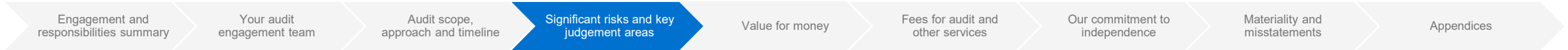
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

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

Significant risks

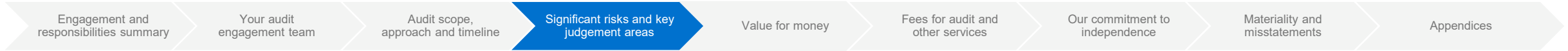
	Description	Fraud	Error	Judgement	Planned response
1 50	<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	-	-	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2 59	<p>Net defined benefit liability valuation</p> <p>The defined benefit liability relating to the Local Government Pension Scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary for the scheme to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	-	●	●	<p>We plan to address the risk by:</p> <ul style="list-style-type: none">• assessing the competency, objectivity and independence of the Actuary of the Pension Scheme;• liaising with the auditors of the Leicestershire Pension Fund to gain assurance over the design and implementation of controls in place at the Leicestershire Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;• reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary (as applicable), and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and• agreeing the data in the IAS 19 valuation reports provided by the Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of land and buildings</p> <p>Property related assets are a significant balance on the Council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p> <p>At the planning stage of the audit, this risk covers (figures have been taken from the final 2020/21 financial statements):</p> <ul style="list-style-type: none"> • Land & Buildings (£26.8m - Note 9) • Council dwellings (£265m – Note 9) • Investment properties (£15m – Note 10) 	-	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • critically assessing the scope of work, qualifications, objectivity and independence of the Council's valuation expert to carry out the required programme of revaluations; • considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies; • assessing whether valuation movements are in line with market expectations by considering valuation trends; • critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in the year are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers; and • considering engaging our own valuation expert to support our work.

05

Section 05: **Value for money**

5. Value for money

The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

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

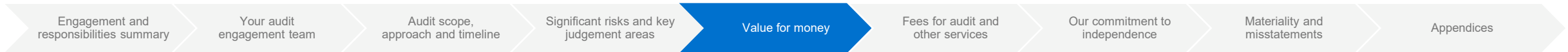
- 1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
- 2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
- 3. **Improving economy, efficiency and effectiveness**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

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Our VFM planning and risk assessment work is an ongoing process and to date, no risks of significant weaknesses in arrangements have been identified. We will report any further identified risks to the Audit and Governance Committee on completion of our planning and risk identification work.

Planning and risk assessment	Obtaining an understanding of the Council 's arrangements for each specified reporting criteria. Relevant information sources will include: <ul style="list-style-type: none">• NAO guidance and supporting information• Information from internal and external sources including regulators• Knowledge from previous audits and other audit work undertaken in the year• Interviews and discussions with staff and members
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: <ul style="list-style-type: none">• Significant weaknesses identified and our recommendations for improvement• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.



06

Section 06:

Fees for audit and other services

03

6. Fees for audit and other services

Fees for work as the Council’s appointed auditor

Details of the indicative 2021/22 Audit fees in line with PSAA and other reporting mechanisms is set out below.

Area of work	2021/22 Proposed Fee
Scale audit fee	£38,902
Fee variations:	
Additional work in relation to responding to increased regulatory challenge in auditing the IAS19 pension figures contained within the financial statements.	£3,740 ¹
Additional work in relation to responding to increased regulatory challenge in auditing the PPE figures contained within the financial statements.	£6,200 ¹
ISA540 - additional work in relation to auditing accounting estimates and related disclosure	£3,590 ²
Other	-
Sub-total	£52,432
Work undertaken in relation to VFM commentary	£8,770 ³
Grand Total	£61,202 ⁴

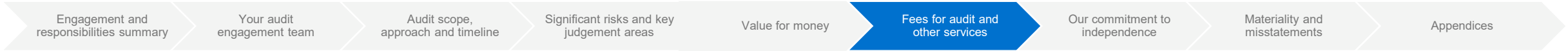
We continue to liaise with PSAA regarding fee variations and sector-wide adjustments to the scale fee.

¹ As previously reported to you, the scale fee has been adjusted to take into account the additional work required as a result of increased regulatory expectations in these areas.

² In 2020/21, new auditing standards were introduced which will lead to additional audit work not reflected in the scale fee.

³ As explained in section 5, the revised Code of Audit Practice has led to a substantial amount of additional audit work to support the new value for money conclusion and the changes in reporting requirements. The final fee will take into account the extent and complexity of any significant weaknesses in arrangements we identify.

⁴ This is a proposed fee for 2021/22 at the point of the issue of our ASM. This figure is subject to change and additional costs will be discussed with management.



07

Section 07:


Our commitment to independence

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC’s Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

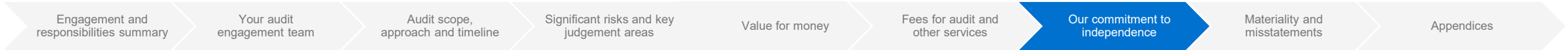
We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
-  new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Surridge in the first instance.

Prior to the provision of any non-audit services Mark Surridge will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



08

Section 08:

Materiality and misstatements

8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	1,160
Performance materiality	928
Specific materiality – Senior Officers Remuneration (Note 26 in the 2020/21 financial statements)	10
Trivial threshold for errors to be reported to Audit and Governance Committee	35

Materiality

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

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;

- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

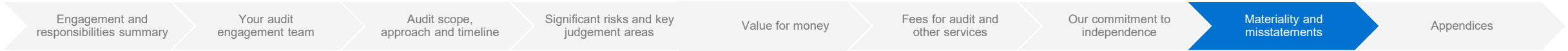
We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to Audit and Governance Committee. We consider that the gross revenue expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 2% of Gross Revenue Expenditure at Surplus/deficit on Provision of Services level. Based on prior year financial statements we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £920k.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

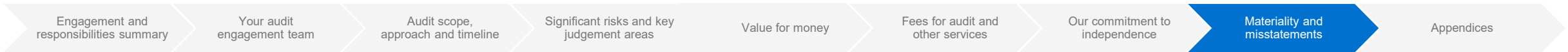
Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £35k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Surridge.

Reporting to Audit and Governance Committee

The following three types of audit differences above the trivial threshold will be presented to Audit and Governance Committee summary of adjusted audit differences;

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





Appendix: Key communication points

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Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) ‘Communication with Those Charged with Governance’ and ISA 265 (UK) ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor’s Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

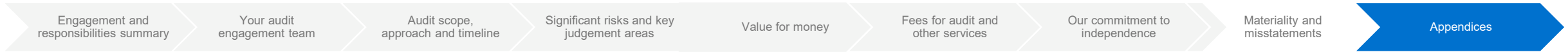
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;

- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



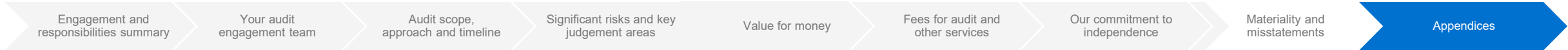
Appendix: Key communication points

ISA (UK) 260 ‘Communication with Those Charged with Governance’, ISA (UK) 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of Audit and Governance Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit and Governance Committee, Audit planning and clearance meetings
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; significant difficulties, if any, encountered during the audit; significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; written representations that we are seeking; expected modifications to the audit report; and other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Audit and Governance Committee in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Governance and Audit Committee may be aware of.	Audit Completion Report and Audit and Governance Committee meetings
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> whether the events or conditions constitute a material uncertainty; whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report



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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
APRIL 2023

Title of Report	ACCOUNTING POLICIES 2022/23	
Presented by	Anna Crouch Finance Team Manager and Deputy S151 Officer	
Background Papers	None	Public Report: Yes
Purpose of Report	To present the draft accounting policies for the 2022/23 financial statements	
Recommendations	TO CONSIDER AND APPROVE THE DRAFT ACCOUNTING POLICIES FOR THE 2022/23 FINANCIAL STATEMENTS AS DETAILED IN APPENDIX A	

1.0 BACKGROUND

- 1.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 1.2 There are no accounting changes within the 2022/23 Code that will have a significant impact on the Council's 2022/23 Statement of Accounts.
- 1.3 In February 2022 CIPFA issued an emergency consultation in respect of the 2021/22 and 2022/23 Accounting Codes which was a response to the low number (9%) of audited 2020/21 financial statements meeting the publication deadline. As an outcome the mandatory date for implementing International Financial Reporting Standard (IFRS) 16 (Leases) was deferred to the 2024/25 financial year.
- 1.4 Local Authorities are afforded the option to voluntarily implemented the new IFRS 16 (Leases) in 2022/23 accounts ahead of the mandatory deadline. In common with many other local authorities, the Council has decided to implement IFRS 16 in 2024/25 in line with the mandatory deadline.

2.0 ACCOUNTING POLICIES 2022/23

- 2.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year-end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements.
- 2.2 Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in the Code as: Omissions or misstatements of items

are material if they could, individually or collectively, influence the decisions or assessments on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

- 2.3 The Audit and Governance Committee's Terms of Reference require the committee to 'consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. It is therefore considered good practice for the committee to have greater visibility over these accounting policies before they are applied.
- 2.4 The draft accounting policies for 2022/23 are included in Appendix A. The finance team review the accounting policies each year to ensure they comply with accounting standards. Any policies, which are no longer relevant or have no material effect to the Statement of Accounts are removed. Following the 2022/23 review, there are no changes to the accounting policies from 2021/22.
- 2.5 The draft accounting policies will be reviewed by the external auditors, Mazars LLP, as part of the audit of the accounts and are still subject to change up to the point the final Statement of Accounts documented is approved and signed. Any major changes will be highlighted to the Audit Committee alongside the final version of the Statement of Accounts.

Policies and other considerations, as appropriate	
Council Priorities:	Production of timely and accurate Statement of Accounts is a statutory requirement. Achievement of this reflects sound financial management supporting all the council priorities.
Policy Considerations:	CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact	Anna Crouch Finance Team Manager & Deputy S151 Officer anna.crouch@nwleicestershire.gov.uk

Notes to the accounts

Accounting policies

1. General Principles

The Statement of Accounts has been prepared with reference to the objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them, and on the underlying assumption of a going concern basis.

The Statement of Accounts summarises the council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021.

The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which requires the statement to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

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.

The council's accounting policies are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the council's accounts.

The council's accounting policies as far as possible have been developed to ensure that the accounts are understandable, relevant, free from material error or misstatement, reliable and comparable, and are applied consistently. A glossary of terms can be found at the end of this document.

2. 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. In particular:

- 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. 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.
- 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.
- 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.

- 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 for the income that might not be collected.

overdrafts that are repayable on demand and form an integral part of the council's cash management.

4. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the council's financial performance.

reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

3. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in no more than three 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

5. 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

6. 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 non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- 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
- Amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. 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 council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

MRP has previously been determined as 4% of the opening balance for the financial period (the Regulatory Method). Going forward the Section 151 Officer has revised this policy for 2019/20 onwards to the asset life method, based on Option 3 of the MHCLG guidance, whereby MRP is determined by reference to the useful life of the asset.

7. 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 (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 is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund.

Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement 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 council'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.

8. Employee Benefits

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, bonuses and non-monetary benefits (e.g., cars) for current employees and are recognised as an expense for services in the year in which employees render service to the council.

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 entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council 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 council can no longer withdraw the offer of those benefits or

when the council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the council 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.

Post-employment Benefits

Employees of the council are members of the Local Government Pensions Scheme, administered by Leicestershire County Council. The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Leicestershire County Council pension fund attributable to the council are

included in the Balance Sheet on an actuarial basis using the projected unit 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 projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of Leicestershire County Council pension fund attributable to the council 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.

The change in the net pension's 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 on the net defined benefit liability (asset), i.e. net interest expense for the council – 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.

- Re-measurements comprising:
 - The 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 Leicestershire County Council 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 Balance to be charged with the amount payable by the council 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 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 council also 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.

9. Events after the reporting period

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

- 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
- 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 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.

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 council 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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years.

The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified using an approach that is based on 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).

There are some exceptions, where the council holds strategic investments to help it meet other policy objectives, such as the support of economic development in the district.

This means that some investments are ones where contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the

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

The council has not given any loans to external or voluntary organisations, nor provided guarantees against loans they have received from financial institutions.

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against

the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected credit loss model

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

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

Financial assets measured at Fair Value through Profit or Loss (FVPL)

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

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

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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1

that are observable for the asset, either directly or indirectly

- Level 3 inputs – unobservable inputs for the asset.

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

An equity instrument can be elected into a FVOCI treatment rather than a FVPL treatment if it is not held for trading. The council has reviewed its assets that would be measured at FVPL on the basis of the business model and has elected to classify instruments as either FVPL or FVOCI on an instrument-by-instrument basis based on the assessed benefit to the council from the chosen classification.

Loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement 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 loans that the council has made, 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.

11. 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 council when there is reasonable assurance that:

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

Amounts recognised as due to the council 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 and Expenditure (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.

12. Heritage Assets

The council has three heritage assets which are held in support of increasing the knowledge, understanding and appreciation of the council's history and local area. These are Moira Furnace, a listed monument of historical interest located in Moira, the Memorial Clock Tower, a Grade II listed building that services as a historic war memorial located in the centre of Coalville and the 'Heart of the Forest' Sculpture in Ashby.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of

impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – see note 18. The council will occasionally dispose of heritage assets. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 18 below).

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council 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 council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council

can be determined by reference to an active market. In practice, no intangible asset held by the council 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(s) 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(s) 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 £10,000) the Capital Receipts Reserve.

14. 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 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 value of works and services received under the contract during the financial year.

15. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, 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 £10,000) the Capital Receipts Reserve.

16. 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.

The Council as

Lessee Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period). The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets.

Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue

contribution 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.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or 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).

17. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the council's arrangements for accountability and financial performance.

18. Property, plant and equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council's threshold for recognising an individual asset is £10,000. Where the Council purchases a number of individual assets which are separately below this threshold, but collectively above it, they will be treated as a grouped asset and treated in the same regard.

The council has adopted a policy of capitalising borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV), except for a few offices that

are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services 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:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year-end 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 impairment losses are identified, they are accounted for by:

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

line(s) 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.

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).

Depreciation is calculated on the following bases – straight-line allocation over the useful life of the property as estimated by the valuer.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to

the total cost of the item, the components are depreciated separately.

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.

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 fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Gains in fair value are recognised only up to the amount of any previously recognised

losses in the Surplus or Deficit on the 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.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

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 (i.e. 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 £10,000 are categorised as capital receipts.

A proportion of capital receipts relating to housing disposals is payable to the government (50% for land and other assets, net of statutory deductions and allowances and for dwellings, amounts determinable under the Right to Buy and One for One Agreement that the council signed in 2012). 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 council's underlying need to borrow (the capital financing requirement). 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the

General Fund Balance in the Movement in Reserves Statement.

19. Provisions, contingent liabilities, and contingent assets

Provisions

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. For instance, the council 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 council 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 council settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not

probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves

The council 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 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 Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

21. Revenue Expenditure Funded from Capital under Statute

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 council 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 Balance to the Capital

Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22. 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.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
APRIL 2023

Title of Report	TREASURY MANAGEMENT STEWARDSHIP REPORT 2022/23	
Presented by	Anna Crouch Finance Team Manager & Deputy S151 Officer	
Background Papers	Capital Strategy 2022/23 – Council 24 February 2022 Treasury Management Strategy Statement 2022/23 Council 24 February 2022 Investment Strategy – Service and Commercial 2022/23 – Council 23 February 2022 Budget and Council Tax 2022/2023 – Council 24 February 2022 Treasury Management Activity Report April 2022 to December 2022 – Audit and Governance 25 January 2023	Public Report: Yes
Purpose of Report	For Members to consider the draft Treasury Management Stewardship Report for 2022/23 before consideration by Cabinet in June 2023.	
Recommendations	THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.	

1.0 BACKGROUND

- 1.1 Treasury Management activity is underpinned by the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and investment activity. The Prudential Indicators and Treasury Strategies were approved by Council on the 24 February 2022.

- 1.2 As a minimum, the code requires that the council reports on the performance of the Treasury Management function at least twice yearly (mid-year and at year end. Appendix A is year-end report and the fourth to be presented in relation to 2022/23. The report is designed to inform Members of the council's treasury activity and enable scrutiny of activity and performance.

2.0 TREASURY MANAGEMENT ADVISORS' COMMENTARY – ARLINGCLOSE LTD

- 2.1 The commentary below has been provided by our treasury management advisors:
- 2.2 NWLDC is currently taking a relatively low credit and liquidity risk approach to its investment strategy by investing mainly in deposits with UK central government, Money Market Funds (MMFs), UK local authorities, and a small number of UK banks, for short terms (up to 12 months). Most of these options avoid the direct bail-in risk associated with bank deposits (although indirect exposure is held via the MMFs, this is highly diversified).
- 2.3 Interest rates have been rising globally, including UK Bank Rate, but are generally expected to be at or near their peak, albeit uncertainty remains. The Council's investment returns have therefore increased but the level of real return (i.e. adjusting for inflation) is negative given current high inflation. The latest client investment benchmarking exercise that NWLDC took part in (December 2022) showed the council's credit risk (as measured by credit ratings) was lower and its return higher than the average for other local authorities on internally managed investments.
- 2.4 Other investment options that may fit with the council's current risk appetite could include secured bank deposits (up to 12 months), longer- term loans to local authorities (the council has done this before), covered or supranational bonds and loans to Registered Providers (housing associations), which may also require a longer investment horizon (3 to 5 years).
- 2.5 Going beyond this would be an alternative approach – investing for the long-term (5 years +) in asset classes such as property, bonds and equities which fluctuate in value, and carry a different and typically higher set of risks but offer the potential for higher long-term returns. The Council would need to identify a long-term investment horizon and/or these types of investments may need to be part of a documented strategy to manage liquidity, interest rate, exchange rate and/or inflation risks.

3.0 SUMMARY

- 3.1 In compliance with the requirements of the CIPFA code of practice, Appendix A provides Members with a summary report of the Treasury Management activity for the period April 2022 to March 2023. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 3.2 For the reporting period, there has been no breaches of Treasury Management Strategy Statement that need bringing to the attention of the committee and the Treasury Management practices have been complied with.

Policies and other considerations, as appropriate	
Council Priorities:	<p>The Treasury Strategies and Prudential Indicators help the Council achieve all its properties:</p> <ul style="list-style-type: none"> - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes - Our communities are safe, healthy and connected
Policy Considerations:	Not applicable
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	Not applicable
Consultation/Community Engagement:	Not applicable
Risks:	Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management advisors (Arlingclose) to proffer expert advice.
Officer Contact	<p>Anna Crouch Finance Team Manager & Deputy S151 Officer anna.crouch@nwleicestershire.gov.uk</p>

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DRAFT TREASURY MANAGEMENT STEWARDSHIP REPORT 2022/23

1. Introduction

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports.
- 1.2. The Council's treasury management strategy for 2022/23 was approved at a meeting of full Council on 24 February 2022. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.
- 1.3. The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 24 February 2022.

2. External Context (provided by Arlingclose Ltd)

- 2.1. **Economic background:** The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.
- 2.2. Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.
- 2.3. Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.
- 2.4. Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

- 2.5. The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.
- 2.6. The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.
- 2.7. Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.
- 2.8. The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.
- 2.9. After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.
- 2.10. From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.
- 2.11. **Financial markets:** Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

- 2.12. Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.
- 2.13. **Credit review:** Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.
- 2.14. In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Council to stable from negative and Fitch revised the outlook on HSBC to stable from negative.
- 2.15. The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.
- 2.16. During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.
- 2.17. Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.
- 2.18. On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.
- 2.19. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.
- 2.20. Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree caution is merited with certain authorities.

3. Local Context

- 3.1. On 31 March 2023, the Council had net borrowing of £19.5m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Estimate £m
General Fund CFR	39.9
HRA CFR	55.3
Total CFR	95.2
External borrowing	-62.6
Internal borrowing	-32.6
Total Borrowing	95.2

- 3.2. The Council pursued its strategy of funding its borrowing requirement from internal resources, sometimes known as internal borrowing. This has the effect of reducing interest rate risk and borrowing costs.
- 3.3. The treasury management position at 31 March 2023 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.22 Balance £m	Movement £m	31.3.23 Balance £m	31.3.23 Rate %
Long-term borrowing	62.6	-2.7	59.8	3.5%
Short-term borrowing	2.2	0.5	2.7	4.2%
Total borrowing	64.8	-2.2	62.6	3.6%
Long-term investments	0	0	0	0
Short-term investments	31.0	8.0	39.0	3.5%
Cash and cash equivalents	18.0	-13.9	4.1	3.9%
Total investments	49.0	-5.9	43.1	3.5%
Net borrowing	15.8	3.7	19.5	

- 3.4. As shown above external borrowing decreased by £2.2m after repayment of a £1m loan held with another Council and two PWLB annuity loan repayments totalling £1.2m.
- 3.5. Investment balances overall reduced by £5.9m from 31 March 2022 due to capital programme delivery, use of reserves and repayment of debt.

- 3.6. The Council was able to more accurately predict its cashflows allowing more funds to be invested for longer while maintaining cash flow confidence. This resulted in a change in investment portfolio structure with more investments being committed to short term investments in place of cash & cash equivalents as shown in table 2.

4. Borrowing Update

- 4.1. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 4.2. The Council currently holds £13.8m in commercial property investments that were purchased prior to the change in the CIPFA Prudential Code. These investments are primarily held for local regeneration and support and not financial return and as such will not fall directly into the above category.

5. Borrowing Strategy and Activity

- 5.1. As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 5.2. The cost of both long and short term borrowing rose dramatically over the year, with rates at the end of March around 2% - 4% higher than those at the beginning of April. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. Particularly dramatic rises were seen in September after the 'mini-budget' included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies: over a twenty-four-hour period some PWLB rates increased to 6%. Rates have now fallen from September peaks but remain volatile and well above recent historical norms. The PWLB 10 year maturity certainty rate stood at 4.33% at 31 March 2023, 20 years at 4.70% and 30 years at 4.66%.
- 5.3. A new HRA PWLB rate of gilts plus 0.4% (0.4% below the currently available certainty rate) was announced on 15 March 2023. This will be available from June 2023, initially for a period of one year.

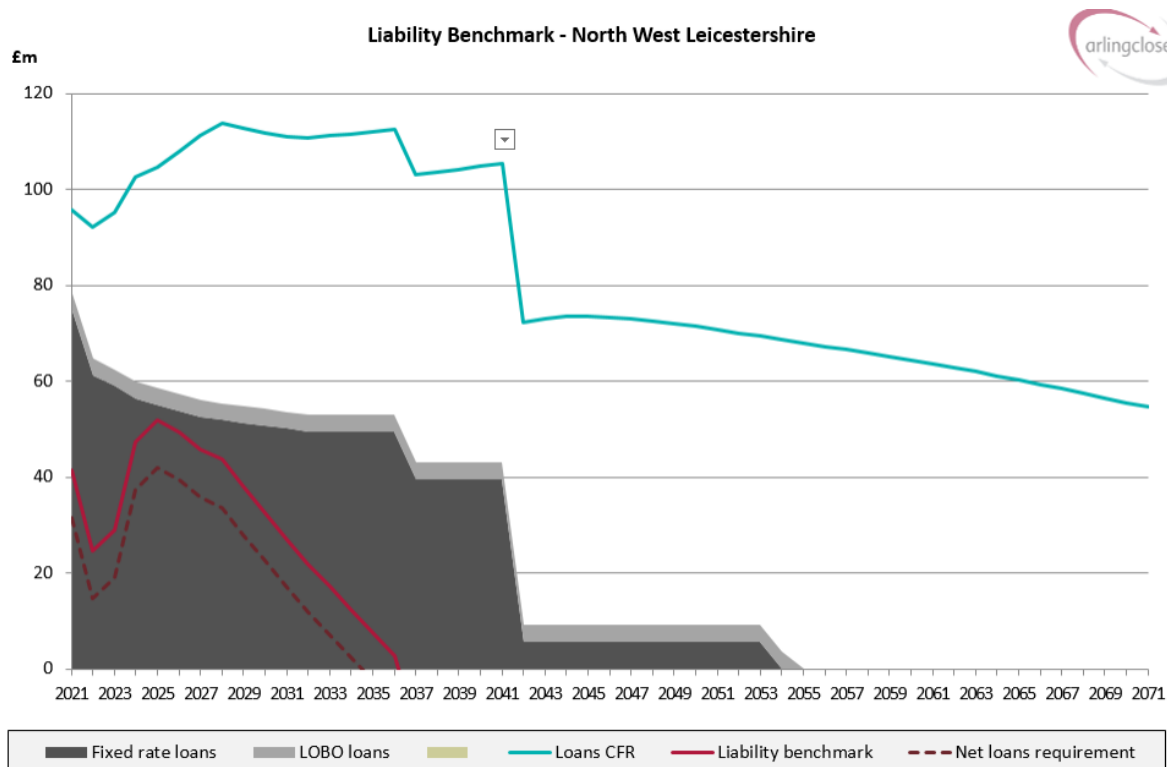
- 5.4. Alongside the discounted HRA borrowing rate interest rates have increased to a level in which discounts may be available from the PWLB for the repayment of debt. This is because it becomes beneficial for the PWLB to relend the funds at higher interest rates than those held in the old dated loans. As a result of these two factors the Council is actively investigating the possibility of restructuring its borrowing in 2023/24 to see if savings can be created. This may be particularly effective if the requirement to borrow continues to slip as has been the case for the previous two years, this is likely to be the case as many of the Council's cashflow and borrowing forecasts are done on a conservative basis.
- 5.5. At 31 March 2023 the Council held £62.6m of loans, a decrease of £2.2m from the 31 March 2022, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31 March 2023 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.22 Balance £m	Net Movement £m	31.3.23 Balance £m	31.3.23 Weighted Average Rate %	31.3.23 Weighted Average Maturity (years)
Public Works Loan Board	56.3	-1.2	55.1	3.4%	15.8
Banks (LOBO)	3.5	0.0	3.5	4.8%	31.9
Banks (fixed-term)	3.9	0.0	3.9	4.7%	30.9
Local authorities (long-term)	0.0	0.0	0.0	0.0%	0.0
Local authorities (short-term)	1.0	-1.0	0.0	0.0%	0.0
Total borrowing	64.8	-2.2	62.6	3.6%	17.6

- 5.6. In keeping with these objectives, no new borrowing was undertaken, while £2.2m of existing loans were allowed to mature without replacement. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
- 5.7. There remains an argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.
- 5.8. LOBO loans: The Council continues to hold £3.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The bank did not exercise their option during the year.
- 5.9. Last year a review of the Council's minimum revenue provision (MRP) policy was undertaken alongside our treasury advisors Arlingclose. As a result the Council has moved to the annuity method of charging MRP to create a smoother cost profile for MRP across the lifetime of repayment, this is anticipated to create a saving of £2.7m over the next ten years. Additionally, no further capital programmes will be funded by borrowing. Finally there is a plan to review the HRA MRP policy going forward.

- 5.10. The liability benchmark graph is shown below. This shows the Council's overall forecasted borrowing requirement and anticipated underlying need to borrow. The solid red line shows the Council's external borrowing requirement, and the solid grey shading shows the current external borrowing position. Internal borrowing is represented by the gap between the grey shading and the blue line. Due to the 21/22 accounts not having yet been completed yet this graph is based on the 20/21 accounts as a starting point and is subject to some change as a result. The graph shows that based on current projections the Council will not have a requirement to borrow externally as internal and existing external borrowing is sufficient. The graph does show that over the next few years the need to borrow is set to increase significantly before dropping again in later years.



6. Treasury Investment Activity

- 6.1. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments 'as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business'.

- 6.2. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £43.3m and £70.6m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.22 Balance £m	Net Movement £m	31.3.23 Balance £m	31.3.23 Income Return %	31.3.23 Weighted Average Maturity Days
Banks & building societies (unsecured)	3.0	-1.0	2.0	3.7%	94.5
Government (incl. local authorities)	29.0	8.0	37.0	3.4%	85.6
Money Market Funds	17.0	-12.9	4.1	3.9%	1.0
Total investments	49.0	-5.9	43.1	3.5%	78.0

- 6.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.4. Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6-12 month maturities.
- 6.5. By end March 2023, the rates on DMADF deposits ranged between 4.05% and 4.15%. The return on the Council's sterling Low Volatility Net Asset Value (LVNAV) Money Market Funds ranged between 0.6% - 0.7% p.a in early April 2022 and between 3.8% and 3.9% at the end of March 2023.
- 6.6. Investment objectives were achieved by increasing exposure to short dated, low risk deposits with Government and decreasing exposure to both banks and Money Market Funds. This encouraged longer dated deposits with higher returns alongside increased security of funds.

- 6.7. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2022	4.00	AA-	41%	71	0.39%
31.12.2022	3.23	AA	22%	77	3.00%
Similar Las	4.41	AA-	59%	47	0.61%
All Las	4.41	AA-	60%	14	1.35%

** Please note this benchmarking data is from 31 December 2022 as the last available data. This will be updated with new information for the Cabinet meeting in June.*

- 6.8. The Council had budgeted £9,000 in interest income from investments after deductions in 2022/23. Actual income received in 2022/23 was £1.1m. This represents an average return on balances through the year of 2%.
- 6.9. Of the £1.1m received, an estimated £137,000 will be deducted for S106 balances and other minor deductions. The remaining £983,000 will be apportioned between the General Fund (GF) and Housing Revenue Account (HRA).
- 6.10. The allocations to the GF and HRA are based on the notional investment balances of both funds throughout the year. The percentage of which will be applied to the overall interest received after deductions. This approach leads to the balances being split £623,000 to the GF and £360,000 to the HRA. Please note these figures are subject to change due to the final notional balance figures not yet being finalised. This will be confirmed with the completion of the year end accounts.
- 6.11. The budgeted interest received for 2022/23 in comparison to actuals is significantly different. This is largely due to the dramatic increase in interest rates by the Bank of England in response to the exceptional economic scenario detailed in section 2. These increased interest rates have boosted the interest return for the Council from 0.4% on 31 March 2022 to 3.5% on 31 March 2023 resulting in the overall increase in investment return. Additionally, Investment balances have been higher than expected due to a number of factors including delayed repayment of grants to central government, slippage in capital programmes and higher income than anticipated from sources such as business rates, rents and council tax.

7. Non-Treasury Investments

- 7.1. The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

- 7.2. Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 7.3. On 31 March 2023 the Council held £13.8m of directly owned property investments which although are primarily held for local regeneration and development do also provide financial return as a secondary function.
- 7.4. A full list of the Council's non-treasury investments is available in the Council's investment strategy found [here](#).
- 7.5. These investments are budgeted to generate £195,889 of investment income for the Council after taking account of direct costs, representing a rate of return of 3.91%.

8. Treasury Performance

- 8.1. The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.
- 8.2. Since the beginning of the reporting period the Council has paid £2.2m in interest. The overall interest rate for the financial year 2022/23 is 3.4%. For comparison purposes current 1 year borrowing through the PWLB upon writing this report is 5.0%.
- 8.3. No new borrowing was undertaken in the 2022/23 financial year in line with expectations.
- 8.4. The Council's interest return percentage on 31 December 2022 (the last available benchmarking data) was 3.0%. In comparison with other Local Authorities this was significantly better than the 1.4% average. A further comparison is the Daily Sterling Overnight Index Average (SONIA) which on December 31 2022 was 3.4%.

9. Compliance

- 9.1. The S151 Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.
- 9.2. Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 6: Debt Limits

	2022/23 Maximum	31.3.23 Actual	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied?
Borrowing	64.9m	62.6m	72.9m	82.9m	Yes

- 9.3. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 7: Investment Limits

	2022/23 Maximum	31.3.23 Actual	2022/23 Limit	Complied? Yes
Any single organisation, except the UK Government	£5m	£5m	£5m	Yes
Any group of organisations under the same ownership	£5m	£5m	£5m	Yes
Any group of pooled funds under the same management	£5m	£5m	£12.5m	Yes
Negotiable instruments held in a broker's nominee account	£5m	£5m	£12.5m	Yes
Registered providers and registered social landlords	£0m	£0m	12.5m	Yes
Unsecured investments with building societies	£0m	£0m	£5m	Yes
Money Market Funds	£23m	£4.1m	Unlimited	Yes
Real Estate Investment Trusts	£0m	£0m	£12.5m	Yes

10. Treasury Management Indicators

- 10.1. The Council measures and manages its exposures to treasury management risks using the following indicators.
- 10.2. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.12.23 Actual	2022/23 Target	Complied?
Portfolio average credit score	AA	A-	Yes

** Please note this benchmarking data is from 31 December 2022 as the last available data, this will be updated for the Cabinet meeting in June.*

- 10.3. **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period.

	31.3.22 Actual	2022/23 Lower Limit	Complied?
Total cash available within 3 months	£36.1m	£2.5m	Yes

- 10.4. **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	31.3.23 Actual	2022/23 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	-327,459	-200,000	No
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	327,459	200,000	No

- 10.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates. Although the indicator has not been complied with this is not a compliance failure as it reflects the fact that all of the Council's investments are due to mature this year. Longer investments would reduce the interest rate risk but would expose the Council to higher liquidity risk. This indicator has been updated for 23/24 to have an increased limit to make it more relevant for interest rate risk for the Council.
- 10.6 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.03.23 Actual £m	31.03.23 Actual %	Upper Limit	Lower Limit	Complied?
Under 12 months	2.74	4%	30%	0%	Yes
12 months and within 24 months	1.27	2%	30%	0%	Yes
24 months and within 5 years	3.20	5%	30%	0%	Yes
5 years and within 10 years	2.46	4%	30%	0%	Yes
10 years and above	52.98	85%	90%	0%	Yes

10.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

10.8 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2022/23	2023/24	2024/25
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	£10m	£10m	£10m
Complied?	Yes	Yes	Yes

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL



AUDIT AND GOVERNANCE COMMITTEE WEDNESDAY, 26
APRIL 20233

Title of Report	INTERNAL AUDIT PROGRESS REPORT	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards Internal Audit Plan 2022/23	Public Report: Yes
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2022/23 and to highlight any incidences of significant control failings or weaknesses that have been identified.	
Recommendations	THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT.	

1.0 BACKGROUND

- 1.1. The Public Sector Internal Audit Standards require the Authority's Audit Committee to approve the audit plan and monitor progress against it. The Standards state that the Committee should receive periodic reports on the work of internal audit.
- 1.2 The Audit and Governance Committee approved the 2022/23 Audit Plan on 20 April 2022. The Committee receives quarterly progress reports.

2.0 PROGRESS REPORT

- 2.1 The Internal Audit Progress Report for the period 1 January 2023 to 31 March 2023 (Q4) is attached at Appendix 1.

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service supports all council priorities.
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	There are no specific risks associated with this report.
Officer Contact	<p>Kerry Beavis Audit Manager Kerry.beavis@nwleicestershire.gov.uk</p> <p>Elizabeth Warhurst Head of Legal and Support Services elizabeth.warhurst@nwleicestershire.gov.uk</p>



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report 2022/23 Q4

1. Introduction

- 1.1. Internal Audit is provided through a shared service arrangement led by North West Leicestershire District Council and delivered to Blaby District Council and Charnwood Borough Council. The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight progress against the 2022/23 Internal Audit Plan up to 31 March 2023.

2. Internal Audit Plan Update

- 2.1. The 2022/23 audit plan is included at Appendix A for information and shows the audits in progress. Since the last update report one final report has been issued from the 2022/23 audit plan, IT Health Check, the executive summary for the report is included at Appendix B.
- 2.2. Two audits from the 2022/23 have had to be cancelled due to issues relating to staffing within the area to be audited, and, although work had been done in these areas, it was not possible to substantiate our findings. Further audits have been included in the 2023/24 audit plan.

3. Internal Audit Recommendations

- 3.1. Internal Audit monitor and follow up all critical, high and medium priority recommendations. As at 31 March 2023 there were no overdue recommendations.

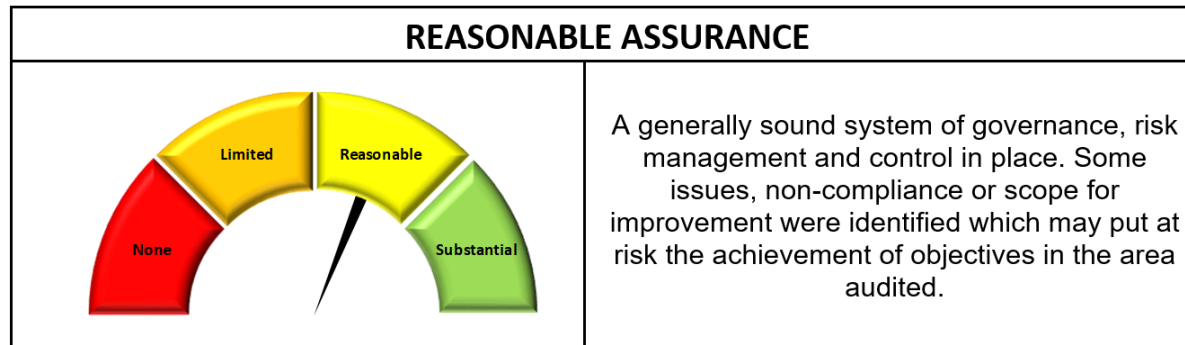
4. Internal Audit Performance Indicators

- 4.1. Progress against the agreed Internal Audit performance targets is documented in Appendix C. Work on the 2022/23 audit plan is progressing in line with work scheduling.

2022/23 AUDIT PLAN AS AT 31 MARCH 2023

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Housing Repairs	Audit	10	16	Cancelled						Cancelled due to staffing issues within the housing department and audit being unable to verify the findings gathered to date.
Housing Planned Maintenance	Audit	10	4	Cancelled						Cancelled due to staffing issues within the housing department and audit being unable to verify the findings gathered to date.
Choice Based Lettings	Audit	8	2.5	In progress						
Rent Arrears	Audit	7	6	In progress						Included within Rent Accounting audit.
Right to Buy	Audit	8	9.5	Completed	Reasonable	-	4	5	2	
Anti-social behaviour	Audit	8	0.5	Engagement Planning						
Key financial systems	Risk based	26		Q2/3/4						Deferred until 23/24 due to the implementation of the new finance system.
Tax	Audit	10	8	Drafting report						
Covid-19 Related Assurance	As required	10	6	As required						
LAD 1b Green Grant	Certification	-	5.5	Completed		-	-	-	-	Addition to plan
Tenant Association Accounts	Advisory and review		2	Completed						Addition to plan
COMF grant funding	Certification		1.5	Completed	N/A	-	-	-	-	Addition to plan
DFG	Certification	1	1	Completed	N/A	-	-	-	-	
Procurement	Audit	10	3	In progress						Addition to plan
Rent Accounting	Audit	4	4	In progress						
Payroll	Audit	4	2	In progress						
IT Health Check	Audit			Final	Reasonable	-	3	4	-	

SUMMARY OF FINAL AUDIT REPORTS ISSUED BETWEEN 1 JANUARY & 31 MARCH 2022

IT HEALTH CHECK**1.1 Key Findings**

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Areas of positive assurance identified during the audit:

- Security – Logical / Physical – Overall the approach to security, both logical and physical, was found to be well managed. An issue regarding review of users and access permitted to applications in use was identified – see below.
- Computer virus / threat protection / procedures, adherence to IT Legal requirements, change management and documentation were found to be adequate at a high level.

The main areas identified for improvement are:

- There is a need to ensure formal reviews of application users and access are regularly completed and evidenced.
- The removal of backup tapes off site linked to the DPX process needs review.
- Agreeing and documenting the test restore process for ICT services / applications in operation.
- Reviews of ICT assets and evidencing such reviews.
- Documenting system and performance criteria to be implemented.
- Putting in place contracts / agreements for all third-party access.
- Re-establishing formal testing of business continuity / disaster recovery plan(s)

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Application users and access rights should be formally reviewed at least annually, or more frequently if user access is linked to significant activity e.g. system administrators / high level privileges. Reviews should be evidenced accordingly.	High	As part of IT's 90 days access control review, we will send the list of users who have not logged in for over 90 days to the super users for the various applications for accounts in those applications to reviewed and revoked. We currently do this for the new QL housing system. The IT department catalogue will also be updated to reflect this as a formalised process	ICT Service Support Manager, Ivan Arkinstall	End of June 2023
2. There is a need to review the frequency of backup tapes moved off the premises used for the DPX process.	Medium	Replacement of DPX tape backup with a more modern appliance based backup technology on an on-prem appliance, which then backs up onto the cloud for longer retention periods, reducing the need and use of tapes, ensuring the capture of daily backups and the ability to recover backups from the day before. This has already been budgeted for	ICT Team Manager, Sam Outama	Dec 2023
3. The test restore process should be agreed and documented. 117	Medium	This has been agreed previously, so we were doing monthly test restores, and created a ticket to document the success of the restores, with screen shots to show the results. However, the process is not documented and needs to be.	ICT Infrastructure Support Analyst, Guy Moores	June 2023
4. The business continuity plan test should be arranged and completed once accommodation changes have been finalised and completed.	High	Agreed – with lots of changes with the buildings, it was not appropriate to perform the BCP test and would be better performed once the building changes have been made and documented using the IT BCP test plan.	ICT Team Manager, Sam Outama	July 2023
5. At least an annual review of IT assets maintained, hardware and software, should be completed and signed off accordingly.	Medium	Agreed	ICT Service Support Manager, Ivan Arkinstall	July 2023
6. Steps should be taken to formalise the approach to capacity and performance management i.e. documenting threshold levels, reviewing these accordingly and the management of major fluctuations.	Medium	Performance monitoring is in place using our monitoring system, but actual thresholds are not documented as this varies between systems. Thresholds are set in our monitoring system and reviewed on a regular basis, when we get an alert from the monitoring system, this is	ICT Infrastructure Support Analyst, Guy Moores	June 2023

		reviewed and adjusted or actioned as appropriate. So, we will document the performance monitoring.		
7. Steps should be taken to ensure all third-party support / access is covered by up-to-date agreements / contracts.	High	3 rd party access policy and procedure is in place, but we have not used it for remote access from existing suppliers. We will send out the 3 rd party form to all our remote access suppliers and keep the signed copy filed away.	ICT Team Manager, Sam Outama	Aug 2023

2022/23 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 31.03.2023	Comments
Achievement of the Internal Audit Plan	46%	Two audits completed, certification work completed, one audit report being drafted and four in progress.
Quarterly Progress Reports to Management Team and Audit and Standards Committee	On track	
Follow up testing completed in month agreed in final report	On track	
Annual Opinion Report - July 2022 Audit and Standards Committee Meeting	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on six for 2021/22 and one for 2022/23.
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried out w/c 30 November 2020 which confirmed that the Council conforms with the Public Sector Internal Audit Standards.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY 26
APRIL 2023



Title of Report	CIPFA POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES AND POLICE 2022	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Position Statement: Audit Committees in Local Authorities and Police 2022 (appendix A) Audit committees: practical guidance for local authorities and police (to be circulated)	Public Report: Yes
Purpose of Report	To inform members of the publication of CIPFA's 2022 edition of Audit Committees: Practical Guidance for Local Authorities and Police and to consider best practice recommendations within the guidance	
Recommendations	THAT THE AUDIT AND GOVERNANCE COMMITTEE 1. NOTES THE REPORT 2. AGREES TO ESTABLISH A CROSS PARTY MEMBER WORKING GROUP, TO BE DRAWN FROM THE AUDIT AND GOVERNANCE COMMITTEE APPOINTED AT COUNCIL ON 23 MAY 2023, TO WORK WITH THE AUDIT MANAGER AND THE HEAD OF LEGAL AND SUPPORT SERVICES TO UNDERTAKE A SELF ASSESSMENT AND TRAINING NEEDS ANALYSIS AND REPORT BACK TO THE MEETING OF AUDIT AND GOVERNANCE COMMITTEE AT THE JULY MEETING. 3. AGREE THE PROCESS FOR THE RECRUITMENT OF INDEPENDENT MEMBERS TO THE COMMITTEE.	

1. INTRODUCTION

- 1.1 In May 2022, the Chartered Institute of Public Finance & Accountancy (CIPFA) published a revised and updated edition of the document *Position Statement: Audit Committees in Local Authorities and Police 2022*. In addition to the statement CIPFA also released guidance documentation in October 2022 – *Audit committees: practical guidance for local authorities and police*.
- 1.2 The previous version of the guidance was issued in 2018. The revised version builds on the previous versions and includes updates to the core functions and membership of the committee. Any changes that have impacted the Constitution have been included in the updated Constitution which has been presented to Council.
- 1.3 The guidance continues to include a strong focus on the factors that support improvement, including knowledge and skills that audit committee members require and a focus on where the audit committee adds value. It also provides practical support in evaluating the existing committee and planning any improvements identified.

2. GUIDANCE SUMMARY

- 2.1 This edition of the statement and guidance explicitly details the core functions of the audit committee in relation to governance, risk management, internal control and audit.
- 2.2 CIPFA's 2022 Position Statement on the role and functions of an audit committee outlines the core and potential other functions of an audit committee and emphasises those areas which promote the overall effectiveness of the audit committee.
- 2.3 The updated Position Statement is attached at Appendix A, the guidance will be circulated separately.

3. MAIN CHANGES TO THE 2022 GUIDANCE.

- 3.1 The following sections of the position statement have been updated to reflect good practice and ensure the effectiveness of the audit committee
 - **Independent & effective model** – the committee should be independent of both the executive and the scrutiny functions.
 - **Core Functions** – responsibilities for the specific areas now provide further detail to ensure good governance and accountability arrangements are in place.
 - **Audit committee membership**
 - ❖ The appointment of co-opted independent members on the committee
 - ❖ A membership that is trained and has knowledge, expertise, and interest in the work of the committee.

- **Engagement and outputs** – the committee is required to report annually on how it has complied with the position statement, discharged its responsibilities, and include an assessment of its performance.
- **Impact** - The committee should evaluate its impact and identify areas for improvement

4 EFFECTIVE AUDIT COMMITTEES

The Guidance lists nine principal areas where the committee can influence and add value:

- aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements
- promoting the principles of good governance and how they are applied during decision making
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment
- supporting arrangements to govern risk and for effective arrangements to manage risk
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively across the authority
- reinforcing the objectivity, importance and independence of both internal and external audit and supporting the effectiveness of the audit functions
- supporting the development of robust arrangements for ensuring value for money
- helping the authority to implement the values of ethical governance, including effective arrangements for countering the risks of fraud and corruption
- promoting measures to improve transparency, accountability and effective public reporting to the authority's stakeholders and the local community.

- 4.2 The guidance suggests that a good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for delivering effectiveness. Whilst an audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the authority's business it can be difficult to quantify.

The self-assessment evaluation tools, included at Appendix E & F of the Guidance, will enable an action plan to be drafted and delivered to support the committee in meeting recommended practice.

5 IDENTIFYING TRAINING NEEDS AND NEXT STEPS

- 5.1 The Statement and Guidance refer to the range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No individual committee member would be expected to be expert in all areas, however, there are some core areas of knowledge that committee members should be able to demonstrate.

It is recommended that regular briefings or training are undertaken to assist committee members in keeping up to date to extend their knowledge.

- 5.2 Appendix C of the Guidance sets out a knowledge and skills framework for audit committee members and the committee chair. A distinction is made between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to the committee. This will be used when recruiting independent members. This will be circulated to members separately.

It is recommended that the knowledge and skills framework is utilised to undertake a training needs analysis for members of the Audit & Governance Committee. It is suggested that a small cross party working group be appointed to, work with the Audit Manager and the Head of Legal and Support Services and lead this work to conduct both an assessment of the committee's effectiveness, using the assessment tools within the CIPFA guidance and a training needs analysis.

- 5.3 It is suggested that the working group meets initially to collectively agree the methodology to undertake a self-assessment of the committee's effectiveness, which may include obtaining the views of key officers and other members. In addition, a knowledge and skills assessment based on the framework at Appendix C of the guidance should be completed by individual members of the Committee to assist in identifying where further training may be required. A subsequent meeting should then be held to review the results of both the effectiveness self-assessment and the knowledge and skills assessment.
- 5.4 It is suggested that the findings of the exercise be reported back to Audit & Governance Committee in July 2023. Outcomes will then identify knowledge gaps and assist with the requirements of the Job Description and Person Specification of the independent members. Additionally, it will identify training needs for existing members.
- 5.5 It is suggested that the appointment of the independent members is carried out during August – September with an interviewing panel consisting of the Audit Committee chair, one other member of the audit committee and the Audit Manager.

6 PROPOSED TIMELINE OF ACTIONS

Action		Date
Appointment of Audit & Governance Committee		23 May 2023
Issue self-assessment documentation to audit committee		30 May 2023
Meeting of working group		Early June 2023
Report to Audit & Governance Committee to include <ul style="list-style-type: none"> Job Description and Person Specification of independent members Appointment Process Training needs feedback and action plan 		July 2023 A&G meeting
Independent members recruitment <ul style="list-style-type: none"> - Advertising - Interviewing 		August 2023 Early September 2023
Independent members first meeting at Audit & Governance committee.		October 2023

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service supports all council priorities.
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	An equality impact assessment will be carried out in regard to the appointment of independent members.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	There are no specific risks associated with this report.
Officer Contact	Kerry Beavis Audit Manager kerry.beavis@nwleicestershire.gov.uk

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

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CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required

- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL
AUDIT AND GOVERNANCE COMMITTEE – 26 APRIL 2023



Title of Report	INTERNAL AUDIT 2023/24 ANNUAL AUDIT PLAN.	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards	Public Report: Yes
Purpose of Report	To inform the Committee of the proposed Internal Audit Annual Plan for 2023/24 and allow them to comment and approve.	
Recommendations	THAT THE COMMITTEE 1. NOTES THIS REPORT AND COMMENTS AS APPROPRIATE. 2. APPROVES THE 2023/24 INTERNAL AUDIT ANNUAL PLAN.	

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service and risk-based plan supports the delivery of all council priorities.
Consultation/Community Engagement:	The corporate leadership team have been consulted during the development of the plan.
Risks:	The absence of a risk based internal audit plan could lead to an inefficient internal audit service.
Officer Contact	Kerry Beavis Audit Manager kerry.beavis@nwleicestershire.gov.uk



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

2023/24 Internal Audit Annual Plan

1. INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards require the Chief Audit Executive (the Audit Manager for this Council) to develop a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. This document sets out the background and the approach to producing the annual plan, with the 2023/24 annual plan attached at Appendix A.

2. BACKGROUND

- 2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit play a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to Internal Audit activity should lead to strengthening of the control environment and therefore contribute to the achievement of the organisation's objectives.
- 2.2. Internal Audit provide a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems are designed and working, with consulting or advisory activities available to help to improve those systems and processes where necessary. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- 2.3. The Internal Audit Charter sets out the purpose, authority and responsibilities of Internal Audit. The Charter:
- establishes Internal Audit's position within the organisation;
 - authorises access to records, personnel and physical properties relevant to the performance of engagements; and
 - defines the scope of Internal Audit activities.
- 2.4 The Three Lines of Defence Model (below) is a valuable framework that explains Internal Audit's role in providing assurance that the management arrangements over governance, risk and internal control are adequate and effective.



Source: Chartered Institute of Internal Auditors

3. INTERNAL AUDIT PLAN

3.1. Overall Strategy

- 3.1.1 The key aim of the service is to provide an independent, objective assurance and advisory function which is designed to add value and improve the Council's operations. This supports North West Leicestershire District Council in the achievement of its priorities and helps services to provide good value for money, as it brings a systematic disciplined approach to evaluating and improving the effectiveness of risk management and control and governance processes.
- 3.1.2 The Audit Manager has produced a risk-based annual audit plan for 2023/24. This is informed by a risk assessment which is based on a combination of:
- consulting with key stakeholders including senior management;
 - reviewing the strategic risk register and committee minutes;
 - reviewing reports from external agencies (for example external audit) and legislative updates;
 - factors such as changes in staffing, systems and processes; and
 - the Audit Manager's professional judgement.

This approach enables the finite resources of the team to be focussed on areas where it can add value and conforms to the Public Sector Internal Audit Standards.

- 3.1.3 The outcomes from each audit engagement undertaken as part of the annual audit plan underpin the Audit Manager's annual opinion on the Council's internal control environment. This opinion feeds into the Council's Annual Governance Statement.
- 3.1.4 It should be noted that the Public Sector Internal Audit Standards state that
- "The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls."*

The Audit Manager will ensure that the audit plan is regularly reviewed and adjusted as necessary throughout 2023/24. In practice this may mean that audits are added to or removed from the plan, with details included in the quarterly progress reports.

3.2. Resources Available

- 3.2.1 The Audit Team who will deliver the 2023/24 annual audit plan at North West Leicestershire District Council consists of the Audit Manager (0.4 FTE), Internal Auditor (0.69 FTE), Internal Audit Assistant (1 FTE), Internal Audit Apprentice (0.34 FTE) and an IT audit contractor. Table 1 shows a calculation of the available audit days for 2023/24, this does not include the days for the IT auditor. Additionally, as the Internal Audit Assistant post is currently vacant the number of days has been adjusted to reflect this, and further contingency is in place to postpone some audits if the vacancy cannot be filled.

Table 1: Resources Available

Available Days	434
Team and Contract Management / Annual Opinion/ Annual Plan/Audit Committees/Progress Reports/External Audit/Audit Reviews	63
Corporate Meetings/General Admin/ Minutes Review/Regional Audit Groups	21
Available Audit Days	350

3.3. Internal Audit Annual Plan 2023/24

- 3.3.1 The proposed 2023/24 Annual Audit Plan is shown in Table 2 below and the detailed plan is shown in Appendix A. The Plan will be subject to ongoing review to ensure that it remains aligned with the Council's objectives and the risks identified by management and the audit team. Any changes will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

Table 2: 2023/24 Annual Audit Plan

Risk Based Audit Work 2023/24 (see Appendix A)	255
Completion of 2022/23 Outstanding Audits	12
Follow up reviews	10
Advisory – Ad hoc	12
Public Sector Internal Audit Standards	8
NFI, RIPA, Fraud	35
Risk Scrutiny	4
Contingency	14
Total Audit Days	350

- 3.3.1 Three of the Council's key financial systems (Benefits, Council Tax and NNDR) are provided by the Leicestershire Revenues and Benefits Partnership, and therefore the audits in relation to these systems will be undertaken by the internal auditors at Hinckley and Bosworth Borough Council. The Audit Manager will review the audit reports to take assurance from them.
- 3.3.2 The timings shown within the Internal Audit Annual Plan are estimates based on time taken on previous similar audits and a high-level consideration of the scope and existing arrangements. As part of the set-up process for each audit engagement the scope of the audit will be agreed in detail and a more accurate budget for audit days will be set. A contingency has been included in the plan to allow for variances in planned audits days against actual and for ad-hoc or fraud investigations that may arise during the year. The quarterly progress reports to Audit and Governance Committee will include a comparison of planned to actual days for each audit undertaken.

3.4 Limitations

- 3.4.1 The matters raised in the audit reports will only be those which come to our attention during internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or all the improvements that may be required. Whilst every care will be taken to ensure that the information contained in audit reports is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained therein. Our work does not provide absolute assurance that material errors, losses or fraud do not exist.

2023/24 INTERNAL AUDIT ANNUAL PLAN

AUDIT AREA	TYPE	TIMING	COUNCIL KEY PRIORITY AREA/RISK REGISTER	PLANNED AUDIT DAYS
HOUSING				
Housing Repairs	Audit	Q1,2,3,4	KP3 / RR1	40
Housing Planned Maintenance	Audit	Q1,2,3,4	KP3 / RR1	40
Asbestos Management	Audit	Q2	KP3 / RR1	10
Subtotal				90
COMMUNITY SERVICES				
HMO/ Selective Licensing	Audit	Q4	KP3	10
Safeguarding	Audit	Q1	KP2 / RR1	8
Transport Management & Operating Licensing	Audit	Q4	KP2	8
Tree Stock Management	Audit	Q3	KP1,2	6
Protect Duty	Audit	Q4	KP1,2	8
Subtotal				40
FINANCE				
New finance system	Advisory/ Testing	Q1/2/3	KP All / RR2, 3	10
Key financial systems	Audit	Q1/2/3/4	KP All / RR2, 3	52
Subtotal				62
HUMAN RESOURCES & ORGANISATIONAL DEVELOPMENT				
Workforce Planning	Audit	Q2	RR3	8
Subtotal				8
ICT				
IT Asset Management	Audit	Q2	RR5	10
Remote Support & Data Exchange	IT Audit Contractor	TBA	RR7	Not included in audit days
Cyber Security	IT Audit Contractor	TBA	RR5, 7	Not included in audit days
Subtotal				10

AUDIT AREA	TYPE	TIMING	COUNCIL KEY PRIORITY AREA/RISK REGISTER	PLANNED AUDIT DAYS
CROSS CUTTING				
Corporate Policy Management	Audit / Data analysis		KP All	10
Capital Programme Management	Audit	Q1 & Q4	KP All / RR2, 3	10
Transformation Projects	Advisory	As required	KP All / 14	5
Climate Change Strategy	Audit	Q2	KP All	10
Procurement & Contract Management	Audit	Q2	KP All/ RR 4	10
Subtotal				45
Total				255

The areas detailed below are audits that will be brought on to the plan if time allows, if not they will be included on the 2024/25 plan.

- Partnership Working/ SLA's
- Health & Safety
- Corporate Complaints
- The new market
- Development Control – Planning Applications

The following audits have been agreed to be included in the 2024/25

- Commercial Lettings
- Waste Services
- Housing Compliance Management
- Service Planning & Performance Management

Key

1. Supporting Coalville to be a more vibrant, family friendly town
2. Our communities are safe, healthy and connected
3. Local people live in high quality, affordable homes
4. Support for businesses and helping people into local jobs
5. Developing a green and clean district

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
APRIL 2023

Title of Report	CORPORATE RISK UPDATE	
Presented by	Andy Barton Strategic Director	
Background Papers	None	Public Report: Yes
Purpose of Report	To provide Committee members with an update in respect of the Council's corporate risk register.	
Recommendations	THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES AND COMMENTS ON THE LATEST CORPORATE RISK REGISTER FOR CONSIDERATION BY THE RISKSCRUTINY GROUP.	

1.0 BACKGROUND

- 1.1 As part of the agreed Risk Management approach this report presents the latest version of the Corporate Risk Register as reviewed at the last meetings of the Risk Scrutiny Group and CLT in March 2023. In line with the policy, members of this Committee and Cabinet are to receive periodic updates on the risks monitored through the Corporate Risk Register.
- 1.2 The updated Register can be found in Appendix 1 and a summary of changes are set out below.
- 1.3 Out of the 15 active risks, 0 are Red, 6 Amber and 9 are Green these are unchanged for the last report. Updated mitigations have been made to a number of risks which have had no impact of the residual risk scores. No changes to other scores have been made.
- 1.4 At the last meeting of the Committee a short discussion on the impacts of cost of living and inflation occurred. The Risk Scrutiny Group has considered this issue further and feel that this risk is already covered in risks 2,3 and 11 in sufficient detail at this point in time. It is very difficult to isolate the impacts of cost of living from other issues in the macro economic climate that we current find ourselves. The council budget has also now been set against this background and official forecasts are indicating that the peak of impacts has now been reached. Against this background this issue has not been added to the register.
- 1.5 The Risk Scrutiny Group also highlighted the cyclical election impact and considered if this should be recorded on the register. Due to the nature of change that could occur depending on the outcome of an election. This was however considered to be a

business as usual event that councils are well practised in addressing and hence it has also not been recorded on the register but is noted as a key event the council will shortly pass through. Also of note is the change to elections this year regarding Voter ID which whilst does present a risk to the elections process as a whole, it is managed at the project level, and therefore through the elections risk register. As such it is not covered at the corporate level.

- 1.6 The Strategic Director acts as lead for corporate risk and is satisfied that the main risks posed to the organisation have been captured within the Risk Register and that control measures to mitigate these are appropriate.
- 1.7 The Audit & Governance Committee are asked to review and note this risk update and provide and feedback they wish to be considered by the Risk Scrutiny Group at its next meeting.

Policies and other considerations, as appropriate	
Council Priorities:	Effective risk management underpins the ability of the Council to deliver against all its priorities.
Policy Considerations:	None
Safeguarding:	None directly
Equalities/Diversity:	None directly
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	The Council manages its risk with existing budgets, Effective risk management protects the Council from insurance and/or compensation claims, fraud and a range of other financial and nonfinancial risk.
Officer Contact	Andy Barton Strategic Director Andy.barton@nwleicestershire.gov.uk

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
141	1 SOCIAL/ POLITICAL/ LEGAL Death / serious harm to a vulnerable person receiving a council service and safeguarding compliance	A serious case review arising from death/serious harm to a vulnerable person. Reputational damage to council. Loss of confidence in ability of council to deliver services. Ensuring compliace with Safeguarding legislation and practise.	Lack of response to a safeguarding report. Service failure. Modern slavery. poor safeguarding assurnace	3	3	9	Environmental Health and Community Safety Team Manager	Head of Community Services	The organisation has the following structures in place; A recent audit with action plan of reasonable assurance An identified Corporate Lead An identified Team responsible for Safeguarding (Community Safety) with responsibility embedded into Team Leader role and an officer (Child & Adults at risk Officer) An agreed Safeguarding Policy refreshed as required An identified group of Designated Safeguarding Officers (DSO's) A programme of regular DSO meetings which consider training, best practice and case issues An annual training programme to ensure new DSO's are well informed and trained A quarterly senior management review by the Head of Community Services of all cases to check progress/close cases Annnual report to CLT and Corporate Scrutiny as required by exception. Commitment to raise awareness of the scale and extent of modern slavery in the UK and ensure our contracts and supplies don't contribute to modern day slavery and exploitation.	3	1	3	Stable
	2 FINANCIAL/ COMMERCIAL/ REPUTATIONAL Mismanagement of council finances	Central Government intervention/special measures. Adverse publicity. Possible litigation. Withdrawal of services. Inability to deliver council objectives	Mis-interpreting of or not responding appropriately to a change in fiscal policy. Poor budget planning / management. Internal financial systems and regulations not being properly applied.	2	4	8	Head of Finance/s151	Strategic Director	Statutory compliance with CIFPA codes, accounting codes, and audit processes (external and internal) Updated to reflect new constitution Regular management reviews monitor actual spend against budgets and forecast to the end of the year. Regular reporting and challenging at CLT, and reported to Cabinet quarterly Sound policies and procedures are in place. Financial planning processes have been documented and are reviewed regularly. Internal and External audit of systems and accounts. Procurement of new finance system with increased controls and monitoring underway	4	1	4	Stable
3	REPUTAITONAL/ COMMERCIAL Insufficient resources due to unplanned / unforeseen absences / vacancies / changes to financial picture	Council unable to perform its statutory duties and/or deliver objectives. Council's Partners unable to perform duties. Inflationary pressures. Use of external resources at significantly higher cost. Short / Medium Term Exposure.	Failure to horizon scan and interpret future needs in crucial roles. Changes to income or financial climate	3	3	9	Head of HR and OD & Head of Finance S151	Chief Executive	Membership of CIPFA and engagement of Arling Close gives access to specialist advice, analysis and expertise. Current and forecasted balance MTFS, although uncertanty regarding future gov funding streams and impacts of changes such as DevCo/Freeport etc	3	2	6	Stable

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
142			Inability to recruit to vacancies / retain staff globally or in specialist areas .						Advance planning to mitigate this risk; recent COVID experience demonstrates NWL able to react and adjust				
			unexpected or unplanned event (eg pandemic)						Recruitment and retention report considered by CLT and non pay benefits improved during the last year to attract and develop the right skills, and promoting existing staff talent through secondments and tailored development programmes. IIP. silver award achieved in 2022. New focus on Apprenticeships development to allow the Council to 'grow our own' and to tackle ageing workforce distribution.				
4	LEGAL / FINANCIAL Contracts are not properly procured and managed	Council liable to incur additional costs, contract overrun, litigation and potential health & safety issues as well as service disruptions.	Failure to monitor contractors appropriately.	3	3	9	Finance Team Manager. All Team Managers.	All Heads of Service	Oversight Board structure in place to oversee major project work & compliance group now in place to oversee these elements of contracted work.	2	3	6	Stable
			Legal and procurement teams not consulted when contractors are engaged. Loss of key staff or supplier.						Corporate procurement support and legal team to support where necessary on contract management.				
			Procurement procedures are not followed.						Recasting procurement functions activity, processes and focus of training and education for staff in 2023				
			The council contributes to modern slavery via it's contracts and supplies.						Analysis of spend undertaken and procurement toolkit to be produced to cover majority of lower value procurements with high value and complex procurements to be supported by specialised function.				
5	LEGAL / TECHNOLOGICAL Loss or unlawful use of personal data constituting breach of data protection legislation	Monetary penalties from ICO, adverse publicity, private litigation and personal criminal liability of officers.	Systems not in place to protect sensitive data.	4	3	12	Legal Services Team Manager	Head of Legal & Support Services	Policies and procedures are in place and rolled out. Regularly reviewed and compliance is monitored.	2	2	4	Stable
			Staff are not properly trained in managing information, and do not follow internal procedures.						Corporate Governance training is undertaken annually and includes information governance as appropriate to reflect changes in legislation. E-learning module updated and rolled out as mandatory annual training for all staff.				
			Changes in working practises causing unintended risk/exposure						The Council has a dedicated SIRO and DPO.				
									Corporate Governance Groups are in place to scrutinise impacts/issues arising.				

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
									Internal audit was carried out in December 2019. The outcome of the audit was a Grade 1. One medium risk recommendation Information Governance Team to cooperate with the supervisory authority and monitor compliance with Data Protection laws.				
6	LEGAL / REPUTATIONAL / COMMERCIAL Failure to respond to an emergency in an appropriate manner	General public at risk of harm or unable to access relevant services (e.g. emergency accommodation or rest centre). Adverse publicity. “Business as usual” not possible without appropriate business continuity plan in place. Breakdown in relationship with other responders.	Lack of planning, training and exercising of Emergency plans Inadequate Corporate Business Continuity Management. Lack of procedural understanding	4	3	12	Head of Human Resources and Organisation Development	Chief Executive	Business continuity plans have been documented, policies and procedures are in place. LRF and Council resilience discussions to consider plans in light of possible impacts of power outages. Exercises local and national planned in early 2023 The LRF partnership arrangement with all Leicestershire and Rutland authorities provide resilience during civil emergency situations. Business Continuity exercises show the readiness of the Council to deal with emergencies. System of ICO / FLM duty rotas is in place & continued reassessment for ongoing incidents. COVID experience shows capability and ability to perform.	4	1	4	Stable
7	LEGAL/ TECHNOLOGICAL/ COMMERCIAL Infiltration of ICT systems	“Business as usual” would not be possible. Cost of repelling cyber threat and enhancing security features.	Systems not in place or kept current to deflect any foreseeable cyber attack. Limited staff awareness of possible threats. Lapse in security awareness and basic processes from a technical and human perspective.	4	4	16	ICT Manager	Directors. Chief Executive.	Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment. Yearly IT security health check and PEN (penetration) testing carried out, by a CREST security accredited supplier, with remediation action plan in place to mitigate any risks found. In 2023 we had 0 critical, 0 high, 4 medium and 8 Low issues, which have now been remidiated. Phishing campaigns ran twice a year to test staff security awareness and feed back results to CLT, with improvement plans in place for those who have not passed the test. Quarterly Cyber Security awareness training held for staff and new starters, to protect staff at work and in the office. New business services are run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres. Diversity of environments used to avoid single point of failure risk Improved business recovery arrangements have been implemented to minimise recovery time. Accreditation to Cyber Essentials and the Public Services Network. Latest Audit / assessments all confirm secure environment with reasonable assurance. Some formalisation of processes required and review of backups restoration window.	3	2	6	Stable

	Corporate Risk Register												
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
									An annual external audit of IT assessed the organisation's IT arrangements in a range of areas against best practice. The outcome of the audit in 2023 was, reasonable assurance, with 3 high recommendations and 4 mediums, mainly around backup and formalisation of processes, plans have been put in place to address these and provides assurance that the organisation's IT arrangements are solid, sound and secure.				
8	COMMERCIAL / POLITICAL / FINANCIAL Projects are poorly managed	Failure of proposed projects could result in failure to achieve overall objectives. Inefficient use / waste of resources.	Failure to implement project management techniques. Poor corporate oversight of projects. Inadequate controls on expenditure and poor budget monitoring.	3	3	12	Strategic Directors	Chief Executive	Greater use of professional project managers for key projects. Work ongoing to address project methodologies deployed across the council. Greater use of external / out of subject board members. Board structure covering all major projects in place Properly convened project teams with PID and project plan in place, including project risk registers. Progress on corporate projects scrutinised by CLT. Implementation of contract management framework for outsourced services. Scrutiny of quarterly monitoring reports on capital expenditure. Utilising Internal Audit to conduct audits of individual projects or Project management more widely. Use of external resources to be used to support the major projects. Scrutiny of risk registers or project management framework of individual projects by Risk Scrutiny Group. 2022 audit has identified areas of weakness in controls and upon implementation of these the risk will be reduced and therefore these will continue to be monitored	3	2	6	Stable
9	LEGAL / POLITICAL / REPUTATIONAL Council makes ultra vires (beyond the council's powers and functions) decisions or those which it does not have the correct permissions to undertake	Potential litigation against the Council, resulting in increased costs / compensation. Reputational damage.	Staff / Members proceeding without established governance arrangements. Failure to consult with Legal / Monitoring Officer. Lack of understanding of the implications of dealing with a particular matter or conditions of service delivery.	4	3	12	Legal Services Team Manager & Service Managers	Head of Legal & Support Services	Policies & procedures in place, governance processes are documented and in operation, ongoing assessments and reviews are performed. Completion of the Annual Governance statement.	4	1	4	Stable
10	FINANCIAL / LEGAL / REPUTATIONAL Council is subject to serious fraud, corruption or theft	Financial, reputational and political damage to Council.	Lack of checks and balances within financial regulations. Poor budget / contract management.	4	3	12	Head of Finance. All Team Managers & Heads of Service.	Directors	A policy framework that includes Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy and Anti-Money Laundering Policy. Policy Refreshed late 2020 - refresh of training underway.	3	2	6	Stable

	Corporate Risk Register												
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
			Poor monitoring of / adherence to financial systems Changes in working practises casuing unintended risk/exposure						The Internal Audit annual planning process takes into account high risk areas, which considers fraud risks. Fraud risks are considered as part of specific audits with testing designed to detect fraud where possible. The Council is also subject to External Audit. New Covid related Grants all subject to external audit and compliance checks. Internal control and governance arrangements such as segregation of duties, schemes of delegation, bank reconciliations of fund movements, and verification processes. Participation and strengthening of involvement in National Fraud Initiative (mandatory) Information on how to report fraud is on the website including relevant links.				
11	FINANCIAL / COMMERCIAL / ECONOMIC The Council is subject to a reduction in income long term	Services are unable to be delivered. Potential staff redundancies. Funding of external groups is withdrawn. Potential breach of statutory duties/ability to delvier objectives compromised	Gov plans reduction in business rates share to NWL. Changes to the local authority financial settlement. Economic downturn / recession. Commercial opportunities not progressed. Changing rent policies.	4	4	16	Head of Finance. All Heads of Service.	Directors. Chief Executive.	Medium Term Financial Strategy in place, and will be reviewed at key events. Change in budgeting focus from incremental to outcomes focussed expected to identify quick wins and pland for longer term self-sufficiency. Head of Finance monitoring of Local Government funding reviews. Funding advisor engaged. Economic Development Team promotes business offer. Participation in Business Rates Pooling. Accessing external funding where appropriate. Income collection procedures in Revs & Bens Service and Housing sound. Leicestershire Revenues and Benefits Partnership have two trained officers working solely on Council Tax Reduction Scheme Fraud and act as Single Point of Contact for DWP referrals.	2	3	6	Stable
12	POLITICAL / ORGANISATIONAL The Council is affected by Local Government Reorganisation	a) Change to Local Government structure in Leicestershire/East Midlands, including potential merger of district councils/county council or development of a Combined Authority for the East Midlands, or elected Major either of which could lead to: - Change in location for service delivery/staff - Reduction of control over local matters - Change in financial situation - Staff redundancies - Alternative political structure and governance arrangements - Changes in services to be provided and organisation culture - Deterioration in staff morale and negative effect on staff recruitment and retention - Ineffective engagement with staff, Members and residents in considering, and responding to, proposals. - Diversion of senior staff resources to respond to proposals.	Political direction to consolidate local government tiers to potentially seek greater efficiency and co-ordination	4	3	12	Chief Executive and Head of Legal and Support Services.	Chief Executive	Active engagement with political leaders and Chief Executives across the County and East Midlands so NWL's needs are taken into account in any proposals. Open and transparent communication of NWL position to all stakeholders. Senior management and politicians stay close to project and monitor progress. Internal and external communication plans in place, including for key decision points. Gov stance changed to no longer pursue wholesale LGR - County Deals not linked to LGR. Leicestershire Cat 2 County Deal	1	3	3	Stable

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
13	POLITICAL / ORGANISATIONAL The Council is affected by the UK's departure from the EU	The UK's departure from the EU, leads to impacts on supply of goods, staff, services generally. Specifically increase in checks on goods by Environmental Officers at East Midlands Airport meaning increase in resources / costs.	UK departure from EU/Brexit	4	4	16	Chief Executive and Head of Economic Regeneration & Team Manager for Environmental Health	Strategic Director & Chief Executive	Engage with National Local Authority steering groups for border control at strategic & operational levels. Implement communication strategy for local businesses so technical notices are shared, with appropriate signposting. Work with LLEP and Chamber of Commerce to provide business advice and support to address changes to legislation & certification. Watching brief localised assessment of potential impact around East Midlands Airport. Participate in Multi-agency Leicestershire Resilience Forum framework , with risk assessment and mitigation plan to be prepared. Applied for and gained additional support funding for Port activity	2	2	4	Stable
14	ORGANISATIONAL/FINANCIAL Council is subject to large scale and medium term reduction in staffing/supplies/increase in restrictions etc leading to risks and ongoing medium/long term impacts on either the financial or reputational standing of the Council	Financial, reputational and political damage to Council.	Pandemic, national/global infrastructure interruption, supply chain mass failure over medium / long time period	4	4	16	Chief Executive, Directors, Heads of Service	Chief Executive	Balanced budget achieved with additonal government grant support. Continued active engagment and lobbying to ensure that all options for support are considered and actioned where possible. COVID 19 expereince has led to myriad of changes to make service provision more robust . Further mitigations for other similar events in place - eg promotion of vaccinations, system readiness and deployment remotely, updating Business Continuity plans etc Enagment with LRF processes and training	2	2	4	Stable
15	SOCIAL/POLITICAL/REPUTATIONAL - Climate Change / Zero Carbon delivery	The failure of the Council to Council to achieve carbon neutrality for its operations by 2030 and carbon neutrality for the District by 2050. This may have long term impacts on both the financial picture of the council and the ability of key service provision in the long term.	Inability to deliver programme due to resource / financial / operational / proecdural process. Inability to gain action by partners	3	4	12	Chief Executive, Directors, Heads of Service	Chief Executive	Achievement of the carbon reduction ambitions are mainly vested in our Climate and Environment Strategy and Zero Carbon Programme. The Action Plan contains planned and programmed actions and will be reviewed annually. It will quantify the estimated net financial costs and net carbon savings associated with the contents of the Plan. Attaining the targets in the Plan is one of the Corporate Plan Key Performance Indicators. Whilst the action plan has been agreed it does contain several actions where funding hasnot been committed. The Strategy and Plan have identified the main carbon	2	2	4	Stable

Corporate Risk Register														
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk				
				Impact	Likelihood	Rating				Impact	Likelihood	Rating		Movement of Risk
	Assessing the likelihood of a risk:													
	1 Low	Likely to occur once in every ten years or more												
	2 Medium	Likely to occur once in every two to three years												
	3 High	Likely to occur once a year												
	4 Very high	Likely to occur at least twice in a year												

1 Low	Loss of a service for up to one day, Objectives of individuals are not met No injuries Financial loss below £10,000 No media attention No breaches in council working practices No complaints / litigation
2 Medium	Loss of a service for up to one week with limited impact on the general public Service objectives of a service unit are not met Injury to an employee or member of the public requiring medical treatment Financial loss over £10,000 Adverse regional or local media attention – televised or newspaper report Potential for a complaint litigation possible Breaches of regulations / standards
3 High	Loss of a critical service for one week or more with significant impact on the public and partner organisations Service objectives of the directorate of a critical nature are not met Non- statutory duties are not achieved Permanent injury to an employee or member of the public Financial loss over £100,000 Adverse national or regional media attention – national newspaper report Litigation to be expected Breaches of law punishable by fine
4 Very high	An incident so severe in its effects that a critical service or project will be unavailable permanently Strategic priorities of a critical nature are not met Statutory duties are not achieved Death of an employee or member of the public Financial loss over £1m. Adverse national media attention – national televised news report Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
APRIL 2023

Title of Report	DRAFT MEMBER CONDUCT ANNUAL REPORT	
Presented by	Elizabeth Warhurst Head of Legal & Commercial Services and Monitoring Officer	
Background Papers	The Localism Act 2011 The Current NWL Code of Conduct is available on the Council's website and in the Constitution .	Public Report: Yes
Purpose of Report	To receive and note the draft Annual Report and authorise the Head of Legal & Commercial Services and Monitoring Officer to make any minor amendments before being recommended to Council.	
Recommendations	1) THAT THE DRAFT MEMBER CONDUCT ANNUAL REPORT 2022/23 BE RECEIVED AND NOTED; 2) THAT AUTHORITY BE DELEGATED TO THE HEAD OF LEGAL AND COMMERCIAL SERVICES AND MONITORING OFFICER TO MAKE ANY MINOR AMENDMENTS TO THE REPORT FOLLOWING COMMENTS FROM THE AUDIT AND GOVERNANCE COMMITTEE; 3) THAT COUNCIL BE RECOMMENDED TO ENDORSE THE MEMBER CONDUCT ANNUAL REPORT 2022/23	

1.0 BACKGROUND

- 1.1 It is important that the work of the Audit and Governance Committee should be visible to the Authority and wider public. It is felt that the annual report acts as a helpful tool in communicating the work undertaken by the Audit and Governance Committee to the public and to Members.
- 1.2 The Committee is recommended to receive and note the draft Member Conduct Annual Report 2022/23 and authorise the Head of Legal and Commercial Services and Monitoring Officer to make any necessary amendments following comments from this Committee before being recommended to Council for endorsement.

Policies and other considerations, as appropriate	
Council Priorities:	<ul style="list-style-type: none"> - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes - Our communities are safe, healthy and connected
Policy Considerations:	Code of Conduct and Constitution
Safeguarding:	N/A
Equalities/Diversity:	Detailed in the Annual Report attached as an appendix.
Customer Impact:	N/A
Economic and Social Impact:	N/A
Environment and Climate Change:	N/A
Consultation/Community Engagement:	N/A
Risks:	By receiving this information members will be able to manage risks of misconduct.
Officer Contact	Elizabeth Warhurst Head of Legal and Commercial Services and Monitoring Officer elizabeth.warhurst@nwleicestershire.gov.uk



MEMBER CONDUCT ANNUAL REPORT 2022-23

This is the Member Conduct Annual Report of North West Leicestershire District Council's Audit and Governance Committee and covers the period from 1 April 2022 to 31 March 2023.

In addition to the responsibilities detailed in the Terms of Reference below, the Audit and Governance Committee promotes high standards of conduct by District Council Members and Members of Town / Parish Councils in North West Leicestershire. The Audit and Governance Committee complies with the requirements of the Localism Act 2011, the Regulations and the guidance provided under that legislation, together with Council's adopted Arrangements.

In September 2021 Council adopted the latest version of North West Leicestershire Code of Conduct for Members. The code is based on the Local Government Association Model Code of Conduct and, following collaboration across Leicestershire, the same Code has been adopted by other Leicestershire District and Borough Councils and Leicestershire County Council.

2. Audit and Governance Committee Terms of Reference

Membership: Ten District Councillors

Quorum: Three District Councillors

Terms of Reference during the 2022-2023 financial year:

Statement of purpose

1. The Audit & Governance Committee is a key component of North West Leicestershire District Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of the Audit & Governance Committee is to provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment. It provides independent review of North West Leicestershire District Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit arrangements, helping to ensure efficient and effective assurance mechanisms are in place.

Governance, risk and control

3. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
5. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
7. To monitor and provide scrutiny over the effective development and operation of risk management in the council.
8. To monitor progress in addressing risk-related issues reported to the committee such as the Corporate Risk Register.

9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
11. To monitor the Anti-Fraud and Corruption strategy, actions and resources.

Internal audit

12. To approve the internal audit charter.
13. To approve (but not direct) the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
14. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
15. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
16. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
17. To consider progress reports from the head of internal audit on internal audit's performance during the year
18. To consider the head of internal audit's annual report, including the statement of the level of conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme that supports the statement. Fundamental to the annual report is the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion. These will assist the committee in reviewing the Annual Governance Statement.
19. To consider summaries of specific internal audit reports in accordance with agreed protocols.
20. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
21. To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
22. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External audit

23. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised.
24. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
25. To consider specific reports as agreed with the external auditor.

26. To comment on the scope and depth of external audit work and to ensure it gives value for money.

Financial reporting

27. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
28. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
29. To seek assurances that the council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

Accountability arrangements

30. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
31. To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
32. To publish an annual report on the work of the committee.

Functions	Matters reserved for a Decision
The Council has determined under the powers conferred on it by Section 28(6) of the Localism Act 2011 to appoint an Audit and Governance Committee and it has the following roles and functions:	To determine any issues referred to the Committee (except for any matter reserved to the Council).
Promoting and maintaining high standards of conduct by councillors and co-optees Assisting the councillors and co-optees to observe the Members' Code of Conduct Advising the Council on the adoption or revision of the Members' Code of Conduct Monitoring the operation of the Members' Code of Conduct Advising, training or arranging to train councillors and co-opted members on matters relating to the Members' Code of Conduct Granting dispensations to councillors who require such dispensations for more than one meeting or on more than one occasion from requirements relating to interests set out in the Members Code of Conduct as appropriate	

<p>Dealing with any report from the Monitoring Officer on any matter concerning Governance</p> <p>To establish Sub-committees for the Assessment of Determination of matters concerning allegations of Members Conduct</p> <p>And in addition the Audit and Governance Committee also oversees the ethical framework of the Council including oversight of:</p> <ul style="list-style-type: none"> • the Whistle Blowing Policy • complaints handling • Ombudsman investigations 	
To exercise the above functions for the parish councils wholly or mainly in its area and the members of those parish councils.	

Sub-committees of the Audit and Governance Committee

All Audit and Governance Committee members will form a pool from which members will be drawn based on their availability and the requirements of the particular Sub-committee as and when required.

Assessment Sub-committee

Assessment of complaints in accordance with the Council's Guidance and to either:

- Accept the Monitoring Officer's recommendation of no failure to comply with the Code of Conduct
- Refer the matter for full investigation
- Refer the matter for other action

Review Sub-committee

Consideration of requests for a review in accordance with the Council's Guidance.

Determinations Sub-committee

To receive reports from the Monitoring Officer or her appointed investigating officer and to decide either:

- To determine finding of no failure to comply with the Code of Conduct
- To determine finding of failure to comply with the Code of Conduct and impose relevant sanctions
- Refer the matter for other action

in accordance with the Council Guidance

3. Composition

District Councillors

All appointed by Council on 10 May 2022

Chairman: Councillor S Gillard

Deputy Chairman: Councillor N Smith
Councillor E Allman
Councillor C Benfield
Councillor J Clarke
Councillor M Hay
Councillor R Morris
Councillor V Richichi
Councillor S Sheahan
Councillor M Wyatt

Parish Representatives

The following parish councillors were appointed as Parish Representatives for the remainder of the Administration (May 2023):

Councillor Patricia Thomas – Ashby Woulds Town Council
Councillor Ray Woodward – Whitwick Parish Council
Councillor Brian Beggan – Ashby Town Council
Councillor Nick Antill-Holmes - Oakthorpe and Donisthorpe

After the May elections we will re-advertise the Parish Representative roles and invite applications. If more than 4 Councillors apply we will go out to ballot to determine who should receive the Parish Representative roles. These positions will then be ratified by Full Council before they are formally appointed.

Independent Persons

The legislation requires the Council to appoint at least one Independent person who potentially advises all those involved in a Standards complaint, including the Monitoring Officer, and who must be consulted prior to the determination of a complaint.

Through an open advertising process conducted with partner authorities the Council appointed the following pool of independent persons from whom one can be drawn as and when required:

Michael Pearson
Mark Shaw
Gordon Grimes
Richard Gough
Michael Gibson
Laurence Faulkner

The IP's were appointed by Full Council on the 25 May 2021 until May 2025.

The main officer support for the Committee is provided by the Monitoring Officer (Elizabeth Warhurst), the Deputy Monitoring Officer (Kate Hiller) and the Democratic Support Officer (Rachel Wallace).

4. Meetings and Work Programme

The Audit and Governance Committee meets a minimum of four times per annum. In addition to its scheduled meetings, sub committees still meet on an ad hoc basis in order to consider and determine allegations of Member conduct. The Committee has its main work planned in advance through a Work Programme which enables it to be more proactive, strategic and focused in its approach to key issues.

5. Reporting Arrangements

The Audit and Governance Committee receives quarterly reports which have enabled Members to be reminded of the issues it has dealt with during each quarter and address any issues which this has highlighted.

6. Procedures and Workloads

(a) Dispensations

During 2022/23, there were no applications received for a dispensation from either District or Parish members.

(b) Complaints made to the Monitoring Officer under the Code of Conduct during 2022/23

<u>Qtr</u>	<u>Complaint from</u>	<u>About district/parish councillor</u>	<u>Regarding</u>	<u>status</u>
<u>Q1 22/23</u>	No complaints in Q1			
<u>Q2 22/23</u>	No complaints in Q2			
<u>Q3 22/23</u>	Parish Cllr	District Cllr	Behaviour at a Council meeting	Resolved informally 11.10.2022 Q3
	District Cllr	District Cllr	Register of interests [this comprises individual complaints about 7 District Cllrs]	Resolved informally 26 / 27.10.2022 Q3
	Parish Cllr	Parish Cllr	Various issues relating to declarations of interests and access to information	Resolved informally 16.11.2022 Q3
	Member of the public	District Cllr	Failure to comply with obligations	Not acting in capacity as Cllr 07.12.2022 Q3
	Member of the public	Parish Cllr	Treatment at a Parish Council meeting	Assessment sub-committee held on 06.03.2023 Outcome - referred to Monitoring Officer for further action. Action completed and complaint closed in Q4.
<u>Q4 22/23</u>	No complaints in Q4			

(c) Complaints referred to the Standards Assessment Sub Committee

From the above-mentioned complaints: 1

(d) Members' Register of Interests

The Democratic Services Officers undertake regular checks of the Register of Members' Interests and provide advice and assistance to Parish Councils on the completion of the Registers.

(e) Advice and Training

The Monitoring Officer and Deputy Monitoring Officer continue to provide both parish and district members with advice, both proactively and on request, on member's interests and governance.

Training will be provided on the members code of conduct as part of the members induction programme in May 2023.

7. Policies & Procedures

The Audit and Governance Committee oversees the ethical framework of the Council including oversight of:

- Anti Fraud and Corruption Policy
- Anti Money Laundering Policy
- Confidential Reporting (Whistle Blowing Policy)
- Risk Management Policy
- RIPA Policy
- Information Management Policy
- Data Protection Policy
- ICT & Cyber Security Policy
- Local Code of Corporate Governance

These corporate governance policies are reviewed annually by the Committee before consideration and adopted by Cabinet. The Committee considered the policies at its meeting on 27 July 2022 and Cabinet adopted the policies at its meeting on 20 September 2022.

**Elizabeth Warhurst
Monitoring Officer**

Councillor S Gillard Chairman

OUR VISION

North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home

**Legal and Support Services
North West Leicestershire District Council**

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
APRIL 2023**



Title of Report	STANDARDS AND ETHICS REPORT - QUARTER 4	
Presented by	Elizabeth Warhurst Head of Legal and Commercial Services and Monitoring Officer	
Background Papers	None	Public Report: Yes
Purpose of Report	To receive the figures for the local determination of complaints and the ethical indicators for Quarter 4 of 2022/23.	
Recommendations	THE REPORT BE RECEIVED AND NOTED.	

1.0 BACKGROUND

1.1 The Standards and Ethics Report provides information in two categories: Local Determination of Complaints and Ethical Indicators.

1.2 The Quarter 4 Report include updates on the progress of ongoing cases as requested by members at the Q2 22/23 meeting.

Policies and other considerations, as appropriate	
Council Priorities:	Our communities are safe, healthy and connected
Policy Considerations:	N/A
Safeguarding:	Safeguarding in relation to Modern Slavery
Equalities/Diversity:	N/A
Customer Impact:	Customers have the opportunity to report on measures that are included in this report
Economic and Social Impact:	N/A
Environment and Climate Change:	N/A
Consultation/Community Engagement:	Customers have the opportunity to report on measures that are included in this report
Risks:	By receiving this information members will be able to manage risks
Officer Contact	Elizabeth Warhurst Head of Legal and Commercial Services elizabeth.warhurst@nwleicestershire.gov.uk

Standards and Ethics

Quarter 4 Report

2022-2023

Contents

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Page 2 - Local Determinations of Complaints

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Introduction

This is the quarterly report to the Audit & Governance Committee detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process for 2022/23.

For clarification purposes the months covered by the quarters are as follows:

Quarter 1 - 1 April to 30 June

Quarter 2 - 1 July to 30 September

Quarter 3 - 1 October to 31 December

Quarter 4 - 1 January to 31 March

The report is split into 2 parts for ease of reference; Part 1 refers to the local determination of complaints, part 2 is the table showing the ethical indicators figures.

The report will enable the Audit & Governance Committee to build up a picture over time of how many complaints are received and where these are coming from. The parts of the Code of Conduct which have been breached will also be recorded to enable training to be targeted effectively.

Local Determination of Complaints

The Monitoring Officer received 0 complaints in Quarter 4 of 2022/23 (1st January 2022-31st March 2023)

2.1 Assessment Sub-committee Decisions

There has been 1 Assessment Sub-committee meeting in this quarter. This was as a result of a complaint received in Q3. However this complaint was omitted from the Q3 figures due to an oversight.

The Assessment Sub-committee referred the complaint to the MO for other action. There was no finding of breach of the code and, with the completion of the other action, the complaint was concluded.

The Monitoring Officer pursues an informal dispute resolution process prior to initiating formal proceedings via the Sub-committee route.

0 complaints have been resolved informally in Quarter 4.

2.2 Timeliness of Decision

The Standards for England Guidance stated that the Assessment Sub-committee should complete its initial assessment of an allegation “within an average of 20 working days” to reach a decision on what should happen with the complaint. The Council has taken this standard and adapted it under the new rules to aim to hold an Assessment Sub-committee within 20 working days of notifying the parties that informal resolution is not possible.

2.3 Review Requests

There have been 0 review requests in Quarter 4. Review requests can only be made following a decision of ‘No further Action’ by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

2.4 Subsequent Referrals

None to report – see above

2.5 Outcome of Investigations

None to report – see above

2.6 Parts of the Code Breached

This section is intended to show where there are patterns forming to enable the Audit and Governance Committee to determine where there needs to be further training for Councillors. Targeting training in this way makes it more sustainable and, hopefully, more effective.

So far this year, the following areas of the code were found to have been breached:

N/A

Complaints made to the Monitoring Officer under the Code of Conduct during Q4 2022/23

<u>Qtr 4</u> <u>22/23</u>	<u>Complaint from</u>	<u>About district/ parish councillor</u>	<u>Regarding</u>	<u>status</u>

Ethical Indicators

PERFORMANCE INDICATOR0	Q1			Q2			Q3			Q4		
	20/ 21	21/ 22	22/ 23	20/ 21	21/ 22	22/ 23	20/ 21	21/ 22	22/ 23	20/ 21	21/ 22	22/ 23
Instances of concerns raised re Modern Slavery	0	0	0	0	0	0	0	0	0	0	1	0
Instances of concerns raised re Modern Slavery referred to national agencies	0	0	0	0	0	0	0	0	0	0	0	0
Number of whistle blowing incidents reported	0	0	0	0	0	0	0	0	0	0	0	0
Number of Challenges to procurements	0	0	0	0	0	0	0	0	0	0	0	0
Public interest Reports	0	0	0	0	0	0	0	0	0	0	0	0
Objections to the Councils Accounts	0	0	0	0	0	0	0	0	0	0	0	0
Disciplinary action relating to breaches of the Member/Officer Protocol	0	0	0	0	0	0	0	0	0	0	0	0
Follow up action relating to breaches of the Member/Officer Protocol	0	0	0	0	0	0	0	0	0	0	0	0

Freedom of Information Requests

	Q1			Q2			Q3			Q4		
	20/21	21/22	22/23	20/21	21/22	22/23	20/21	21/22	22/23	20/21	21/22	22/23
Total Number (FOIs)	55	102	147	93	107	122	152	90	108	94	196	148
% answered on time	72.2%	82.9%	51%	84.1%	71.9%	79%	75%	95.1%	60%	86%	78.17%	91%
Average per month	18	34	49	31	36	41	51	30	38	31	65	49
Average response time (days)	15	14	7	13	13	9	17	10	14	11	15	13
Business as usual (BAUs)	27	1	N/A	24	14	N/A	26	2	N/A	11	N/A	N/A
Withheld due to exemption/fees (FOI and BAU)*	10	19	0	16	12	0	31	15	7	10	13	3
Transfers (TFRs)	14	18	29	18	12	21	25	24	18	23	28	26
Subject access requests (SARs)	3	1	3	6	2	6	12	5	5	5	13	10
Internal Reviews	1	0	1	Tbc	2	3	0	1	3	0	2	1
Environmental Information Requests/ Land Charges Searches (personal)	213	6	4	1	491	4	2	336	7	11	1	7

- We have seen an increase in the number of FOIs and SARs during Q4.
- The aim is to achieve 90% + response rate. This target has been achieved in Q4.
- We do not log requests as a BAU on the new system. All requests are logged on the case management system as FOI/EIR/DP/SAR.

FOI Exemptions for Q4 22/23

Exemption	Description	FOI	BAU	Total
S21	Information Already Reasonably Accessible	2		2
S22	Information Intended for Future Publication			
S27	International Relations			
S28	Relations within the UK			
S29	The Economy			
S30	Investigations			
S31	Law Enforcement	1		1
S32	Court Records			
S36	Effective Conduct of Public Affairs			
S38	Endangering Health and Safety			
S39	Environmental Information			
S40	Personal Information of the Requester/Personal Information			
S41	Confidentiality			
S42	Legal Professional Privilege			
S43	Trade Secrets and Prejudice to Commercial Interests			
S44	Prohibitions on Disclosure			
Total	<i>Number need not match the number of cases. Multiple exemptions may apply to one case.</i>	3	0	3

Definitions

Business as usual Information requested can be sent quickly and easily within the normal course of business

Land Charges specific information about a particular property

Ombudsman Complaint a customer has followed Stage 1 and 2 complaints procedure but unhappy with the outcome they are entitled to take complaint to the Local government Ombudsman who will decide if the Council has a case to answer.

Subject Access Request a request by an individual to see information an organisation holds on them

Transfers requests received that fall out of our remit i.e. Adult social Care or Highways

Environmental Information Request a right for any person to request access to environmental information held by public authorities.

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