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Tuesday, 19 November 2019

Chairman: Councillor Mrs S Michael

Members of the Committee:

**Councillor Mrs B Brooks
Councillor M Brown
Councillor R Crowe
Councillor D Cumberlidge
Councillor Mrs M Dobson**

MEETING: Audit & Accounts Committee

DATE: Wednesday, 27 November 2019 at 10.00 am

**VENUE: Civic Suite, Castle House, Great North Road,
Newark, Notts, NG24 1BY**

**You are hereby requested to attend the above Meeting to be held at the time/place
and on the date mentioned above for the purpose of transacting the
business on the Agenda as overleaf.**

If you have any queries please contact Helen Bayne on Helen.Bayne@newark-sherwooddc.gov.uk.

Any questions relating to the agenda items should be submitted to Nick Wilson- Business Manager - Financial Services, at least 24 hours prior to the meeting in order that a full response can be provided.

AGENDA

	<u>Page Nos.</u>
1. Apologies for Absence	
2. Declarations of Interest by Members and Officers and as to the Party Whip	
3. Declaration of any Intentions to Record the Meeting	
4. Minutes of the meeting held on 24 July 2019	4 - 7
5. Internal Audit Progress Report 2019/20	8 - 28
6. Health Check - Values and Culture	29 - 51
7. Treasury Performance Mid Year report	52 - 66
8. Annual Audit Letter 2018/19	67 - 82
9. Counter Fraud Activity Report	83 - 85
10. Results of the Review of the Assessment of Effectiveness of the Internal Audit Function	86 - 92
11. Audit Committee Work Programme	93 - 96
12. Exclusion of the Press and Public	
<p>To consider resolving that, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.</p>	
13. Date of Next Meeting	

Wednesday 5 February 2020

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** held in the Civic Suite, Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 24 July 2019 at 10.00 am.

PRESENT: Councillor Mrs S Michael (Chairman)

Councillor Mrs B Brooks, Councillor M Brown, Councillor R Crowe and Councillor D Cumberlidge

1 DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

That no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

2 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

There were no declarations of intention to record the meeting.

3 MINUTES OF THE MEETING HELD ON 24 APRIL 2019

AGREED that the Minutes of the meeting held on 24 April 2019 be approved as a correct record and signed by the Chairman.

4 TREASURY MANAGEMENT OUTTURN REPORT- 2018/19

The Committee considered the report of the Business Manager - Financial Services, regarding the Annual Treasury Outturn Report 2018/19. The Treasury Strategy and Prudential Indicators for 2018/19 were approved by Council on 8 March 2018 and the Outturn report is the last report for the financial year, required by CIPFA Code of Practice on Treasury Management. There were no breaches of the approved prudential indicators during 2018/19.

The Committee considered the economic background, the local context including Capital Finance Requirement, the Council's borrowing strategy, investment activity, and compliance with all prudential indicators during the period.

AGREED that the Treasury Outturn Positions for 2018/19 be noted.

5 EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT 2018/19

The Committee considered the report of the Business Manager – Financial Services, jointly presented by David Hoose and Helen Brookes from Mazars LLP, in relation to the External Auditors Annual Audit Completion Report. The significant findings were reported in the Completion Report, which was attached as an appendix to the report, together with the action taken in respect of the findings. The report also provided the Auditor's opinion on the Statement of Accounts and the Value for Money conclusion.

Mr. Hoose reported on the Executive Summary and Significant Findings. He expressed his thanks to Officers for their work and assistance and also the quality of the working papers provided adding that all works were substantially complete and it was anticipated that the final audit would be signed off within agreed timescales.

Ms Brookes reported on the Internal Control Recommendations, the Summary of Misstatements and the Value for Money Conclusion, noting that the latter had been identified as a risk but within what was expected for a local authority.

AGREED (unanimously) that:

- (a) the External Auditors Annual Audit Completion Report for 2018/2019 be noted;
- (b) the adjustments to the financial statements set out in the report be noted; and
- (c) the letter of representation signed by the Director – Resources/Section 151 Officer and the Chairman of the Audit & Accounts Committee be approved.

6 STATEMENT OF ACCOUNTS 2018/19 AND ANNUAL GOVERNANCE REPORT

The Committee considered the report of the Business Manager – Financial Services which sought Members approval for the Council’s Statutory Accounts for the financial year ending 31 March 2019. The Committee had previously considered the documents during a workshop session with Officers.

The Business Manager - Financial Services reported that two amendments had been made. The first was in relation to a revised actuarial valuation report from the pension fund. This was due to a national judgement which affected the assumptions used within the original actuarial valuation report. The second amendment was due to the incorrect rental income figure being used on the calculation of the valuation of Newark Livestock Market.

AGREED (unanimously) that:

- (a) the Annual Governance Statement for the financial year ending 31 March 2019 be approved;
- (b) the Statement of Accounts for the financial year ending 31 March 2019 be approved; and
- (c) it be noted that as per the previous report, the Section 151 Officer and the Chairman of the Audit & Account Committee had signed the Letter of Representation.

7 CHANGE OF ORDER OF AGENDA

With the agreement of the Committee, the Chairman amended the running order of the Agenda. Item 9 would be taken next. The Agenda would then revert back to its original order.

8 ANNUAL INTERNAL AUDIT REPORT 2018/19

The Audit & Risk Manager (Assurance Lincolnshire) presented the Annual Internal Audit Report 2018/19, summarising the work of Internal Audit undertaken during 2018/19 to support the Annual Governance Statement through providing opinion on the Council's governance, risk management and internal control.

The Annual Report set out the scope of internal audits work with details of the findings and subsequent rating of each area audited being provided. The appendices to the report provided the Committee with details of: the audits undertaken; the limited/low assurances; audit plan changes; overdue actions; benchmarking data; and assurance definitions.

The Director – Resources provided Members with information as to what actions had been taken following the adequate audit findings for Governance and Internal Control. He noted that these would be discussed in more detail at Agenda Item No. 10 – Internal Audit Report Process.

AGREED (unanimously) that the Annual Internal Audit Report 2018/2019 be noted.

9 INTERNAL AUDIT PROGRESS REPORT 2019/20

The Committee considered the Internal Audit Progress report covering the period to 8 July 2019. Four audits had been issued during the period. Pay and grading had been issued with high assurance, whilst Counter Fraud, Development Company and Emergency Planning had been issued with Substantial Assurance. A review of the Mansfield Crematorium accounts had also been undertaken, as had a review of the Newark Livestock Market Rent calculation. There were a further six reports at draft stage and three audits in progress.

In considering Appendix 2 to the report a Member queried whether it was possible to include the actual start date of the planned audits. The Audit Manager advised that this could not be provided until the actual audit commenced as any date given may be subject to delay. She did, however, comment that a narrative for each area would be provided in future reports.

AGREED (unanimously) that the latest Internal Audit Progress report be noted.

10 INTERNAL AUDIT REPORT PROCESS

The Business Manager - Financial Services presented a report detailing a proposed process for internal audit reports to pass through the Senior Leadership Team (SLT) and onto the Audit & Accounts Committee.

Paragraph 3 of the report detailed the grading of audits and the proposed new process. The process for dealing with reports and following up recommendations were detailed in flow diagrams appended to the report. It was felt that the proposed process would enable SLT to review and feed into the audit process along with the Business Manager. Where Limited and Low assurance audit reports are finalised the Business Manager would be required to attend meetings of the Committee until all agreed actions had been completed.

In considering the report, a Member queried whether a member of SLT would be required to report to the Audit & Accounts Committee should a recommendation require multiple extensions to its deadline to resolve the identified issue. The Director – Resources stated that it was not currently built into the process but if such a situation arose it would only be in exceptional circumstances and that Committee would be kept fully apprised.

AGREED (unanimously) that:

- (a) the process as set out in Appendix A be adopted for the flow of internal audit reports; and
- (b) the process as set out in Appendix B be adopted for the extension to dates for the completion of management actions.

11 AUDIT COMMITTEE WORK PROGRAMME

The Committee noted the Work Programme.

12 DATE OF NEXT MEETING

The date of the next meeting would be Wednesday, 27 November 2019.

Meeting closed at 10.50 am.

Chairman

AUDIT AND ACCOUNTS COMMITTEE
27th NOVEMBER 2019

INTERNAL AUDIT PROGRESS REPORT

1.0 Purpose of Report

To receive and comment upon the latest Internal Audit Progress Report which covers the period up to 31 October 2019.

2.0 Introduction

The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2019/20 against the agreed audit plan and any remaining reports from 2018/19.

3.0 RECOMMENDATION

That the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

Internal Audit Progress Report



Newark and Sherwood District Council – October 2019

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Assurance Definitions & recommendation ranking
Audits with Limited Assurance
Details of Overdue Actions
2019/20 Audit Plan to Date

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This report has been prepared solely for the use of Members and Management of Newark and Sherwood District Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period April 2019 to 31 October 2019
- Advise on progress with the 2019/20 plan and outstanding work carried forward from 2018/19
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

During the period we have completed 8 assurance audits*:-

- Community Centres – Limited
- Procurement Card - Limited
- Strategic Asset Management – Substantial
- ICT Governance – Substantial
- Customer Comments – Substantial
- NSDC Companies (Governance) – Substantial
- Financial Strategy and Modelling – High
- Follow-up Work (implementation of actions – High

Summaries of these are provided on the following pages. Appendix 2 also provides more information on the Limited Assurance audits.

We have 3 audits at draft report stage and 6 in progress. Appendix 4 sets out progress against the plan.

Overall there are 47 agreed actions remaining to be implemented (16 'High' rated and 31 'Medium' rated recommendations). There are 25 actions that are overdue, 13 high and 12 Medium. Appendix 3 shows the progress made on the implementation of the recommendations and provides a list of the High risk ones outstanding.

2

HIGH
ASSURANCE

4

SUBSTANTIAL
ASSURANCE

2

LIMITED
ASSURANCE

0

LOW
ASSURANCE

1

Other /
Consultancy

Overview of Assurances

Limited Assurance

Community Centres

It is important that the council have an understanding of how the centres are performing to be able to minimise risk and be assured that they and their assets are protected. Currently there is no clear structure or performance measures to be able to gain a view as to what is taking place within the centres.

Community Centres are both Assets and Liabilities. Assets as buildings within the community supporting achievement of the community plan. Liabilities as without structured management they can be a financial cost to the council and affect its reputation.

Council purpose and values include being commercial and business like, careful and creative with resources securing value for money. Ensuring community centres value as an asset by increasing oversight structure will support these values.

Recommendations are focused on creating a structure for monitoring community centres so that all checks and communications are documented in one place. Giving the council an overview of what value centres are adding and if any further controls are necessary to minimise risks.

Procurement Card

We identified a number of areas which require improvement to ensure that procurement card transactions made are appropriate and the potential for fraud is reduced.

Monitoring and oversight of card usage is limited with no monitoring reports being produced and authorisers not carrying out a full check of expenditure to receipts prior to authorising it. Receipts are not all scanned in to support the transactions and an annual review of cardholders does not take place. There are issues with the VAT which is often not supported by VAT receipts and has to be reviewed fully by Finance.

The administration arrangements could also be improved with cards being signed back in when the cardholder leaves the authority, maintenance of the approval process and confirmation of card cancellations.

Security of the cards themselves needs to be considered as they are contactless and passwords for the portal are documented and seen by others.

The arrangements for reporting breaches of the terms of use of the cards by cardholders require strengthening with appropriate actions being taken to prevent further breaches.

Overview of Assurances - continued

Substantial Assurance

Strategic Asset Management

Although a Substantial assurance level is given, it is noted that this was a borderline Limited.

The strategic asset management team is staffed with experienced and knowledgeable officers who are enthusiastic and are working hard to manage the council's assets and deliver projects. The team has a heavy workload relative to its resources but through the efforts of its staff are delivering an effective service and have responded positively to new and increased responsibilities.

There are areas that could be strengthened to ensure performance is effectively managed and reported, risks are identified and mitigated and ideas for future development are captured and advanced.

ICT Governance

There were adequate structures and decision making arrangements to allow for IT services to be effectively managed and controlled. The Council is currently going through some transition with the structure of the ICT service and currently has an Interim ICT Manager.

Staff within the ICT Section are provided with ITIL foundation training. ITIL is a library of volumes describing a framework of best practices for delivering IT services.

The ICT Service undertakes an annual account management meeting with business units within the Council and regularly interacts with the Council's Information Governance function.

We made recommendations concerning the requirement for a clearer linkage between key ICT strategy documents to confirm alignment between them and for them to review and update policies ensuring management endorsement.

Customer Comments

Overall, the customer comments arrangements are operating effectively giving customers opportunities to raise concerns, suggestions and compliments on service delivery.

The complaints are captured and effectively administered centrally by Customer Services enabling effective monitoring of the responses and compliance with the Council's Customer Feedback Procedure.

We raised recommendations around the timeliness of investigations of complaints and ensuring that the recommendations of the Local Government Ombudsman are implemented in a timely manner with the actions taken effectively addressing the identified issues.

Overview of Assurances - continued

Substantial Assurance

NSDC Companies (Governance)

The Governance arrangements in place for the three Companies varies significantly with structured oversight in place for some but not all. This is reflected in the overall opinion which is borderline Limited due to there being limited guidance available in the governance of the companies and there are some areas which require strengthening. Additional training and documentation of the individual roles of the Scrutiny Committees, group meetings and client oversight is required overall to improve the level of assurance.

Other areas which require improvement include ensuring the companies require the same ethical behaviour as the Council and have a risk strategy and risk registers in place identifying the risks they consider will affect their outcomes. The requirements for assurance also require improvement including audit requirements and provision of documents.

Whilst the companies have been set up using different models the overall governance requirements remain very similar and consistency between them will help ensure that the processes are effective.

High Assurance

Financial Strategy & Modelling

The Council's Medium Term Financial Plan (MTFP) covering the period 2019/20 - 2022/23 appears financially sound and has been sufficiently informed by appropriate sources of evidence. The underlying assumptions made are reasonable and a cautious and prudent approach has been applied when making the financial estimates.

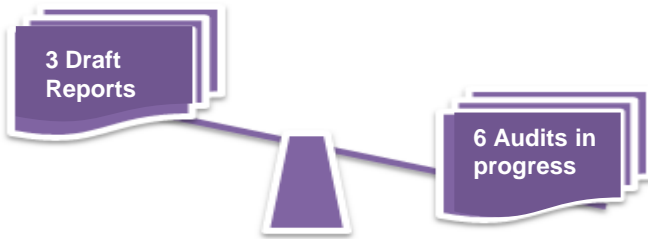
Over the term of the MTFP, a cumulative funding gap has been identified and arrangements are in place to resource the shortfall. The Council's General Fund reserves are reviewed annually to ensure sufficient balances are held to support the Council's future financial needs.

The outcomes of the Residents Survey consultation have been integrated within the Community Plan and Business units allocate the financial resources through the annual budget setting process in order to achieve the Council's strategic priorities.

Follow-up Work (2018/19)

Overall, we found that the agreed actions have been substantially implemented.

Our review identified a couple of areas where supplementary improvements were recommended to enhance the operation of the controls and processes in order to ensure compliance with the General Data Protection Regulations (GDPR). One of these is new whilst the other builds on what has already been implemented.



Audits reports at draft

We have 3 audit's at draft report stage:

- Business Continuity (Follow-up)
- Building Control
- Project / Programme Management

These will be reported to the committee in detail once finalised.

Work in Progress

We also have 6 audits in progress:

- Commercialisation
- Key Controls
- Corporate Planning
- ICT incident Management
- ICT Patch Management and Change Control
- Buttermarket

Details of these can be seen in the 2019/20 plan at Appendix 4.

Other work

We completed the certification work for the Gilstrap Endowment Fund

We had been commissioned to undertake additional audit work on a consultancy basis we have completed all of which have been completed to at least draft report.

Assurance mapping is underway with Departmental meetings being scheduled to commence shortly.

Changes to the Plan

We have made three changes to the plan since the previous Committee, two of which have been deferred until 2020/21 as agreed by the Client officer:-

- Budgetary Control
- General Ledger / Financial Reporting.

The review of Newark Livestock Market has been cancelled by the client as work is already being undertaken.





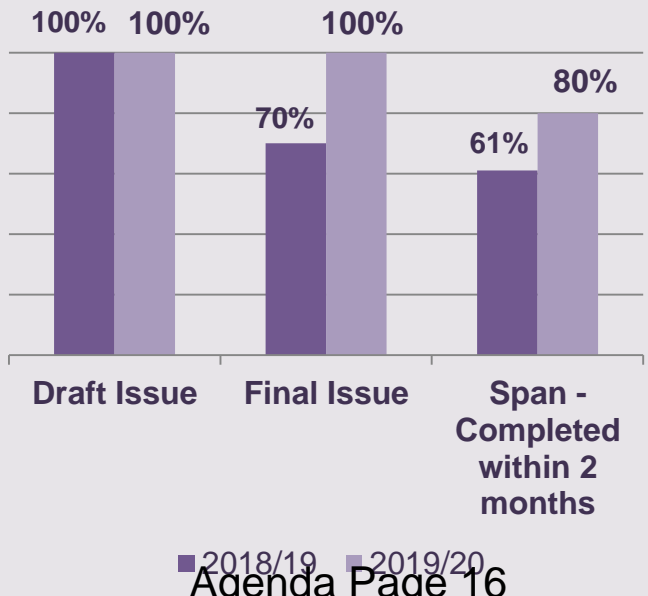
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

100%

Rated our service **Good to Excellent**

0%



■ 2018/19 ■ 2019/20

Assurance

High	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
Substantial	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
Limited	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
Low	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

Ranking of Recommendations

High	<p>Immediate management attention is required - an internal control or risk issue where there is a high certainty of: substantial loss / non-compliance with corporate strategies, policies or values / serious reputational damage / adverse regulatory impact and / or material fines (action taken usually within 3 months).</p>
Medium	<p>Timely management action is warranted - an internal control or risk issue that could lead to financial loss / reputational damage / adverse regulatory impact, public sanction and / or immaterial fines (action taken usually within 6 to 12 months).</p>
Low	<p>Current procedure is not best practice and could lead to minor inefficiencies.</p>

Community Centres

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Leases not in place outlining council and tenant responsibilities.	Medium	0	0
Action not taken when tenants do not abide by lease arrangements.	Medium	0	1
No structured Management of Processes and risks	Medium	0	1
Maintenance of Centres not maintained	Medium	0	1
Lack of community engagement	Medium	0	0
TOTAL		0	3

Scope

To provide assurance that there are adequate processes in place for ensuring compliance with lease and occupiers liabilities to protect the council and its assets.

Management Comments

The centres are managed by either charitable management committees or in the case of Fernwood the Parish Council takes an operation lead responsibility. The level of engagement and support from Council staff is, therefore based on specific needs, as and when required or requested save for an annual visit to undertake a repairs and renewals assessment of the Council's asset. This approach has worked well with the centre tenants and is not particularly resource heavy in staffing and budgetary terms.

The recommendations are reasonable and can be implemented as detailed in the action plan to ensure that the relationship between the Council and its tenants is robust. There is an acceptance that the tenants are independent of the Council and should be allowed to manage the assets in an appropriate way albeit with oversight from the Council through an agreed schedule of periodic checks to maintain compliance with legal and regulatory requirements which is in the interest of all parties.

Management Action Plan

Finding Recommendation	Action	Priority	Due Date	Action Owner
That a structure and timetable for visits to centres is introduced . Alongside this a check list containing key responsibilities from the lease for example maintenance, activities to be carried out should be completed as part of the visit.	To introduce a timetable for annual visits and record summary of notes for the visit.	Medium	28/12/2019	Senior Health and Community Relations Officer

Finding Recommendation	Action	Priority	Due Date	Action Owner
That community centres are brought into the community plan structure and that some reporting is considered on an annual basis.	<p>To create a service plan for the Community Centres. Outlining targets and what they want to achieve within the community.</p> <p>To produce a low level report annually, providing an overview of what has been achieved over the year. Can be used to provide information for councillors should this be requested.</p>	Medium	28/03/2020	Senior Health and Community Relations Officer
Council should look to bring together all information in regards of community Centres so that they are available in one place. For example leases, insurance certificates, maintenance schedules, site visit notes. This will allow for accurate up to date information and compliance monitoring. This may be possible through the introduction of Concerto system.	To investigate the use of Concerto as a way of bringing all information together (document control), providing a central control and compliance monitoring.	Medium	28/03/2020	Senior Health and Community Relations Officer

Procurement Card

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Procurement card users do not comply with agreed procedures	Medium	1	0
Procurement cards are not effectively managed	Medium	1	3
Purchases made on Procurement cards are not appropriate	Medium	2	0
Transactions are not processed / posted correctly within E-Financials	Medium	2	1
Fraud risk is not managed	Medium	1	0
TOTAL		7	4

Scope

To provide assurance over the processes and controls in place around Procurement Cards to ensure that use is appropriate and transactions are reflected accurately and completely in the Council's accounts.

Managing your risk

Good risk management, including maintaining risk registers, helps the Council to identify, understand and reduce the chance of risks having a negative impact on achievement of its objectives. The Council currently has a fraud risk identified covering Procurement Cards – '6b Procurement and Contract Fraud (Payments)' which is currently amber. During the recent refresh brief discussions were held around whether to include the Procurement Card as a separate risk and it was concluded that it was not a significant risk to be recorded in its own right.

The findings within the report should be considered when assessing the current status of this risk as many of the controls listed as being in place are not actually working in practice. Also further consideration should be given as to whether it is recorded as a risk in its own right.

Management Action Plan

Finding Recommendation	Action	Priority	Due Date	Action Owner
1.1 Consideration is given to removing the contactless nature of the cards. 1.2 The processes for the receipt of application forms and cards is reviewed to ascertain whether the risk can be reduced.	NatWest will be contacted and requested to remove the contactless facility and also to ascertain what the password on the application form is used for. If it is not required then this will not be completed in future.	High	31/05/2019	Admin Services
2.1 Authorisers are reminded of the need to have all transactions verified and approved by a set date. Where this date is not met then further action is taken.	Card Holders and Authorisers are currently reminded and chased for responses, this will continue but any not received by the 5th of the month will be referred to the Business Manager Financial Services to chase.	Medium	31/05/2019	Admin Services

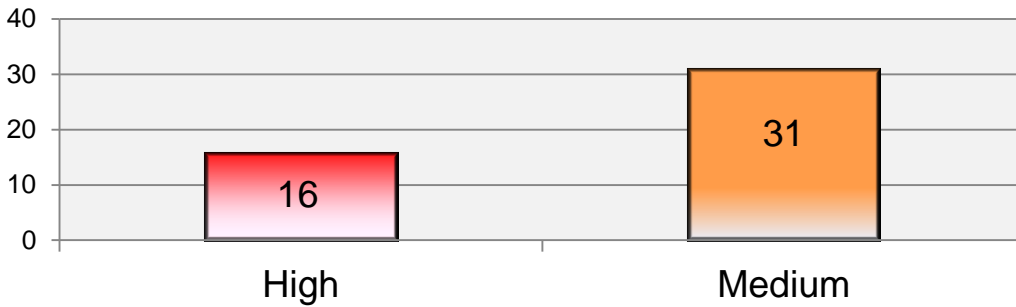
Finding Recommendation	Action	Priority	Due Date	Action Owner
2.2 The Portal is reviewed to see if the codes available can be restricted to only those relevant to the Card holder. If this is not possible then authorisers are reminded to check that expenditure is correctly coded before they authorise the transaction.	<p>It is not agreed that the codes on the portal are restricted as Admin staff order on behalf of any service within the council and need access to all codes.</p> <p>The implementation of the revised authorisation process will instruct card holders to check the codes from the email authorisation against the authorised signatories list (to be supplied by Business Manager Financial Services) to ensure that codes are only used by authorised officers.</p>	Medium	31/05/2019	Admin Services
2.3 The procedure notes are updated to reflect the changes made in the previous points.	The procedure notes will be updated.	Medium	30/06/2019	Admin Services
3.1 All cases of inappropriate use of the purchase card are referred to the Director Resources or his appointed representative for consideration of further action.	This has been added to the procedure notes.	High	31/05/2019	Admin Services
4.1 E-mail authorisation requests are strengthened to ensure that they contain all of the information which requires approval i.e. to have a card, categories and limits. These are saved to a shared area where other relevant staff have access.	This will be completed by setting up a standard form/e-mail including all necessary information.	High	31/05/2019	Admin Services
4.2 The process notes are updated to reflect the revised process including destroying the application forms.	The process notes will be updated.	High	31/05/2019	Admin Services
4.3 When the Council moves to a new system records are maintained which authorise the move over of current users i.e. a signed list together with limits.	This may have been completed for the 2012 change but not kept. If the system is changed in the future a record will be maintained and kept.	High	31/05/2019	Admin Services

Finding Recommendation	Action	Priority	Due Date	Action Owner
5.1. The card holder and administrator sign to say that the card has been returned and destroyed.	The cardholder or other relevant person (Manager) will be asked to sign the form and return the card. This will be countersigned by the administrator.	Medium	31/05/2019	Admin Services
5.2. The letter received from the bank confirming cancellation is kept for at least the current financial year.	The letters received from the bank are now being scanned and kept.	Medium	31/05/2019	Admin Services
6.1 A review of cardholders is carried out at least annually to ensure that cards issued to leavers have been cancelled and all other cards issued are still required. Such a review includes consideration of usage during the year.	This will be completed. A review of card holders will be undertaken annually in September each year to review appropriateness	Medium	30/09/2019	Admin Services
7.1 A review is undertaken of the guidance notes to bring them up-to-date. The document is then annotated with the review date, date of next review and responsible officer.	Notes will be updated and annotated with the dates and responsibility.	Medium	30/06/2019	Admin Services
8.1 The monitoring process is reviewed to ensure that receipts are always present to support expenditure and expenditure is appropriate.	The process is to be revised to instruct authorisers to check invoices and authorisation before 'authorising' on the system. The new process will require all purchases to be authorised by an authorised officer in writing prior to being made. Administrative services will be provided with an authorisation list including officers and limits and will only accept requests which comply with these. All invoices and authorisation e-mails are saved in the purchase card folder. The process notes will be amended to reflect these changes.	High	30/06/2019	Admin Services

Finding Recommendation	Action	Priority	Due Date	Action Owner
9.1 Checks are carried out to ascertain if the system can be amended to ensure that authorisers and verifiers cannot be the same person. If this is not possible then checks are carried out to ensure that this is not the case.	NatWest will be contacted to see if the system allows this and whether it can be changed.	High	31/05/2019	Admin Services
10.1 Purchase card holders are reminded that VAT must be split on the portal and proper VAT receipts obtained and attached. Confirmation of Order and links to receipts are not acceptable. 10.2 Authorisers are reminded that they should check that VAT receipts are present where VAT is split.	Current procedure notes include details on what need to be included on a valid VAT receipt. Details relating to a valid VAT invoices will be included within the procedure notes distributed to all card holders and authorisers once updated with all other actions.	High	30/06/2019	Financial Services, Business Manager
11.1 Cardholders are reminded to attach receipts for all expenditure and name the files in accordance with the guidance.	A new process is being implemented which will change the way receipts are saved and checked. As part of this process the guidance will be updated and recirculated.	High	30/06/2019	Admin Services
11.2 Consideration is given to changing the naming of the scanned receipts to be prefixed with the cardholder initials and then include the supplier and value. This will aide authorisers to identify receipts easily related to their cardholders.	Dependent on if can be changed on the portal. Procedure notes to be updated accordingly	High	30/06/2019	Admin Services

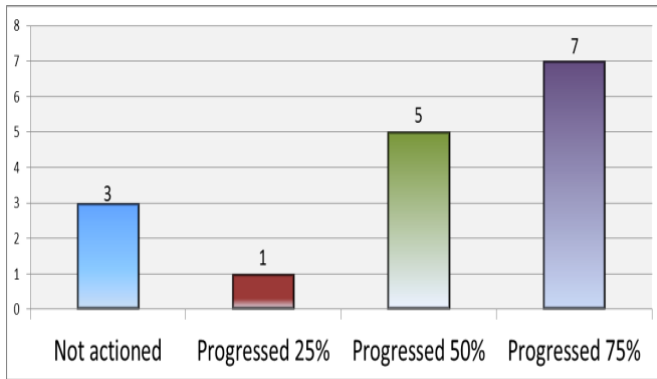
Outstanding Audit Actions for all audits at 31 October 2019

All Actions remaining to be implemented

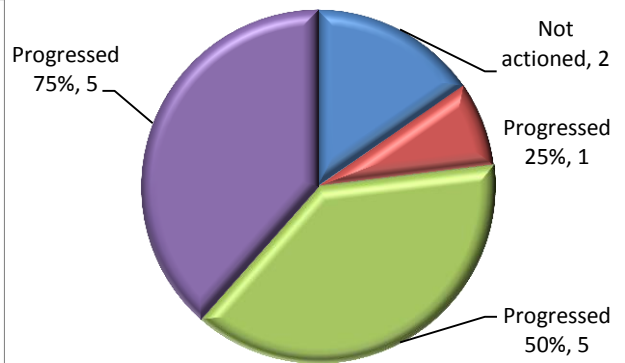


High Priority Actions remaining to be implemented

Overall

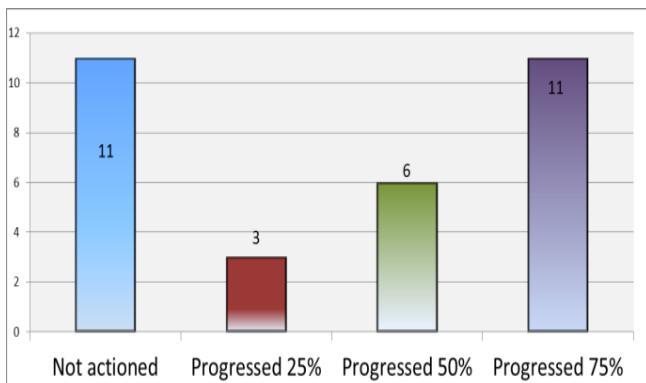


Overdue

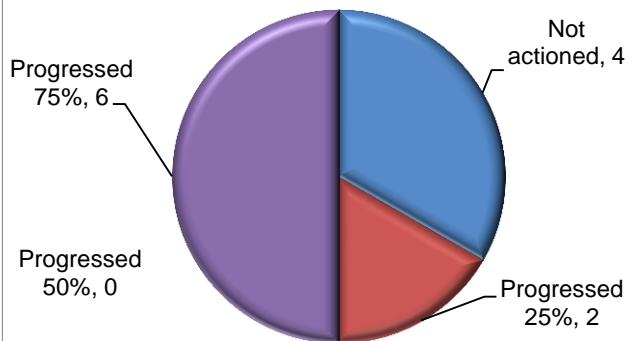


Medium Priority Actions remaining to be implemented

Overall



Overdue



List of High Overdue Actions

Audit	Action	Date	Revised Due Date	Action Owner
NSDC 2017/18-03 - ICT Compliance - PCI DSS Follow Up	The appropriate Self Assessment Questionnaire will be completed following the establishment of the scoping exercise and resolving the availability of any portal with the bank.	30/09/2018	30/04/2019	Interim ICT Manager
NSDC 2018/19-10a - IT Governance	A suite of policies has now been developed and is now available on the intranet. The Interim ICT Manager periodically reviews all ICT related policies in conjunction with the Information Governance Officer, and is due to refresh the current policy set.	30/09/2019	30/09/2019	Interim ICT Manager
NSDC 2018/19-25 - Cyber Security	A revised incident response plan will be developed. The review will consult the Council's Information Governance Manager.	31/05/2019	31/05/2019	Interim ICT Manager
NSDC 2018/19-25 - Cyber Security	The Assistant ICT Manager will speak with the relevant Business Continuity staff to ensure that there is a mutual awareness of procedures and expectations, with a view to undertaking a test of the cyber security arrangements.	30/06/2019	31/07/2019	Interim ICT Manager
NSDC 2018/19-25 - Cyber Security	A Security Information and Event Management solution will be investigated and a preferred solution identified.	31/07/2019	31/07/2019	Interim ICT Manager
NSDC 2018/19-25 - Cyber Security	Audit policies on servers will be configured to best practice	31/05/2019	31/07/2019	Interim ICT Manager
NSDC 2018/19-05 - Emergency Planning	Train new starters early in their induction process.	30/09/2019	30/09/2019	Business Manager, Public Protection
NSDC 2018/19-05 - Emergency Planning	Explore methods of educating all employees to ensure that they are aware of each alarm and what they are required to do to respond.	30/06/2019	30/06/2019	Business Manager, Public Protection
NSDC 2018/19-05 - Emergency Planning	Establish lockdown procedure training for all employees increasing awareness.	30/06/2019	30/06/2019	Business Manager, Public Protection
NSDC 2018/19-05 - Emergency Planning	Develop a notification system to inform employees.	30/06/2019	30/06/2019	Business Manager, Public Protection
NSDC 2018/19-05 - Emergency Planning	Test the lockdown procedure to find areas that require improvement.	30/06/2019	30/06/2019	Business Manager, Public Protection
NSDC 2018/19-13 - Key Controls	An updated post final reminder/notice policy will be compiled including a flowchart as suggested.	31/07/2019	31/07/2019	Business Manager, Revenues and Benefits
NSDC 2018/19-13 - Key Controls	A monitored process will be put into place to achieve the recommendation.	31/07/2019	31/07/2019	Business Manager, Revenues and Benefits

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Commercialisation	There is a clear strategy and action plan in place covering the Council's commercial aspirations and this conforms with the relevant legislation.	Apr-19	Jul-19		Testing nearly completed
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts	Apr-19	Apr-19	Apr-19	Complete
Customer Comments	To review the process in place for the receipt of customer comments/complaints and provide assurance that these are dealt with in accordance with the Councils processes and used to inform future service improvements.	May-19	Apr-19	Jul-19	Substantial (Completed)
Pay and grading	To review the process for implementing the revised pay and grading structure to provide assurance that it has been approved and implemented correctly.	May-19	Apr-19	Jun-19	High (Completed)
Financial Strategy and Modelling	To review the financial strategy and provide assurance that it is accurate, compliant and assumptions are realistic, documented and tested. Appropriate approval has been obtained.	Jun-19	Jun-19	Jul-19	High (Completed)
Community Centres	Review of the processes in place which ensure compliance with lease and occupiers liabilities providing the Council with assurance over their assets.	Jun-19	Jun-19	Oct-19	Limited (Completed)
Building Control	There are effective monitoring arrangements in place which ensure that the residents of the district are getting the service expected and included within the agreement.	Jun-19	Aug-19		Draft Report
Newark Cattlemarket	Completion of the rent calculation for 2018/19	Jun-19	Jun-19	Jun-19	Completed
Corporate Planning	To provide assurance that there is a corporate plan in place which clearly links to the priorities of the Council, activities completed by Business Units and how achievement of the priorities are measured - the golden thread.	Jul-19			Planned
ICT Incident Management	To provide assurance that there is a consistent and effective approach to the management of incidents and cyber security events, including communication on security events and weaknesses.	Jul-19			In progress Changed to September due to client capacity
Workforce changes and succession planning within the Council including changes within the management team	The Council has a workforce plan in place which meets the changing needs of the Council and the demographic and skills of staff. There is also a plan in place for succession planning of key staff identifying positions which hold the greatest risk if vacant i.e. specialist knowledge, statutory responsibility, lone workers etc.	Aug-19			Changed to February following request by Auditee and approval by NW.

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Performance	To provide assurance that the performance process is effective and has a clear link with the Councils' corporate plan. To follow up the recommendations made within the previous report which received a Limited assurance rating.	Sep-19			Planned
Buttermarket	To provide assurance that there is effective management of the Buttermarket to ensure that it meets the objectives of the Council.	Sep-19	Oct-19		Terms of reference
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	Sep-19	Sep-19	Sep-19	Completed
Budgetary Control /Management	To provide assurance that the budgets are set in accordance with the financial strategy and Council priorities with accurate reporting and monitoring.	Oct-19			Deferred until Financial year 2020/21
Procurement	To provide assurance over the new arrangements in place for procurement.	Oct-19			Planned
ICT Patch Management and Change Control	To provide assurance that established organisational processes for patch management and change control are followed and that the systems upon which the Council relies are routinely and regularly checked for vulnerabilities with remedial actions being promptly taken where vulnerabilities are identified.	Oct-19			In progress
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Oct-19	Oct-19		In progress
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.	Nov-19	Oct-19		In progress
Capital Programme	To provide assurance that the capital programme is appropriately approved, financed and reported.	Jan-20			Planned
Newark Cattlemarket	The provide assurance that the arrangements in place for the management of the cattlemarket ensure that the income is collected in accordance with the lease and the terms of the lease are adhered to. The council ensures that the current use and lease supports it's priorities on regeneration for the town.	Jan-20			Cancelled
Housing Options	To provide assurance that the homelessness service is meeting it's objectives and priorities and complies with legislation. The project for the provision of temporary accommodation is well managed and complies with Council processes.	Jan-20			Planned

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
General Ledger/Financial reporting	To review the general ledger to provide assurance that transactions within it are accurate and agree with the feeder systems. Access to the ledger is appropriately restricted.	Feb-20			Deferred until Financial year 2020/21
Strategic Risks	Strategic risks are identified, managed and linked to the corporate priorities of the Council. There is a process in place which ensures that they remain current and action plans ensure that risk mitigation actions are implemented as planned.	Feb-20			Planned
Land Charges	To provide assurance that applications are processed on time and in accordance with legislation.	Feb-20			Planned
Public Protection	To provide assurance that the Council is complying with it's duties in respect of Public Protection including a clear strategy and partnership working. Income due through the issue of Fixed Penalty notices is collected and used as prescribed.	Mar-20			Planned
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	Mar-20			Planned
Consultancy work completed		Aug-19	Aug-19	Aug-19	Completed
Consultancy Work in Progress - Debtors arrears		Oct-19			In progress

AUDIT AND ACCOUNTS COMMITTEE

27 NOVEMBER 2019

HEALTH CHECK – VALUES AND CULTURE

1.0 Purpose of Report

- 1.1 To consider the proposed work to be undertaken by the Council's internal auditors conducting a health check for the authority around its culture and values.

2.0 Background Information

- 2.1 Assurance Lincolnshire, the Council's internal auditors, have developed a model to review the ethical culture within a local authority to test out how well its rules, procedures and behaviours around good ethical governance are embedded within the organisation. The model has been developed to get 'under the surface' and examine the principles and standards that underpin the way in which officers and members interact with others to support excellent service delivery. It is about how we conduct ourselves and act out the Council's values as part of day-to-day functions in business operations and service delivery. Attached to the report at **Appendix A** is a background document from Assurance Lincolnshire setting out more detail of what the health check entails.
- 2.2 The Council's Senior Leadership Team strongly support the health check being undertaken by Assurance Lincolnshire as the Model will be a useful tool to test out the extent to which the Council's ethics, values and behaviours are having a positive effect on the organisation and its operations.

3.0 Proposals

- 3.1 It is proposed that Assurance Lincolnshire be commissioned to undertake the health check, which will equate to approximately 10 days' work, the cost of which can be met within current budget provision. Attached at **Appendix B** is the draft plan of work for the review. The review will involve a series of interviews with officers and Members undertaken in February next year, analysis of responses to questions to be included in the annual staff survey relating to the issue of values and culture, and a desk top examination of the Council's policies and procedures etc. At the conclusion of the review work, Assurance Lincolnshire will issue a final report measuring the Council in terms of its ethical maturity, which will be submitted to the Committee for consideration.
- 3.2 It is also proposed that the Committee agree a Councillor Champion for the review, and it is suggested that the Chairman of this Committee would be an appropriate choice.

4.0 Equalities Implications

- 4.1 The review will take into account and highlight any equalities issues that may be identified in the report to be produced at the conclusion of the work.

5.0 Community Plan - Alignment to Objectives

- 5.1 The Community Plan sets out the Council's Values and Behaviours:

- **Ambitious and forward thinking**
Focused on achieving the very best and always looking to improve and innovate.
- **Caring and compassionate**
Sensitive to the different needs and circumstances of others; seeks to empower people to fulfil their potential.
- **Commercial and business-like**
Careful and creative with resources; securing value for money.
- **Professional and trustworthy**
Consistently delivering on promises; providing good quality and demonstrating integrity.
- **Welcoming and responsive**
Approachable, open to feedback and challenge and swift to act.

6.0 Financial Implications

6.1 The additional cost for the approximately 10 day's works can be met this financial year from the Corporate Management Change Management budget.

7.0 RECOMMENDATIONS that

- a) **the Committee support the commissioning of the health check – value and culture to be conducted by Assurance Lincolnshire; and**
- b) **the Chairman of the Committee be selected to be the Member Champion to oversee and assist the smooth running of the review work.**

Reason for Recommendations

To test out the extent to which ethics and values are having a positive effect on the Council and how it delivers its services and contributes to the success of the organisation

Background Papers

Nil

For further information please contact Karen white on Ext 5240

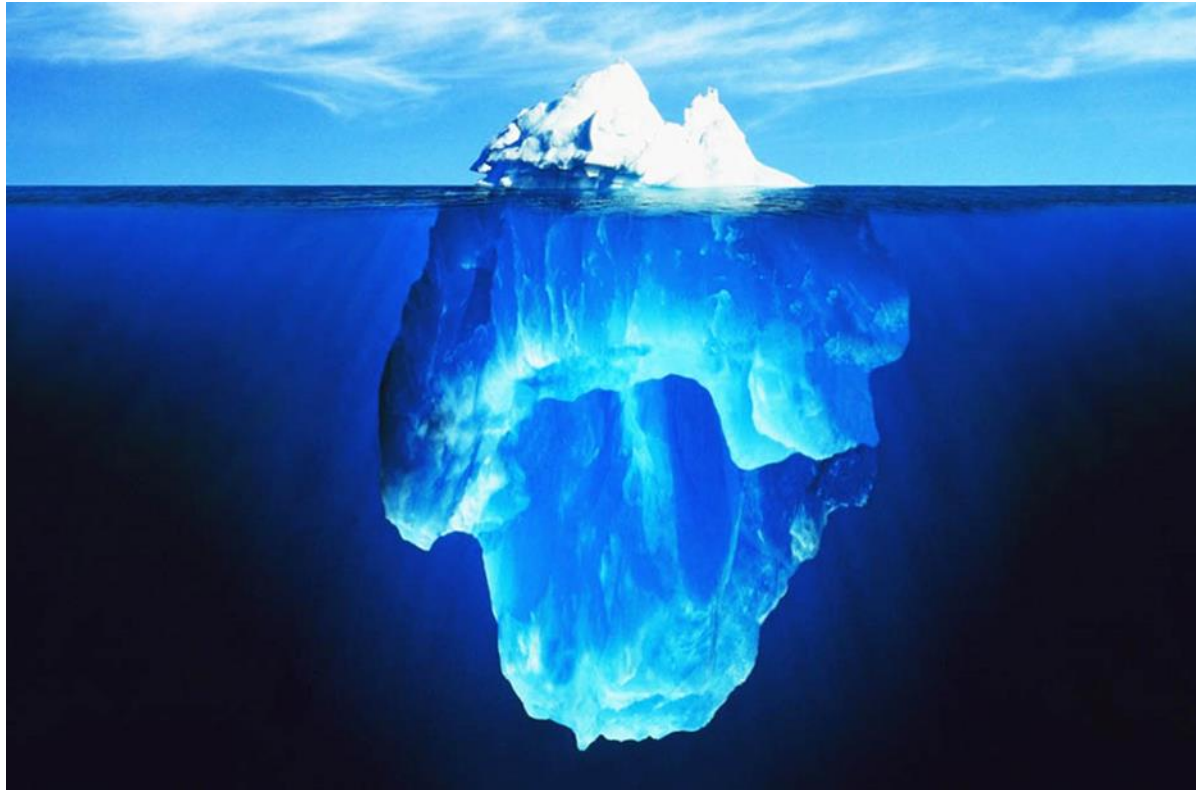
Karen White
Director - Governance & Organisational Development



Health Check – 11th June 2019



Ethical culture – looking below the surface



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Review will focus on:



A group of moral principles or set of values that define or direct us to the right choice



the way we do things around here'

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Why is it important?

- Crucial to the success of an organisation
- Good ethical governance cannot be achieved by rules and procedures alone
- A culture that places the public and integrity at the heart of its business
- One key area of the CIPFA / SOLACE 'Delivering Good Governance in Local Government: Framework' – published in April 2016 (the Framework) is demonstrating the 'ethical mind set' in how decisions are made

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Why is it important?



Birmingham council leader John Clancy quits over bin strike and admits 'mistakes'

Sky News



Sunderland City Council 'failures' contributed to child harm



Paradise Papers: Tax haven secrets of ultra-rich exposed

BBC



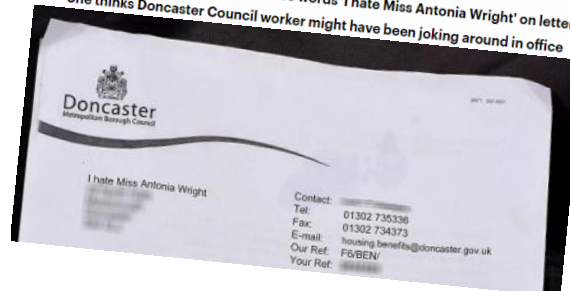
A "collective failure of leadership" at a Bristol city council led to a £29m deficit in its finances, a report has found.



Grenfell Tower

Mother-of-one, 19, blasts council for sending her a letter with 'I hate you' written on it

- Antonia Wright was shocked to see words 'I hate Miss Antonia Wright' on letter
- She thinks Doncaster Council worker might have been joking around in office



Lincolnshire
COUNTY COUNCIL
Working for a better future

CLLr jailed for redrawing the map

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Why is it important?



Carillion



Cash-strapped Northamptonshire County Council has spent almost £50,000 on flights in three years - including £9,000 on trips to Jamaica.

Gainsborough town councillor and pub owner among group convicted of drug charges



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Definition

**'Doing the right things in the right way –
putting the public interest in decision making at
all times'**

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"If management is about running the business – governance is about seeing that it is run properly"

Robert Tricker. An expert in Corporate Governance •

Definition

It means:

- **Reflecting the organisations values** – the principles and standards underpinning the way we interact with others to support excellent service delivery
- **Behaviour** – the way we conduct ourselves and act out those values as part of our day to day functions in business operations and service delivery (the 10 principles of public life). How this is perceived by colleagues, members of the public, partners, suppliers and the media

Good Governance – achieving business success by having the good systems and processes in place to run the Council well

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Definition – A Learning Culture

It means distinguishing between:

- **Simple mistakes or errors** – individuals should not be ‘blamed’ for things going wrong but they should be held accountable for their actions and learn from mistakes
- **Risky behaviour** – having a strong risk and control culture. Clearly understanding your risks and their potential impact. Where risk decisions need to be improved then individuals should be coached and educated to be more careful
- **Reckless behaviour** – systems and processes set up to encourage people to comply but where they deliberately over-ride controls – action is taken

Assurance Lincolnshire's Approach



- Consultancy engagement
- Phase One – Health Check
 - Benchmark current structures, processes, values and systems put in place and then compared these current governance arrangements to the Framework
- Phase Two –Governance Review
 - The Senior Leadership Team have prime responsibility for defining and analysing organisational culture by promoting good ethics and values – this review aims to provide them with some insight on this. How the governance arrangements work in practice – the Culture

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Assurance Lincolnshire's Approach

Phase One

- Annual Governance Statement development
- Benchmarked against CIPFA / SOLACE 'Delivering Good Governance in Local Government: Framework' – published in April 2016
 - Principle A - Integrity & Values
 - Principle B - Openness & Engagement
 - Principle C - Making a difference
 - Principle D - Working together
 - Principle E - Capability
 - Principle F - Managing risk & performance
 - Principle G - Transparency & accountability

Assurance Lincolnshire's Approach

Phase Two - Governance Review

- Review Sponsor to help smooth the way – a Senior Officer and Member
- Survey – Employee and Members
- Data analytics
- Discussions with key stakeholders
- Focus Group(s)
- Measuring Success - Ethical Maturity Model

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Assurance Lincolnshire's Approach

Survey questions around

- Behaviour
- Understanding of policies
- Scenarios

Discussions with Key Stakeholders

- Leader and Chairman of key committees
- Senior Leadership Team
- Other key stakeholders (key suppliers / partners (agreed with review sponsors))

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Assurance Lincolnshire's Approach

Data Analytics – by examining the intelligence and information the following tells us about 'how you do your business', for example:

- Policies and Procedures
- Complaints / Ombudsman
- Residents surveys
- Monitoring Officer annual report
- Management oversight
- HR data
- Register of interests
- Gifts and hospitality
- Peer reviews
- Employee surveys

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Assurance Lincolnshire's Approach

Focus Group

- Working with service / operational management groups to research and obtain their perceptions, opinions, beliefs and attitudes around the 'ethical mind-set' on how you do your business and make decisions.

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This will aim to test out the 'tone from the top' and how the Council delivers its intended outcomes / results while acting to its core values and in the Public Interest at all Times.

Assurance Lincolnshire's Approach

Measuring success

- We have developed a 'maturity model' to enable us to measure and evaluate the Council against a recognised achievement level - this is based on recognised good practice standards but focusses on the CIPFA Good Governance Principle A – Integrity & Values:-

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Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law'

Assurance Lincolnshire's Approach

Maturity Model

The Model tests the extent to which ethics is having a positive effect on the organisation – with the ethical maturity being assessed at one of five levels:

- Leadership & management

- People

- Processes and Procedures

- Culture, Values and Consistency

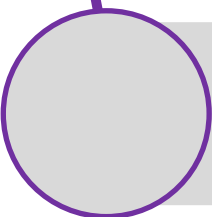
- Assurance and Accountability

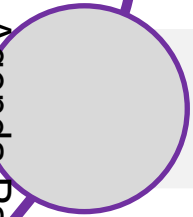
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Level 1 Emerging	Ethical framework is emerging within the organisation
Level 2 Happening	Ethical framework is happening within the organisation
Level 3 Working	Ethical framework is working for the organisation
Level 4 Embedded & working	Ethics framework is embedded and integrated within the organisation
Level 5 Driving	Ethical framework is driving the organisation

Outcomes

 **Results** of focus group discussions will help inform our evaluation of Council's governance arrangements

 **Report** – brings it all together measuring arrangements against best practice maturity model and suggesting any areas for improvement

 **Presentations** – Senior Leadership Team and Audit & Accounts Committee

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Thank You

Presented by: Lucy Pledge – Head of Audit

Assurance Lincolnshire

Lincolnshire County Council

Contact Details: lucy.pledge@lincolnshire.gov.uk

<https://www.lincolnshire.gov.uk/assurance-lincolnshire/>



For All Your Assurance Needs

Internal Audit Review of Newark & Sherwood District Council Culture and Values Health Check

Purpose of the review:

To provide assurance that the Council's arrangements around culture and values meet good practice and are embedded into the ethical culture.

Available time:

Budget – 10 days

Plan of work

Estimated Start	Task	Responsibility	Complete by
Nov 2019	Review questions to be added to the Staff Questionnaire	FK & LP	
Nov 2019	Agree Councillor Champion for the review	KW & LP	
Jan 2020	Review and assess processes against the Good Governance Framework.	AH	
Feb 2020	Staff survey circulated and analysed – results from related questions received.	FK, LP & AH	
Feb 2020	Business Managers Focus Group – 1.5hrs	PA's to arrange. LP & AH	
Feb 2020	Individual interviews with:- <ul style="list-style-type: none"> • Chief Executive • Leader • Chair of Committees • Other Stakeholders See draft schedule. Write up, analyse and undertake any follow up.	PA's to arrange. LP	
Feb 2020	Examination of the intelligence information around the:- <ul style="list-style-type: none"> • Policies and Procedures • Complaints • Management Oversight • HR Data • Register of Interests • Gifts and Hospitality 	AH	

	<ul style="list-style-type: none"> Managing Conflict of Interest 		
Mar 2020	SLT Focus Group meeting	PA's to arrange. LP & AH	
Mar 2020	Discussion on findings LP & AH Follow up further work findings and Draft report	LP & AH	
April 2020	Discussion on findings with Chief Executive and Champion	LP & AH	
April 2020	Draft report, Closure meetings and adjust report	LP & AH	
May 2020	Issue final report	LP & AH	

Proposed Individual Interviews

Position	Name	Date	Auditor
Staff			
Chief Executive	Mr John Robinson		
Committee Members			
Leader and Policy & Finance Committee Chair	Cllr David Lloyd		
Chairman	Cllr Rob Crowe		
Homes and Communities Committee Chair	Cllr Tim Wendels		
Leisure & Environment Committee and Planning Committee Chair	Cllr Roger Jackson		
Economic Development Committee Chair	Cllr Keith Girling		
Licensing Committee and General Purposes Committee Chair	Cllr Rita Crowe		
Audit and Accounts Committee Chair	Cllr Sylvia Michael		
Partners			
None			

AUDIT AND ACCOUNTS COMMITTEE

27TH NOVEMBER 2019

TREASURY MANAGEMENT 2019-20 MID YEAR REPORT

1. Purpose of Report

1.1. This report provides an update on the Council's treasury activity and prudential indicators for the first half of 2019/20.

2. Summary of Treasury Balances as at 30 September 2019

2.1. Below is a summary of the Councils borrowing position as at 30 September 2019, further information at section 6.

	Balance on 30/09/2019 £m
Total Borrowings	95.243
Total Other Long Term Liabilities	0.224
TOTAL EXTERNAL DEBT	95.467

2.2. Below is a summary of the Councils investment position as at 30 September 2019, further information at section 7.

	Balance on 30/09/2019 £m
Total Short term Investments	39.947
Total Long term Investments	4.000
TOTAL INVESTMENTS	43.947

2.3. Below is a summary of the Councils capital expenditure position as at 30 September 2019, further breakdown at section 5.

Capital Expenditure	2019/20 Initial Capital Budget £m	Current Expenditure 30/09/2019 £m	2019/20 Revised Estimate £m
General Fund Expenditure	15.048	6.567	15.696
HRA Expenditure	16.439	8.252	17.173
Total Capital Expenditure	31.487	14.819	32.869

2.4. **Breach of Indicator**, the Council can confirm one indicator was breached during the first half of 2019/20, the limit on the Council's monies left in their bank account was breached for one day, full details at section 9.1.

3. Introduction

- 3.1. This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017). The primary requirements of the Code are as follows:
- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 - Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 - Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
 - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 - Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit and Accounts Committee.
- 3.2. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the first part of the 2019/20 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
 - A review of the Council's investment portfolio for 2019/20;
 - A review of the Council's borrowing strategy for 2019/20;
 - A review of any debt rescheduling undertaken during 2019/20;
 - A review of compliance with Treasury and Prudential Limits for 2019/20.
- 3.3. Treasury Management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 3.4. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

4. Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy update

4.1. The Treasury Management Strategy Statement (TMSS) for 2019/20 was approved by Full Council on 7 March 2019. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5. The Council's Capital Position

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1. The table below shows the revised estimates for capital expenditure and the changes since the Capital Programme was agreed within the Capital Programme budget on 7 March 2019.

Capital Expenditure	2019/20 Capital Budget approved 7 March 2019 £m	Current Expenditure £m	2019/20 Revised Estimate £m
General Fund Expenditure	15.048	6.567	15.696
HRA Expenditure	16.439	8.252	17.173
Total Capital Expenditure	31.487	14.819	32.869
Financed by:			
Capital Receipts	5.787		5.547
Capital Grants	5.366		7.209
Capital Reserves	8.507		9.167
Revenue	6.930		5.047
Total Financing	26.590		26.970
Borrowing Requirement	4.897		5.899

The financing of the Capital Programme will be determined by the S151 Officer at the year-end based on best use of resources.

The increase from the Budget approved 7 March 2019 relates to approved capital carry forward requests and approved variations to the capital programme.

5.2. The Council has an increasing CFR over the next 2 years due to the Capital Programme and there may be a requirement to borrow up to £18.2m over the forecast period. However, if reserve levels permit, internal borrowing will be considered.

6. Borrowing Strategy

6.1. At 30 September 2019 the Council held £95m of loans, as part of its strategy for funding previous years' capital programmes.

6.2. **Borrowing Activity in 2019/20**

	General Fund		HRA	
	Balance on 01/04/2019 £m	Balance on 30/09/2019 £m	Balance on 01/04/2019 £m	Balance on 30/09/2019 £m
Short Term Borrowing	4.983	5.174	2.000	2.000
Long Term Borrowing	0	0	88.080	88.068
TOTAL BORROWING	4.983	5.174	90.080	90.068
Other Long Term Liabilities	0.224	0.224	0	0
TOTAL EXTERNAL DEBT	5.207	5.398	90.080	90.068
CFR	26.632	24.815	105.983	105.006
Under / (over) borrowing	21.425	19.417	15.903	14.938

6.3. As the Council is in a significant under borrowed position, as per the table in 6.2, there may be a requirement during the remainder of the financial year where new borrowing is required. Any new borrowing will be within the approved Treasury Management Borrowing Strategy framework and will have been reviewed by the S151 Officer for cost effectiveness as whether to borrow shorter term or long term in relation to interest rate forecasts.

6.4. **PWLB Increase Update:** On 9 October 2019 the Treasury and PWLB announced an increase in the margin over gilt yields of 100bps on top of the current margin of 80 bps which the Council has paid prior to this date for new borrowing from the PWLB. There was no prior warning that this would happen and it now means that every local authority has to fundamentally reassess how to finance their external borrowing needs and the financial viability of capital projects in their capital programme due to this unexpected increase in the cost of borrowing. Representations are going to be made to HM Treasury to suggest that areas of capital expenditure that the Government are keen to see move forward e.g. housing, should not be subject to such a large increase in borrowing.

6.5. **LOBOs:** The Council holds £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 at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of the £3.5m of LOBOS had options during the last 6 months, none of which were exercised by the lender. The Council acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

6.6. **Internal borrowing:** For the Council, the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding of capital expenditure that has not been funded from grants and other resources. This has lowered overall treasury risk by reducing both external debt and temporary investments. However this position will not be

sustainable over the medium term as the Council needs to use reserves for the purpose they were set aside for, and external borrowing may need to be undertaken.

- 6.7. **Debt rescheduling:** The premium charge for early repayment of PWLB debt remains relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken or is proposed during the rest of the financial year as a consequence.

7. Investment Activity

- 7.1. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a return commensurate with these principles.

7.2. Investment Activity in 2019/20

Type of Investment	Balance on 01/04/2019 £m	Balance on 30/09/2019 £m	Average Interest Rate
Short term Investments			
<i>Fixed Term Deposits:</i>			
Santander	5.000	5.000	0.40%
Lloyds 95 Day Notice	4.900	4.900	0.95%
<i>Money Market Funds:</i>			
Goldman Sachs	9.789	9.684	0.69%
Deutsche Bank	1.545	2.344	0.66%
Invesco	10.000	9.978	0.74%
CCLA	10.000	6.000	0.78%
<i>Bank Call Account:</i>			
Handelsbanken	0.136	2.041	0.50%
Total Short Term Investments	41.370	39.947	
Long term Investments	0	0	
CCLA Property Fund	0	2.000	4.00%
CCLA Diversified Income Fund	0	2.000	3.00%
Total Long Term Investments	0	4.000	
TOTAL INVESTMENTS	41.370	43.947	
Increase/ (Decrease) in Investments		2.577	

- 7.3. 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.
- 7.4. The Council's budgeted investment return for 2019/20 is £0.369m, and performance for the year to date is in line with the budget.

8. Non-Treasury Investments

- 8.1. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return or regeneration purposes. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return or regeneration purposes.
- 8.2. Breakdown below of current Non-Treasury Investments held;

Counterparty	Balance at 30/09/2019
Growth Investment Fund	£419,222
Loans to Housing Associations	£21,108
Loans to Parish Councils	£17,322

These investments are due to generate £0.015m of investment income for the Council after taking account of direct costs, representing a rate of return of 5.22%.

9. Prudential Indicators

Breach of Indicators

- 9.1. The Council can confirm that the set limit of monies to be left in the Councils bank account is £0.500m, however on 1 August 2019 this limited was breached for one day. This was due to staff holidays and the switching of staffing roles which resulted in there only being one available authoriser, whereas for payments over £0.050m two authorisers are required. The following day there was a large payment for housing benefits which brought the balance back below the limit. The rest of Prudential Indicators for 2019/20, which was set on 7 March 2019 as part of the Council's Treasury Management Strategy Statement, have been complied with.

Limit To Borrowing Activity

- 9.2. **Authorised Limit and Operational Boundary for External Debt.** The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The s151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2019/20.

	Approved Operational Boundary 2019/20 £m	Authorised Limit 2019/20 £m	Actual External Debt 30/09/2019 £m	Compliance
Borrowing	137.6	142.6	95.2	Yes
Other Long Term Liabilities	0.4	0.6	0.2	Yes
Total	138.0	143.2	95.4	Yes

- 9.3. **Maturity Structure of Fixed Rate Borrowing.** This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Upper Limit %	Actual at 30/09/2019 £	Actual at 30/09/2019 %	Compliance
Under 12 months	15%	£2.0m	2.2%	Yes
12-24 months	15%	£4.0m	4.4%	Yes
2-5 years	30%	£16.0m	17.7%	Yes
5-10 years	100%	£25.1m	27.9%	Yes
Over 10 years	100%	£43.0m	47.8%	Yes

Limits to Investing Activity

- 9.4. **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.

Credit risk indicator	Target	Actual	Compliance
Portfolio average credit rating	A	AA	Yes

- 9.5. **Liquidity Risk Indicator.** 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 banding period, without additional borrowing.

Total cash available within;	Limit	Actual 30/09/2019	Compliance
3 months	100%	68%	Yes
3 – 12 months	80%	23%	Yes
Over 12 months	40%	9%	Yes

- 9.6. **Principal Sums Invested for over 364 Days.** 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

	Price Risk Limit 2019/20	Actual Investment 30/09/2019	Compliance
Limit on principal invested beyond year end	£10m	£4m	Yes

Limits to Capital Activity

9.7. **Capital Financing Requirement.** The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose.

	2019/20 Original Estimate £m	2019/20 Revised Estimate £m
CFR – non housing	26.632	24.815
CFR – housing	105.983	105.006
Total CFR	132.615	129.821
Net movement in CFR		-2.794

9.8. **Capital Financing Costs to Net Revenue Stream.** Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2019/20 Original Estimate £m	2019/20 Revised Estimate £m
General Fund		
Financing Costs	-0.047	-0.106
Proportion of net revenue stream	-0.33%	-0.81%
Housing Revenue Account		
Financing Costs	11,758	11,758
Proportion of net rental stream	51.37%	51.37%

10. Economic Background/Interest Rate Forecast

10.1. **Appendix A and Appendix B** gives a summarised outlook for the economic background and interest rate forecast from our Treasury Consultants, Link.

11. RECOMMENDATIONS that:-

- (a) the treasury management activity be noted and recommend to Full Council on 17 December; and
- (b) the Prudential Indicators detailed in Section 9 of the report be noted.

Background Papers

Nil.

For further information please contact Andrew Snape, Assistant Business Manager – Financial Services on extension 5523.

N Wilson
Business Manager Financial Services

Economics Update

UK. This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU then it is possible that growth could recover relatively quickly. The MPC could then need to address the issue of whether to raise Bank Rate at some point in the coming year when there is little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

The first half of 2019/20 has seen UK **economic growth** fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the **labour market**, despite the contraction in quarterly GDP growth of -0.2% q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with

suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the **political arena**, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening. The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of

TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transshipping exports through other countries, rather than directly to the US.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

Interest Rate Forecasts

The Council’s treasury advisor, Link Asset Services, has provided the following forecast. This forecast includes the increase in margin over gilt yields of 100bps introduced on 9.10.19.

Link Asset Services Interest Rate View										
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That’s shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a “gradual pace and to a limited extent” is now also conditional on “some recovery in global growth”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

Bond yields / PWLB rates. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

What we saw during the last half year up to 30 September is a near halving of longer term PWLB rates to completely unprecedented historic low levels. (See paragraph 7 for comments on the increase in margin over gilt yields of 100bps introduced on 9.10.19.) There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but due to a correlation between US treasuries and UK gilts, which at various times has been strong but at other times weaker, in the UK. However, forecasting the timing of this and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt fuelled boom which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similar to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could, therefore, over or under-do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian

bonds. Only time will tell whether this new unlikely alliance of two very different parties will endure.

- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

AUDIT AND ACCOUNTS COMMITTEE

27 NOVEMBER 2019

EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2018/19

1.0 Purpose of Report

- 1.1 To present the External Auditor's Annual Audit Letter for 2018/19 for Newark & Sherwood District Council.
- 1.2 The Annual Audit Letter summarises the key findings from the external audit work carried out by Mazars in 2018/19. It covers the 2018/19 Statement of Accounts and the Value for Money conclusion for the same year.

2.0 Background Information

- 2.1 Mazars presented details of the findings from the audit of the 2018/19 financial statements in their Audit Completion Report at the 24th July 2019 meeting of the Audit & Accounts Committee, and informed Members that they proposed to give an unqualified opinion on the statements.
- 2.2 At the same meeting Mazars also proposed to issue an unqualified opinion on the council's arrangements to secure economy, efficiency and effectiveness – the Value for Money (VfM) conclusion.
- 2.3 Unqualified audit opinions for both of these pieces of work were issued on 31st July 2019.

3.0 RECOMMENDATIONS that:-

The Committee consider the External Auditor's Annual Audit Letter for 2018/19

Background Papers

External Auditor's Annual Governance Report 2018/19
N&SDC 2018/19 Opinion and Value for Money Conclusion

For further information please contact David Hoose, Partner Mazars on 0115 9644744.

Nick Wilson
Business Manager – Financial Services



Annual Audit Letter

Newark and Sherwood District Council
Year ending 31 March 2019





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1. Executive summary
2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

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 and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Newark and Sherwood District Council for the year ended 31 March 2019. Although this letter 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 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that:</p> <ul style="list-style-type: none">• The other information in the Statement of Accounts is consistent with the audited financial statements.
Value for Money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

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 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 31 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit and Accounts Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the main financial statements for the year ended 31 March 2019. A slightly higher materiality level applies for the group accounts.

Financial statement materiality	Our financial statement materiality is based on 2% of Gross Revenue Expenditure at a Surplus/Deficit on Provision of Services level	£1,831k
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£55k
Specific materiality	<p>We applied a lower level of materiality to the following areas of the accounts:</p> <ul style="list-style-type: none"> • Officers Remuneration • Termination Payments • Members Allowances • Audit Fee 	<p>£5,000 per individual officer</p> <p>£12k</p> <p>£50k</p> <p>£11k</p>

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2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our response to significant risks

As part of our continuous planning procedures, we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Accounts Committee in our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls</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>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • Documenting our understanding of the processes and controls in place to mitigate the risks identified; • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Evaluating the business rationale for any significant transactions outside the course of the business; • Understanding the oversight given by those charged with governance of management processes over fraud; • Making enquiries of management and Internal Audit regarding actual or any suspicions of fraud; and • Considering whether the Council's accounting policies are consistent with industry standards. 	<p>There were no matters arising from our work on management override of controls</p>
<p>Valuation of property, plant and equipment</p> <p>The Council's accounts contain material balances relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to the high degree of estimation uncertainty associated with those held at valuation, we determined there was a significant audit risk in this area.</p>	<p>We addressed this risk through:</p> <ul style="list-style-type: none"> • Reconciling valuations from the valuer's report to those recorded in the Fixed Asset Register; • Testing a sample of assets valued during the year to valuation reports; • Where material, testing the basis for impairment of assets, the value and correct accounting treatment; • Critically assessing the Council's valuer's scope of work and methodology used; and • Considering the impact of any assets not valued during the year. 	<p>There were no significant issues arising from our work and we were satisfied the valuation of property, plant and equipment was materially correct.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Identified significant risk	Our response	Our findings and conclusions
<p>Defined benefit liability valuation</p> <p>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses 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 determined there was a significant risk in this area.</p>	<p>We addressed this risk through:</p> <ul style="list-style-type: none"> • Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by the consulting actuary engaged by the National Audit Office; • Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. • Critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham; • Liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. 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; and • Performing a walkthrough of payroll transactions at the Council to understand how pension contributions which are deducted and paid to the Pension Fund by the Council. 	<p>Our work provided the assurance sought and we were satisfied the local government pensions liability was not materially misstated. All local authorities have been affected by an accounting issue that impacts the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) have created uncertainty over whether pension liabilities are fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council, as with nearly all local authorities in England, prepared the financial statements on this basis. In our view, these cases give rise to at least a constructive obligation, which is required to be recognised under IAS 19. As a result the Council obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues which necessitated extra audit work above that originally envisaged.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Description of deficiency	<u>Fixed asset additions</u> Our testing of fixed asset additions identified capital expenditure of £42k against one asset that had been recognised in both 2017/18 and 2018/19. This was due to an address duplication of the information provided by Newark and Sherwood Homes in 2018/19, as the second amount of £42k should have been allocated to a different property address. While this is a control deficiency, there is no financial impact as the works have been included in the asset register and then revalued down to nil.
Potential effects	Assets could be overstated where assets are not revalued to nil.
Recommendation	The Council should ensure that fixed asset additions are recognised in the correct year.
Management response	While there is no overall financial impact of this recommendation, a comparison will be completed with the information provided by Newark and Sherwood Homes at the end of the financial year to make sure no properties are duplicated as above.

3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion

Unqualified

Our approach to Value for Money

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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people'. To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

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

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Completion Report, we reported that we had identified a single significant Value for Money risk. The work we completed in relation to the significant audit risks is outlined on the following page, which supported our auditor's report, issued to the Council on 31 July 2019, that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019.

3. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

Risk	Work undertaken	Conclusion
<p>The Authority has been successful in reducing its net budget requirement significantly over the previous seven years and has set a balanced budget for 2018/19. Projections show an underspend against budget of around £600k for the financial year. In response to falling central government funding levels and increases in service demands, the Authority has established an efficiency programme which has delivered savings of almost £6 million since 2010/11. The medium term financial plan, covering the period to 2022/23, shows a balanced budget for each of the years covered by the plan. However, this is based on a number of assumptions around inflation, business rates income and council tax increases. Sensitivity analysis against the assumptions indicates that there will be a need to make savings of up to £2.6 million over the period of the medium term financial plan. The Council's budget gap in future years will be partly met from savings on ongoing schemes but there is also a need to develop new revenue streams. The Authority has developed a Commercialisation Strategy and an Investment Strategy which aim to drive the generation of new income and the initiatives which derive from these strategies will be crucial in bridging the budget gap whilst meeting the Authority's strategic priorities.</p>	<p>We have critically reviewed whether the Council has:</p> <ul style="list-style-type: none"> • Used reasonable assumptions in the development of its medium term financial plan; • Considered any changes in the accounting and regulatory environment within any sensitivity analysis conducted as part of its investment decision making process; and • Ensured that Members have sufficient expertise to understand the process and decisions that they have ultimate responsibility for approving. 	<p>Having completed our planned procedures, we are satisfied that the Council has adequate arrangements for securing economy, efficiency and effectiveness in its use of resources. It has a robust Medium Term Financial Plan (MTFP) and has clearly presented the financial challenges facing the organisation and the sector. It has laid out plans for the next three years, including potential budget gaps. Specifically, the MTFP details the assumptions which have been made in developing the Plan and these are reasonable and well-articulated. These include:</p> <ul style="list-style-type: none"> • Salary and inflationary increases • Council tax • Business rates and levels of provision for appeals • Levels of Government funding including Revenue Support Grant, Business Rates Retention and New Homes Bonus <p>The MTFP includes a sensitivity analysis which models the effect of any changes in assumptions on major areas of income and expenditure for example council tax, business rates, fees and charges and salaries. It also highlights areas where outcomes are still unknown such as changes in national and local policy and the results of the Fair Funding review. The MTFP also shows where the budget reductions have come from in 2018/19 and 2019/20.</p>

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
		<p>The Council has a well-established decision making structure and arrangements for Member involvement in the financial and investment decisions of the organisation. Reports to Members include clear information on future plans, in year financial performance, treasury management activities and performance, investment decisions and plans. There is no evidence to suggest that Members have not been given the relevant information to make informed decisions on financial and investment issues. The Council's Investment Strategy confirms its commitment to ensuring that Officers and Members are provided with the right capacity, skills and information to make investment decisions.</p> <p>The 2018/19 year end position was a £0.323 million surplus against service budgets, with a total underspend variance of £1.957 million, enabling the Council to make a transfer to usable reserves of £3.375 million. This further strengthened the Council's already strong position with regard to reserves, taking usable reserves to £53 million overall with general fund reserves of £1.5 million and earmarked reserves of £25 million within this balance. The Council is therefore in a good position but will need to keep the emphasis on its commercialisation and investment decisions in order to bridge the gap in funding for future years.</p>

4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Consistent
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- Issue a report in the public interest
- Make a referral to the Secretary of State where we believe that a decision has led to, or would lead to, unlawful expenditure, or an action has been, or would be unlawful and likely to cause a loss or deficiency; and
- Make written recommendations to the Council which must be responded to publicly.

We have not exercised any of these statutory reporting powers.

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

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO in accordance with their deadline.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit and Accounts Committee in March 2019.

Having completed our work for the 2018/19 financial year, we can confirm that our final fees are as follows:

Area of work	2018/19 proposed fee	2018/19 final fee
Delivery of audit work under the NAO Code of Audit Practice	£37,213	£37,213
Total	£37,213	£37,213

Fees for other work

We have completed our work for the 2018/19 financial year, but at the time of producing this report, we have not yet finalised our audit fees for the year. As described on page 5, we carried out additional audit work to address the risk of material misstatement on the Council's pension liability, arising from the actuarial impact of GMP and McCloud, resulting in an additional fee of £750. This fee variation requires the approval of Public Sector Audit Appointments Limited, before finalising the audit fee.

Fees for non PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence.

Area of work	2018/19 proposed fee	2018/19 final fee
Housing benefit subsidy assurance	£5,500	£TBC
HCA compliance	£850 per scheme	£TBC

6. FORWARD LOOK

Audit Developments

Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code/>).

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

Financial Resilience

Fair Funding Review

The Council will need to incorporate the outcome of the Spending Review, due in the latter half of 2019, to its Medium Term Financial Plan. The Spending Review will set out the department allocations for 2020/21 and potentially beyond. Regardless of the timing and period covered by the Spending Review, the Council recognises the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. It must, therefore, ensure it clarifies and quantifies how it will bridge the funding gap through planned expenditure reductions and/ or income generation schemes.

Local Authority Financial Resilience Index

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

Commercialisation

The National Audit Office will be publishing a report on Commercialisation during 2019. Depending on the Council's appetite for Commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published on 23 July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. As a result, we expect local authorities to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property; and
- the arrangements for loan repayment through the updated Statutory Guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

Financial Reporting

UK Local Government Annual Accounts

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest practitioners also voice their opinion.

Lease accounting

The implementation of IFRS 16 Leases in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.

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6. FORWARD LOOK (CONTINUED)

Next year's audit and how we will work with the Council

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to support the Council by:

- continued liaison with the Council's Internal Auditors to minimise duplication of work;
- attending Audit and Accounts Committee meetings and presenting an Audit Progress Report including updates on regional and national developments; and
- hosting events for staff, such as our Local Government Accounts workshop.

We will meet with the Council to identify any learning from the 2018/19 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

The Council has taken a positive and constructive approach to our audit and we wish to thank Members and officers for their support and co-operation during our audit.

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AUDIT & ACCOUNTS COMMITTEE
27 NOVEMBER 2019

COUNTER-FRAUD ACTIVITIES FROM 1 APRIL 2019 TO 31 OCTOBER 2019

1.0 Purpose of Report

1.1 To inform Members of counter-fraud activity undertaken since the last update reported on 28 November 2018.

2.0 Background Information

2.1 An element of the role of the Audit & Accounts Committee is to provide assurance to the Council that its anti-fraud arrangements are operating effectively. In order to do this, counter-fraud activity reports are brought to the Committee twice a year. These reports detail the number of cases detected, amounts lost, the outcome of cases and amounts recovered, together with any other counter fraud work that has been undertaken.

3.0 Counter Fraud Detection

3.1 The Housing Benefit fraud team was transferred to the Fraud and Error Service at the Department for Works and Pensions on 1 December 2015.

3.2 Any housing benefit cases identified as potentially fraudulent are referred to the Fraud and Error Service at the DWP for investigation.

3.3 Referral procedures have been established and since 1 December 2015, **212** potentially fraudulent claims for housing benefit have been referred to the Fraud and Error Service for investigation.

4.0 Other Counter-Fraud Work

4.1 At the July meeting of this Committee the Internal Audit progress report for Q4 2018/19 was presented which included the Counter Fraud internal audit. This audit gained substantial assurance, but two recommendations were made:

- To ensure that all documents reflect the actual handling processes of housing benefit fraud
- To update the telephone number on the internet and intranet for whistleblowing reports.

Both of these recommendations have subsequently been actioned.

4.2 Other actions that have been completed linked to Counter Fraud work are:

- Contract Procedure Rules have been updated to reflect the service provided by Welland Procurement rather than an in-house function
- The Commercialisation Business Unit has begun to review a selection of key contracts to ensure that contracts are being enforced where applicable

5.0 The National Fraud Initiative (NFI)

- 5.1 The National Fraud Initiative (NFI) is a data-matching exercise where electronic data is collected from numerous agencies including police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The data collection is carried out by the Cabinet Office and is reviewed for any matches that might reveal fraudulent activity. e.g. a record of a person's death exists, but that person is still claiming state pension. The potential matches are sent to individual bodies for investigation to check if there is another, innocent explanation. Most data sets are currently submitted every two years, apart from single person discount data which is submitted every year.
- 5.2 During 2019/20 1,418 Council Tax the single person discount awards were investigated. Of the matches generated by NFI, 173 cases of suspected fraud were identified amounting to £55,115.03.
- 5.3 In addition to single person discount, a number of other data sets are currently being reviewed in this round of NFI including:- housing benefit awards, localised Council Tax support awards, taxi and alcohol licences, Council house tenancy records, and Council payroll records.
- 5.4 Through the other data sets mentioned in paragraph 5.3, no cases of suspected fraud have been identified although this is still work in progress.
- 5.5 The 2019/20 exercise commenced in February 2019 following the release of the single person discount matching data. This exercise comprises of Accounts Payable, Payroll, Personal Alcohol licences, Taxi drivers licences, Right to buy, Housing tenants, Housing waiting list, Housing benefits, Council Tax reduction scheme, Single person discounts and the Electoral roll.

6.0 Future Counter Fraud Work

- 7.1 Work is ongoing to identify proactive counter-fraud work that can be undertaken. This work will be carried out in conjunction with Assurance Lincolnshire.

8.0 Equalities Implications

- 8.1 There are no equality implications, as all cases of fraud and error are investigated, regardless of the characteristics of the persons involved.

9.0 Financial Implications (FIN19-20/399)

- 9.1 Overpayments can be a serious drain on the Council's resources, whether due to fraud or error. Work undertaken to prevent and detect fraud and error and to reclaim overpayments can support the Councils' budget at a time of funding cuts.
- 9.2 Funding for counter-fraud work can be found from savings made in the cost of external and internal audit.

10.0 Financial Comments

- 10.1 It is important that the Council establishes and maintains robust referral mechanisms with the Fraud and Error Service to ensure that potentially fraudulent housing benefit claims continue to be investigated and that sanction activity continues to take place to act as a deterrent.
- 10.2 Publicity is important as a deterrent, and controls in place must be maintained to detect and prevent potential frauds.
- 10.3 The NFI data matching exercise requires resources to investigate the potential matches, and it is a government requirement that Councils take part.

11.0 RECOMMENDATION

That Members note the content of the report.

Reason for Recommendations

To promote a strong counter-fraud culture, it is important that Members are aware of the Council's response to fraud and the results of any actions taken.

Background Papers

Fighting Fraud & Corruption Locally Strategy – available on the Council's website

For further information please contact Nick Wilson, Business Manager - Financial Services on Ext 5317

Nick Wilson
Business Manager - Financial Services

AUDIT & ACCOUNTS COMMITTEE
27 NOVEMBER 2019

RESULTS OF THE ASSESSMENT OF EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION

1.0 Purpose of Report

1.1 To inform the members of the Audit & Accounts Committee of the results of the recent assessment of the effectiveness of the Internal Audit function including a self-assessment of the Committee.

2.0 Background Information

2.1 In 2015, the Public Sector Internal Audit Standards (PSIAS) were updated. One of the requirements of the PSIAS is that a regular review of the effectiveness of the Internal Audit function is carried out based on:

- i. an assessment of conformity to the Standards and the Local Government Advisory Note (LGAN);
- ii. an assessment of the performance of internal audit work and whether the aims and objectives set out in the Internal Audit Strategy have been achieved;
- iii. an assessment of progress with delivery of the annual audit plan.

2.2 A second requirement is that a self-assessment of the effectiveness of the Audit & Accounts Committee is carried out.

2.3 At the meeting of the Audit & Accounts Committee held on 26th July 2017, the Committee considered a report which reviewed the effectiveness of the Internal Audit function and the self-assessment of the Audit and Accounts Committee.

2.4 The review into the effectiveness of the Internal Audit function considered the results of the independent external assessment of the Internal Audit function against the PSIAS and the LGAN, which had been carried out by CIPFA during the latter half of 2016. The group considered the report and agreed that its conclusions corresponded with the Committee's experience of the Internal Audit service.

2.5 The self-assessment was undertaken using a questionnaire provided within CIPFA's Practical Guidance for Audit Committees. An action plan was created in order to ensure that the Committee conforms to the best practice guidance.

2.6 The final recommendation from the report in July 2017, was that a further review into the effectiveness of the Internal Audit function and a self-assessment of the effectiveness of the Audit and Accounts Committee be undertaken during July 2019.

3.0 Results of the Review of the Effectiveness of the Internal Audit Function July 2019

3.1 A panel was chosen, in consultation with the Chair of the Committee, which consisted of the Chair and one other Member of the Committee, to review the effectiveness of the Internal Audit function.

- 3.2 The panel considered a presentation from Lucy Pledge, Head of Internal Audit. This detailed extracts from the Internal Audit report for 2018/19, results of the self-assessment conducted by Assurance Lincolnshire against the CIPFA application note on the Public Sector Internal Audit Standards (PSIAS) and a Quality Assurance Improvement Plan (QAIP).
- 3.3 The result of the self-assessment that had been conducted by Assurance Lincolnshire regarding themselves was assessed as conforming to the Standards. The actions identified within the QAIP were therefore an acknowledgement that continuous improvement needed to take place.
- 3.4 The panel felt that based on the self-assessment results and the QAIP that is in place it was satisfied that the Internal Audit Function is working effectively.

4.0 Results of the Self-Assessment of the Effectiveness of the Audit & Accounts Committee July 2019

- 4.1 The self-assessment was undertaken using a questionnaire provided within CIPFA's Practical Guidance for Audit Committees. The self-assessment was facilitated by the Head of Internal Audit and the Business Manager – Financial Services with the panel, as above, scoring the assessment. CIPFA's Practical Guidance for Audit Committees document was updated during 2018 and as such the self-assessment questionnaire has been revised to reflect the current guidance document. The questionnaire aims to determine whether the Audit Committee within a council meets with best practice as outlined in the guidance.
- 4.2 There were 36 questions requiring responses. For 23 of those, the group agreed that the Audit & Accounts Committee demonstrated best practice against the guidance (28 in 2017/18); there were 8 questions where the group considered that the Committee partly met the best practice (0 in 2017/18); 4 where the group considered that the Committee did not meet best practice (1 in 2017/18), and one question was not applicable to the arrangements at Newark & Sherwood District Council. A table showing the results of the questionnaire is attached at **Appendix A**.
- 4.3 For the areas assessed as either partially meeting best practice or not meeting best practice, actions have been included in the action plan attached at **Appendix B**. The group recommend that the action plan is adopted by the Committee.

5.0 Future Assessments

- 5.1 It is no longer a statutory requirement that an annual review of effectiveness be carried out, and the Audit & Accounts Committee has previously determined that an assessment should be carried out every two years. It is therefore proposed that the next self-assessment by Newark & Sherwood District Council is undertaken during July 2020.

6.0 RECOMMENDATIONS:

That the Committee:

- (a) notes the results of the review of the effectiveness of the Internal Audit Function;

- (b) notes the results of the Self-Assessment of the Effectiveness of the Audit & Accounts Committee;
- (c) adopts the action plan;
- (d) agrees that the next assessment should be undertaken in July 2020;

Background Papers

Public Sector Internal Audit Standards
Local Government Advisory Note
Audit Lincs Independent External Assessment report
Audit Lincs Quality Assurance Improvement Programme
Internal Audit Strategy
CIPFA Practical Guidance for Audit Committees

For further information please contact Nick Wilson, Business Manager – Financial Services on Ext 5317

Nick Wilson
Business Manager – Financial Services

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?	Y		
2	Does the audit committee report directly to full council? (applicable to local government only)	Y		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement?		Y	
4	Is the role and purpose of the audit committee understood and accepted across the authority?		Y	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y		
Functions of the committee				
7	Do the committee’s terms of reference explicitly address all the core areas identified in CIPFA’s Position Statement?			
	• good governance	Y		
	• assurance framework, including partnerships and collaboration arrangements		Y	
	• internal audit	Y		
	• external audit	Y		
	• financial reporting	Y		
	• risk management	Y		
	• value for money or best value	Y		

Good practice questions		Yes	Partly	No
	<ul style="list-style-type: none"> counter fraud and corruption 	Y		
	<ul style="list-style-type: none"> supporting the ethical framework 		Y	
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?		Y	
9	Has the audit committee considered the wider areas identified in CIPFA’s Position Statement and whether it would be appropriate for the committee to undertake them?	Y		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?		Y	
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y		
Membership and support				
12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> separation from the executive an appropriate mix of knowledge and skills among the membership a size of committee that is not unwieldy consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement) 	Y Y Y		Y
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?		N/A	
14	Does the chair of the committee have appropriate knowledge and skills?	Y		
15	Are arrangements in place to support the committee with briefings and training?		Y	
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			Y
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Y		
18	Is adequate secretariat and administrative support to the committee provided?	Y		

Good practice questions		Yes	Partly	No
Effectiveness of the committee				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y		
20	Are meetings effective with a good level of discussion and engagement from all the members?	Y		
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Y		
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Y		
23	Has the committee evaluated whether and how it is adding value to the organisation?			Y
24	Does the committee have an action plan to improve any areas of weakness?		Y	
25	Does the committee publish an annual report to account for its performance and explain its work?			Y

**APPENDIX B
ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL AUDIT -
ACTION PLAN**

Question	SELF ASSESSMENT AREA OF GOOD PRACTICE	CONCERN	ACTION
3	Do the Committee's terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's Position Statement	It was felt that the areas of Partnerships and Collaboration arrangements and supporting the ethical framework were not covered within the TOR for the Committee. Members also were not aware of any specific reports tabled at other Committees, which would give the Council assurance these Partnerships and collaboration arrangements were working effectively	The TOR within the constitution to be updated to include a statement referring to the review of partnership and collaboration arrangements and to review the ethical framework and consider the local code of governance. An annual partnership register report on would be tabled each July considering all Partnerships and Collaborative arrangements. The annual Standards report (that is currently tabled at Policy & Finance Committee) would also be tabled at this Committee for review. Further to this, a review into the current Governance arrangements is due to take place during Q4 of 2019/20 by Assurance Lincolnshire, which will identify any further areas of improvement
4	Is the role and purpose of the Audit and Accounts Committee understood and accepted across the authority	It was felt that it is understood by officers and in essence understood by Members	When updating the constitution for the items above, this will be re-iterated to Members regarding the roles and responsibilities of the Committee.
7	Do the Committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement (areas relating to: a) Assurance framework, including partnerships and collaboration arrangements and b) supporting the ethical framework)	It was felt that the areas of Partnerships and Collaboration arrangements and supporting the ethical framework were not covered within the TOR for the Committee. Members also were not aware of any specific reports tabled at other Committees, which would give the Council assurance these Partnerships and collaboration arrangements were working effectively	The TOR within the constitution to be updated to include a statement referring to the review of partnership and collaboration arrangements and to review the ethical framework and consider the local code of governance. An annual partnership register report on would be tabled each July considering all Partnerships and Collaborative arrangements. The annual Standards report (that is currently tabled at Policy & Finance Committee) would also be tabled at this Committee for review. Further to this, a review into the current Governance arrangements is due to take place during Q4 of 2019/20 by Assurance Lincolnshire, which will identify any further areas of improvement. It is proposed for this Committee to own this piece of work
8	Is an annual evaluation undertaken to assess whether the Committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas	It was felt that the bi-annual review of effectiveness partially meets this requirement, but does not completely conform	An annual report on the Committees performance each July will be produced to fulfill this requirement, which would be tabled at Council
10	Where coverage of core areas has been found to be limited, are plans in place to address this	At the point in time of assessing against the best practice guidance an action plan did not exist	This action plan meets this requirement
12 (d)	Consideration has been given to the inclusion of at least one independent member	It was felt that consideration of an Independent member has currently not been undertaken	A report considering the inclusion of an independent member be tabled at this Committee in February to recommend on to Councillors Commission and Council for decision
15	Are arrangements in place to support the Committee with briefings and training	The Committee receives training sessions annually during November on Treasury Management from the Council's treasury advisors and annually in May on the Council's statement of accounts from Officers. It was felt that as the membership of the Committee has recently changed, there was a training need for members in relation to the roles and responsibilities of membership of the Committee	Assurance Lincolnshire will facilitate a session during November 2019, with members of the Committee, in order to brief members on their roles and responsibilities
16	Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory	As the Committee received new members for the current financial year, it was felt that this activity is currently outstanding	As the members of the Committee have not yet had any formal training on their responsibilities (see previous item) it is proposed that during July 2020 this assessment would take place. This would then allow members to evaluate themselves against the skills framework, based on a years experience of being a member of the Committee
23	Has the Committee evaluated whether and how it is adding value to the organisation	It was felt that currently the Committee do not look at the work that they have completed each Financial year and assessed how this has enabled the organisation to meet its priorities	An annual report on the Committees performance each July will be produced to fulfill this requirement, which would be tabled at Council
24	Does the Committee have an action plan to improve any areas of weakness	At the point in time of assessing against the best practice guidance an action plan did not exist	This action plan meets this requirement
25	Does the Committee publish an annual report to account for its performance and explain its work	Currently no annual report is produced by the Committee	An annual report on the Committees performance each July will be produced to fulfill this requirement, which would be tabled at Council

AUDIT & ACCOUNTS COMMITTEE**27 NOVEMBER 2019****WORK PLAN**

Meeting at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
27 November 2019	Treasury Performance half-yearly report	Andrew Snape	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
	Internal Audit Progress Report 2019/20	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Annual Audit Letter 2018/19	TBC(Mazars)	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	Counter-Fraud Activity Report	Nick Wilson	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Results of the Review of the Assessment of Effectiveness of the Internal Audit Function	Nick Wilson	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	Responses to questions raised at previous meeting	Nick Wilson	
	Audit Committee Work Programme	Nick Wilson	
5 February 2020	Draft Treasury Strategy 2020/21	Andrew Snape	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite
	Draft Capital Strategy 2020/21	Andrew Snape	Outlines the principles and framework that shape the Council's capital proposals
	Draft Investment Strategy 2020/21	Andrew Snape	The investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government.
	Internal Audit Progress Report 2019/20	Lucy Pledge/Rachel Abbott (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate

			identified risks
	External Certification of Grant Claims and Returns 2018/19	TBC (Mazars)	Gain assurance that claims and returns have been managed appropriately,
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	Review of significant internal control issues highlighted in the Annual Governance Statement	Nick Wilson	Gain assurance that the Council is making progress on any governance issues that were raised in the AGS
	Draft Annual Internal Audit Plan 2020/21	Lucy Pledge/Rachel Abbott (Assurance Lincolnshire)	Ensure that an appropriate plan is in place which will provide assurance on the Council's activities
	Responses to questions raised at previous meeting	Nick Wilson	
	Audit Committee Work Programme	Nick Wilson	
22 April 2020	Statement of Accounting Policies	Andrew Snape	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	IAS19 Pension Assumptions	Andrew Snape	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Property, Plant and Equipment Valuation Assumptions	Andrew Snape	Gain assurance that the assumptions used by the Council's valuers to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Internal Audit Progress Report 2019/20	Lucy Pledge/Rachel Abbott (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Counter-Fraud Activity Report	Nick Wilson	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	External Audit Plan for 2019/20 Accounts	TBC (Mazars)	Ensure that an appropriate plan is in place which will provide assurance on the Council's Statement of Accounts, Value for

			Money arrangements and Grant claims
	Fraud Risk Assessment	Nick Wilson	Gain assurance that the Council understands its fraud risks and that actions are put in place to address them
	Responses to questions raised at previous meeting	Nick Wilson	
July 2020	Treasury Management Outturn Report 2019/20	Andrew Snape	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year
	External Audit Annual Governance Report 2019/20	TBC (Mazars)	To gain assurance that the Council's Statement of Accounts are a true and fair representation of the Council's financial performance for the previous financial year and financial standing as at the Balance Sheet date, and that the Council has effective arrangements for achieving Value for Money
	Statement of Accounts 2019/20 & Annual Governance Statement	Nick Wilson	Gain assurance on the integrity of financial reporting By considering the assurance gained through its activities throughout the previous year, to give assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified, and that arrangements in place support the achievement of the Council's objectives
	Annual Internal Audit Report 2019/20	Lucy Pledge/Rachel Abbott (Assurance Lincolnshire)	Gain assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified and that governance arrangements support the achievement of the Council's objectives
	Internal Audit Progress Report 2020/21	Lucy Pledge/Rachel Abbott (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks

	Internal Audit Report Process	Nick Wilson	To set a process for the internal flow of internal audit reports
	Biannual Review of the Effectiveness of the Internal Audit Function	Nick Wilson	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
	Partnership Register Report	Kate Marshall	To gain assurance that partnerships the Council are engaged with are, are working effectively.
	Audit and Accounts Committee Annual Report 2019/20	Nick Wilson	To review the work that the Committee has undertaken during the last financial year
	Audit Committee Work Programme	Nick Wilson	