



Civic Centre,
Arnot Hill Park,
Arnold,
Nottinghamshire,
NG5 6LU

Agenda

Audit Committee

Date: **Tuesday 16 March 2021**

Time: **5.30 pm**

Place: **Virtual Meeting**

For any further information please contact:

Alec Dubberley

Democratic Services Manager

0115 901 3906

Audit Committee

Membership

Chair	Councillor Bob Collis
Vice-Chair	Councillor Meredith Lawrence
	Councillor Liz Clunie
	Councillor Boyd Elliott
	Councillor Kathryn Fox
	Councillor Helen Greensmith
	Councillor Jennifer Hemingway

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10 Any other item which the Chair considers urgent.

MINUTES AUDIT COMMITTEE

Tuesday 24 November 2020

Councillor Bob Collis (Chair)

Councillor Meredith Lawrence
Councillor Liz Clunie
Councillor Boyd Elliott

Councillor Kathryn Fox
Councillor Helen Greensmith
Councillor Jennifer Hemingway

Officers in Attendance: A Ball and A Dubberley

Also in attendance: K Ball and G Dulay (BDO) and A Pipes (Mazars)

18 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.

None.

19 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 7 JULY 2020

RESOLVED:

That the minutes of the above meeting, having been circulated, be approved as a correct record.

20 DECLARATION OF INTERESTS.

None.

21 GOING CONCERN

The Assistant Director Finance introduced a report, which had been circulated in advance of the meeting informing Members of the Chief Financial Officer's assessment of the Council's "Going Concern" status for the purpose of the Statement of Accounts 2019/20.

RESOLVED to:

Note the outcome of the assessment made by the Chief Financial Officer that Gedling Borough Council can continue to operate as a going concern for a period of twelve months from the date of signing the audit opinion, and accordingly remains a going concern for the purpose of the 2019/20 Statement of Accounts.

22 MAZARS EXTERNAL AUDIT REPORT 2019/20

The Assistant Director Finance introduced a report, which had been circulated in advance of the meeting, informing Members of the key findings arising from Mazars' (the Council's external auditor) audit work in respect of 2019/20.

Anita Pipes from Mazars gave further information about key findings in the report.

RESOLVED:

To note the Mazars external audit report for 2019/20.

23 ANNUAL GOVERNANCE STATEMENT AND STATEMENT OF ACCOUNTS 2019/20

The Assistant Director Finance introduced a report, which had been circulated in advance of the meeting, seeking approval of the Council's Annual Governance Statement for 2019/20 and the Statement of Accounts for 2019/20.

RESOLVED:

- 1) To approve the Annual Governance Statement for 2019/20 at Appendix 1 to the report;
- 2) That subject to approval of the Annual Governance Statement approve the Statement of Accounts for 2019/20, at Appendix 2 to the report, with the inclusion of the additional wording set out at paragraph 3.3.4 of the report if such addition is necessary;
- 3) To note the Narrative Statement on pages 3 to 16 of the Statement of Accounts for 2019/20; and
- 4) To agree the Letter of Representation at Appendix 3 the report.

24 INTERNAL AUDIT PROGRESS REPORT 2020/21

Gurpreet Dulay (BDO) introduced a report summarising the outcome of internal audit activity completed by the BDO Internal Audit Team for the period June 2020 to November 2020.

RESOLVED:

To note the report and actions taken or to be taken.

25 INTERNAL AUDIT FOLLOW UP REPORT 2020/21

Kate Ball (BDO) introduced a report, which had been circulated in advance of the meeting, detailing the outcome of the follow up process completed by the BDO Internal Audit Team for the period April 2020 to November 2020.

RESOLVED:

To note the report and actions taken or to be taken.

26 INDEPENDENT REVIEW INTO THE OVERSIGHT OF LOCAL AUDIT AND THE TRANSPARENCY OF LOCAL AUTHORITY FINANCIAL REPORTING (THE REDMOND REVIEW).

The Assistant Director Finance introduced a report updating Members on recommendations arising from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (the Redmond Review).

RESOLVED:

To note the report.

27 CORPORATE RISK MANAGEMENT SCORECARD QUARTER 2 2020/21

The Assistant Director Finance introduced a report to update members on the current level of assurance that can be provided against each corporate risk.

RESOLVED:

To note the progress of actions identified within the Corporate Risk Register.

28 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

Nothing was raised under this item.

The meeting finished at 7.10 pm

Signed by Chair:
Date:

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Report to Audit Committee

Subject: Local Code of Corporate Governance 2021/22

Date: 16 March 2021

Author: Monitoring Officer

Purpose

To seek approval for the updated Local Code of Corporate Governance 2021/22.

Recommendation

THAT:

The Local Code of Corporate Governance for 2021/22 be approved.

1 Background

- 1.1 Corporate governance is the system by which organisations are directed and controlled and it became an important concept following the Cadbury Committee's report in 1992 on financial aspects of corporate governance. As a consequence, all local authorities have sought to demonstrate compliance with best practice by drawing up a Local Code of Corporate Governance, based on CIPFA/SOLACE Guidance first published in 2007.
- 1.2 In April 2016, CIPFA and SOLACE published the publication "Delivering Good Governance in Local Government: Framework" which is in essence an updated version of the original 2007 publication. However, amendments to the framework include an update to the Core Principles and sub principles to ensure organisations demonstrate good governance by "Achieving the Intended Outcomes While Acting in the Public Interest at all Times". The Framework makes it clear that it is up to each local authority to:

- Set out its commitment to the principles of good governance;
 - Determine its own governance structures and local Code; and
 - Ensure that it operates effectively in practice.
- 1.3 The Local Code of Corporate Governance should set out the governance structures the Council has in place to demonstrate how it complies with the Core principles and sub-principles. It is a 'living document' in that it must be periodically reviewed and amended to ensure that it satisfies the changing financial and corporate environment.
- 1.4 Members of the Committee will recall that on 12 September 2017 it was agreed that the process of review of the Code should be as follows:-
- Senior Leadership Team
- The Senior Leadership Team (SLT) will review the Council's governance and risk management arrangements and identify a work programme for ensuring these arrangements remain robust and up-to-date as and when necessary. SLT will also proactively review issues which may arise during the course of the Council's day to day business and take steps to address them. SLT will report directly to the Audit Committee as and when necessary.
- The Audit Committee
- The Audit Committee has overall responsibility for the Council's governance and risk management arrangements, and will be the main Member review of those arrangements. The Committee will approve any amendments to the Local Code.
- 1.5 At the end of the financial year, the Audit Committee will receive an annual report from the Chief Executive and Leader: the "Annual Governance Statement", which reports on the extent that the Council complies with its own Code of Corporate Governance and whether those arrangements are adequate and operating effectively. The Annual Governance Statement will accompany the Statement of Accounts report.

2 Proposal

- 2.1 In accordance with the agreed process, Senior Leadership Team has reviewed the Local Code on Corporate Governance in consultation with Heads of Service and has made a number of minor amendments to ensure that it remains up to date and fit for purpose. For ease of reference the amendments are shown in strikethrough and italics. Members will note that

the majority of amendments reflect a slight delay in the delivery of some actions due to capacity to deliver those actions during the Covid-19 pandemic, however those actions moved to completion in 2021/22 are expected to be completed within the first quarter. It is proposed that Audit Committee now approves the Local Code of Corporate Governance for 2021/22 attached at Appendix 1.

3 Alternative Options

- 3.1 Not to approve the Local Code of Governance or propose different amendments to the Code. As highlighted however, the requirement to have a Code is best practice as indicated by CIPFA/SOLACE guidance and supports the Annual Governance Statement required by statute by setting out clearly the Council's approach to governance across the organisation. The review undertaken for 2021/22 by SLT has been undertaken in consultation with Heads of Service and reflects all required amendments.

4 Financial Implications

- 4.1 None directly arising from this report.

5 Legal Implications

- 5.1 The Code has been drawn up to demonstrate compliance with best practice as set out by CIPFA/SOLACE and supports the Annual Governance Statement which is required as part of the accounts process as required by statute and in particular the Accounts and Audit Regulations 2015.

6 Equalities Implications

- 6.1 None directly arising from this report.

7 Carbon Reduction/Environmental Sustainability Implications

- 7.1 None directly arising from this report.

8 Appendices

8.1 Appendix 1 – Local Code of Corporate Governance for 2021/22.

9 Background Papers

9.1 None identified.

Statutory Officer approval	
Approved by:	Chief Financial Officer
Date:	8 March 2021
Approved by:	Monitoring Officer
Date:	8 March 2021

LOCAL CODE OF CORPORATE GOVERNANCE 2020/21

Introduction

1. Governance arrangements in the public services are vitally important and local government organisations need to ensure that they meet the highest standards, are kept up to date and are relevant. Governance is about how the Council ensures resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and there is clear accountability for the use of those resources in order to achieve the desired outcomes for service users and communities.

2. CIPFA¹/SOLACE² have together produced a corporate governance framework which was updated for 2016/17. It is an integrated system that brings together an underlying set of legislative requirements, governance principles and management processes. The governance framework produced by CIPFA/SOLACE remains a discretionary code and is offered to local authorities as good practice.

3. In conducting its business, Gedling Borough Council is fully committed to the key principles of good governance set out in the CIPFA/SOLACE framework. The framework is underpinned by seven core principles. This Local Code of Corporate Governance sets out below how Gedling Borough Council demonstrates that its governance structures comply with these seven core principles.

Good Governance

Core Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Sub- principle	Actions to demonstrate good governance
Behaving with integrity	<ul style="list-style-type: none"> ▪ Ensuring Members and Officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. ▪ Ensuring Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles). ▪ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.

¹ Chartered Institute of Public Finance and Accountancy

² Society of Local Authority Chief Executives

	<ul style="list-style-type: none"> ▪ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> ▪ Seeking to establish, monitor and maintain the organisation's ethical standards and performance. ▪ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. ▪ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. ▪ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.
Respecting the rule of law	<ul style="list-style-type: none"> ▪ Ensuring Members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations. ▪ Creating the conditions to ensure that the statutory officers, other key post holders, and Members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. ▪ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. ▪ Dealing with breaches of legal and regulatory provisions effectively. ▪ Ensuring corruption and misuse of power are dealt with effectively.

To demonstrate its commitment to Core Principle A Gedling Borough Council:

- Has developed and promotes a culture of behaviour based on shared values, high ethical principles and good conduct underpinned by the following:
 - Members' code of conduct
 - Officers' code of conduct
 - Protocol on member/officer relations
 - Gifts and Hospitality Code of Practice for Members and Officers
 - Members' Register of Interests
 - Protocol for Members on dealing with planning matters
- Provides a comprehensive Elected Member induction programme which includes Code of Conduct training.
- Additional Member training is provided supported by a dedicated budget for Member training.
- Has approved arrangements for dealing with complaints that a councillor has breached the Code of Conduct.
- Has a Standards Committee, which is not politically biased, with responsibility for standards and probity issues.
- Is able to monitor and investigate officer behaviour through its corporate complaints procedure.
- On a quarterly basis reminds Members to keep their Register of Interests up to date.

- Maintains a register of gifts and hospitality for Officers and Members, which is reported to Standards Committee on an annual basis. *The register of gifts and hospitality for Members is now published on the Council's website on a quarterly basis.*
- Has an Audit Committee which has overall responsibility for the Council's governance and risk management arrangements.
- Has approved a Counter Fraud and Corruption Strategy, including whistleblowing procedures during 2019/20 and will be introducing appropriate arrangements for an Officers' Register of Interests during 2021/22. Fraud awareness training will be delivered to Officers and Members and the Strategy is published on the Council's website.
- Has developed new guidance for Officers in respect of establishing partnerships and the governance and ongoing monitoring of these.
- Has clear role specifications within the Constitution in respect of the Head of Paid Service, Chief Financial Officer and Monitoring Officer.
- Has introduced a Gedling Employee, Manager and Leader Standard which sets out behaviours expected by employees.
- Conducts annual Personal Development Reviews which include a review of behaviours in the workplace.
- Requires reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer with a new template agreed to ensure that the details of review and approval are documented on the report.
- Has set out a Data Breach Management Policy within the Information Security Policy.
- Ensures commitment to paying the national minimum wage.
- Complies with the Public Contracts Regulations 2015 during procurement activity for the carrying out of works or provision of supplies or services.
- Has continued to progress a comprehensive review of the Constitution during 2019/20 which will be completed during 2020/21.
- Has conducted a review of the Council's Equalities Policy during 2019/20 and will introduce a new Policy, including reasonable adjustments during 2021/22.
- Has prepared an Equality Framework and Action Plan to be implemented during 2021/22.
- Has an approved Modern Slavery and Human Trafficking Transparency Statement and Modern Slavery Policy.
- Has put in place measures to respond to the GDPR and Data Protection Act requirements, including appointing a Data Protection Officer and deputy.

Core Principle B - Ensuring openness and comprehensive stakeholder engagement

Sub-principle	Actions to demonstrate good governance
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<p>Openness</p>	<ul style="list-style-type: none"> ▪ Ensuring an open culture through demonstrating documenting and communicating the organisation's commitment to openness. ▪ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. ▪ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. ▪ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.
<p>Engaging comprehensively with institutional stakeholders</p> <p><i>NB. Institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable</i></p>	<ul style="list-style-type: none"> ▪ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. ▪ Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. ▪ Ensuring that partnerships are based on: <ul style="list-style-type: none"> ○ Trust ○ A shared commitment to change ○ A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit
<p>Engaging with individual citizens and service users effectively</p>	<ul style="list-style-type: none"> ▪ Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. ▪ Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement. ▪ Encouraging, collective and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds, including reference to future needs. ▪ Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account. ▪ Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. ▪ Taking account of the impact of decisions on future generations of tax payers and service users.

To demonstrate its commitment to Core Principle B Gedling Borough Council:

- Has an informative, user friendly website to share appropriate information with the community.
- Proactively provides information and interacts with the community through Contacts magazine, 'Keep me Posted' emails and social media, in particular Twitter and Facebook.
- Has arrangements in place to seek and respond to the views of the community by:

Core Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

Sub-principle	Actions to demonstrate good governance
Defining outcomes	<ul style="list-style-type: none"> ▪ Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions ▪ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of the year or longer. ▪ Delivering defined outcomes on a sustainable basis within the resources that will be available. ▪ Identifying and managing risks to the achievement of outcomes. ▪ Consulting with residents about Council services and priorities through the biennial Gedling Conversation and Satisfaction Survey ▪ Holding meetings in public wherever possible ▪ Publishing agendas, minutes and decisions ▪ Making provision in the Council's Procedural Standing Orders in the Constitution for the public to ask questions at Council meetings ▪ Undertakes annual budget consultation with business ratepayers ▪ Having effective relationships with other public sector agencies and the private and voluntary sectors ▪ Undertaking miscellaneous consultation with residents and relevant stakeholders including surveys, workshops and focus groups. ▪ Undertakes Equality Impact Assessments where appropriate to identify how the needs of particular groups have been considered to inform decision making. ▪ Has an approved Statement of Community Involvement to compliment the preparation of the Local Plan. ▪ Proactively engages in the health agenda through involvement in the Nottinghamshire Health & Wellbeing Board and South Nottinghamshire Integrated Care Partnership. ▪ Proactively engages in a number of partnerships including: D2N2, Joint Planning Advisory Board, Gedling Health & Wellbeing Delivery Group, South Notts Community Safety Partnership and Gedling

	<p>Employment and Skills Group.</p> <ul style="list-style-type: none"> ▪ Has a Freedom of Information Act Publication Scheme on the Council’s website. ▪ Complies with the provisions of the Transparency Code. ▪ Requires officers to adhere to a calendar of dates for submitting, publishing and distributing timely reports. ▪ Sets out in the Financial Regulations appropriate control measures for entering into partnership arrangements. ▪ Has a Partnership Register, which identifies significant partnerships and potential impacts on the Council. ▪ Ensures reports to Cabinet include an analysis of alternative options together with the reasons for the recommendation contained within the report. ▪ Facilitates the filming and recording of public meetings where necessary. ▪ Has commenced work to develop a Community Engagement toolkit which will be completed and adopted during 2021/2022. ▪ Publishes clear information and Privacy Notices setting out what personal data is collected and how it will be used. ▪ Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available. ▪
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ▪ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. ▪ Taking a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints. ▪ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible in order to ensure appropriate trade-offs. ▪ Ensuring fair access to services.

To demonstrate its commitment to Core Principle C Gedling Borough Council:

- Has clearly set out its vision and priorities in the Gedling Plan.
- Reflects the Council's vision and strategic priorities through individual service plans. These are captured and monitored in the Council's performance management system, Pentana.
- Monitors delivery against the Gedling Plan through quarterly reports to SLT, Cabinet and Overview and Scrutiny Committee.
- Has developed and maintains proper financial management arrangements. These include agreeing a balanced budget before the start of each financial year together with a Medium Term Financial Plan which looks ahead four years; and an Annual Statement of Accounts that details the Council's financial position in the previous year.
- Regularly reviews risks at a corporate project and operational level and ensures that appropriate plans are in place to mitigate risks as far as possible.
- Has arrangements in place to publish the external auditor's report which includes a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Has Procedural Standing Orders, Contract Standing Orders and Financial Regulations in place.
- Internal audit regularly reviews the risk and control framework and produces an annual report including an audit opinion on the adequacy and effectiveness of the Council's risk management, governance and control processes.
- Undertakes Equality Impact Assessments where appropriate to identify how the needs of particular groups have been considered to inform decision making
- Maintains an approach to fair access to services.
- Intends to strengthen its role in enabling Social Value through its procurement activity in accordance with the Public Services (Social Value) Act 2012.
- Has agreed a new report template to ensure that the details of carbon reduction/environmental sustainability implications are documented in reports.

Core Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub-principle	Actions to demonstrate good governance
Determining interventions	<ul style="list-style-type: none"> ▪ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided. ▪ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind further impacts.
Planning interventions	<ul style="list-style-type: none"> ▪ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. ▪ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. ▪ Considering and monitoring risks facing each partner when working collaboratively including shared risks. ▪ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances. ▪ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. ▪ Ensuring capacity exists to generate the information required to review service quality regularly. ▪ Preparing budgets in accordance with objectives, strategies and the medium term financial plan. ▪ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> ▪ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. ▪ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. ▪ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. ▪ Ensuring the achievement of 'social value' through service planning and commissioning.

To demonstrate its commitment to Core Principle D Gedling Borough Council:

- Ensures reports to Cabinet and Portfolio holders include an analysis of alternative options together with the reasons for the recommendation contained within the report.
- Requires service plans and performance indicators to be aligned to Council priorities set out in the Gedling Plan.
- Performance against the Gedling Plan is reported to and monitored by Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all Members and is published on the Council’s website.
- The Council’s budget is developed to reflect the Council’s priorities and the Council has a clear financial strategy including a Medium Term Financial Plan – budgets, plans and objectives are aligned.
- Requires reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer with a new template agreed to ensure that the details of review and approval are documented on the report.
- Has a project management framework, including the full use of business case development.
- Has an approved Risk Management Strategy to ensure that risk management is embedded into the culture of the Council.
- Has approved a Capital Investment Strategy for *2021/22 to 2025/26*.
- Will implement the requirements of the Financial Management Code to support good practice in financial management and demonstrate financial resilience and sustainability.
- Has arrangements in place to seek and respond to the views of the community by:
 - consulting with residents about Council services and priorities through the bi-annual Gedling Conversation and Satisfaction Survey
 - undertaking miscellaneous consultation with residents and relevant stakeholders
- Has developed an External Funding Strategy to ensure bids for external funding comply with Financial Regulations and meet agreed Gedling Plan priorities.

Core Principle E - Developing the entity’s capacity including the capability of its leadership and the individuals within it

Sub-principle	Actions to demonstrate good governance
Developing the entity’s capacity	<ul style="list-style-type: none"> ▪ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. ▪ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently. ▪ Recognising the benefits of partnerships and collaborative working where added value can be achieved.

	<ul style="list-style-type: none"> ▪ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.
<p>Developing the capability of the entity's leadership and other individuals</p>	<ul style="list-style-type: none"> ▪ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. ▪ Publishing a statement that specified the types of decisions that are delegated and those reserved for the collective decision making of the governing body. ▪ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority. ▪ Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> - Ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged. - Ensuring Members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis - Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weakness both internal and external ▪ Ensuring that there are structures in place to encourage public participation ▪ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections ▪ Holding staff to account through regular performance reviews which take account of training or development needs ▪ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

To demonstrate its commitment to Core Principle E Gedling Borough Council:

- Has a comprehensive Member Induction Programme and additional Member Training is provided supported by a dedicated budget for Member training.
- Has a dedicated corporate employee training budget.
- Has delivered a comprehensive programme of Corporate Governance training to Officers which was completed in 2020/21.

- Performance and Development Reviews are undertaken for all members of staff at least annually. The process offers the opportunity to discuss performance and to identify any training and development needs.
- Requires the Head of HR, Performance and Service Planning to be consulted on staffing reports to ensure that team structures are fit for purpose and staffing resources are used to best effect.
- Operates a robust recruitment and selection process.
- Has a raft of HR policies and procedures in place which are included in the Employee handbook and is available on the intranet.
- Adopts and publishes an annual Pay Policy statement that sets out the Council's approach to pay and provides links to relevant policies and procedures.
- Has an adopted agile working strategy and agreed a Flexible and Agile Working Policy in 2019.
- Has introduced the principles of Timewise as a means of maximising the opportunity for current and prospective employees to work in a more agile manner and in doing so encourage a wider pool of applicants to vacant posts.
- Provides access to occupational health arrangements and counselling services, under an Employee Assistance Programme, to help improve employee wellbeing and ensure that sickness absence is kept to a minimum.
- Promotes health and wellbeing through a staff e-newsletter, Well at Work initiatives and an annual Health Fair.
- Has secured the Well-being at Work Bronze Award.
- Arranges an annual Staff Conference and events under the banner of 'Our Gedling'.
- Signed the Prevention Concordat for Better Mental Health.
- Adhere to the principles of the Disability Confident Employer Scheme.
- Clearly set out roles and responsibilities of Senior Members and statutory officers in the Constitution. Roles and responsibilities of Officers are clearly set out in job descriptions and person specifications.
- Has a Partnerships Register which will be reviewed regularly to ensure value is being derived from the collaborative arrangements.
- Has set out a Scheme of Delegation within the Constitution.
- Requires Members of the Planning Committee and Environment and Licensing Committee to undertake mandatory training.
- Clearly sets out the role of the Leader and Chief Executive within the Council's Constitution.
- Has continued to progress a comprehensive review of the Constitution during 2020/21 which will be completed during 2021/22.
- Has conducted a review of the Council's Equalities Policy during 2019/20 and will introduce a new Policy, including reasonable adjustments during 2021/22.
- Will introduce and implement a Workforce Strategy during 2021/22.
- Ensures that performance against the Gedling Plan and agreed budget is reported to and monitored by the Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all Members and is published on the Council's website.
- Agreed to sign the GMB's Employee Charter to demonstrate commitment to supporting employees experiencing domestic abuse.

Core Principle F – Managing risks and performance through robust internal control and strong public financial management

Sub-principle	Actions to demonstrate good governance
Managing Risk	<ul style="list-style-type: none"> ▪ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making ▪ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ▪ Ensuring that responsibilities for managing individual risks are clearly allocated
Managing performance	<ul style="list-style-type: none"> ▪ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review ▪ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook ▪ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making ▪ Providing Members and senior management with regular reports on service delivery plans and on progress towards an outcome achievement ▪ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)
Robust internal control	<ul style="list-style-type: none"> ▪ Aligning the risk management strategy and policies on internal control with achieving objectives ▪ Evaluation and monitoring risk management and internal control on a regular basis ▪ Ensuring effective counter fraud and anti-corruption arrangements are in place ▪ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor ▪ Ensuring and audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> - Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment - That its recommendations are listened to and acted upon
Managing data	<ul style="list-style-type: none"> ▪ Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data ▪ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies

	<ul style="list-style-type: none"> ▪ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring
Strong public financial management	<ul style="list-style-type: none"> ▪ Ensuring financial management is integrated at all levels of planning and control, including management of financial risks and controls ▪ Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

To demonstrate its commitment to Core Principle F Gedling Borough Council:

- Has put in place assurance arrangements which conform to CIPFA's requirements.
- The Council has appointed an Audit Committee which can report to Full Council if it considers necessary.
- A Risk Management Strategy that is led by Senior Management for the identification and evaluation of Corporate Risks, and integrated with the work of Internal Audit to provide a holistic source of assurance aligned to corporate objectives.
- The Risk Management Strategy is periodically reviewed by the Audit Committee along with a quarterly review of the corporate Risk Register by Senior Leadership Team and Audit Committee.
- The Council has contracted with BDO to provide an internal audit service. Internal auditors are independent and have access to all people, premises and systems. An annual report is presented to the Audit Committee.
- The Annual Audit Plan is shaped through an assessment of the Council's key strategic risk areas and critical services.
- Results of audit reviews are reported to the Audit Committee along with follow up work to ensure that the recommendations have been implemented.
- Financial systems are reviewed annually to ensure appropriate, effective controls are in place.
- External audit reports to the Audit Committee annually on the results of the audit of the financial statements.
- Through the Chief Financial Officer, Members are advised on the robustness of estimates and the adequacy of reserves set within the budget process.
- The Annual Governance Statement considers the internal control framework, and is presented to the Audit Committee annually with the Statement of Accounts.
- Ensures that effective arrangements are in place for the discharge of statutory officer roles by defining roles and responsibilities in the Constitution.
- Ensures compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful by:
 - requiring all reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer
 - requiring all Council and Cabinet reports to be considered by Senior Leadership Team prior to inclusion in the agenda
- Has financial management arrangements in place which conform with the requirements of the CIPFA statement on the role of Chief Financial Officer in Local Government and with statutory provisions in the Local Government Act 1972, the Local Government Act 1988 and the Accounts and Audit Regulations 2015.

- Has put in place Financial Regulations and Contract Standing Orders and provided training to the relevant staff.
- Through Senior Leadership Team, carries out a quarterly review of corporate risks to ensure that they are relevant, whilst at the same time reviewing risk appetite.
- Ensures that performance against the Gedling Plan and agreed budget is reported to and monitored by the Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all Members and is published on the Council's website.
- Publishes an up to date Forward Plan to enable forthcoming key decisions to be scrutinised at the earliest opportunity by Overview and Scrutiny Committee.
- Ensures Overview and Scrutiny Committee has sufficient access to Cabinet Portfolio Holders, key officers and information for the purpose of constructive challenge.
- Is implementing the statutory Guidance on Overview and Scrutiny in Local and Combined Authorities.
- Has approved a Counter Fraud and Corruption Strategy, including whistleblowing procedures during 2019/20 to ensure effective arrangements are in place. This has been published on the website and is accessible to officers and those contracting with or appointed by the Council.
- Has robust arrangements in place for:
 - Managing data.
 - Training staff and Members in relation to information governance
 - Ensuring data security breaches are reported and dealt with appropriately as set out in the Information Security Policy
 - Setting out how data shall be dealt with in the Information Security Policy and Records Retention and Disposal Policy
 - Ensuring appropriate Information Sharing Agreements signed off by the Data Protection Officer are in place.
- Has put in place measures to respond to the GDPR and Data Protection Act requirements, including appointing a Data Protection Officer and deputy.
- Has developed an External Funding Strategy to ensure bids for external funding comply with Financial Regulations and meet agreed Gedling Plan priorities.
- Quarterly risk management information will be reported to Overview and Scrutiny Committee from April 2020.
- Publishes clear informative and Privacy Notices setting out what personal data is collected and how it will be used.
- Has continued to progress a comprehensive review of the Constitution during 2020/21 which will be completed during 2021/22.
- Has a project management framework, including the full use of business case development.
- Has developed a Data Hub to provide an easily accessible online portal to access data that will inform and evidence decision making service, planning and other project work.
- Has introduced an annual declaration of Health and Safety risk assessments to demonstrate compliance and provide assurance.

Core Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub-principle	Actions to demonstrate good governance
Implementing good practice in transparency	<ul style="list-style-type: none"> ▪ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ▪ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand
Implementing good practices in reporting	<ul style="list-style-type: none"> ▪ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ▪ Ensuring Members and senior management own the results reported ▪ Ensuring robust arrangements for assessing the extent to which the principles contained in this framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) ▪ Ensuring that this framework is applied to jointly managed or shared service organisations as appropriate ▪ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations
Assurance and effective accountability	<ul style="list-style-type: none"> ▪ Ensuring that recommendations for corrective action made by external audit are acted upon ▪ Ensuring an effective internal audit service with direct access to Members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon ▪ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ▪ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ▪ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

To demonstrate its commitment to Core Principle G Gedling Borough Council:

- Operates under Executive arrangements with an established Overview and Scrutiny Committee.
- Monitors compliance with the Freedom of Information Act and Access to Information Act and deals with FOI requests through an Information and Practice Manager.

- Adopts a presumption of openness and transparency and publishes key information on its website. The Council has a Publication Scheme and publishes information in accordance with the Code on Data Transparency.
- Through reviews by external auditors, internal audit and Senior Leadership Team seeks ways of ensuring that value for money is achieved and for securing continuous improvement in the way in which its functions are exercised.
- Has an effective corporate complaints system which is managed through Customer Services. All complaints are monitored and evaluated, through a quarterly report to Senior Leadership Team.
- Ensures that performance against the Gedling Plan and agreed budget is reported and monitored by the Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all members and is published on the Council's website.
- Ensures that all agendas, reports and minutes are published on the Council's website.
- Seeks to minimise the number of and sections of reports which need to be considered in the confidential section of Council, Committee and Cabinet meetings.
- Issues guidance to staff to ensure that the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and Openness of Local Government Bodies Regulations 2014 are complied with.
- Determines that the Chief Executive is responsible and accountable for all aspects of operational management.
- Records in the minutes of the proceedings of a "budget decision meeting" of Council the names of the Members who voted or abstained.
- When working in partnership, will take steps to develop working protocols, robust procedures for scrutiny of decisions and behaviour, and ensure meetings are held in public.
- Has put in place measures to respond to the GDPR and Data Protection Act requirements, including appointing a Data Protection Officer and deputy.



Report to Audit Committee

Subject: Mazars Annual Audit Letter 2019/20
Date: 16 March 2021
Author: Director of Corporate Resources and S151 Officer

1 Purpose of Report

To inform Members of the outcome of the external audit work in respect of 2019/20.

Recommendation:

THAT:

- 1) Members accept the Mazars Annual Audit Letter for 2019/20 (Appendix 1) and refer it to Council for information.

2 Background

The external auditor's Annual Audit Letter summarises the outcomes from the audit work at Gedling Borough Council in relation to the 2019/20 audit year. Although it is addressed to the Council, it is designed to be read by a wider audience, including members of the public and other external stakeholders, and will be placed on the Authority's website.

3 Proposal

As external auditors, Mazars have concluded their audit work for 2019/20 and outcomes are summarised in the Annual Audit Letter attached at Appendix 1. The letter confirms that an unqualified audit opinion was issued in respect of both the Council's Financial Statements and the Value for Money arrangements. In addition, it confirms that they did not have to issue a public interest report and did not have to exercise any other audit powers

under the Local Audit and Accountability Act 2014 during the course of the audit.

Section 5 of the Annual Audit Letter summarises the audit fees for the work. The final fee for the 2019/20 audit of the authority was £32,779 plus additional fees, yet to be agreed, for work relating to:

- Additional testing on property, plant and equipment (PPE) and Pensions
- Additional costs associated with 2019/20 including:
 - Impact of material valuation uncertainty on PPE and pension fund assets;
 - Updating audit risk assessments;
 - Additional consideration of estimation uncertainty;
 - Changes impacting pension liabilities through the McCloud and Goodwin legal cases.

It is proposed that the letter is accepted and be recommended to Full Council.

4 Financial Implications

There are no financial implications directly arising from this report.

5 Legal Implications

There are no legal implications directly arising from this report.

6 Equalities Implications

There are no equalities implications directly arising from this report.

7 Carbon Reduction/Environmental Sustainability Implications

There are no carbon reduction/environmental sustainability implications arising from this report.

8 Appendices

Appendix 1 Mazars Annual Audit Letter 2019/20.

Statutory officer Approval:

Approved by: Chief Financial Officer

Date: 8 March 2021

Approved by: Monitoring Officer

Date: 8 March 2021

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Annual Audit Letter

Gedling Borough Council

Year ending 31 March 2020





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- 02** Audit of the financial statements
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

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

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Gedling Borough Council (the Council) for the year ended 31 March 2020. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Assessment	Summary
Audit of the financial statements	●	<p>Our auditor's report issued on 18 December 2020 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
Other information published alongside the audited financial statements	●	<p>Our auditor's report included our opinion that:</p> <ul style="list-style-type: none">• the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	●	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.</p>
Reporting to the group auditor	●	<p>In line with group audit instructions, issued by the NAO on 4th November, we reported to the group auditor in line with the requirements applicable to the Council's Whole of Government Accounts return.</p>
Statutory reporting	●	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> <p>The report also confirmed that we did not exercise any other special powers of the auditor under sections 28, 29 or 31 of the 2014 Act.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

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

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

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our auditor's report was modified to include an emphasis of matter paragraph. This drew attention to the financial statement disclosure explaining that COVID-19 had contributed to 'material valuation uncertainty' in the valuation of three of the Council's property, plant and equipment and investment properties and in the Council's share of Nottinghamshire Pension Fund's property investment assets included in the estimated net Pension Liability.



2. AUDIT OF THE FINANCIAL STATEMENTS

Our approach to materiality

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

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

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

		Council
Financial statement materiality	Our financial statement materiality is based on 2% of Gross Operating Expenditure on the surplus/deficit on provision of services.	£1,054k
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£32k
	We have applied a lower level of materiality to the following areas of the accounts:	
Specific materiality	• Termination payments	£42k
	• Senior Officer Remuneration	£5k
	• Members Allowances	£45k
	• External Audit Fee	£5k

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant audit risks

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

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> Accounting estimates impacting on amounts included in the financial statements. Consideration of identified significant transactions outside the normal course of business. Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our audit procedures did not identify any material errors or uncertainties in the financial statements, or other matters that we wish to highlight.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant audit risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Valuation of Property, Plant and Equipment and Investment Properties</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of Property, Plant and Equipment (PPE). Although the Authority uses an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk. For 2019/20 we understand that Bruton Knowles have been commissioned to value Mapperley Golf Course and the Bestwood Lodge Hotel and the same risks apply in relation to the external valuer.</p> <p>At the outset of the Covid19 outbreak, guidance issued by the Royal Institute of Chartered Surveyors set out an expectation that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings at the balance sheet date.</p>	<p>We performed a range of audit tests, including, but not limited to:</p> <ul style="list-style-type: none"> Assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations. Considering whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies. Assessing whether valuation movements are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends. Assessing the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice. Assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer. <p>We also considered the potential impact of the COVID-19 pandemic on the Council's asset valuations and the adequacy of the disclosures in the financial statements, specifically those relating to the material uncertainty applied by your valuer to their valuations.</p>	<p>The Council's valuer declared that the valuation of 2 of the Council's property assets and 1 investment property were subject to 'material valuation uncertainty' as a result of COVID-19 and this was disclosed in Note 4 of the financial statements and referred to in the 'emphasis of matter' paragraph in our auditor's report. A 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon, only that, because of the extraordinary circumstances arising from COVID-19, less certainty can be attached to the valuation.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant audit risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Valuation of the Net Pension Liability</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, in 2019/20 the local government pension assets and liabilities were subject to triennial revaluation, which set the contribution rates for 2020/21 onwards. This results in an increased risk of material misstatement .</p>	<p>We performed a range of audit tests, including, but not limited to:</p> <ul style="list-style-type: none"> • Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. • Assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund’s Actuary, Barnett Waddingham LLP. • Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council’s financial statements. • Liaising with the auditor of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. 	<p>‘Material valuation uncertainty’ was disclosed on the Pension Fund’s property investment assets as a result of COVID-19. As the Council’s share of those assets in the net Pension Liability in its own balance sheet is material, the Council has disclosed this in Note 4 of the financial statements and we have reflected this in the ‘emphasis of matter’ paragraph in our Audit Report.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

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

Description of deficiency	<u>Non Disclosure of Leases</u> We note that as a result of decluttering the accounts a number of years ago the lease note is no longer included within the accounts as it is not material. With the upcoming changes under IFRS16 to take effect in 2020/21 in relation to leases this is something that the authority may wish to reconsider in future years
Potential effects	Failure to disclose in future years when new code requirements come into effect.
Recommendation	The Council will need to consider the disclosure of leases as a separate note when the code change comes into effect in 2021/22 as this area will be subject to specific audit procedures to ensure the correct accounting approach has been followed. As prior year equivalents would have to be provided the Council may wish to consider the disclosure of leases in future years.
Management response	<p>The Council did indeed remove the leasing note as part of the decluttering exercise some years ago. However, a full consideration of operating leases is nevertheless undertaken on an annual basis. The latest review found all instances to be de-minimis in line with the relevant policy and no disclosure was therefore required. The Council is aware that the implementation of IFRS16 may require a review of the policy on leases and accordingly may change our disclosure requirements.</p> <p>The Code change does not come into effect until 2021/22 and any disclosure requirements will be fully reviewed at the appropriate time.</p>



3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

Unqualified

Our audit approach

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

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

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate.

When we perform our work, we consider whether there are any areas requiring additional audit attention as a "Significant Audit Risk", which we report to the Audit and Accounts Committee prior to finalising our conclusion. For 2019/20, we did not identify any significant audit risks.

Overall Conclusion

Our auditor's report stated that that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020.



4. OTHER REPORTING RESPONSIBILITIES

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

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

Matters on which we report by exception

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

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

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

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

The National Audit Office, as group auditor, requires us to complete a Whole of Government Accounts Assurance Statement in respect of financial consolidation data produced by the Council. We submitted this information to the NAO on 18 December 2020.

Other information published alongside the financial statements

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



5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum in March 2020 as £32,779, plus amounts to be confirmed to cover the additional testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	2019/20 proposed fee	2019/20 final fee
Delivery of audit work under the NAO Code of Audit Practice	£32,779	£32,779
Fee Variations*:		
• Additional testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes	To be agreed	£6,194
• Additional costs associated with 2019/20, including, but not limited to: <ul style="list-style-type: none">• Impact of 'Material Valuation Uncertainty' on the Council's land and buildings and its share of Pension Fund property assets.• Updating audit risk assessments, including the value for money conclusion.• Additional considerations of estimation uncertainty in going concern.• Changes impacting pension liabilities through the McCloud and Goodwin legal cases.	To be agreed	£5,032
Final audit fee		£44,005

*Fee variations subject to confirmation from PSAA.

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.



6. FORWARD LOOK: AUDIT CHANGES 2020/21

Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1st April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are however significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work will focus on three criteria specified in the revised Audit Code:

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

Under the new Audit Code, we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and our view as to whether recommendations have been implemented satisfactorily.

The new Audit Code will result in additional officer time and auditor time and therefore audit fees.



6. FORWARD LOOK: AUDIT CHANGES 2020/21

Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit and Accounts Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Ministry of Housing, Communities and Local Government and we look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>



CONTACT

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Anita Pipes

Manager

Email: anita.pipes@mazars.co.uk

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

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Report to Audit Committee

Subject: Mazars External Audit – Audit Strategy Memorandum

Date: 16 March 2021

Author: Director of Corporate Resources and Section 151 Officer

Purpose

The attached report prepared by Mazars, the Council's External Auditor, sets out the External Audit Strategy Memorandum for the year ending 31 March 2021 for approval.

Recommendation(s)

THAT:

- 1) **Members receive the report and approve the Mazars External Audit Plan for 2020/21 and refer the report to full Council for information.**

1 Background

1.1 The Audit Strategy Memorandum summarises the Mazars audit approach, highlighting significant audit risks and areas of key judgements and also provides details of the audit team. The document is prepared by Mazars following initial discussions with management and is the basis for discussion of the audit approach, and any questions Members may have on that approach or the role as auditor.

2 Proposal

2.1 The attached report prepared by Mazars, the Council's External Auditor, sets out the External Audit Plan and associated key deliverables in respect of the audit/review and report on the 2020/21 Financial Statements (including the Annual Governance Statement) and the Value for Money

Arrangements of the Council.

3 Financial Implications

3.1 There are no financial implications arising directly from this report.

4 Legal Implications

4.1 None

5 Equalities Implications

5.1 None

6 Carbon Reduction/Environmental Sustainability Implications

6.1 None

7 Appendices

7.1 Mazars Audit Strategy Memorandum – Year ending 31 March 2021.

9 Background Papers

9.1 None

Statutory Officer approval

Approved by: Chief Financial Officer

Date: 05/03/21

Approved by: Monitoring Officer

Date: 05/03/21

Audit Strategy Memorandum

Gedling Borough Council

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Year ending 31 March 2021



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- 02 Your audit engagement team
- 03 Audit scope, approach and timeline
- 04 Significant risks and other key judgement areas
- 05 Value for Money
- 06 Fees for audit and other services
- 07 Our commitment to independence
- 08 Materiality and misstatements
- Appendix – Key communication points

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Audit Committee
Gedling Borough Council,
Civic Centre,
Arnot Hill Park
Arnold
Nottingham
NG5 6LU

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

1 March 2021

Dear Committee Members

Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Gedling Borough Council for the year ending 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

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

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

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

Yours faithfully

David Hoose

Mazars LLP

Mazars LLP – Park View House- 58 The Ropewalk- Nottingham – NG1 5DW

Tel: 0115 964 4744 – www.mazars.co.uk

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01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Gedling Borough Council (the Council) for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



Audit opinion

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



Fraud

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

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



Going concern

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The section 151 officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on the appropriateness of the section 151 officer's use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



Value for money

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



Reporting to the NAO

We report to the NAO on the Council's financial statements and the matters arising from our audit which are relevant to the Council's Whole of Government Accounts (WGA) submission.



Electors' rights

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

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

02

Section 02:

Your audit engagement team

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2. Your audit engagement team

Your external audit service continues to be led by David Hoose. A summary of key team members are detailed below:

Who	Role	E-mail
David Hoose	Engagement Lead	david.hoose@mazars.co.uk
TBC	Engagement Manager	TBC
James Wright	Engagement Senior	james.wright@mazars.co.uk

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Engagement and responsibilities summary	Your audit engagement team	Audit scope, approach and timeline	Significant risks and key judgement areas	Value for money	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendices
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03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

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

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

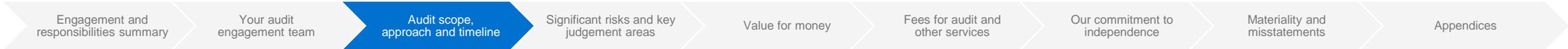
Audit approach

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

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

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

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

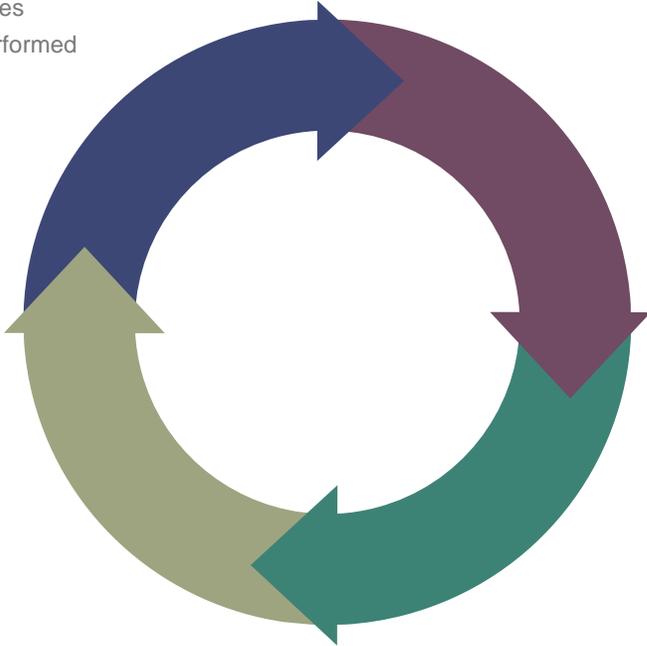
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Planning January – February 2021

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

Interim March 2021

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



Completion September – November 2021

- *Final review and disclosure* checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor’s report

Fieldwork August – September 2021

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

3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

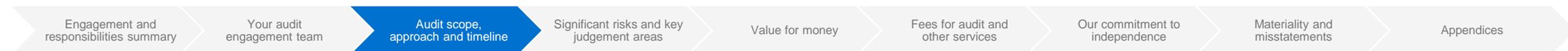
Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Property, plant and equipment	TBC The Council's internal Valuer has left the organisation and recruitment for a replacement is ongoing.	None
Pensions	Barnett Waddingham Actuary for Nottinghamshire Pension Fund	PwC LLP Consulting actuary appointed by the NAO
Financial instrument disclosures	Link Asset Services Treasury management advisors	None
Business rate appeals provision	InformCPI Ltd. The Council's rating specialist	None

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Pension cost (cost of services) Net interest on defined benefit liability Re-measurements of the net defined benefit liability (OCI) Net pension liability	Nottinghamshire Pension Fund The IAS 19 pension entries that form part of the Council's financial statements are material and are derived from actuarial valuations. The process of obtaining these is co-ordinated by and uses information held and processed by the service organisation.	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. Where we conclude that we do not have a sufficient understanding of the services by the service organisation we will seek to obtain assurance by using another auditor to perform procedures that will provide the necessary information about relevant controls at the service organisation.



04

Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

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

Significant risk

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

Enhanced risk

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

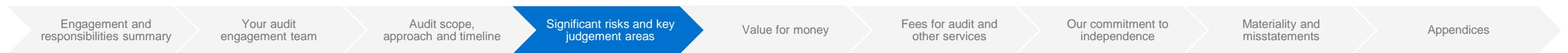
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

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

Summary risk assessment

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



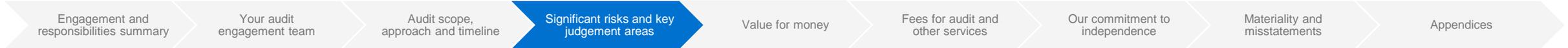
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

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

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1 Page 64	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	-	-	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

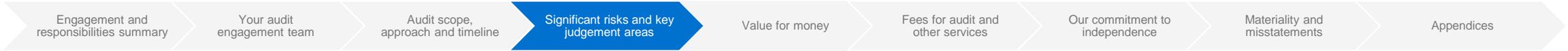


4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
2	<p>Net defined benefit liability valuation The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	-	●	●	<p>We plan to address the risk by:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham; liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. <p>In line with 2019/20 and the continuing Covid-19 pandemic, there may be a material valuation uncertainty disclosure to be made and emphasis of matter paragraph to be included within our opinion. We will monitor this throughout the audit process.</p>

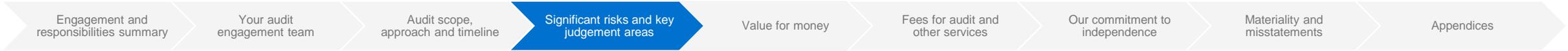
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4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
Page 66	<p>3 Valuation of property, plant and equipment, and investment properties</p> <p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment and investment properties, with the majority required to be carried at valuation.</p> <p>The valuation of these assets is complex and is subject to a number of management assumptions and judgements.</p> <p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>	-	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies; assessing whether valuation movements are in line with market expectations by considering valuation trends; and critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2020/21 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers. <p>In line with 2019/20 and the continuing Covid-19 pandemic, there may be a material valuation uncertainty disclosure to be made and emphasis of matter paragraph to be included within our opinion. We will monitor this throughout the audit process.</p>

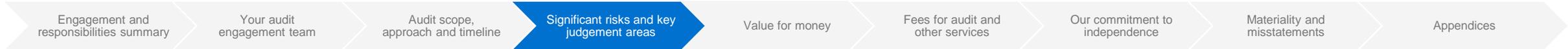


4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
4	<p>Covid-19 grant recognition Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities. A lack of clarity exists in respect of the expected accounting treatment over this income source.</p> <p>We therefore identified the completeness and accuracy of the this income as a risk.</p>	-	●	-	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> reviewing the Council's approach in determining whether grants are or are not ringfenced for specified areas of expenditure; testing grant income recorded in the ledger to grant allocations/ notifications; and reviewing a sample of grants to ensure conditions to recognise the income in 2020/21 have or have not been met.

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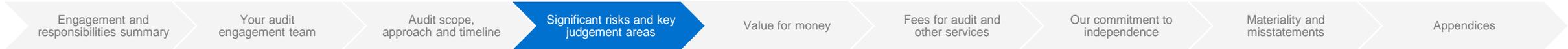


4. Significant risks and other key judgement areas

Consideration of other mandatory risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Fraudulent revenue recognition</p> <p>Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.</p>	●	○	○	<p>We do not consider this to be a significant risk for Gedling Borough Council as:</p> <ul style="list-style-type: none"> • there is an overall low risk for local authorities; • there are no particular incentives or opportunities to commit material fraudulent revenue recognition; and • the level of income that does not derive from either grant or taxation sources is low relative to the Council's overall income streams, and generally represents a number of low value, high volume transactions. <p>We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk.</p>

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05

Section 05: **Value for Money**

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5. Value for Money

The framework for Value for Money work

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

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. Whilst we are still required to be satisfied that the Council has proper arrangements in place, we will now report by exception in our auditor's report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on the Council's arrangements as part of our auditor's report.

Under the new Code, the key output of our work on VFM arrangements will be a commentary on those arrangements which will form part of the Auditor's Annual Report.

Specified reporting criteria

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

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

Our approach

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



5. Value for money conclusion

Under the 2020 Code, we are required to structure our commentary on the Council's 'proper arrangements' under three specified reporting criteria, which are expanded in the supporting guidance notes produced by the National Audit Office:

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

- how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them
- how the body plans to bridge its funding gaps and identifies achievable savings
- how the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- how the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

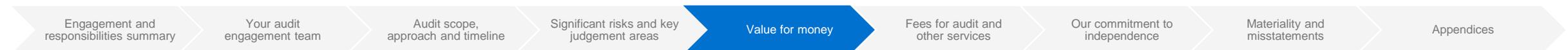
Governance: how the body ensures that it makes informed decisions and properly manages its risks, including

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- how the body approaches and carries out its annual budget setting process
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

Improving VFM: how the body uses information about its costs and performance to improve the way it manages and delivers its services

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

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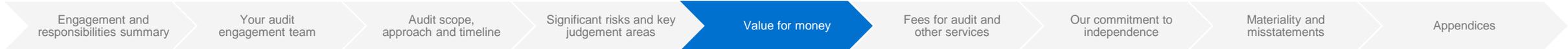
5. Value for Money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Due to the late release of the NAO's Auditor Guidance Note and supporting information to auditors, we have not yet fully completed our planning and risk assessment work. We will report the results of our planning and risk assessment work to the Audit Committee at a later date.

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06

Section 06:

Fees for audit and other services

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6. Fees for audit and other services

Fees for work as the Council's appointed auditor

Details of the 2019/20 Actual and 2020/21 Audit fees in line with PSAA and other reporting mechanisms are set out below:

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Scale audit fee	£32,779	£32,779
<i>Fee variations:</i>		
Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	£6,194 ¹	£6,194
Additional testing as a result of the implementation of new auditing standards: ISA 200 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern; and ISA 600 (Revised).	£2,000 ²	-
Other additional costs	TBC	£5,032 ³
Sub-total	£40,973	£44,005
Additional work arising from the change in the Code of Audit Practice	£10,000 ⁴	-
Total	£50,973 ⁵	£44,005

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

² For 2020/21, two new auditing standards have been introduced incurring additional time and audit work not reflected in the scale fee. Additional testing as a result of the implementation of IFRS 16 Leases is deferred to the financial year 2021/22.

³ The additional audit costs in 2019/20 have been disclosed within our Annual Audit Letter, This mainly relates to additional testing and reporting of uncertainties in key estimates as a result of Covid-19.

⁴ As explained in section 5, the revised Code of Audit Practice results in a substantial amount of additional audit work to support the value for money conclusion and the changes in reporting requirements, requiring additional time and input from the senior members of the team. Our review of the Code and supporting guidance notes shows that the additional fee impact at all public sector entities is expected to be at least £10,000. The final fee will take into account the extent, and complexity of, any significant weaknesses in arrangements to review and report upon.

⁵ This is a proposed fee for 2020/21 at the point of the issue of our ASM. This figure is subject to change and additional costs will be discussed with management, for example material valuation uncertainty on asset valuations as a result of Covid-19.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

07

Section 07:

Our commitment to independence

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7. Our commitment to independence

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

The Ethical Standard 2019 is applicable for any non-audit services commencing on or after 15 March 2020.

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

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

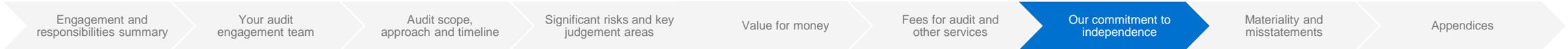
- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the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

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

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

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

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08

Section 08:

Materiality and other misstatements

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	1,054
Performance materiality	790
Trivial threshold for errors to be reported to Audit Committee	32
<u>Specific materiality:</u>	
Officer remuneration	5*
Termination payments	42
Audit fees	5

* Reflecting movement from one salary band to another

Materiality

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

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

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

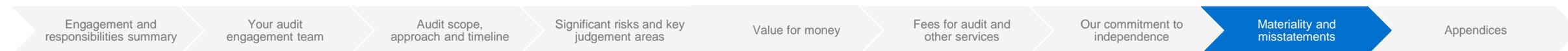
The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

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

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

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



8. Materiality and misstatements

Materiality (continued)

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

Our provisional materiality is set based on a benchmark of gross revenue expenditure on the surplus/deficit on the provision of services level for 2019/20. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to Audit Committee.

We consider that gross revenue expenditure. remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 2% of gross revenue expenditure. Based on prior year financial statements we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £1.04m.

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

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

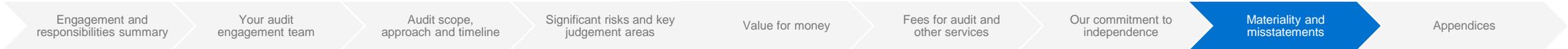
Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £32k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with David Hoose.

Reporting to Audit Committee.

The following three types of audit differences will be presented to the Audit Committee:

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





Appendix: Key communication points

Appendix: Key communication points

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

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

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

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

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

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

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

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

Engagement and responsibilities summary

Your audit engagement team

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Materiality and misstatements

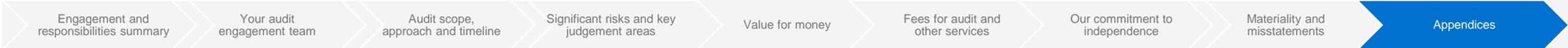
Appendices

Appendix: Key communication points

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

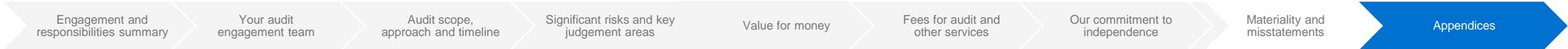
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit Completion Report and discussion at the Audit Committee. Audit Planning and Clearance meetings

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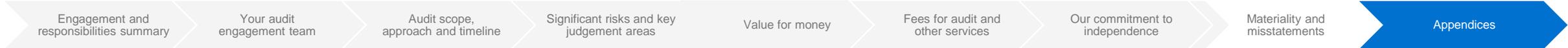
Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report



Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report



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NG1 5DW

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

*where permitted under applicable country laws.

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Report to Audit Committee

Subject: Internal Audit Progress Report 2020/21

Date: 16 March 2021

Author: Kate Ball - Internal Audit Manager (BDO)

1 Purpose of Report

To summarise the outcome of the internal audit activity completed by the BDO Internal Audit Team for the period November 2020 to March 2021.

Recommendation(s)

THAT:

- 1) Members receive the Report and note actions taken or to be taken.**

2 Background

2.1 The Internal Audit Plan 2020/21 was approved by the Audit Committee on 1 June 2020. This report provides a summary update on the reports issued in final by BDO in the period November 2020 to March 2021 and highlights associated key findings and any concerns identified in any work in progress.

3 Proposal

3.1 The following reports have been finalised since the last Audit Committee meeting:

2020/21 Report (Final)

- Budget Management and Efficiency
- Project Management
- Main Financial Systems inc. payroll
- Cyber Risk Review

4 Financial Implications

4.1 The Internal Audit Plan is delivered within the approved budgets

5 Legal Implications

5.1 None arising directly from this report.

6 Equalities Implications

6.1 None arising directly from this report

7 Carbon Reduction/Environmental Sustainability Implications

7.1 None arising directly from this report.

8 Appendices

8.1 BDO Internal Audit Progress Report 2020/21.

Statutory Officer approval

Approved by Chief Financial Officer

Date: 5 March 2021

Approved by Monitoring Officer

Date: 5 March 2021

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

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Report to Audit Committee

Subject: Draft Internal Audit Annual Plan 2021/22

Date: 16 March 2021

Author: Kate Ball – Internal Audit Manager (BDO)

1 Purpose of Report

To detail the 3 year Gedling Internal Audit Plan for 2021/22 – 2023/24.

Recommendation(s)

THAT:

- 1) Members approve the Internal Audit Plan 2021/22 - 2023/24

2 Background

- 2.1 The draft internal audit plan contains a detailed operational plan for 2021/22 and a three year strategic plan covering 2021/22 to 2023/24. Each audit has been mapped against the Council's key strategic risks. This is to ensure the audits cover the key risks the Council consider may impact the Council in achieving its strategic objectives.

The plan has been presented to the senior leadership team for comments and was approved in draft, with final approval required by the Audit Committee.

3 Proposal

- 3.1 It is proposed that Members review and approve the draft internal audit plan.

4 Financial Implications

- 4.1 The Internal Audit Plan is delivered within the approved budgets

5 Legal Implications

- 5.1 None arising directly from this report.

6 Equalities Implications

6.1 None arising directly from this report

7 Carbon Reduction/Environmental Sustainability Implications

7.1 None arising directly from this report.

8 Appendices

8.1 GBC Annual Audit Plan 2021/22

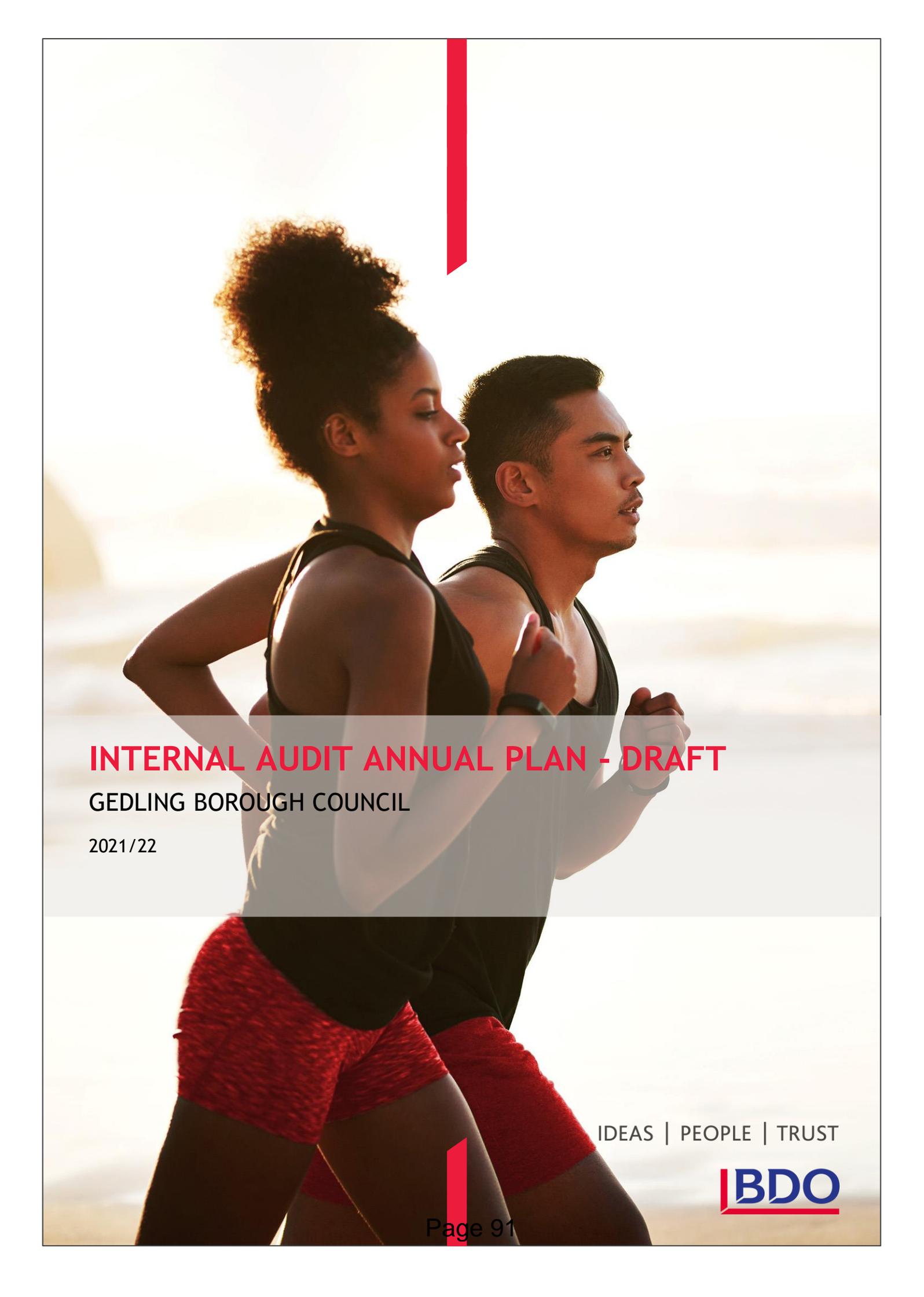
Statutory Officer approval

Approved by Chief Financial Officer

Date: 5 March 2021

Approved by Monitoring Officer

Date: 5 March 2021



INTERNAL AUDIT ANNUAL PLAN - DRAFT

GEDLING BOROUGH COUNCIL

2021/22

IDEAS | PEOPLE | TRUST



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AUDIT RISK ASSESSMENT

Background

Our risk based approach to Internal Audit uses Gedling Borough Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects Gedling Borough Council's current risk profile.

Planned approach to internal audit 2021/22

The indicative Internal Audit programme for 2021/22 is shown from page six, with an indicative strategic plan for 2021/22 - 23/24 shown from page ten. We have met with each of the Heads of Service in order to bring together a full plan which will be presented at the March Audit Committee. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three year audit cycle. In setting the number of days in the plan we have assumed that the control environment within the Council will improve as we work with you to address the issues you have.

Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required we will obtain approval from the appropriate Head of Service prior to commencing fieldwork.

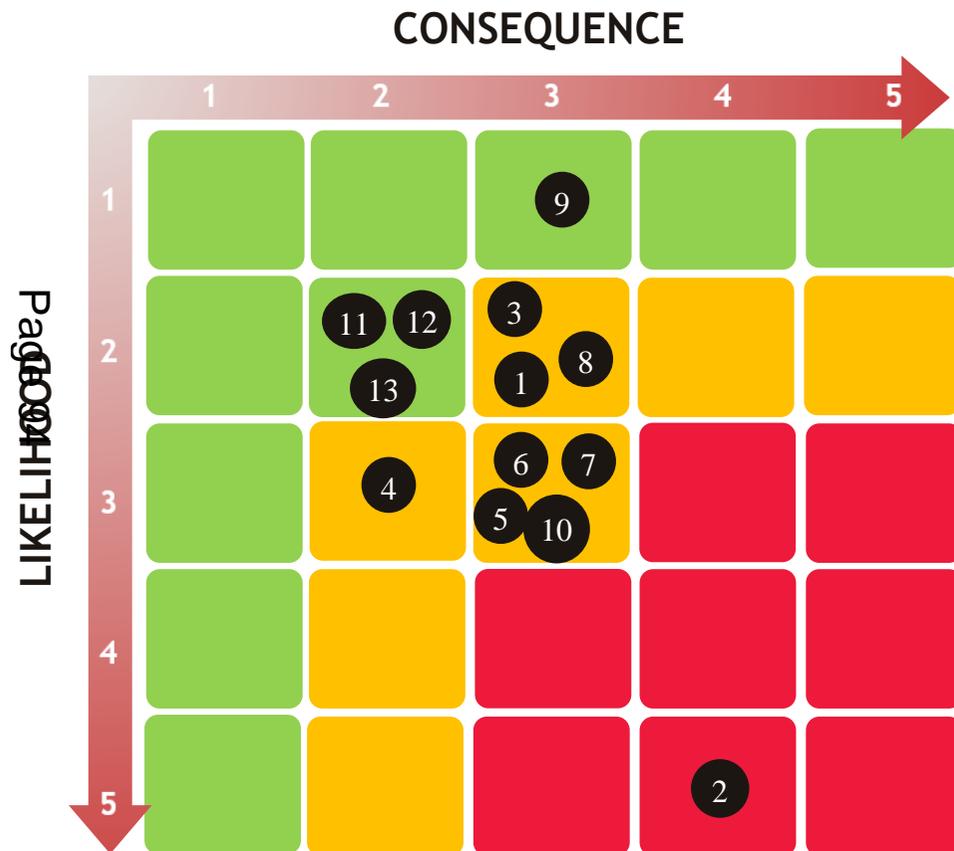
In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

Variations to the Plan

We review the three year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we are undertaking, demonstrating we are focussing on your most important issues.

As such our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Heads of Service.

MAPPING YOUR STRATEGIC RISKS



Ref	Strategic Risks from your CRR	Score
1	Failure to prevent budget overheating once the budget has been set	6
2	Failure to maintain financial integrity	20
3	Failure to protect staff, including health & safety issues	6
4	Failure to recruit and retain staff, and maintaining internal capacity	6
5	Failure to properly utilise existing ICT, react to technology changes, and prevent data loss	9
6	Failure to protect & utilise physical assets	9
7	Failure to react to changes in legislation	9
8	Failure of contractors or partnership arrangements - contractual breaches	6
9	Inability to defend one-off challenges to a Council decision or new compensation trend emerges	3
10	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations	9
11	Failure to prevent damage to the Council's reputation	4
12	Failure to react to an environmental incident or malicious act	4
13	Failure to react to an environmental incident or malicious act	4

MAPPING YOUR CRR TO THE STRATEGIC PLAN

Ref	Strategic Risks from your CRR	2021/22	2022/23	2023/24
1	Failure to prevent budget overheating once the budget has been set	Homelessness & Temporary Accommodation Main Financial Systems	Main Financial Systems	Main Financial Systems Generating External Income
2	Failure to maintain financial integrity	Homelessness & Temporary Accommodation Main Financial Systems Housing Benefit	Main Financial Systems Corporate Governance & Performance Management	Main Financial Systems Generating External Income Council Tax & NNDR
3	Failure to protect staff, including health & safety issues	Risk Management	Business Continuity & Emergency Planning Counter Fraud & Corruption Strategy Equality, Diversity & Inclusion	Workforce Strategy
4	Failure to recruit and retain staff, and maintaining internal capacity	Risk Management Regeneration	Recruitment & Retention Equality, Diversity & Inclusion Gedling Health & Wellbeing	Workforce Strategy
5	Failure to properly utilise existing ICT, react to technology changes, and prevent data loss	IT Architecture Risk Management	Cyber Security Business Continuity & Emergency Planning	GDPR Digital Strategy
6	Failure to protect & utilise physical assets	Asset Management & Property Review	Business Continuity & Emergency Planning Counter Fraud & Corruption Strategy	Leisure Centres

MAPPING YOUR CRR TO THE STRATEGIC PLAN

Ref	Strategic Risks from your CRR	2021/22	2022/23	2023/24
7	Failure to react to changes in legislation	Risk Management	Building Control, Section 106 & CIL	Licensing Safeguarding
8	Failure of contractors or partnership arrangements - contractual breaches	Procurement & Contract Management	Building Control, Section 106 & CIL	Safeguarding
9	Inability to defend one-off challenges to a Council decision or new compensation trend emerges		Corporate Governance & Performance Management Counter Fraud & Corruption Strategy	
10	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations		Corporate Governance & Performance Management	Demand Management Events, Social Media & Communications Safeguarding
11	Failure to prevent damage to the Council's reputation	Environmental Health Services & Enforcement	Corporate Governance & Performance Management Building Control, Section 106 & CIL Gedling Health & Wellbeing	Demand Management Street Cleansing Licensing Safeguarding
12	Failure to react to an environmental incident or malicious act	Environmental Health Services & Enforcement Sustainable Environment	Gedling Health & Wellbeing	
13	Failure to react to socio-economic trends.	Regeneration	Gedling Health & Wellbeing	Leisure Centres

INTERNAL AUDIT OPERATIONAL PLAN 2021/22

Area	Days	Timing	Description of the Review	Reason for Inclusion & added value
Asset Management Plan & Property Review	15	Q1	We will review the Council's Asset Management Plan, including how this was produced, scrutinised and approved to ensure its effectiveness. We will interview key stakeholders involved in the process to get a deeper sense of what works well and what could be improved in the process.	We have undertaken numerous such reviews whether looking at large asset management plans or investment property plans.
Environmental Health Services & Enforcement	15	Q3	We will review the Council's environmental health services policies and procedures, assessing if they are up to date, accurate and robust and understood by staff. We will review samples of case studies across different environment services areas to ensure that they are complied with. The review will also assess governance and reporting information in the areas focussing on the breadth and depth of performance indicators to improve arrangements and whether action is being taken.	We have undertaken numerous such reviews and would share best practices with you and compare your arrangements to others.
Homelessness & Temporary Accommodation	15	Q3	We will complete a review of the Homelessness Strategy in terms of monitoring, reporting and escalation. We will select samples of homelessness cases and ensure they are processed in-line with protocols. There will be a focus on how the Council ensures new requirements around proactive engagement with people at risk of homelessness, particularly with those from vulnerable and disadvantaged groups, are met and if it is effective.	The Council has a large overspend in terms of temporary accommodation and therefore considered a key risk to the Council. We have worked with Councils who have Gold Standards in this area who have particularly high numbers of homeless people presenting themselves. This includes those in City Council conurbations or those such as London Borough of Southwark who are the third largest Housing Provider in the country and have significant homeless people presenting themselves. Whilst all these processes may not be applicable, it is often in these Councils where early innovations and new practices start and we can share these with you.
Housing Benefits	12	Q2	We will undertake an assessment of benefit cases against evidence retained on the Council's housing benefits	We have worked closely with Councils who have had to return large amounts back to Government

INTERNAL AUDIT OPERATIONAL PLAN 2021/22

Area	Days	Timing	Description of the Review	Reason for Inclusion & added value
			<p>system. We will review your processes around staff capacity and structure to reduce processing times.</p> <p>We will work closely with external audit to understand any risks/concerns they may have raised in their review of your benefit claim.</p> <p>In addition we will assess reporting information in this area and how local operational and senior strategic teams assess performance and whether information reporting is robust and effective to make improvements.</p>	<p>due to failures identified in their subsidy returns (circa £300k). As part of this with one Council we compared their arrangements to others across how they identify possible cases which may be non-compliant and be local authority error cases in the future and the controls they have in place. We can share this with you and see if there are any you can apply.</p>
IT Architecture	12	Q2	<p>The review will assess the overall maturity as well as the maturity of the following aspects of the Council's IT architecture:</p> <ul style="list-style-type: none"> • The strategic aims of the Council and its ICT service • The design and configuration of the Council's IT infrastructure • The use and development of the Council's IT applications • The use of management information to improve the Service • The provision of IT assets to members of staff. 	<p>We have undertaken numerous such reviews and would share best practices with you and compare your arrangements to others.</p>
Main Financial Systems	15	Q4	<p>We will review journals, reconciliations, access controls, and financial reporting to committees/ management meetings.</p>	<p>An annual review of main financial systems is required in order to inform the Council's Head of Internal Audit Opinion. These form part of our standard internal audit plan so we could use our experience obtained from reviews at other local authority clients to share best practice.</p>
Procurement & Contract Management	12	Q4	<p>We will review the Council's compliance with financial regulations and its own standing orders. We will take a sample of suppliers with large spend, across different services within the Council, and review the procurement</p>	<p>We will review aggregated spend across all suppliers from the Council's finance system and</p>

INTERNAL AUDIT OPERATIONAL PLAN 2021/22

Area	Days	Timing	Description of the Review	Reason for Inclusion & added value
			processes undertaken. We will also review if there are signed contracts in place and assess the levels of contract management in place.	match spend to contracts within the Council's Procurement/ Contract system. We can compare the Strategy to other Councils to identify other practices or enhanced practices to drive improvement. We can also deliver counter fraud training sessions on Procurement.
Regeneration (back into work initiatives)	15	Q2	Review how the Council is ensuring regeneration across the borough. Review how the Council is improving access to local jobs and training for local people with its back to work initiatives.	This was included at the request of the Senior Leadership Team.
Risk Management	15	Q1	<p>We will use our own Risk Maturity Toolkit to advise where the Council sit in terms of risk management on a five-point scale from Naive to Enabled. We review the following elements, assessing where each sits on the five-point scale:</p> <ul style="list-style-type: none"> • Risk Governance • Risk Assessment • Risk Mitigation • Monitoring & reporting • Continuous improvement. <p>We will interview key personnel involved in the risk management process.</p> <p>This review is advisory and therefore will not provide an audit opinion, but will detail areas for improvement in an assurance report.</p>	<p>This is a key area to review in terms of the Council's risk management processes.</p> <p>We can deliver risk training to Council staff and Members, we have significant experience in the area of risk management.</p>
Sustainable Environment	15	Q4	We will review the Council policies and overall strategies to set, approve and achieve environmental aims. This will include interviewing key stakeholders and Members who may champion this area. This will be an assessment of certain areas in a deeper dive way i.e. how you think about staff and supplier impacts on the environment and	We work with Oxford City Council who have declared a climate emergency and have undertaken a review in this area in 2019-20. We would share their arrangements with you to see where ideas they are pursuing could be brought into

INTERNAL AUDIT OPERATIONAL PLAN 2021/22

Area	Days	Timing	Description of the Review	Reason for Inclusion & added value
			<p>improve your arrangements to achieve a more environmentally friendly outcome in your area.</p> <p>We will assess your corporate reporting in this area and how this is owned, monitored and actioned.</p> <p>A key focus of the review will be how Council meets its Carbon Reduction targets.</p>	your authority to help improve your control environment where applicable.
Total Audit Days	141			
Management	6			
Follow Up	6			
Total	153			

INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
Asset Management Plan & Property Review	15			We will review the Council's Asset Management Plan, including how this was produced, scrutinised and approved to ensure its effectiveness. We will interview key stakeholders involved in the process to get a deeper sense of what works well and what could be improved in the process.
Building Control, s106 & CIL		15		<p>Review arrangements for building control from policies and procedures, to how individual cases are recorded and documented to comply with rules and regulations.</p> <p>We will select a sample of planning applications to assess whether legislative and system protocols are adhered to. We will review the data behind reported information for accuracy and completeness and assess the effectiveness of the oversight/scrutiny of data.</p> <p>We will review steps taken to engage with Members and stakeholders in the process, as well as the complaints/ appeals processes for robustness.</p>
Business Continuity & Emergency Planning		15		<p>To provide assurance that the processes and systems in place to manage resilience and continuity of critical services across the Council are sound.</p> <p>This includes how this Plan interacts with local service plans and whether there is adequate oversight that these all remain up-to-date, regularly assessed and/or tested via desktop scenarios or live testing.</p> <p>A critical focus will be on where arrangements link to supplier system/arrangements and the strength of these.</p>
Corporate Governance & Performance Management		15		<p>We will review the Council's corporate governance arrangements to ensure they comply with best practice and help deliver the outcomes required by the Council. We will:</p> <ul style="list-style-type: none"> • Review whether an effective council, committee and reporting structure is in place that enables decisions to be taken whilst engaging Members and the public • Confirm work plans are maintained for Executive/ Committees through minute taking and action tracking • Review the annual governance statement and confirm that it is compliant with the Code of Corporate Governance • Confirm that Members and Senior staff possess the appropriate mix of skills and receive any required training and development to fulfil their roles • Confirm if governance arrangements support an appropriate culture and ethos within the Council through policies relating to code of conduct, gifts and hospitality, whistleblowing etc • Confirm if there is regular review of the performance of

INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
				the governance structures to identify ways to enhance them for the future.
Council Tax & NNDR			12	<p>This review will assess:</p> <ul style="list-style-type: none"> • Council tax and NNDR policies i.e. council tax reduction scheme in terms of its review and approval • VOA returns back to what is recorded on systems • The process to issue demands and whether discounts or values have been applied correctly • How amendments to demands are actioned and critically how they are followed up • Assess KPI reporting on this area and how action is implemented • Focus on collection of debt for council tax and NNDR in this review
Counter Fraud & Corruption Strategy		12		<p>We will review the Strategy in place and challenge how this was formed. We will also undertake a comparison to our understanding of the Council's activities and emerging risks we see across the public sector.</p> <p>We will interview key personnel in legal services, HR, procurement, contract management, IT and finance to understand the key fraud risks in place.</p>
Cyber Security		12		<p>We will review the Council's overall approach to Cyber Security, including how systems are identified and prioritised. We will review security policies, risk identification and management. We will assess the technology and tools in place at the Council to identify and mitigate cyber risks, and how staff are trained and supported in cyber risks.</p>
Demand Management			15	<p>We will review the Council's approach to demand management, assessing how they ensure the right services reach the right customer when and where they need it, for the best cost.</p> <p>We will review how the Council identifies the root causes that create and drive demand.</p> <p>We will also assess whether the benefits expected within the Council's Demand Management Strategy have been realised and performance against these can be measured (eg delivering better customer service, removing duplication and abortive work).</p>
Digital Strategy			12	<p>We will review the Council's Digital Strategy, including how it was approved and its effectiveness in achieving its four priority areas of Customer, Council, Community and Collaboration. We will review governance processes, assess whether the strategy</p>

INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
				contains clear objectives and ways to monitor progression against these objectives.
Environmental Health Services & Enforcement	15			<p>We will review the Council's environmental health services policies and procedures, assessing if they are up to date, accurate and robust and understood by staff. We will review samples of case studies across different environmental services areas to ensure that they are complied with.</p> <p>The review will also assess governance and reporting information in the areas focussing on the breadth and depth of performance indicators to improve arrangements and whether action is being taken.</p>
Equality, Diversity & Inclusion		15		<p>The purpose of the BDO Equality, Diversity and Inclusion Maturity Assessment is to help ensure an effective approach to Equality, Diversity and Inclusion becomes embedded across the Council by highlighting areas where processes could be improved. The maturity assessment covers the following elements:</p> <ul style="list-style-type: none"> • Tone from the top • Governance, compliance and strategy • Structure • Policies, procedures, training and development • Measurement, accountability and continuous improvement. <p>Based on documentary review and interviews with key staff, each element will be judged on a five part scale between 'immature to continuous improvement'.</p>
Events, Social Media & Communications			15	<p>The purpose of our review is to provide assurance over the Council's use of social media to communicate with customers and raise awareness of events, information and wider engagement. We will compare the Council's arrangements with other local authorities.</p>
GDPR & Information Governance			15	<p>We will assess whether your GDPR readiness arrangements are sound vs. the ICO requirements.</p> <p>There will then be a significant focus on how the Council ensure they are compliant which will include sample testing data from different parts of the Council to ensure it is now compliant.</p> <p>We will also assess the arrangements in place to ensure there is sufficient staff capacity to meet requirements, how reporting is effective and how lessons learned are shared to ensure good/poor practice is promoted/stamped out.</p>
Gedling Health & Wellbeing		15		<p>Review of the activities of the group but particularly the Council's contribution to this group.</p>

INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
				<p>To understand how the Council engages with the group and understands its role and monitors/takes action to ensure the overall objectives are met.</p> <p>We will review minutes/actions and interview stakeholders in and out of the Council to understand the effectiveness of Council input and how this could improve.</p>
Generating External Income			15	<p>Review Council arrangements for how external sources of income via grants are identified, managed and successfully bid for.</p>
Homelessness & Temporary Accommodation	15			<p>We will complete a review of the Homelessness Strategy in terms of monitoring, reporting and escalation. We will select samples of homelessness cases and ensure they are processed in-line with protocols.</p> <p>There will be a focus on how the Council ensures new requirements around proactive engagement with people at risk of homelessness, particularly with those from vulnerable and disadvantaged groups and if it is effective.</p>
Housing Benefits	12			<p>We will undertake an assessment of benefit cases against evidence retained on the Council's housing benefits system. We will review your processes around staff capacity and structure to reduce processing times.</p> <p>We will work closely with external audit to understand any risks/concerns they may have raised in their review of your benefit claim.</p> <p>In addition we will assess reporting information in this area and how local operational and senior strategic teams assess performance and whether information reporting is robust and effective to make improvements.</p>
IT Architecture	12			<p>The review will assess the overall maturity as well as the maturity of the following aspects of the Council's IT architecture:</p> <ul style="list-style-type: none"> • The strategic aims of the Council and its ICT service • The design and configuration of the Council's IT infrastructure • The use and development of the Council's IT applications • The use of management information to improve the Service • The provision of IT assets to members of staff.
Leisure Services			15	<p>We would review the governance arrangements in place to oversee leisure centres. We would review whether the Council is keeping pace with the changing expectations to ensure maximisation of customers and income.</p>

INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
Licensing			12	<p>We will complete a review of overall licensing policies and procedures - are these up to date, accurate and robust and understood by staff. We will also review samples of case studies across different licensing areas i.e. taxi, gambling, adult establishments or houses of multiple occupation to ensure that they are complied with.</p> <p>The review will assess governance and reporting information in the areas focussing on the breadth and depth of performance indicators to improve arrangements and whether action is being taking. In addition we will review Member training and understanding of the risks in this area particularly around taxi licensing.</p>
Main Financial Systems	15	15	15	<p>In 2021/22 we will review:</p> <ul style="list-style-type: none"> • Journals • Reconciliations - bank/ general ledger • Access controls for general ledger and key financial systems • Cost centre/ account codes set up/ approval • Financial reporting packs to committees or management meetings, including KPI reporting • Annual calendar of financial activity. <p>In 2022/23 we will review treasury management and payroll:</p> <ul style="list-style-type: none"> • Treasury arrangements reviewed from Strategy to Member training or controls around how deals are reviewed/ approved • We will assess the adequacy of payroll policies and procedures guides in place - particularly around new starters and leavers • Sample test employees to review whether they have been paid correctly based on the information input • Review management reporting of payroll information. <p>In 2023/24 we will review General Ledger, Accounts Payable and Accounts Receivable.</p>
Procurement & Contract Management	12			<p>We will review the Council's compliance with financial regulations and its own standing orders. We will take a sample of suppliers with large spend, across different services within the Council, and review the procurement processes undertaken. We will also review if there are signed contracts in place and assess the levels of contract management in place.</p>
Recruitment & Retention		15		<p>We will test a sample of recent recruitment campaigns to identify whether protocols are followed and assess if they were successful - this will involve a root cause analysis for where things have worked well and not well.</p>

INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
				<p>We will assess the monitoring, reporting and oversight of recruitment ie how management judge the success of the Council's overall processes and take action to continuously improve.</p> <p>Additionally, we will review how particularly difficult areas to recruit into are managed and whether changes made are effective.</p>
Regeneration (back into work initiatives)	15			<p>Review how the Council is ensuring regeneration across the borough. Review how the Council is improving access to local jobs and training for local people with its back to work initiatives.</p>
Risk Management	15			<p>We will use our own Risk Maturity Toolkit to advise where the Council sit in terms of risk management on a five-point scale from Naive to Enabled. We review the following elements, assessing where each sits on the five-point scale:</p> <ul style="list-style-type: none"> • Risk Governance • Risk Assessment • Risk Mitigation • Monitoring & reporting • Continuous improvement. <p>We will interview key personnel involved in the risk management process.</p> <p>This review is advisory and therefore will not provide an audit opinion, but will detail areas for improvement in an assurance report.</p>
Safeguarding			15	<p>This review will identify how the Council identifies all roles and activities which may have impact on safeguarding concerns. From here we will assess the controls around staff receiving appropriate training against a safeguarding training needs analysis.</p> <p>The review will assess governance arrangements, who attends safeguarding meetings and how decisions and actions are taken to ensure safeguarding is appropriate.</p> <p>Review relationship with section 11 forms and reporting to Adult and Children's Safeguarding Boards.</p>
Sustainable Environment	15			<p>We will review the Council policies and overall strategies to set, approve and achieve environmental aims. This will include interviewing key stakeholders and Members who may champion this area. This will be an assessment of certain areas in a deeper dive way i.e. how you think about staff and supplier impacts on the environment and improve your arrangements to achieve a more environmentally friendly outcome in your area.</p> <p>We will assess your corporate reporting in this area and how this is owned, monitored and actioned.</p>

INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
Workforce Strategy		12		We will assess how the Workforce Strategy is monitored and progress is reported, including whether actions against the Plan are clear and achievable. We will particularly focus on Strategic Aims in the Strategy taking each point and identifying the root cause where sufficient progress has not been made.
Total Audit Days	141	141	141	
Management/ Planning/ Audit Committee	6	6	6	Attendance and preparation of reports to Audit Committee, meetings with management
Follow up	6	5	5	We will follow up and report all medium and high priority recommendations to Audit Committee, twice a year.
Grand total days	153	152	152	

APPENDIX I

Internal Audit Charter - Role and Scope of Internal Audit

Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Gedling Borough Council and defines the scope of internal audit activities.

Final approval resides with the Board, in practice the charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of Gedling Borough Council.

Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

Internal audit definition and role

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

Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by Gedling Borough Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

Effective internal audit

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Gedling Borough Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

Independence and internal audit's position within Gedling Borough Council

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Director of Finance who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Gedling Borough Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

Internal audit's role in fraud, bribery and corruption

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

Access to records and confidentiality

There are no limitations to internal audit's right of access to Gedling Borough Council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

Coordination and reliance with other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Internal audit's commitments to Gedling Borough Council;

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations

- liaising with external audit and other regulators to maximise the assurance provided to Gedling Borough Council
- Reporting honestly on performance against targets to the Audit Committee.

Internal audit performance measures and indicators

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

Quality assurance and improvement programme

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit Committee as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
<p>Audit Coverage</p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p>Relationships and customer satisfaction</p> <p>Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.</p> <p>Annual survey to Audit Committee to achieve score of at least 70%</p> <p>External audit can rely on the work undertaken by internal audit (where planned)</p>
<p>Staffing and Training</p> <p>At least 60% input from qualified staff</p>
<p>Audit Reporting</p> <p>Issuance of draft report within 3 weeks of fieldwork `closing` meeting</p> <p>Finalise internal audit report 1 week after management responses to report are received.</p>

90% recommendations to be accepted by management

Information is presented in the format requested by the customer.

Audit Quality

High quality documents produced by the auditor that are clear and concise and contain all the information requested.

Positive result from any external review

Management and staff commitments to Internal Audit

The management and staff of Gedling Borough Council commit to the following:

- providing unrestricted access to all of Gedling Borough Council's records, property, and personnel relevant to the performance of engagements
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that would impair its independence or objectivity
- providing honest and constructive feedback on the performance of internal audit

Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit Committee progress report.

Table Two: Performance measures for management and staff

Measure / Indicator
<i>Response to Reports</i> Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt
<i>Implementation of recommendations</i> Audit sponsor to implement all audit recommendations within the agreed timeframe
<i>Co-operation with internal audit</i>

Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff

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Report to Audit Committee

Subject: Corporate Risk Management Scorecard Quarter 3 2020/21

Date: 16 March 2021

Author: Director of Corporate Resources and Section 151 Officer

1. Purpose of the Report

To update members of the Audit Committee on the current level of assurance that can be provided against each corporate risk.

Recommendations:

That Members:

- Note the progress of actions identified within the Corporate Risk Register.

2. Background

The current Risk Management Strategy & Framework was last considered and approved by the Cabinet in October 2017.

The purpose of the Strategy and Framework is to define how risks are managed by the Council. It provides guidance on the processes, procedures, roles and responsibilities for risk, and it sets out the context on how risks are to be managed. It defines the key role for the Audit Committee as providing independent assurance to the Council with regard to the effectiveness of the risk management framework and the associated control environment. This includes the monitoring of the framework and ensuring the implementation of all audit actions.

The Corporate Risk Register is a key enabler of the Strategy and Framework, and provides assurance on the key risks identified as corporate risks.

Existing risks identified within both the Council's corporate and operational service risk registers are subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

3. Corporate Risk Register

This approach has meant that some of the risks included within the corporate risk register have been set at a relatively high score with the expectation that as mitigation measures are properly recorded or actions taken, then these risks should start to improve over the coming months. This is not to say that all risks will return to 'green', as mitigation measures can only go so far, and some risks may always be inherently 'red' or 'amber' as the score reflects the potential impact on the Council and the likelihood of that event occurring.

The Corporate Risk Register and supporting comments as at the end of December 2020 are appended to this report, and this includes a summary of all control gaps currently identified on the Council's Corporate Risk Register.

The last update of the Corporate Risk Scorecard was presented to Audit Committee on 24 November 2020 which provided the 2020/21, quarter 2 position.

Members are fully aware of the risks arising from the national outbreak of the coronavirus, Covid-19. The impact, as at quarter 3, has been updated in the risk register. The impact and risks of Covid-19 has been reflected in a number of reports to Members throughout the year:

- Two Cabinet reports on 18 June 2020 detailing Gedling's response to the pandemic, proposing a Reset Strategy to include a review of the Gedling Plan to ensure that it remains fit for purpose and incorporates any new work streams arising from Covid-19 impacts;
- Quarter 1 (August 2020), quarter 2 (November 2020) and quarter 3 (January 2021) Cabinet budget monitoring and performance reports; and
- the Annual Governance Statement and Statement of Accounts 2019/20 approved by this Committee in November 2020;
- the 2021/22 Revenue Budget and Medium Term Financial Plan approved by Council in March 2021.

4. Financial Implications

None arising directly from this report.

5. Legal Implications

None arising directly from this report.

6. Equalities Implications

None arising directly from this report.

7. Carbon Reduction/Environmental Sustainability Implications

None arising directly from this report.

8. Appendices

Appendix 1 - Corporate Risk Register Monitoring – Quarter 3, December 2020

Appendix 2 - Risk Management Scoring Matrix

Statutory Officer Approval

Approved by: Chief Financial Officer
Date: 08/03/21

Approved by: Monitoring Officer
Date: 08/03/21

Appendix 1 - Corporate Risk Register Monitoring – Quarter 3 December 2020

1	<p>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – IMPROVEMENT in current risk level from D3 (high likelihood, serious impact £50k-£500k) to B3 (low likelihood, serious impact).</p> <p>Definition:</p> <p><i>Shorter term implications of overspending budgets or not collecting as much income as forecasted. This can cause adverse impact on Council balances.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none">• The Quarter 3 budget monitoring report to Cabinet details the estimated projected outturn for the year and indicates that expenditure will be contained within the budget approved at Quarter 2; ie after the approved use of earmarked reserves to fund Covid impacts;• The Quarter 3 report recognised the increased risks presented by the resurgence of the virus and the implementation of further national lockdown restrictions requiring further response activity and the closure of facilities, with the main impact being on leisure income, however these additional impacts are expected to be offset by other savings identified;• Whilst there remains a risk that the final outturn will be overspent due to the ongoing uncertainty the likelihood of the budget now overheating is considered to be low. The 2020/21 budget will continue to be closely monitored.
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2

FAILURE TO MAINTAIN FINANCIAL INTEGRITY

Owner: Alison Ball

Current Risk and Direction of Travel: RED – NO CHANGE to current risk level (E4 major impact £500k to £1m)/very high likelihood).

Definition:

Affecting the ability of the Council to meet its financial commitments in the longer term.

Key Risk Driver: Financial Impact

Raw Risk Value: Critical - £1m+

Corporate Risk Register Outstanding Controls:

The Council's financial position remains extremely challenging and future funding remains uncertain.

An increased risk level was reported in quarter 4 of 2019/20 due to the risks arising from the Covid-19 pandemic and remains unchanged as at quarter 3 2020/21.

Actions completed during quarter 3:

- The MTFP has been fully reviewed as part of the 2021/22 budget process. Significant risks still remain in securing a sustainable MTFP;
- Due to Covid-19 the planned Local Government finance reforms have been deferred for a second year running; resulting in a one year local government finance settlement and therefore inhibiting effective medium term financial planning;
- Gedling has been recognised as the worst affected Council in England in terms of the Government's Core Spending Power measure. A covid-support package is available but it is not projected to cover the estimated covid pressures in full. The MTFP assumes that a reclassification of earmarked reserves of £0.5m will be required to support the future budget;
- As reported last quarter a review of the current efficiency programme of £1.7m has been completed and new proposals of £0.6m to replace items at high risk of non-delivery have now been approved by Budget Council.

	<ul style="list-style-type: none"> • In the absence of additional funding following the next Comprehensive Spending Review and anticipated multi-year Settlement, additional ongoing savings of £0.6m will be required starting in 2022/23. In order to achieve a sustainable MTFP and mitigate this risk the Council will not be complacent and work will continue in 2021/22 to develop options for budget reductions. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Implementation of Advertising, Sponsorship and Marketing strategies to generate additional funding; • Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing.
3	<p>FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level.</p> <p>Definition:</p> <p><i>Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life/major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • Periodic reviews of Covid secure risk assessments in light of the most recent government advice are ongoing; • The number of Covid related risk assessments continues to increase with over 100 completed for the year to date, equivalent to a 16% rise. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Full implementation of emergency evacuation templates at each council location, delayed due to Covid-19; • Transfer all completed risk assessments on to the e-system.

4

FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY

Owner: Alison Ball

Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level.

Definition:

Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.

Key Risk Driver: Service Provision

Raw Risk Value: Serious – Significant elements of a service suspended / reduced

Corporate Risk Register Outstanding Controls:

As a consequence of budget pressures, decreasing workforce, increasing workload and higher customer expectations we are seeing an impact on capacity and resilience which may result in a potential reduction in performance. Work is needed to help improve organisational capacity and resilience by developing the skills and abilities of key leaders and staff.

Actions completed during quarter 3:

- The Workforce Strategy is now approved by the Appointments and Conditions of Service Committee and formal consultation was commenced. The target date for implementation of the Strategy is 1 April 2021 and the implementation of identified actions will then commence;
- The implementation of the Agile Working Strategy is ongoing and a review of the IT needs for each service area has commenced to facilitate cost effective flexible working on a more permanent basis;
- Phase 2 of the senior management restructure designed to support effective service delivery within the resources available is now complete and implemented. Potential risks associated with general capacity and recruitment have been recognised and are being actively monitored.

	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Formal approval and implementation of the Workforce Strategy. The Strategy will seek to ensure that staff are creative, flexible and have the right skills to respond positively to the challenges that lie ahead; • Final approval and implementation of the Agile Working Strategy business case.
5	<p>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – IMPROVEMENT in current risk level from C4 (significant likelihood/major impact) to C3 (significant likelihood/serious impact).</p> <p>Definition:</p> <p><i>The capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. Challenges over the security, storage and retention of both electronic and manual records, and data.</i></p> <p>Key Risk Driver: Objectives</p> <p>Raw Risk Value: Major – Directorate objectives not met</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • The Abritas system database has now been successfully split ensuring all partner authorities now only have access to their own data. This was tested by all parties and went live as planned in mid-December 2020. The system is now GDPR compliant; • Virtual GDPR training has now commenced; • The cyber risk advisory internal audit was completed during quarter 3 with a draft report received for consideration in quarter 4. SLT will consider the cyber security risk assessment following the audit conclusion.

	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Completion of the Cyber Security risk assessment – the first draft has been considered by SLT and further information requested but the response has been delayed due to Covid-19. The risk assessment will now be considered following the conclusion of the cyber risk internal audit; • Ongoing implementation of the Digital Strategy action plan. The Strategy will be refreshed to ensure that it effectively supports the Gedling Plan.
6	<p>FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level.</p> <p>Definition:</p> <p><i>Buildings that are fit for purpose, safe, secure, and meet legislative requirements for fire, asbestos, and water-testing. Land, buildings and other assets to be recorded on a database.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • The general condition surveys of Council Buildings continues to progress and is now around 85% complete; • The suitability and sufficiency surveys of the Councils assets are ongoing and have been completed for the: Civic Centre, Community Centres, Offices Car Parks and Land to date. Assessments are still to be carried out for Parks and Leisure Centres; • The civic centre security counter terrorism review is complete and action plans are being developed for consideration by SLT; • A service development bid for a Tree Inspection Officer to manage the related risks was proposed for consideration by Council and was approved in March, with recruitment planned

	<p>for early 2021/22.</p> <ul style="list-style-type: none"> • A proposal for the acquisition of a site safe for assets held at Carlton cemetery was developed for consideration by Council and was approved in March. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • A tree register is to be developed to support the parks risk review work following the recruitment of the Tree Inspection Officer as detailed above; • Completion of the asset condition and suitability surveys; • Approval and implementation of the actions arising from the counter terrorism review.
7	<p>FAILURE TO REACT TO CHANGES IN LEGISLATION</p> <p>Owner: Francesca Whyley</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level.</p> <p>Definition:</p> <p><i>Associated with current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider implications of new legislation on both the Council and its residents.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Major - £500k - £1m</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarters 3:</u></p> <ul style="list-style-type: none"> • Universal Credit implementation is ongoing. All government guidance is monitored but the pace of roll-out is slower than predicted. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Implement any outcomes from the Recycling and Waste Strategy consultation. Requirements may include an increase in recycling requirements and consequent funding implications but the outcome of the consultation is still awaited;

	<ul style="list-style-type: none"> • A new risk identified was identified in 2019/20: the Supreme Court is currently considering a case in respect of annual leave and associated payments for irregular workers e.g. casual workers, which may have consequences for all employers nationally – the outcome is awaited and the impact for the Council will be determined.
8	<p>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level.</p> <p>Definition:</p> <p><i>Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • Work to implement the electronic contracts register has been delayed but work is now underway. Training has been arranged with the system provider for delivery in quarter 4; • Procurement processes have been updated to reflect the post Brexit transition period requirements e.g. From 1 January 2021 a new e-notification service called Find a Tender (FTS) will be used to post and view public sector procurement notices; • Contractor health & safety arrangements and additional covid instructions have been developed for implementation. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Contract management processes are to be developed and implemented as part of the new e-procurement system; • A review of procurement and supply chain issues related to Brexit subsequent to trade negotiations.

9	<p>INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES</p> <p>Owner: Francesca Whyley</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level.</p> <p>Definition:</p> <p><i>Councils are increasingly vulnerable to judicial reviews and new compensation claims.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • No outstanding actions. <p><u>Actions outstanding:</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
10	<p>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level.</p> <p>Definition:</p> <p><i>Related to channel shift to more digital on-line services but retaining the availability of face-to-face services. Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p>

	<p>The emergence of the Covid-19 pandemic has caused the deterioration in the assessed level of risk in quarter 4 of 2019/20. Covid-19 resulted in a number of service closures and suspensions during 2020/21, due both to the government imposed restrictions, and the uncertainty of available staffing levels due to sickness, shielding and the prioritisation of critical services. The consequence is a possible adverse impact on service standards and customer satisfaction. Improvements in the risk level are expected as service levels return to normal. The impact is not expected to continue in the longer term.</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • Monitoring of complaints received for Covid-19 related impacts is continuing. Increased incidents of customer frustration have emerged due to full service levels not being possible in all areas due to Covid; • Covid outbreak management and compliance work continues to take priority. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • To continue complaints monitoring and resume service levels when the risks are reduced and staffing levels and government guidance enable us to do so.
11	<p>FAILURE TO PREVENT DAMAGE TO THE COUNCIL’S REPUTATION</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level.</p> <p>Definition:</p> <p><i>Related to the Council’s reaction to a specific event or issue, or generally a downturn in quality of service.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • No outstanding actions. <p><u>Actions outstanding:</u></p>

	<ul style="list-style-type: none"> • There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.
12	<p>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level.</p> <p>Definition:</p> <p><i>Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The emergence of the Covid-19 pandemic revealed some gaps in existing Business Continuity Plans meaning that some control gaps existed but this was quickly addressed and improvements to the risk level were reported at quarter 2.</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • A Business Continuity promotion webpage was established in November 2020. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • No outstanding actions.
13	<p>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN - NO CHANGE to current risk level.</p> <p>Definition:</p> <p><i>Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.</i></p>

	<p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Serious– Adverse regional publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • None to report. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • To undertake a ‘Visioning’ exercise to identify longer term forecasts for socio-economic trends and how these will be reflected in the longer term priorities for the Council to ensure services can meet future needs within available resources.
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HIGH RISK AUDIT RECOMMENDATIONS RAISED IN PREVIOUS YEARS BUT NOT YET IMPLEMENTED:

There are no high risk audit recommendations from previous years that have not been addressed and implemented.

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN THIS FINANCIAL YEAR:

There is one high risk recommendation reported to date during 2020/21. This is arising in the Cyber Risk advisory review and relates to anti-virus compliance. The recommendation has been accepted by management.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

L i k e l i h o o d	Very High	E				2	
	High	D					
	Significant	C		4	5, 6, 7,10		
	Low	B		11,12,13	1,3,8,		
	Very Low	A			9		
			1	2	3	4	5
			Negligible	Minor	Serious	Major	Critical
			I m p a c t				