



TO COUNCILLOR:

Miss P V Joshi
J Kaufman

K J Loydall (Chair)
D W Loydall

Mrs S B Morris
Dr I K Ridley

Dear Sir or Madam

I hereby **SUMMON** you to attend a meeting of the **AUDIT COMMITTEE** to be held at the **COUNCIL OFFICES, STATION ROAD, WIGSTON** on **WEDNESDAY, 30 MARCH 2022** at **6.00 PM** for the transaction of the business set out in the Agenda below.

Yours faithfully

Council Offices
Wigston
22 March 2022

Mrs Anne E Court
Chief Executive



ITEM NO.

AGENDA

PAGE NO'S

Live Stream of Meeting | Instructions

This meeting will be live streamed.

Press & Public Access:

YouTube Live Stream

A direct link to the live stream of the meeting's proceedings on the Council's YouTube Channel is below.

<https://youtu.be/HfBezwtOBnc>

1. Apologies for Absence

To receive apologies for absence from Members to determine the quorum of the meeting in accordance with Rule 7 of Part 4 of the Constitution.

2. Appointment of Substitutes

To appoint substitute Members in accordance with Rule 26 of Part 4 of the Constitution and the Substitution Procedure Rules.

3. Declarations of Interest

Members are reminded that any declaration of interest should be made having regard to the Members' Code of Conduct. In particular, Members must make

clear the nature of the interest and whether it is 'pecuniary' or 'non-pecuniary'.

- | | |
|--|----------------|
| 4. Minutes of the Previous Meeting | 4 - 5 |
| To read, confirm and sign the minutes of the previous meeting in accordance with Rule 19 of Part 4 of the Constitution. | |
| 5. Action List Arising from the Previous Meeting | |
| There was no Action List arising from the previous meeting. | |
| 6. Petitions and Deputations | |
| To receive any Petitions and, or, Deputations in accordance with Rule(s) 11 and 12 of Part 4 of the Constitution and the Petitions Procedure Rules respectively. | |
| 7. External Audit Progress Report (March 2022) | 6 - 23 |
| Report of the Finance Manager | |
| 8. Internal Audit Progress Report (March 2022) | 24 - 34 |
| Report of the Head of Finance / Deputy Section 151 Officer | |
| 9. Accounting Policies and Materiality (2021/22) | 35 - 57 |
| Report of the Finance Manager | |
| 10. Strategic Audit Plan (2022/23) | 58 - 73 |
| Report of the Head of Finance / Deputy Section 151 Officer | |

For more information, please contact:

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and audio-visual live streams and recordings electronically on:**



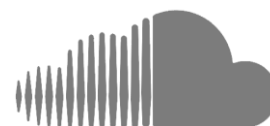
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Our audio platform **[soundcloud.com/oadbywigstonbc](https://www.soundcloud.com/oadbywigstonbc)** or smart device with the '**SoundCloud**' app

Audit Committee

Wednesday, 30 March 2022

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Agenda Item 4

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD AT THE COUNCIL
OFFICES, STATION ROAD, WIGSTON ON WEDNESDAY, 15 DECEMBER 2021
COMMENCING AT 4.00 PM**

PRESENT

K J Loydall Chair



COUNCILLORS

J Kaufman

OFFICERS IN ATTENDANCE

C Campbell Head of Finance / Deputy Section 151 Officer
A Hunt Democratic Services Officer

OTHERS IN ATTENDANCE

P Harvey Grant Thornton LLP
G Patterson Grant Thornton UK LLP
K Watkins CW Audit Services

43. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillors Miss P V Joshi, D W Loydall, Mrs S B Morris and Dr I K Ridley.

44. APPOINTMENT OF SUBSTITUTES

None.

45. DECLARATIONS OF INTEREST

None.

46. MINUTES OF THE PREVIOUS MEETING

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

The minutes of the previous meeting held on 29th September 2021 be taken as read, confirmed and signed.

47. ACTION LIST ARISING FROM THE PREVIOUS MEETING

None.

48. PETITIONS AND DEPUTATIONS

None.

49. EXTERNAL AUDIT UPDATE REPORT (Q2 2021/22)

The Committee gave consideration to the report as set out on pages 7–55 of the agenda, which asked it to note the progress of the external audit of the 2020/21 Statement of Accounts made up to 31 March 2021.

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

- (i) The Committee notes that the Unaudited 2020/21 Statement of Accounts for the year ended March 2021 are subject to an external audit with a view to being reviewed and approved at an Audit Committee later this financial year;**
- (ii) The Committee notes that the Audit Plan 2020/21 has now been issued by Grant Thornton; and**
- (iii) The Committee notes that Grant Thornton have issued a progress report on the external audit of the Council’s 2020/21 Statement of Accounts.**

50. RISK MANAGEMENT REPORT 2021/22

The Committee gave consideration to the report as set out on pages 56–70 of the agenda, which presented the Council’s Operational and Strategic Risk Registers.

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

The Operational and Strategic Risk Registers be noted.

THE MEETING CLOSED AT 5.00 PM



Chair

Wednesday, 30 March 2022

*Printed and published by Democratic Services, Oadby and Wigston Borough Council,
Council Offices, Station Road, Wigston, Leicestershire, LE18 2DR*

Agenda Item 7



Audit Committee	Wednesday, 30 March 2022	Matter for Information and Decision
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Report Title: External Audit Progress Report (March 2022)

Report Author(s): Tracy Bingham (Strategic Director S151 Officer)/Comie Campbell (Head of Finance/Deputy S151 Officer)

Purpose of Report:	To update Members on the progress of the external audit of the 2020/21 Statement of Accounts made up to the 31 March 2021
Report Summary:	<p>The Council's draft statement of accounts are required to be audited each year by set dates. There has been a temporary legislative change which gives an extension to these dates.</p> <p>Grant Thornton have provided an update on the date and timescale for auditing the Councils 2020/21 draft unaudited Statement of Accounts. These draft accounts include the Annual Governance Statement for the year ended 31 March 2021.</p>
Recommendation(s):	<p>That the Committee note:</p> <p>A. The unaudited 2020/21 Statement of Accounts for the year ended March 2021 are subject to an external audit, with a view to being reviewed and approved at the next Audit Committee.</p> <p>B. Grant Thornton have issued a progress report on the external audit of the Councils 2020/21 Statement of Accounts.</p>
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Tracy Bingham (Strategic Director / S151 Officer) (0116) 257 2690 Tracy.Bingham@oadby-wigston.gov.uk</p> <p>Comie Campbell (Head of Finance/Deputy S151 Officer) (0116) 257 2713 Comie.Campbell@oadby-wigston.gov.uk</p>
Corporate Objectives:	Providing Excellent Services (CO3)
Vision and Values:	"A Stronger Borough Together" (Vision) Accountability (V1)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	This report gives an update of the external audit 2020/21 progress. Currently there are no direct financial implications, however the Statement of Accounts retrospectively sets out the financial position and transactions of the organisation relevant to the 2020/21 year.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4)

	Regulatory Governance (CR6)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	<ul style="list-style-type: none"> • The Accounts and Audit (England) Regulations 2015 (The Accounts and Audit (Amendment) Regulations 2021). • Delivering Good Governance in Local Government: Framework
Appendices:	1. External Audit Progress Report 2020/21 – March 2022

1. Introduction and Background

- 1.1 The publication of the Statement of Accounts is governed by the requirements of the Accounts and Audit (England) Regulations 2015. Ordinarily, these require the Statement of Accounts to be certified by the Council's Section 151 Officer as presenting a true and fair view of the financial position of the Council by 31 May each year. The accounts must then be submitted for external audit to publish audited accounts by no later than the 31 July each year.
- 1.2 However, due to the Covid 19 pandemic the deadlines have been altered, with the 2020/21 unaudited accounts being presented by 31 July 2021 and due for publication by the 1 August 2021. The 2020/21 unaudited accounts certified by the Acting Section 151 Officer, were published on the Council's website on 26 August 2021.
- 1.3 The delay in publishing was due to the need to wait to finalise the figures and making relevant adjustments to the accounts once the previous year's 2019/20 Accounts were formally signed off on the 9 August 2021 by Grant Thornton. The 2020/21 audited accounts deadline to be published was the 30 September 2021, but the audit did not commence until October 2021 meaning that deadline was not achievable.

2. Progress report on audit of the 2020/21 Statement of Accounts

- 2.1 The external auditors Grant Thornton brought a Progress report to the last Audit Committee on 15 December 2021. This progress report has now been updated and is shown at **Appendix 1**. This outlines the current status of the 2020/21 audit and the estimated timescale for completing the Audit with a view to giving an audit opinion soon after that date. The audit report also gives an update on what is happening in the audit sector.

2.2 Colleagues from Grant Thornton will be present at the meeting to talk through their report.

Oadby & Wigston Borough Council Audit Progress Report and Sector Update

**Years ending 31 March 2021
and 2022**

March 2022

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Your key Grant Thornton team members are:

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

The paper also includes:

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

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

Progress at March 2022

Financial Statements Audit 2020/21

We undertook our initial planning for the 2020/21 audit in September 2021 following completion of the 2019/20 audit in July 2021. We began our work on your draft financial statements in October 2021.

We are nearing completion of our work on the 2020/21 financial statements, however there are still a number of queries outstanding including:

- Evidence to support a long term debtor relating to Bushloe Developments (a company established by the Council in 2016 but dissolved 8 January 2019)
- Reconciliation of the Collection Fund accounts to the general ledger
- Finalisation and agreement of the proposed amendments identified through the audit and then review of the revised financial statements.

Officers are currently working to answer these queries and we expect to complete our work in April and will report our work in the Audit Findings Report at the next Audit Committee on 1 June 2022 and aim to give our opinion on the Statement of Accounts shortly afterwards.

Financial Statements Audit 2021/22

We will commence work on the 2021/22 financial statements audit upon completion of the 2020/21 audit.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. The Department for Levelling Up, Communities and Housing (DLUHC) states that they intend, subject to consultation, to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts.

Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements for both 2020/21 and 2021/22.

Progress at March 2022 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim began in November. DWP extended the deadline for reporting the findings of this work to 28 February 2022. We completed our work and reported to DWP on 7 March.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Department for Levelling Up, Communities and Housing ("DLUCH"). The deadline for completion and reporting of the certification work for the 2020/21 return was 4 February 2022. We submitted our return to DLUCH on 8 February.

Meetings

We continue to have regular meetings with Finance Officers to discuss emerging developments and to ensure the audit process is smooth and effective.

We also met with your new Director of Finance in February 2022 to introduce ourselves.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2022, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Fees

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

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of both the 2020/21 and 2021/22 audits. Whilst we have not yet commenced the 2021/22 audit the finalisation of the 2020/21 audit is taking longer than budgeted.

We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and will communicate this with the Audit Committee as part of our audit findings report for 2020/21 and the audit plan for 2021/22.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2020/21 Deliverables

	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	December 2021	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the January Audit Committee.</p>	June 2022	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	June 2022	Not yet due
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	June 2022	Not yet due

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2020/21 Audit-related Deliverables

	Planned Date	Status
<p>Housing Benefit Subsidy – certification</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	28 February 2022	Completed 7 March 2022
<p>Pooling of housing capital receipts - certification</p> <p>This is the report we submit to Ministry of Housing, Communities and Local Government based upon the mandated agreed upon procedures we are required to perform.</p>	4 February 2022	Completed 8 February 2022

Financial Reporting Council annual report

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

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

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

Our file review results

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

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

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

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

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

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

Financial Reporting Council annual report (cont.)

Quality Assurance Department (QAD) Reviews

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

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

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

Our continued commitment to Audit quality and continuous improvement

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

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

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

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

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

Conclusion

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

Sector Update

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

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

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

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

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

Public Sector

Local
government

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

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

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

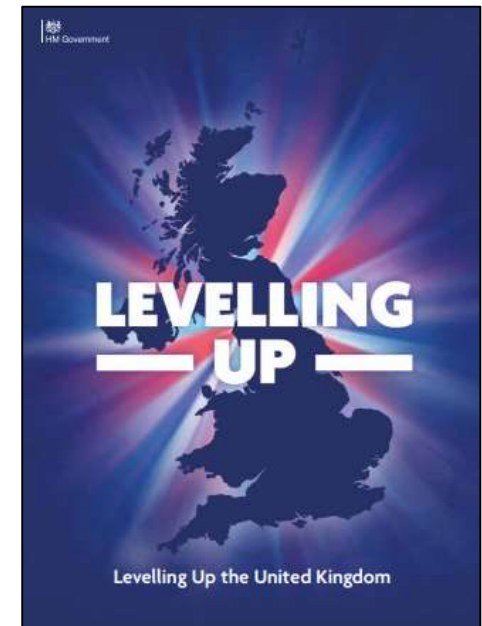
- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities,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

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

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

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

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



Grant Thornton – reaction to Levelling up White Paper

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

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

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

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

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

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

Emergency consultation on 2021/22 reporting requirements – CIPFA

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

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

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

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

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

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

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

The consultation can be found here:

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

Summary of the Grant Thornton response

Property, Plant & Equipment Valuations

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

Deferral of IFRS 16 - Leases

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

17 March 2022 Update

CIPFA/LASAAC published its preliminary decision and feedback statement in response to the emergency Code consultation on 17 March 2022:

- CIPFA/LASAAC has decided not to progress any of the proposals around pausing formal valuation of assets.
- At this stage, CIPFA/LASAAC is pursuing the proposal on deferring IFRS 16 – however, it should be noted that this is subject to approval by the Financial Reporting Advisory Board.

The CIPFA/LASAAC feedback statement can be found at:

<https://www.cipfa.org/policy-and-guidance/cipfa-lasaac-local-authority-code-board>

Prudential Code and Treasury Management Code – CIPFA

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

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

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

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

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

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



Good practice in annual reporting – NAO

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

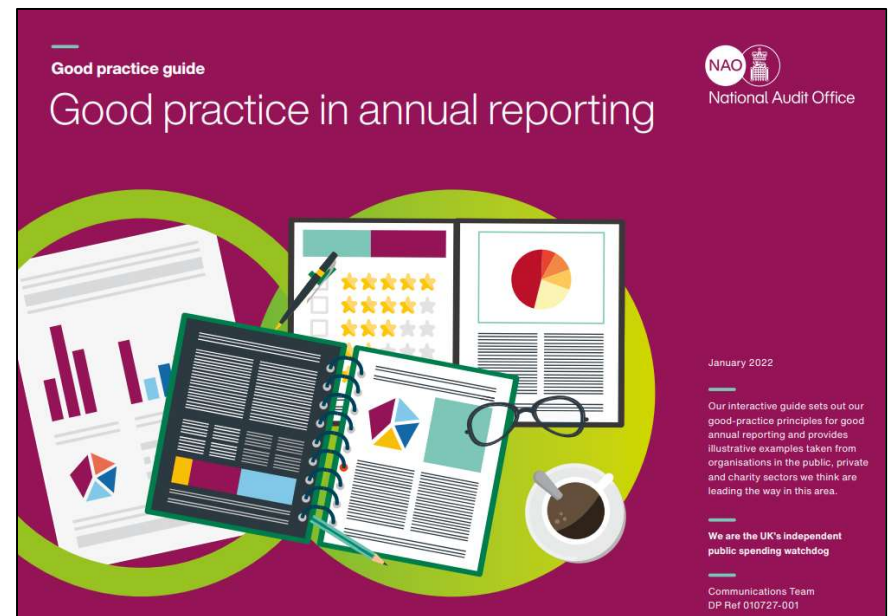
The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

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

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

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

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



The guide can be found here:

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



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Agenda Item 8



Audit Committee	Wednesday, 30 March 2022	Matter for Information
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Report Title: **Internal Audit Progress Report (March 2022)**

Report Author(s): **Tracy Bingham (Strategic Director / S151 Officer)**

Purpose of Report:	To give an update on Internal Audit's progress on delivering the 2021/22 audit plan.
Report Summary:	Significant assurance opinions provided for audits of Performance Management, Risk Management, Emergency Planning and Taxi Licensing. Moderate assurance opinions provided for audits of Selective Licensing and Housing Repairs & Maintenance. Certification provided on Business Restart Grant Scheme. Summary of recommendation tracking results.
Recommendation(s):	That the progress made in delivering the 2021/22 audit plan be noted.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	Tracy Bingham (Strategic Director / s151 Officer) 07881 967049 tracy.bingham@oadby-wigston.gov.uk Mark Watkins (Head of Internal Audit) 07926 252619 mark.watkins@cwaudit.org.uk
Corporate Objectives:	Providing Excellent Services (CO3)
Vision and Values:	"A Stronger Borough Together" (Vision) Accountability (V1)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	There are no implications directly arising from this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Key Supplier / Partnership Failure (CR2) Reputation Damage (CR4) Effective Utilisation of Assets / Buildings (CR5) Regulatory Governance (CR6) Increased Fraud (CR10)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report.
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	

Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	None.
Appendices:	1. OWBC Internal Audit Progress Report – March 2022

1. Information

1.1 The Internal Audit Progress Report attached at **Appendix 1** provides an overall summary of the work undertaken to date relating to the audit plan.

1.2 The activities to be reviewed throughout the financial year are listed in Table 4 of the Progress Report. The quarter in which the work is to be started is shown along with the current progress status. Internal Audit then provides an opinion on the level of assurance that is given once the work has been completed.

1.3 Internal Audit progress reports are presented to every meeting of the Audit Committee so Members can be kept up to date with Internal Audit work and findings.

1.4 Under the Local Government Act 1972, section 151 and the Accounts and Audit (England) Regulations 2011(as amended), the Council has a responsibility to maintain an adequate and effective Internal Audit function. At Oadby and Wigston Borough Council this responsibility is delivered by CW Audit Services.

1.5 In responding to this requirement, the Internal Audit service works to best practice as set out in the Public Sector Internal Audit Standards (2017), which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Oadby & Wigston Borough Council

Internal Audit Progress Report

March 2022



cw audit
internal audit services

Bringing public value to life

1. Introduction

This report summarises the work of Internal Audit for the period to the end of February 2022. The purpose of the report is to update the Audit Committee on progress made in delivering the 2021/22 audit plan. We have made good progress towards delivering the plan and we do not anticipate any difficulties in delivering our full programme of work. Section 4 provides a summary of the current status of all audits included on the 2021/22 plan.

2. Reviews completed since September 2021 Audit Committee

Review	Key issues	Level of assurance				
Performance Management	<ul style="list-style-type: none"> Introduce a rolling programme of checks on data maintained by service areas in support of KPIs submitted for reporting to the Service Delivery Committee. Establish extent to which the Council has a documented Data Quality Policy and amend/produce as appropriate. 	Significant				
System control objective		Level of Assurance				
		Full	Significant	Moderate	Limited	No
There is a robust performance management framework in place that is aligned with the Council's corporate and operational objectives.			✓			
Performance data reported is accurate, valid and timely.			✓			
Performance information is appropriately reported and acted on when applicable.		✓				

Review	Key issues	Level of assurance				
Risk Management	<ul style="list-style-type: none"> No key issues raised. Three low level recommendations raised. 	Significant				
System control objective		Level of Assurance				
		Full	Significant	Moderate	Limited	No
Risk management roles and responsibilities have been clearly defined.			✓			
There is a robust Risk Management Strategy and Policy that have been effectively communicated throughout the Council.		✓				
Risk management is embedded throughout the organisation.			✓			

Review	Key issues	Level of assurance				
Emergency Planning	<ul style="list-style-type: none"> Review and update training summary record. Conduct a training gap analysis for all officers on the strategic and tactical list and address identified training needs. Review the process for preparing and disseminating debrief reports following training exercises. 	Significant				
System control objective		Level of Assurance				
		Full	Significant	Moderate	Limited	No
The Council's role as a Category 1 respondent is clearly understood and is fully delivered through active engagement with the LLR Prepared partnership.			✓			
Hazards that are specific to the Oadby and Wigston have been subject to a current risk assessment and appropriate mitigating plans.		✓				
Staff that have roles to play in the event of an emergency have been clearly identified and properly trained.				✓		
The Council plays an active role in testing the robustness of Emergency Plans.			✓			

Review	Key issues	Level of assurance
Business Restart Grants	<ul style="list-style-type: none"> Head of Internal Audit certification provided in accordance with BEIS requirements. 	N/A

Review	Key issues	Level of assurance
Taxi Licensing	<ul style="list-style-type: none"> Review and address gaps in evidence supporting licences issued. Review the taxi licence income budget. Address system functionality issues currently being experienced with the Uniform system. 	Significant

System control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
All income due in relation to taxi licensing and related services is promptly recognised, collected, and accounted for.		✓			
Licence applications are fully complete, supported by relevant documentation and subject to appropriate checks prior to being approved and issued.	✓				
Compliance with the terms and conditions for the issue of licences is subject to ongoing monitoring.			✓		
Complaints from members of the public or other sources relating to the provision of taxi services are properly addressed.		✓			

Review	Key issues	Level of assurance
Selective Licensing	<ul style="list-style-type: none"> Review basis for setting income budget. Focus attention on outstanding applications and income due but not collected. Implement inspection programme. 	Moderate

System control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
All privately rented accommodation in the designated area is identified and all landlords apply to join the selective licensing scheme.			✓		
Applications to join the selective licensing scheme are supported by appropriate documentation and are processed in a complete and timely manner.			✓		
Licence fee and penalty notice income is collected in full.			✓		
Issues with properties that require remedial action are addressed in a timely and complete manner.			✓		

Review	Key issues	Level of assurance
Housing Repairs & Maintenance	<p>Audit testing undertaken during the course of this review has confirmed the self-assessment made by the Housing Manager in respect of the elements of the housing repairs and maintenance action plan that are deemed to have been implemented. The plan still includes a number of important actions that have longer lead times for implementation, and these are set out in section 4 of this report.</p> <p>Delivery of the action plan is an ongoing process that is assisting the housing repairs and maintenance function to address a number of underlying and long-standing weaknesses. This audit has confirmed that reasonable progress has been made on this programme of transformation and for this reason it is possible to provide a Moderate Assurance opinion the control systems and processes currently in place. This represents an improvement on the overall level of control observed by audit during the last audit conducted in 2019/20.</p>	Moderate

3. Recommendation tracking

We provide a system for tracking the implementation of agreed Internal Audit recommendations as a management assurance tool for the Council and this Committee. Managers are responsible for updating actions taken and other key information directly on the system. The first table below represents the status of agreed actions due to be implemented by 28/02/22 for all recommendations raised since 1st April 2019. The second table outlines the age of the outstanding recommendations (based on the original date due for implementation). The status shown is as advised by the relevant manager/Head of Service and does not imply that Internal Audit has verified the status in all cases.

Summary	1 Critical	2 High	3 Medium	4 Low	Total
Due by 28/02/22	-	22	95	37	154
Implemented / Closed	-	21	89	34	144
Still to be completed	-	1	6	3	10

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	1	0	0	1
3 – 6 months	-	0	3	3	6
Greater than 6 months	-	0	3	0	3
Total	-	1	6	3	10

The number of recommendations that remain unimplemented by their original target date recontinues to be relatively low at 10, which was the same number that were reported as unimplemented to the September 2021 Audit Committee meeting.

Further detail on the high level risk that currently remains as 'work in progress' is detailed in the first of the tables shown below. There are three medium risk issues outstanding for more than 6 months, which are included in more detail in the second table. The Committee will be advised in future progress reports if our follow up work finds that any such cases are not in fact fully implemented.

High risk issues

Review	Recommendation	Risk	Original target date	Revised target date	Current status
Selective Licensing	Develop and deliver a formal inspection programme that addresses the delayed commencement of the Selective Licensing scheme by frontloading inspections at the start of the programme.	2	31 January 22	31 March 22	An inspection schedule is being developed ready for the end of March with the general outline being that we will prioritise properties where we have existing cases and with a lower EPC to target a worst first approach. Some pro-active visits have been made to large block properties within the designated area where there have been issues in the past and engaged with the owners and have an ongoing narrative with them.

Medium risk issues overdue for more than six months from original implementation date

Review	Recommendation	Risk	Original target date	Revised target date	Current status
Housing Rents	Undertake an in-depth review of the processes for recovering rent arrears, with specific attention paid to the rising level of current tenant arrears caused by the roll-out of Universal Credit and the need to strengthen former tenant arrears recovery performance.	3	30 Nov 20	31 Mar 22	The Income Management (Housing) Policy is to be circulated in March 2022 with internal stakeholders for comment. Final draft to be submitted to PFD Committee in June 2022.
Payroll	Receive reports of permanent amendments from the payroll provider (EMSS) once they have upgraded their system.	3	31 July 21	30 April 22	EMSS yet to upgrade system – due April 2022.
Payroll	Require payroll service provider to submit monitoring reports detailing performance against KPIs outlined in SLA.	3	31 July 21	31 Mar 22	Payroll provider to be written to regarding this recommendation.

4. 2021/22 Internal audit plan

Review	Scheduled	Status	Level of assurance
Performance Management	Quarter 1 / 2	Final report	Significant
Risk Management	Quarter 3	Final report	Significant
Emergency Planning	Quarter 1 / 2	Final report	Significant
Financial Management & Reporting	Quarter 4	In progress	
Creditors	Quarter 4	In progress	
Debtors	Quarter 4	In progress	
Treasury Management	Quarter 4	In progress	
IT Audit – Transition to In-House ICT	Throughout year	Ongoing advice & support	N/A
Payroll & Expenses	Quarter 4		
Homelessness & RSI Grants	Quarter 4	In progress	
Council Tax	Quarter 3	In progress	
Business Rates	Quarter 3	In progress	
Benefits / Council Tax Support	Quarter 3	In progress	
Community Safety	Quarter 2	Final report	Moderate
Business Restart Grants (Covid-19)	Quarter 2	Certification provided	N/A
Volunteer Programme	Quarter 1	Final report	Moderate
Taxi Licensing	Quarter 1 / 2	Final report	Significant
Selective Licensing	Quarter 1 / 2	Final report	Moderate
Housing Repairs & Maintenance	Quarter 4	Final report	Moderate

Agenda Item 9



Audit Committee	Wednesday, 30 March 2022	Matter for Information and Decision
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Report Title: **Accounting Policies and Materiality (2021/22)**

Report Author(s): **Rashpal Sohal (Finance Manager)**

Purpose of Report:	To review and approve the draft accounting policies and materiality levels for the 2021/22 Financial Statements.
Report Summary:	It is considered good practice for the committee to have visibility of the Accounting Policies and materiality levels annually before the preparation of the Statement of Accounts.
Recommendation(s):	<p>1. That the Committee consider and approve:</p> <p style="padding-left: 40px;">i. The Draft Accounting Policies for the 2021/22 Financial Statement as detailed in Appendix 1; and</p> <p style="padding-left: 40px;">ii. The materiality levels as set out in Appendix 2; and</p> <p>2. That delegated authority be given to the Section 151 Officer to make any further required amendments to the accounting policies or changes to the materiality levels deemed necessary.</p>
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Tracy Bingham (Strategic Director /Section 151 Officer) (0116) 257 2690 tracy.bingham@oadby-wigston.gov.uk</p> <p>Comie Campbell (Head of Finance / Deputy Section 151 Officer) (0116) 257 2713 comie.campbell@oadby-wigston.gov.uk</p> <p>Rashpal Sohal (Finance Team Manager) (0116) 257 2705 rashpal.sohal@oadby-wigston.gov.uk</p>
Corporate Objectives:	Providing Excellent Services (CO3)
Vision and Values:	"A Stronger Borough Together" (Vision) Accountability (V1)
Report Implications:-	
Legal:	The Accounts and Audit Regulations 2015 generally require all local authorities each financial year to conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement in accordance with proper practices in relation to accounts. The approval of the policies sought will serve to further and discharge the attendant statutory duties under 2015 Regulations and CIPFA Code of Practice.
Financial:	The Council's 2021/22 Statement of Accounts are prepared in line with the required accounting polies and materiality levels. The

	accounting policies affect the treatment of financial transactions within the Council's Statement of Accounts. Setting an internal materiality level provides a level at which the finance team will identify significant variances in producing the accounts and the level at which further explanation is needed in the accounts by way of a disclosure note.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Regulatory Governance (CR6)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	<ul style="list-style-type: none"> Chartered Institute of Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
Appendices:	<ol style="list-style-type: none"> Draft Accounting Policies for 2021/22 Financial Statements Materiality Levels

1. Background

- 1.1 The accounting policies and materiality levels need to be reviewed and agreed, prior to the closure of the accounts.
- 1.2 This is the first year that the Audit Committee have been presented with the accounting policies and the suggested materiality level for approval. The responsibility for selecting suitable accounting policies and making reasonable and prudent judgements and estimates sits firmly with the Section 151 Officer, however, it is good practice to have Audit Committee engagement and oversight on these matters.

2. Accounting Policies

- 2.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit Regulations 2015 (amended in 2021) for the Statement of Accounts to be produced in accordance with proper accounting practices.
- 2.2 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year-end. They determine the specific principles, bases, conventions,

rules and practices that will be applied by the Council in preparing and presenting its financial statements.

- 2.3 Accounting policies need not be applied if the effect of applying them would be immaterial.
- 2.5 The proposed accounting policies for 2021/22 are included at **Appendix 1** and are presented to the committee for approval. Adopting the proposed policies will support the timely production of the annual accounts.
- 2.6 CIPFA intended to issue an accounting Bulletin giving further guidance on matters for the production of the Statement of Accounts. At the time of writing this report, the Bulletin has not been issued, once issued it will be taken into account when producing the statements. Section 27 of the accounting policies will be updated upon receipt of the CIPFA year-end Bulletin
- 2.7 During the year-end process there may be changes required to the policies arising from changes in circumstances or updated guidance. These will be agreed with the Section 151 Officer and reported to the Audit Committee alongside the final version of the Statement of Accounts.

3. Materiality Levels

- 3.1 Materiality is a concept within auditing and accounting relating to the importance and/or significance of an amount, transaction, or discrepancy. Materiality is defined in the Code as:

"Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor".
- 3.2 Setting materiality levels enables the finance team to identify significant variances and items that need disclosing in the financial statements.
- 3.3 Levels for the 2021/22 financial statements are set out in **Appendix 2** for approval. The levels of materiality agreed by the Committee will be used in the preparation of the financial statements and information provided for external audit purposes.
- 3.4 External Audit apply their own test of material misstatements. The internal materiality levels presented to Committee for approval have been set in reference to the external auditors own materiality levels.

Appendix 1

Notes to the Accounts

Accounting Policies

1. General

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

The Statement of Accounts summarises the council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which requires the statement to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

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

The council's accounting policies are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance, The Service Reporting Code of Practice

(SeRCOP) or any other change in statute, guidance or framework impacting on the council's accounts.

The council's accounting policies as far as possible have been developed to ensure that the accounts are understandable, relevant, free from material error or misstatement, reliable and comparable, and are applied consistently.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed at the end of this section in note 26.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

In particular:

- **Fees**, charges, and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- **Supplies** are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventory on the Balance Sheet.
- **Works** are charged as expenditure when they are completed before which they are carried as works in progress on the Balance Sheet.
- **Interest payable on borrowings and receivable on investments** is accounted for on the basis of the effective interest rate for the relevant financial instrument rather

than the cash flows fixed or determined by the contract.

- Where **income and expenditure** has been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Exceptions to this are:

- **Telephone accounts** are being charged to that year which has most of the quarter to which the rental or the charge relates as appropriate. This is rather than apportioning them between the financial years and as this policy is consistently applied each year it does not have a material effect on the year's accounts.
- **Insurance premiums** are due on the 30 September each year and are charged to the year that the payment is made and not adjusted between the years.
- **Rentals and maintenance** agreements are consistently charged to the year where the period starts and are not apportioned between the years.

Exceptions to the accrual's principle are consistently applied each year, and therefore do not have a material effect on the year's accounts.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in [specified period, no more than three months] or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

4. Exceptional Items

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Council and are identified as exceptional items by virtue of their size, nature, or incidence. When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the council's financial performance

5. Prior period adjustments, changes in accounting policies and estimates and errors

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

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

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

6. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following charges to record the real cost of holding non-current assets during the year:

- **Depreciation** attributable to the assets used by the relevant service.
- **Revaluation and Impairment losses** on assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- **Amortisation** of intangible fixed assets attributable to the services.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue (known as the Minimum Revenue Provision - MRP) to contribute towards the

reduction in its overall borrowing requirement. For this year, in respect of debt that is supported by Revenue Support Grant (RSG), the provision is calculated using the Capital Financing Requirement (CFR) method. For new borrowing for which no Government support has been given and is therefore self-financed, the asset life method has been used for the 2021/22 accounts.

The CFR method calculates the provision as 4% of the non-housing supported CFR at the end of the preceding financial year (4% of the capital expenditure funded by supported borrowing).

The asset life method requires MRP to be made in equal annual instalments over the estimated life of the asset for which the unsupported borrowing is undertaken.

The annuity asset life method requires that the MRP for each year be the amount presumed to be the principal element of the equal amounts that would be payable each year in respect of a loan at a specified rate of interest that would reduce the outstanding principal amount to zero at the end of the estimated useful life of the asset. This results in an MRP charge that rises over time. This is deemed to be particularly appropriate for assets which generate increasing revenues over time.

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

7. Council tax and non-domestic rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts,

overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

8. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits such as car loans for current employees, are recognised as an expense in the year in which employees render service to the Council.

An accrual is made against the service in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and flexitime earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Un-useable Reserve – Accumulated Absence Account in the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Leicestershire County Council.

The Local Government Scheme is accounted for as a defined benefits scheme: -

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of

the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.8% and 2.9% dependent on the duration of the liability. (A Corporate Bond yield curve is constructed based on the constituents of the iBoxx Corporates AA bond index and using the UBS delta curve fitting methodology. The discount is set based on the employer's own weighted average duration).
- The assets of pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

The change in the net pension's liability is analysed into the following components:

- Service Cost comprising;
 - Current service cost** - the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
 - Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service

earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

Net Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.

- Remeasurements comprising;
The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement.
Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace

them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

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

9. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council

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

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- amortised cost, and
- fair value through profit or loss (FVPL)
- [also refer to financial assets at fair value through other comprehensive income (FVOCI) and/or financial assets

designated at FVOCI, where the authority holds or has designated such financial instruments].

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made several loans to employees as part of its assisted car purchase scheme at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is

credited at a marginally higher effective rate of interest than the rate receivable from employees, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement on the General Fund Balance.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains or losses that arise on de-recognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement.

11. Government Grants and Contributions

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

- The Council will comply with the conditions attached to the payments, and
- The grants or contribution will be received.

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

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

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

Covid-19 Grants

As part of the Covid-19 pandemic the government provided a range grant schemes to support businesses that

has been administered by the Council (Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, multiple Local Restrictions grant (open/closed sectors). The Council is responsible for paying over the grants to the businesses and are then reimbursed by the government using a grant under section 31 of the Local Government Act 2003 (S31). Some of the schemes are fully reimbursed, others are a set allocation.

The Council is required to use their Business Rates system to identify the properties that meet the eligibility criteria. These grants are not Collection Fund transactions.

12. Heritage Assets

Tangible heritage assets are defined as those tangible assets with historical, artistic, scientific, technological, geophysical, or environmental qualities and are held and maintained for their contribution to knowledge and culture.

Heritage assets are recognised where they meet these criteria and are valued in excess of the de-minimus threshold of £3,000. Heritage assets are measured in the Balance Sheet at insurance value which is based on market value. An impairment review is carried out each year to assess any physical depletion of the assets. All heritage assets held by the Council are deemed to have indefinite lives and are therefore not depreciated. Any disposal of assets will be treated in the same manner as other Property, Plant and Equipment.

13. Intangible Assets

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

Council (e.g., software licences) is capitalised when it will bring benefits to the Council for more than one financial year.

Intangible assets are measured initially at cost. Amounts are carried at amortised costs and the depreciable amount of the intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired –any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

14. Inventories and Work in Progress

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works

15. Investment Properties

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

Investment properties are measured at fair value, with gains and losses recognised in surplus or deficit within the Comprehensive Income and Expenditure Statement rather than through the Revaluation Reserve. Investment properties held at fair value are not depreciated.

Fair value is to be interpreted as the amount that would be paid for the asset in its highest and best use which is market value. The fair value of investment property held under a lease is the lease interest.

16. Leases

The Council accounts for leases as finance leases where the terms of the lease transfer substantially all the risks and rewards relating to the leased property to the Council. All other leases are classed as operating leases.

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

The Council as lessee. Finance Leases

Where a lease is classified as a finance lease, then the substance of the transaction is considered to be the same as if the authority had purchased the asset and financed it through taking out a loan.

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount

of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

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

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not

transfer to the authority at the end of the lease period).

The CIPFA LAS AAC Local Authority Code Board defer the implementation of IFRS 16 Leases in the Code of practice on local Authority Accounts. In the UK (the code) until the 2022/23 financial year.

This aligns with the decisions at the governments financial reporting Advisory Board to establish a new effective date of 1st April 2022 for the implementation of IFRS 16.

Operating Leases

If a lease meets the Code's definition of an operating lease, the property in question is not required to be recognised as an asset in the authority's Balance Sheet and the payments under the lease will be a charge to revenue.

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

The Council as lessor

Finance Lease

If the authority is the lessor in an operating lease, it will retain the property either as an item of property, plant and equipment or as an investment property on the Balance Sheet and credit rentals to income as they become payable, subject to any

requirement to smooth the payments and/or the lease incentives.

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive

Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

Operating Leases

If the authority is the lessor in an operating lease, it will retain the property either as an item of property, plant and equipment or as an investment property on the Balance

Sheet and credit rentals to income as they become payable, subject to any requirement to smooth the payments and/or the lease incentives.

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

17. Overheads and Support Services

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

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2021/22 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, except for:

- **Corporate and Democratic Core** – costs relating to the Council's status

as a multi-functional, democratic organisation.

- **Non-Distributed Costs** – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

An appropriate charge has been made from the General Fund to the Housing Revenue Account for Corporate and Democratic Core costs. This has been based on the proportion of committee time spent on Housing Revenue Account business.

Segmental Reporting

The Council's operating segments are organised into seven service areas. These were determined to give both members and the general public a clear picture of the services the Council provides and will assist the making of decisions about allocating resources and assessing performance. For the purposes of the 2021 financial statements, an eighth segment was added to separate out the extraordinary income and expenditure related to the Council's activities in respect of the COVID-19 pandemic. The eight segments are

- Customer Services & Business Transformation
- Senior Leadership Team
- Community & Wellbeing
- Law & Governance
- The Built Environment

- Finance & Resources
- Housing Revenue Account
- Covid 19 Council Costs

Measurement of segmental income and expenses is in accordance with the Council's accounting policies. Shared costs are included in segments based on the actual recharges made.

The Council does not report on segmental asset and liability internally, therefore it is not required to report segmental information on assets and liabilities.

18. Property, Plant and Equipment

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

Recognition

Expenditure equal to or in excess of £3,000 (De Minimis level) on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it yields benefits to the Council for more than one financial year. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising the purchase price and any expenditure that is directly attributable

to bringing the asset into working condition for its intended use.

The council does not capitalise borrowing costs incurred while assets are under construction.

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

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

- Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would

be paid for the asset in its existing use (existing use value EUV).

Assets included in the Balance Sheet at current value are revalued each year by either a desktop revaluation or by the major revaluation exercise which occurs every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Impairment

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

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

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

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain community assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- **Council dwellings and other buildings** – straight-line allocation over the useful life of the property as estimated by the valuer. Generally, a prudent view has been taken on the life of the Council's **operational buildings** and as such they have been depreciated over a period of between 5 and 20 years. However, it is recognised that the Leisure Centres which are a new build, therefore the expected life is greater, and these have been depreciated over 40 years.

- **Vehicles, plant, furniture, and equipment** – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Council currently is using the straight-line allocation method over the useful life of the asset. The useful life of the plant, equipment and vehicles has fallen into a range of between 5 and 10 years.

Newly acquired or operational assets are depreciated for a full year in the first year, although assets during construction are not depreciated until they are brought into use

No depreciation is provided on assets in the year of disposal

Depreciation is not charged on freehold land, investment properties or assets held for sale.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the

gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account

Amounts received for a disposal more than £10,000 are categorised as capital receipts. A proportion of capital receipts relating to Housing Revenue Account disposals (75% for dwellings, 50% for land and other assets, net of deductions and allowances) is payable into a government pool. The Council also retains an amount relating to the building of new houses in the One-for-One replacement agreement the Council has signed up to as well as Council House Buy-Back should these occur.

The balance of receipts received from disposals are credited to the Useable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the Movement in Reserves Statement.

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

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account

for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- **Instruments** with quoted market prices – the market price.
- **Other instruments** with fixed and determinable payments – discounted cash flow analysis.
- **Equity shares** with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Comprehensive Income and Expenditure Statement. Where impairment losses have been incurred – these are also debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains or losses that arise on de-recognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, along with

any accumulated gains or losses previously recognised.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Componentisation

A component is a part of a larger asset that must be separately identified and depreciated, for the purposes of assisting more accurate financial reporting and asset management.

A component must have the following factors:

- A significantly different useful life from the parent asset
- A significantly different value to the parent asset
- Provide an economic or service benefit to the Council, which is materially different to the rest of the asset.

The Council will recognise significant components of an item of property, plant and equipment where the asset's value is greater than £1,000,000 and where the component is more than 25% of the total asset's value.

Componentisation takes place at valuation, acquisition, and enhancement of the parent asset.

The following assets have been componentised (as per 2021/22)

- Wigston Swimming Pool
- Brocks Hill Visitor Centre
- Blaby Road Park
- Parklands Leisure Centre

Council Dwellings are not componentised, other than the separations of the land value, as the

internal components, individually, do not form a significant enough part of the value to be material. However, where components are replaced, the Council derecognises the replaced components in the accounts.

19. Provisions, contingent liabilities, and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate revenue account when the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the relevant service revenue account.

Where some or all the payment required to settle a provision is expected to be met by another party (e.g., from an insurance claim), this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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

20. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement on Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and

Expenditure Statement. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

21. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute results from expenditure of a capital nature where no fixed asset is created for the Council. They include private sector renewal grants and advances to other parties to finance capital investments.

This also includes exceptional revenue expenditure for which a capitalisation direction can be granted to allow this expenditure to be funded from capital. Capitalisation direction gives the Council the flexibility to treat specified revenue expenditure as capital expenditure, the Council must meet strict criteria and should only be sought for costs which are due largely to factors beyond the control of the Council and are unavoidable.

The Council generally writes off revenue expenditure funded from capital under statute to revenue in the year in which it is created.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

22. Value Added Tax (VAT)

Income and expenditure exclude any amounts related to VAT, as all VAT

collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

24. Revenue Recognition

Revenue (excluding non-exchangeable transactions) represents the amount receivable in respect of services provided to customers. The diagram showing the recognition principles for the main types of income in the Code is used to determine how the income is accounted for in the Council's accounts.

Revenue is recognised only when payment is probable.

Revenue from services is recognised as the services are provided.

The total consideration on arrangements with multiple revenue generating activities is allocated to those components that can operate independently based on the estimated fair value of the components. When the fair value of components cannot be assessed, the revenue is spread over the term of the service.

Revenue arising from the provision of other services is recognised evenly over the periods in which the service is provided.

25. Related Party Transactions

Are circumstances where an authority might have the potential either to be controlled/influenced or to exert control/influence, the following specific related parties can be identified.

- Pension fund
- Assisted organisations
- Controlled companies
- Associated companies and joint venture partners.

Material related party relationships and transactions, outstanding balances between the Council and its related parties are disclosed within notes to the Statement of Accounts.

26. Critical Judgements in Applying Accounting Policies

In applying the above accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired because of a need to close facilities and reduce levels of service provision.
- The Code gives strict criteria for assets held as Investment Properties. For the Council, investment properties are classified as those assets which are held for rental.

- All leases held by the Council have been reviewed in detail using the finance lease flowchart, to determine whether they should be classified as finance or an operating lease. The results of this exercise have been reviewed to establish the substance of the transaction and its appropriate treatment.
- When the Local Government Pension Scheme (LGPS) benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age allowing them certain protections against the changes in the new scheme. In December 2018 the Court of Appeal upheld a ruling in the McCloud/Sargeant cases that these protections were unlawful on the grounds of age discrimination and that these protections should apply to all members regardless of age. In June 2019 the Government were denied leave to appeal to the Supreme Court. Although the ruling in the McCloud/Sargeant case related to the Judges and Firefighter pension schemes it is widely expected to apply to the LGPS also. In the light of this the Council requested that its actuaries, Hymans Robertson LLP, review its pension liability and have taken the view that it would be both prudent and correct to adjust the accounts for this ruling. The increase liability for this adjustment is £0.305m.

27. Accounting standards that have been issued but have not yet been adopted

To be updated upon receipt of the CIPFA year-end Bulletin.

Materiality Levels

The following materiality levels are proposed for the preparation of the 2021/22 Financial Statements

Balance Sheet

Materiality will be set at 10% of the 2020/21 balance, subject to the external auditors advised materiality, although some areas are material by nature so this will also be taken into account.

Where the external auditors materiality is less than 10% of the balance sheet, the materiality applied internally is reduced to 90% of the external audit materiality.

The 2020/21 balances are deemed to be the best consistent point to assess materiality on, as although the majority of balance is reconciled and updated regularly thought-out the year, some areas, the pension liability for example, is only updated at the end of the financial year.

Balance Sheet Area	2020/21 Balance	Material Level at 10%	External Audit Materiality	90% of External Audit Materiality	Internal Materiality Level
	£'000	£'000	£'000	£'000	£'000
Property, Plant and Equipment (PPE)	97,198	9,720	420	378	378
Debtors	8,605	861	420	378	378
Short Term Creditors	(4,407)	(441)	(420)	(378)	(378)
Provisions	(655)	(66)	(420)	(378)	(66)
Pension Liability	(30,090)	(3,009)	420	(378)	(378)

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Agenda Item 10



Audit Committee	Wednesday, 30 March 2022	Matter for Information
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Report Title: **Strategic Internal Audit Plan (2022/23 - 2024/25)**

Report Author(s): **Tracy Bingham (Strategic Director / S151 Officer)**

Purpose of Report:	To present the Strategic Internal Audit Plan for 2022/23 to 2024/25.
Report Summary:	Outline of planned internal audit reviews presented in a rolling three year programme. Detailed outline of coverage for 2022/23 audits. Internal Audit Charter to provide a governing framework for the delivery of audits.
Recommendation(s):	To approve the Strategic Internal Audit Plan for 2022/23 to 2024/25.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	Tracy Bingham (Strategic Director / S151 Officer) 07881 967049 tracy.bingham@oadby-wigston.gov.uk Mark Watkins (Head of Internal Audit) 07926 252619 mark.watkins@cwaudit.org.uk
Corporate Objectives:	Providing Excellent Services (CO3)
Vision and Values:	"A Stronger Borough Together" (Vision) Accountability (V1)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	There are no implications directly arising from this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Key Supplier / Partnership Failure (CR2) Reputation Damage (CR4) Effective Utilisation of Assets / Buildings (CR5) Regulatory Governance (CR6) Increased Fraud (CR10)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report.
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.

Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	None.
Appendices:	1. Strategic Internal Audit Plan 2022/23 to 2024/25

1. Information

1.1 The Strategic Internal Audit Plan attached at **Appendix 1** provides details of Internal Audit's planned coverage of systems and processes over the next three years.

1.2 The plan is designed to ensure that, in accordance with Public Sector Internal Audit Standards 2017 (PSIAS), there is sufficient audit coverage each year to enable the Head of Internal Audit to provide a balanced annual opinion on the overall operation of controls to prevent risks from impacting on achievement of the Council's key objectives.

1.3 In accordance with PSIAS requirements, audits included on the plan have been mapped to relevant strategic risks and corporate objectives. This demonstrates how Internal Audit's work contributes to the overall assurance available to officers and members that key risks are being appropriately controlled and key objectives are being delivered.

1.4 Under the Local Government Act 1972, section 151 and the Accounts and Audit (England) Regulations 2011(as amended), the Council has a responsibility to maintain an adequate and effective Internal Audit function. At Oadby and Wigston Borough Council this responsibility is delivered by CW Audit Services.

1.5 In responding to this requirement, the Internal Audit service works to best practice as set out in the PSIAS, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Internal Audit Charter included with the Strategic Internal Audit Plan sets out the framework under which a PSIAS compliant service is delivered to the Council.

Oadby & Wigston Borough Council

Strategic Internal Audit Plan – 2022/23 to 2024/25

February 2022

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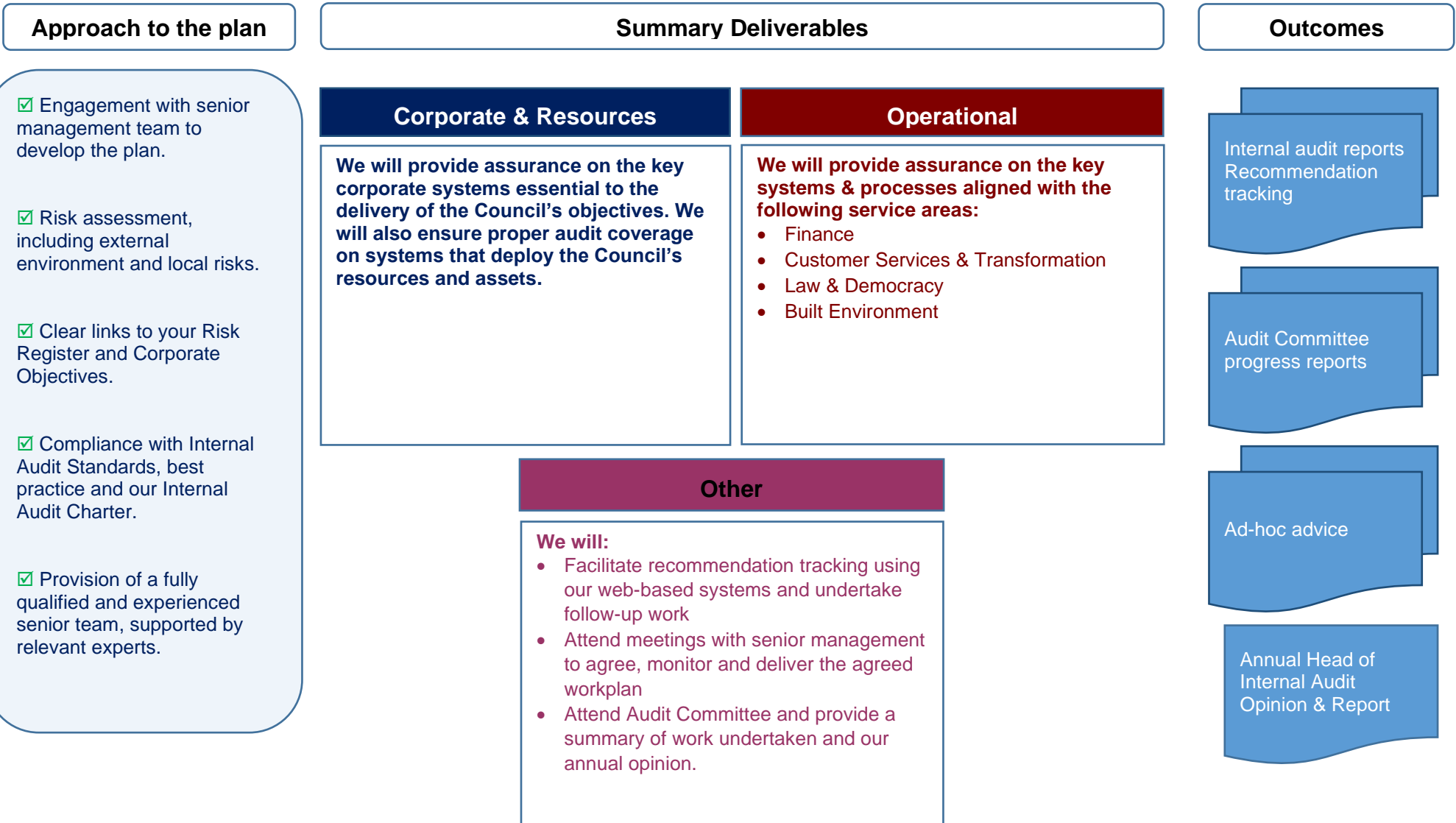
Bringing public value to life

cw Audit
internal Audit services

1. Your Plan on a Page

The diagram below summarises how the plan has been developed and outlines the approach to be taken in 2022/23 to deliver the plan.

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2. Risk Assessment

The plan has been prepared as follows:

- review of the November 2021 Strategic Risk Register and Operational Risk Register;
- review of the Council's corporate objectives;
- an assessment of the assurance required on work associated with the Council's COVID-19 response;
- input from members of the Senior Leadership Team;
- Assessment of any risk areas emanating from Internal Audit reviews conducted in the 2021/22 financial year.

The strategic plan, showing the links to the Corporate Risk Register and where applicable, the Council's corporate objectives, is attached at Appendix One, with the 2022/23 operational plan at Appendix Two.

3. The Team

Mark Watkins (ACMA) will remain as your nominated Head of Internal Audit and will be supported by your existing Audit Manager, Ruby Deo (IIA). Mark and Ruby will lead a team of auditors that have a wealth of experience in delivering audit services to local government organisations. Specialist auditors will also be utilised as appropriate, for example in respect of IT audit.

4. Public Sector Internal Audit Standards (PSIAS).

In conducting our work as your Internal Auditors we are required to adhere to the Public Sector Internal Standards (PSIAS). We have in place suitable policies and procedures to ensure full compliance against these standards. Our procedures include a comprehensive quality assurance programme to confirm that each audit assignment is delivered in accordance with PSIAS. The PSIAS require us to explicitly detail and agree the terms under which we deliver your internal audit plan in an Internal Audit Charter, which is attached as Appendix Three.

5. Conclusion

This internal audit plan has been designed to meet the Council's assurance requirements over the next three years and comply with Public Sector Internal Audit Standards. We therefore present it to the Audit Committee for final consideration and approval.

Paul Capener - Consortium Director, CW Audit Services

2022/23 – 2024/25 Strategic Internal Audit Plan

Service Head Area	Audit Assignment	Links to SRR / Corporate Objectives	22/23	23/24	24/25
Corporate	HR (Staff Development in 22/23)	CR1, CR6, CR8, CR10, CR12, CO3	12	12	12
	Risk Management	All	10	10	10
	Anti-Fraud & Corruption	CR1, CR6, CR12	10	-	-
	National Fraud Initiative	CR1, CR6, CR12	10	10	10
	Sub-total		42	32	32
Finance	Financial Management & Reporting	CR1, CR6, CR10, CO2	10	10	10
	Financial Systems*	CR1, CR12, CO2	25	25	25
	Payroll & Expenses	CR1, CR6, CR12	11	11	11
	Council Tax	CR1, CR4, CR6, CR12, CO3	-	11	-
	Business Rates	CR1, CR4, CR6, CR12, CO3	-	11	-
	Benefits/Council Tax Support	CR1, CR4, CR6, CR12, CO3	-	11	-
	Sub-total		46	79	46
Customer Services & Transformation	Waste Management (Kerbside Collections)	CR6, CR7, CR8, CO3	-	-	12
	Street Cleansing	CR6, CR7, CR8, CO3	11	-	-
	Grounds Maintenance	CR4, CR6, CR7, CR8, CO1, CO3	11	-	-
	Procurement	CR1, CR2, CR10, CO2, CO3	-	12	-
	IT Audit	CR10, CR13	12	12	12
	Capital Project & Programme Management	CR1, CR2, CR6, CR7, CO2, CO3	22	-	-
	Performance Management	All	-	-	10
	Sub-total		56	24	34
Law & Democracy	Taxi Licensing	CR1, CR4, CR6, CR8, CO3	-	-	12
	Selective Licensing	CR1, CR4, CR6, CR8, CO1, CO3	-	-	12
	Premises Licensing	CR1, CR6, CR8, CO3	12	-	-
	Food Safety	CR6, CR8, CO3	-	10	-
	Private Sector Housing – Enforcement	CR4, CR6, CR8, CO1, CO3	-	10	-
	Democracy & Elections	CR4, CR5, CR8	-	-	10
	Complaints Management	CR4, CR6	-	-	10

Service Head Area	Audit Assignment	Links to SRR / Corporate Objectives	22/23	23/24	24/25
	Anti-Social Behaviour/Community Safety	CR4, CR6, CR8, CO1	-	10	-
	Safeguarding	CR3, CR4, CR6, CR8, CO1	10	-	-
	Leisure Services – Contract Management	CR2, CR4, CR6, CR7, CO1, CO3	-	12	-
	Car Parks	CR1, CR7, CR11, CR12, CO2, CO3	12	-	-
	Health & Safety	CR6, CR15	-	10	-
	Business Continuity/Emergency Planning	CR6, CR9, CO1	-	-	10
	Sub-total		34	52	54
Built Environment	Housing Allocations (Choice Based Lettings)	CR4, CR6, CR08, CO1, CO3	-	10	-
	Housing Rents	CR1, CR7, CR8	11	-	11
	Housing Maintenance, Repairs & Voids	CR1, CR2, CR4, CR6, CO1	-	16	-
	Homelessness	CR1, CR4, CR6, CR8, CO1, CO3	12	-	12
	Planning	CR1, CR4, CR6, CR8, CR11, CO1, CO2, CO3	12	-	-
	Building Control	CR1, CR4, CR6, CR8, CO3	-	-	12
	S106 Agreements	CR1, CR4, CR6, CR7, CR8, CR11, CO1, CO2	-	-	12
Sub-total		35	26	47	
Other	Recommendation Tracking/Follow up		15	15	15
	Grant Certifications (e.g. DFG, Homelessness)		12	12	12
	Sub-total		27	27	27
Management & Advice	Audit Needs Assessment, Planning & Annual Report		10	10	10
	Audit Committee/External Audit/Senior Team meetings		10	10	10
	Contract Management & ad hoc advice		10	10	10
	Sub-total		30	30	30
Total		270	270	270	

*creditors, income & debtors, treasury management

2022/23 Operational Audit Plan

Area	Links to Corporate Risk Register/Corporate Objectives	Work outline
CORPORATE		
Human Resources – Staff Development	CR1 – Decreasing financial resources / increasing financial pressures CR6 – Reputation damage CR8 – Regulatory governance CR10 – Organisational/transformational change CR12 – Fraud CO3 – Delivering excellent services	To ensure that Council officers are set reasonable objectives and performance against achievement of these objectives and that these align with service plan and corporate objectives.
Risk Management	All risks recorded on the Corporate Risk Register	Review of the Council’s approach to managing risk and contribution to HOIA annual opinion.
Anti Fraud & Corruption	CR1 – Decreasing financial resources / increasing financial pressures CR6 – Reputation damage CR12 – Fraud	Focus on overall arrangements to prevent, detect and investigate suspected fraud and corruption.
National Fraud Initiative	CR1 – Decreasing financial resources / increasing financial pressures CR6 – Reputation damage CR12 – Fraud	To provide key contact, project management and overview support to ensure progression of the NFI process to meet Cabinet Office requirements.
FINANCE		
Financial Management & Reporting	CR1 – Decreasing financial resources / increasing financial pressures CR6 – Reputation damage CR10 – Organisational/transformational change CO2 – Growing the Borough economically	To consider the adequacy and robustness of managerial control processes regarding the medium term financial strategy, budget setting and management, including a targeted review to support and assure on key areas of change/savings within the MTF5.
Financial Systems (creditors, income & debtors, treasury management)	CR1 – Decreasing financial resources / increasing financial pressures CR12 - Fraud CO2 – Growing the Borough economically	Review of key controls over fundamental financial systems.
Payroll & Expenses	CR1 – Decreasing financial resources / increasing financial pressures CR12 – Fraud	To provide assurance that salaries and expenses are paid in an accurate, timely and complete manner.

Area	Links to Corporate Risk Register/Corporate Objectives	Work outline
CUSTOMER SERVICES & TRANSFORMATION		
Street Cleaning	CR6 – Reputation damage CR7 – Effective utilisation of assets/buildings CR8 – Regulatory governance CO3 – Delivering excellent services	To ensure that standards for street cleaning are set, achieved and properly monitored.
Grounds Maintenance	CR6 – Reputation damage CR7 – Effective utilisation of assets/buildings CR8 – Regulatory governance CO3 – Delivering excellent services	To ensure that standards for maintaining public green spaces and displays set, achieved and properly monitored.
IT Audit	CR10 – Organisational/transformational change CR13 – Cyber / IT security	To be confirmed via separate risk assessment.
Capital Project & Programme Management	CR1 – Decreasing financial resources / increasing financial pressures CR2 – Key supplier failure CR6 – Reputation damage CR7 – Effective utilisation of assets/buildings CO2 – Growing the Borough economically CO3 – Providing excellent services	Combined review focusing on processes in place to manage individual capital projects through to overall delivery of the capital programme. To include an assessment of the processes in place to ensure that capital projects are financially viable having taken into account availability of funds, borrowing requirements and impact on prudential indicators. Review of internal process for allocating s106 income to specific capital projects.
LAW & DEMOCRACY		
Premises Licensing	CR1 – Decreasing financial resources / increasing financial pressures CR6 – Reputation damage CR8 – Regulatory governance CO1 – Building, protecting and empowering communities	To provide assurance that premises that serve alcohol and/or provide entertainment are suitably licensed in accordance with current legislation.
Safeguarding	CR3 – Working with partners CR4 – Engaging with OWBC residents CR6 – Reputation damage CR8 – Regulatory governance CO1 – Building, protecting and empowering communities	Review of the Council's arrangements for working along with the Leicestershire & Rutland Safeguarding Children Partnership (SCP) and Safeguarding Adults Board (SAB).
Car Parks	CR1 – Decreasing financial resources / increasing financial pressures CR7 – Effective utilisation of assets/buildings CR11 – Economy/regeneration CR12 – Fraud CO2 – Growing the Borough economically CO3 – Providing excellent services	To review the arrangements for collecting car park income following the recent introduction of a range of parking fees for Council owned car parks.

Area	Links to Corporate Risk Register/Corporate Objectives	Work outline
BUILT ENVIRONMENT		
Housing Rents	CR1 – Decreasing financial resources / increasing financial pressures CR7 – Effective utilisation of assets/buildings CR8 – Regulatory governance	To review the Council’s arrangements for ensuring that housing rent income is collected in full. Review of process for raising leasehold charges.
Homelessness	CR1 – Decreasing financial resources / increasing financial pressures CR4 – Engaging with OWBC residents CR6 – Reputation damage CR8 – Regulatory governance CO1 – Building, protecting and empowering communities CO3 – Delivering excellent services	Review of arrangements for implementing and administering the requirements of the Homelessness Reduction Act.
Planning	CR1 – Decreasing financial resources / increasing financial pressures CR4 – Engaging with OWBC residents CR6 – Reputation damage CR8 – Regulatory governance CR11 – Economy/regeneration CO1 – Building, protecting and empowering communities CO2 – Growing the Borough economically CO3 – Delivering excellent services	Review of process in place to ensure that planning applications are determined in a timely fashion in accordance with statutory requirements.

INTERNAL AUDIT CHARTER

1. Definition

Internal Audit is an independent and objective appraisal service within the organisation:

- Internal Audit primarily provides an independent and objective opinion to the Accountable Officer (Chief Executive), and the Audit Committee on the degree to which risk management, internal control and governance arrangements support the achievement of the organisation's agreed objectives. In addition, Internal Audit's findings and recommendations are beneficial to senior management in the audited areas. Senior management is defined as any manager with responsibility for the system under review by Internal Audit. Risk management, internal control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the organisation.
- Internal Audit also provides an independent and objective consultancy service specifically to help senior management improve the organisation's risk management, control and governance arrangements. The service applies the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that management have put in place to ensure the achievement of the organisation's objectives, and through recommendations for improvement. Such consultancy work contributes to the opinion, which Internal Audit provides on risk management, control and governance. Approval for any significant additional consulting services not already included in the audit plan will be sought from the Audit Committee prior to accepting the engagement.

Please see note at the end of this Charter for further definitions.

2. Standards and Ethics

Internal Audit acknowledges the mandatory nature of the Definition of Internal Audit, the Code of Ethics and the Standards contained in the Public Sector Internal Audit Standards. Internal Audit shall also work in accordance with any performance measures agreed with the Audit Committee.

3. Independence, Objectivity and Conflicts of Interest

All internal audit activities shall remain free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports. CW Audit does not accept any roles that involve executive or direct operational responsibility or authority over any of the activities it reviews. The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting does not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

Individual auditors will have an impartial, unbiased attitude, characterised by integrity and an objective approach to work, and should avoid conflicts of interest. Individual auditors must declare any conflict of interest to the Head of Internal Audit. Any conflicts of interest encountered by the Head of Internal Audit must be declared to the Head of Finance. Internal Auditors will have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

4. Authority and Accountability

Internal Audit derives its authority from the Accountable Officer and Audit Committee. The Head of Internal Audit reports on a functional basis via the Audit Committee. For administrative purposes, the Head of Internal Audit reports to the Head of Finance. The Head of Internal Audit has a direct right of access to the Chair of the Audit Committee. The Audit Committee shall have regular private meetings with the Head of Internal Audit. The Audit Committee approves all Internal Audit plans and may review any aspect of its work.

5. Internal Audit Team

The Head of Internal Audit is responsible for ensuring the team is adequately staffed and that there is access to the full range of knowledge, skills, qualifications and experience to deliver the Internal Audit Plan in line with the PSIAS. The team will undertake regular assessments of professional competence through an on-going appraisal and development programme (i.e. Personal Development Plans and Continuing Professional Development) with training provided where necessary. Auditors also have responsibilities for applying due professional care when performing their duties. The Head of Internal Audit must hold a professional qualification.

If the Head of Internal Audit, Chief Executive, Head of Finance or the Audit Committee consider that the level of Internal Audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing, they should advise the full Council accordingly.

6. Scope

The Head of Internal Audit is responsible for developing and maintaining an Internal Audit Strategy for providing the Chief Executive, economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the organisation's risk management, control and governance arrangements. The Head of Internal Audit's opinion is a key element of the framework of assurance the Chief Executive needs to inform the completion of the Annual Governance Statement. This strategy will be realised through the delivery of a considered and approved annual risk based plan. To develop the risk based plan, the Head of Internal Audit consults with senior management and the Audit Committee and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The Head of Internal Audit reviews and adjusts the plan as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

The audit plan will systematically review the policies, procedures and operations in place to:

- Establish, and monitor the achievement of, the organisations objectives.
- Identify, assess and manage the risks to achieving the organisations objectives.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.
- Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

7. Approach

To ensure delivery of its objectives, Internal Audit will develop and implement an Audit Strategy. This will be prepared each year and will describe arrangements for the delivery of the internal audit service based upon knowledge of the organisation's objectives, risk assessment, and appropriate management consultation.

The allocation of resources between assurance and consultative work will be set out. A detailed Annual Operational Plan will be prepared designed to implement the audit strategy. The audit strategy and annual plans shall be prepared to support the audit opinion to the Accountable Officer on the risk management, internal control and governance arrangements within the organisation. Both the strategy and annual plans will be approved by the Audit Committee.

8. Reporting

Internal Audit will report formally to the Audit Committee through the following:

An annual report will be presented to confirm completion of the audit plan and will include the Head of Internal Audit opinion provided for the Accountable Officer that will support the Annual Governance Statement. The opinion must take into account the strategies, objectives and risks of the organisation and the expectations of senior management and other stakeholders. The Head of Internal Audit opinion will:

- a) State the overall adequacy and effectiveness of the Council's risk management, control and governance processes;
- b) Disclose any qualification to that opinion, together with the reasons for the qualification;
- c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues internal audit judge as being particularly relevant to the preparation of the Annual Governance Statement;
- e) Compare work actually undertaken with the work which was planned and summarise performance of the internal audit function against its performance measures criteria; and
- f) Comment where necessary on compliance with the Public Sector Internal Audit Standards and internal quality assurance arrangements.

For each Audit Committee meeting a progress report will be presented to summarise progress against the plan. The findings arising from individual audit reviews will be reported in accordance with Audit Committee requirements. The Audit Committee members will be provided with copies of individual audit reports for each assignment undertaken unless the Head of Internal Audit is advised otherwise. The reports will include an action plan with target dates for completion.

Following the closure of fieldwork, Internal Audit will discuss findings with operational/local managers. Operational/Local management will receive draft reports which will include the action plans they have agreed following the discussion of findings. A copy of the draft report will also be provided to the relevant Executive Director. The draft report will give an "assurance" opinion on the area reviewed. The draft report will also indicate action ratings for individual report findings and recommendations.

Operational management will be required to respond to the draft report, stating their agreement or otherwise to the content of the report, identifying action, staff with responsibility for implementation and the dates by which action will be taken. Final reports inclusive of management comments will be issued by Internal Audit to the relevant Executive Director within 5 working days of management responses being received. The final report will be placed on the agenda for the next available Audit Committee.

Internal Audit will make provision to review the implementation of agreed action within the agreed timescales. However, where there are issues of particular concern provision may be made for follow up review within the same financial year. Issue and clearance of follow up reports shall be as for other assignments referred to above.

9. Irregularities, Fraud and Corruption

It is the responsibility of management to maintain systems that ensure the Council's resources are utilised in the manner and on activities intended. This includes the responsibility for the prevention and detection of fraud and other illegal acts.

Internal Audit shall not be relied upon to detect fraud or other irregularities. However, Internal Audit will give due regard to the possibility of fraud and other irregularities in work undertaken. Additionally, Internal Audit shall seek to identify weaknesses in control that could permit fraud or irregularity.

If Internal Audit discovers suspicion or evidence of fraud or irregularity, this will immediately be reported to the organisation's Counter Fraud Specialist in accordance with the organisation's Counter Fraud Policy and Fraud Response Plan.

10. Relationships

In order to maximise its contribution to the overall framework of assurance, Internal Audit will work closely with the organisation's Head of Finance in planning its work programme. Co-operative relationships with senior and line management enhance the ability of internal audit to achieve its objectives effectively. Audit work will be planned in conjunction with management as far as possible, particularly in respect of the timing of audit work.

Internal Audit will meet regularly with the external auditor to consult on audit plans, discuss matters of mutual interest, discuss common understanding of audit techniques, method and terminology, and to see opportunities for co-operation in the conduct of audit work. In particular, internal audit make available their working files to the external auditor for them to place reliance upon the work of Internal Audit where appropriate

The Head of Internal Audit will establish a means to gain an overview of other assurance providers' approaches and output as part of the establishment of an integrated assurance framework. In addition the Head of Internal Audit shall make provision to form an opinion where key systems are being operated by organisation's outside of the remit of the Accountable Officer, or through a shared or joint arrangement.

11. Access

Internal Audit shall have the authority to access all the organisation's information, documents, records, assets, personnel and premises that it considers necessary to fulfil its role. This shall extend to the resources of the third parties that provide services on behalf of the organisation. All information obtained during the course of a review will be regarded as strictly confidential to the organisation and shall not be divulged to any third party without the prior permission of the Accountable Officer. However, open access shall be granted to the organisation's external auditors. In any instances of conflict this will be referred for resolution to the Head of Finance, Chief Executive or Chair of Audit Committee as appropriate.

12. Quality Assurance

The work of internal audit is controlled at each level of operation to ensure that a continuously effective level of performance, compliant with the Public Sector Internal Audit Standards is being achieved. The Head of Internal Audit will establish a quality assurance programme designed to give assurance through internal and external review that the work of internal Audit is compliant with the PSIAS and to achieve its objectives. A commentary on compliance against the Standards will be provided in the annual audit report to Audit Committee.

13. Approval, Review and Interpretation of the Charter

This Internal Audit Charter shall be reviewed annually and approved by the Audit Committee*.

* The Public Sector Internal Audit Standards require the Charter to be approved by the Board, however, for the Public Sector the following definition of Board is provided: *Audit Committee – the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.*