

## Audit and Standards Committee

Date and Time - **Monday 20 June 2022 – 6:30pm**

Venue - **Council Chamber, Town Hall, Bexhill-on-Sea**

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### **Councillors appointed to the Committee:**

B.J. Drayson (Chair), R.B. Thomas (Vice-Chair), J. Barnes, Mrs M.L. Barnes, P.C. Courtel, K.M. Harmer (ex-officio), Mrs E.M. Kirby-Green, L.M. Langlands and C.A. Madeley.

**Audit Independent Person:** Mr Patrick Farmer

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## **AGENDA**

### **1. MINUTES**

To authorise the Chair to sign the Minutes of the meetings of the Audit and Standards Committee held on 11 April and 16 May 2022 as correct records of the proceedings.

### **2. APOLOGIES FOR ABSENCE**

### **3. ADDITIONAL AGENDA ITEMS**

To consider such other items as the Chair decides are urgent and due notice of which has been given to the Head of Paid Service by 12 Noon on the day of the meeting.

### **4. DISCLOSURE OF INTERESTS**

To receive any disclosure by Members of personal and disclosable pecuniary interests in matters on the agenda, the nature of any interest and whether the Member regards the personal interest as prejudicial under the terms of the Code of Conduct. Members are reminded of the need to repeat their declaration immediately prior to the commencement of the item in question.

## **PART A - STANDARDS REPORTS**

### **5. CODE OF CONDUCT COMPLAINTS MONITORING AND OTHER STANDARDS MATTERS (Pages 1 - 6)**

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**[louise.hollingsworth@rother.gov.uk](mailto:louise.hollingsworth@rother.gov.uk)**

6. **GOVERNMENT RESPONSE TO THE REVIEW OF LOCAL GOVERNMENT ETHICAL STANDARDS** (Pages 7 - 20)
7. **LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN COMPLAINTS MONITORING** (Pages 21 - 24)

#### **PART B - AUDIT REPORTS**

8. **REPORT OF THE EXTERNAL AUDITORS, GRANT THORNTON - ANNUAL AUDIT REPORT 2020/21** (Pages 25 - 50)
9. **REPORT OF THE EXTERNAL AUDITORS, GRANT THORNTON - EXTERNAL AUDIT PLAN YEAR ENDING MARCH 2022** (Pages 51 - 74)
10. **INTERNAL AUDIT - ANNUAL REPORT AND OPINION 2021/22** (Pages 75 - 98)
11. **2021/22 STATEMENT OF ACCOUNTS – AUDIT PLANNING RISK ASSESSMENT** (Pages 99 - 130)
12. **TREASURY MANAGEMENT UPDATE - 2021/22 OUTTURN** (Pages 131 - 138)
13. **WORK PROGRAMME** (Pages 139 - 140)

Malcolm Johnston  
Chief Executive

Agenda Despatch Date: 10 June 2022

#### **Invitees in respect of Standards Related Reports only:**

Independent Persons: Mr Robert Brown and Mrs Rose Durban.

Parish/Town Councillor Representative(s): Councillors Mrs W.M. Miers and K. Robertson

## Rother District Council

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	20 June 2022
<b>Title:</b>	Code of Conduct Complaints Monitoring and Other Standards Matters
<b>Report of:</b>	Lorna Ford, Monitoring Officer
<b>Purpose of Report:</b>	To receive an update on the number of complaints received and processed and other standards related matters since the last report in December 2021.
<b>Officer</b>	
<b>Recommendation(s):</b>	It be <b>RESOLVED</b> : That the report be noted.

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### Introduction

1. This routine report sets out details of the complaints received since the Committee's last meeting held in December 2021 where complaints were considered; as agreed by the Committee, this report presents cases on a six-monthly rolling basis. It also advises the Committee of other standards related matters arising since the Committee's last meeting.

### Complaints Received

2. Since the last meeting there have been six (08,10,11,12,13 and 01/22) new Code of Conduct (CoC) complaints made against one District Councillors and five Parish Councillors; of the six cases, four were dismissed and two were referred for investigation. Save for case C21-12, in accordance with the agreed process, as none of the complaints have resulted in an investigation and a finding of fault, these are presented anonymously. The view of one (or both) of the Council's Independent Persons (IP) was sought and concurred with the proposed action in each case; brief details of each case are provided at Appendix 1.
3. Since October last year, the Council has dealt with five complaints (one reported in December) all originating from Northiam Parish Council (NPC) in connection with NPC's purchase of St. Francis Fields (former Blue Cross site), its current and future use and its management by a Community Interest Company.
4. Following the conclusion of C21-12, which resulted in a finding of a breach of NPC's Code of Conduct by Parish Councillor Streatfeild, the Monitoring Officer has determined that no more complaints will be entertained from any NPC Councillor or member of the public concerning this matter. The cost of the investigation into these complaints was £10,000, a cost that has to be met by Rother District Council (RDC).
5. In the interests of efficiency and desire to conclude these matters, the Monitoring Officer has concluded the complaint by referral to the Parish Council for local resolution, without a local hearing. The outcome of the complaint was

shared with all complainants and the Chair of the Parish Council, recommending that training and mediation (if agreeable to all sides) be provided, at the expense of the Parish Council. It is unlikely, given the polarised opinions on this matter, that there would be agreement to any proposed local resolution.

6. Following the release of the report and findings the Chair of the Parish Council made the contents known at a Parish Meeting that had been called by Councillor Streatfeild, following which he left the meeting. The decision to purchase the former Blue Cross site was one made by NPC some time ago and the resulting unrest are matters that the Parish alone can resolve.
7. Following the decision at the last meeting, the Council's procedure for dealing with Subject Members who refuse to cooperate with suggested local resolution requests has been strengthened. The Council's arrangements for dealing with complaints against elected Members now includes the provision for the Monitoring Officer, in consultation with one of the Independent Persons, to refer a complaint for investigation, in appropriate cases, as well as sending a letter from the Chair of the Audit and Standards Committee, which will be made publicly available.
8. During this time, I have also received two non-valid complaints against two District Councillors for alleged poor performance as a Councillor. Alleged poor performance (not being able to resolve a constituent's issue to their satisfaction or calling in a planning application that they were not aware of after it had been determined unfavourably, as far as the complainant was concerned) as opposed to conduct, is not a matter that can be considered as a Code of Conduct complaint. The issues raised by the first complainant were forwarded on to the relevant officers within the Council to respond direct to the complainant and the second complaint was subject to a further complaint against a planning officer and RDC in general regarding the processing of the planning application.

## **Other Standards Matters**

### Training

9. The Monitoring Officer and Deputy held a session on the Code of Conduct and complaints procedures for the newly established Bexhill-on-Sea Town Council on 20 April 2022. The session was well attended by Members of the Town Council and well received.
10. The Local Government Association (LGA) guidance on their model Councillor Code of Conduct was promoted to all Councillors and Parish Clerks following the last meeting.
11. No other formal training has taken place since the last meeting, however the Independent Persons are keen to see that training is provided to the town and parishes across the district and this will be considered in the coming 12 months.



## Risk Management

12. The Audit and Standards Committee has a duty to promote and maintain high standards of conduct by Members and co-opted Members of the Council. Monitoring the number of complaints received and the nature of the complaints will enable the Committee to identify any trends and make recommendations for additional training and guidance as appropriate. Failure to do so could result in poor Member conduct, an increase in complaints administration and reputational damage for the Council.

## Conclusion

13. The Committee is asked to consider the report and agree any additional recommendations as appropriate.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Deputy Chief Executive:	Lorna Ford, Deputy Chief Executive and Monitoring Officer
Report Contact Officer:	Lisa Cooper, Democratic Services Manager and Deputy Monitoring Officer
e-mail address:	<a href="mailto:lisa.cooper@rother.gov.uk">lisa.cooper@rother.gov.uk</a>
Appendices:	Appendix 1 – Member Complaints Summary
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.

**MEMBER CODE OF CONDUCT COMPLAINTS SUMMARY SHEET**

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
C21-08	23/12/2021	Northiam Parish Councillor	Northiam Parish Councillor	<p><b>Complaint:</b> An allegation of bringing the office or authority into disrepute and attempting to use position improperly to confer on or secure an advantage or disadvantage by failing to manage a local issue, sanctioning the circulation of misleading and one-sided minutes and taking no action over social media posts.</p> <p><b>Decision:</b> Dismissed.</p> <p><b>Outcome / Comment:</b> This complaint is concerning the alleged lack / poor performance (process of performing a function) of the Subject Member, not the conduct (the way they behave). This complaint is a continuation of the turbulent period prevailing at NPC.</p>
C21-10	17/01/22	Rother District Councillor	Rother District Councillor	<p><b>Complaint:</b> A third-party allegation of bringing the office or authority into disrepute by making alleged untruthful statements in a formal committee meeting to completely mislead Councillors and other listeners.</p> <p><b>Decision:</b> Dismissed.</p> <p><b>Outcome / Comment:</b> There was no intention on the part of the Subject Member to deliberately mislead Councillors or other listeners; contact had been made between relevant parties and resolved any misunderstandings prior to the complaint being submitted.</p>
C21-11	20/01/22 31/01/22 01/02/22 & 23/02/22	Two Northiam Parish Councillors, two former Northiam Parish Councillors and	Councillor Jon Streatfeild, Northiam Parish Councillor	<p><b>Complaint:</b> The publication of an open letter on several social media sites which contains inaccurate information, allegations and assertions against the four complainants. Specifically a failure to treat others with respect; disclosing confidential information; bringing office or authority into disrepute.</p>

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
		Members of a CIC (P Sargent, Cllr Schlesinger, J Harding and Cllr Biggs)		<b>Decision:</b> Referred for an external investigation.  <b>Outcome / Comment:</b> The Investigating Officer found the NPC Code of Conduct had been breached by Councillor Streatfeild in relation to Section 3 (1) of the Code of Conduct due to the contents of the “open letter” which showed a lack of respect, brought NPC into disrepute and published confidential information.
C21-12	22/02/22	Member of the public (lease holder of land in ownership of the Parish Council)	Northiam Parish Councillors	<b>Complaint:</b> That the Subject Members bullied and harassed the lease holder of the land under the ownership of the Parish Council for future use.  <b>Decision:</b> Referred for an external investigation.  <b>Outcome / Comment:</b> There was no evidence to substantiate the allegation and the complaint was dismissed.
C21-13	18/04/22	Member of the public	Guestling Parish Council	<b>Complaint:</b> That the Subject Member showed a lack of respect to attendees whilst chairing a public meeting.  <b>Decision:</b> Dismissed, with a recommendation.  <b>Outcome / Comment:</b> The facts of the local issue that had given rise to the incident at the meeting had been misrepresented and had stirred up local anxious feelings. Facts were confirmed to the complainant. Whilst not considered serious enough to warrant any other action, the Subject Member was invited to reflect on conduct at the meeting and referred to the LGA’s guidance on respect and interaction with the public.
C22-01	23/05/22	Bexhill Town Councillor	Bexhill Town Councillor	<b>Complaint:</b> That the Subject Member referred to the existence of a live complaint made by the complainant in a public meeting.

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
				<p><b>Decision:</b> Dismissed, with a recommendation.</p> <p><b>Outcome / Comment:</b> Whilst it was unfortunate, the details of the complaint and against whom it had been made were not disclosed. The Subject Member was advised to be more mindful in future.</p>

## Rother District Council

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	20 June 2022
<b>Title:</b>	Government Response to the review of Local Government Ethical Standards
<b>Report of:</b>	Lorna Ford, Monitoring Officer
<b>Purpose of Report:</b>	To consider the Government's response to the review of Local Government Ethical Standards and to consider what action to take, if any.
<b>Officer Recommendation(s):</b>	It be <b>RESOLVED</b> : That the report be noted, and consideration be given to any resulting actions thought necessary by the Committee.

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### Introduction

1. In March 2018, this Committee (under the previous administration) responded to the Committee on Standards in Public Life's (CSPL) Review of Local Government Ethical Standards. The independent CSPL advises the Prime Minister on ethical standards across the whole of public life in the UK; it monitors and reports on issues relating to the standards of conduct of all public office holders.
2. The CSPL's report was published and submitted to Government in January 2019 and this Committee considered the report and its findings in June 2019. The CSPL made a total of 26 recommendations, the majority of which were for the Government, together with 15 best practice guidelines which were directed at local authorities.
3. At that time, and in accordance with an initial review undertaken by East Sussex County Council, Rother District Council (RDC) agreed to two amendments to its existing Code of Conduct, strengthening the wording around bullying and harassment and the need for Members to comply with any formal investigation in relation to a Code of Conduct complaint.
4. It was further agreed that any proposed resulting changes to legislation be considered if and when enacted by Government. An assessment of RDC's current practice against the best practice guidelines was also presented to this Committee in December 2019, which was favourable and some minor improvements were made at that time.

### Government Response

5. The Government's response to the CSPL's report was published on 18 March 2022, some three years after the original report was presented, delayed by initially Brexit and then the COVID-19 pandemic. The response is set out in full at Appendix 1, together with officer commentary.

6. The CSPL issued a response to the Government as follows:

“While we note the government’s commitment to further work to support local government, the Committee is disappointed that many of its careful recommendations have not been accepted. It was clear from our evidence that the sector backed our call to strengthen the arrangements in place to support high ethical standards, whilst respecting the benefits of a localised approach.

We are pleased that many local authorities have already reviewed their approach as a result of this work and are adopting the best practice points from the report. Across all tiers of local government, decisions are taken about a wide range of local services using public funds, so it is important that there are robust governance arrangements that command public confidence.”

7. It is encouraging that the Government have agreed to look at a number of issues as a result of the review’s recommendations, but, overall, it seems that there will be no fundamental changes to the current decentralised approach and available sanctions for Members who have been found to have breached the Code of Conduct for the foreseeable future.

8. The Committee is asked to consider the report and agree any additional recommendations as appropriate.

<b>Other Implications</b>	<b>Applies?</b>	<b>Other Implications</b>	<b>Applies?</b>
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Deputy Chief Executive:	Lorna Ford, Monitoring Officer
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Appendices:	Appendix 1 – Government Response
Relevant Previous Minutes:	AS17/42 – March 2018 response to CSPL consultation AS19/06 – Consideration of CSPL review and recommendations AS19/34 – Best Practice Recommendations
Background Papers:	None.
Reference Documents:	None.

**Letter from Kemi Badenoch MP to Lord Evans, Chair, Committee on Standards in Public Life**

From: Kemi Badenoch MP – Minister of State for Equalities and Levelling Up Communities

To: Lord Evans of Weardale, KCB, DL – Chair, Committee on Standards in Public Life

Dear Lord Evans,

On behalf of the government, I would like to thank the Committee on Standards in Public Life for its report and the recommendations arising from its review of Local Government Ethical Standards, and to all those who engaged with the Committee's work. Attached is the government response to the Committee's individual recommendations that were directed at government.

Vibrant local democracies flourish where the reputation of the local authority is held in high regard, where councillors' decision-making is transparent, valued and trusted by the communities they serve, and where people are willing and confident to put themselves forward as potential candidates. The standards and conduct framework within which local authorities operate must drive out corruption and promote commitment to the principles on standards in public life, and tolerance to the differing views of others. In responding to the review, the Government has taken into account the importance of protecting free speech and freedom of association within the law.

The government is committed to working with local authorities and their representative organisations to ensure that local government is supported in reinforcing its reputation for ethical local standards.

The fact that this review had been conducted in such a collaborative way with the sector has been apparent from the outset and is borne out in the final report. I am keen that government builds on the sector-wide enthusiasm for improvement.

The government agrees with the Committee's conclusion that there have been benefits from local authorities being responsible for ethical standards, including the flexibility and discretion to resolve standards issues informally. However, we also recognise the role of government in ensuring that the system is robust.

The number of requests for legislation in the Committee's recommendations to strengthen the standards and conduct framework and its safeguards is considerable. As indicated in this response, the government believes that some of these suggestions do not need a legislative response but can be more appropriately, effectively, and swiftly taken forward by local authorities as best practice. The Committee will recognise that the Government and Parliament has taken a different view on these matters when it legislated for the Localism Act 2011.

I thank the Committee for their work on the review and for their patience whilst government carefully considered their recommendations, and I personally look forward to continuing to work with you as government progresses the commitments made in this response with the sector.

Yours sincerely, Kemi Badenoch MP

This government response confines itself to the Committee's recommendations directed at government, other than with regards to the first recommendation. The response to recommendations 10, 12, 13, 14 and 16 have been grouped together and therefore appear out of numerical order below.

#### **Recommendation 1**

**The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.**

#### **Government Response**

The Localism Act 2011 states that relevant authorities must promote and maintain high standards of conduct by members and co-opted members. It requires these authorities to adopt a code of conduct for their councillors. Authorities can determine the content of their own code of conduct. However, codes must conform to the 7 'Nolan' principles of standards in public life: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. Relevant authorities for the purposes of these requirements include local authorities in England, namely county councils, district councils, London borough councils and parish and town councils.

It is for individual councils to set their own local code, in line with the Act. The government has previously published a light-touch illustrative code of conduct.

The Local Government Association has worked with sector representative bodies to update its own suggested code of conduct, with the intention that this new suggested code could establish a consistent benchmark that local authorities can amend or add to as they see fit to reflect local circumstances and priorities. The Local Government Association published the updated code of conduct in January 2021. However, it remains a local decision on whether this model code is adopted.

#### **RDC Officer Comment**

In March 2021, this Committee considered the LGA's new model code of conduct, and whilst it was agreed that the model code was clearer and more user-friendly, this alone was not considered enough to justify a recommendation for change by our neighbouring East Sussex authorities with whom we share a common code. At the time it was also considered prudent to wait until the Government had responded to the CSPL's review which might result in further legislative change and meaningful sanctions. It remains the case that this Council can choose to amend its code of conduct and adopt the LGA model code, if it so chooses, but that would take us out of step with other East Sussex principal authorities.

#### **Recommendation 2**

**The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.**

#### **Government Response**

This issue was brought up in the Committee's work on intimidation in public life, and the government has already taken forward several steps in this regard. The



government is open and receptive to further steps to help prevent intimidation.

The government agrees with the principle behind this recommendation – which safeguards elected representatives – and considers amending the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 would be an option to achieve it.

The government will engage with interested parties on the best means to ensure that candidates and councillors are not required publicly to disclose their home address.

Notwithstanding, it is important that home addresses are internally registered with monitoring officers, to help avoid conflicts of interest.

#### **RDC Officer Comment**

The Council has already allowed Councillors the ability to remove their home address from the public register of interests if they consider it to be a sensitive interest due to potential intimidation. A clarification within the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 would be welcome.

#### **Recommendation 3**

**Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.**

#### **Government Response**

The government's view is that it is for individual local authorities to consider if their code of conduct is adequate in addressing the issue of inappropriate use of social media.

As the government outlined to Parliament in March 2021 on tackling intimidation in public life: 'It is important to distinguish between strongly felt political debate on the one hand, and unacceptable acts of abuse, intimidation and violence on the other. British democracy has always been robust and oppositional. Free speech within the law can sometimes involve the expression of political views that some may find offensive': a point that the government has recognised in a Department for Education policy paper. But a line is crossed when disagreement mutates into intimidation, which refuses to tolerate other opinions and seeks to deprive others from exercising their free speech and freedom of association.'

It is important to recognise that there is a boundary between an elected representative's public life and their private or personal life. Automatically presuming (irrespective of the context and circumstances) that any comment is in an official capacity risks conflating the two.

#### **RDC Officer Comment**

Whilst the Council's current code of conduct does not specifically refer to social media, a judgement call is made when assessing complaints concerning social media postings as to whether the Councillor is acting in their official capacity based on the accessibility of any posting, whether they are using a private social media account, using Council provided equipment, the subject matter etc. each

case is considered on its own merits.

#### **Recommendation 4**

**Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.**

#### **Government Response**

The government agrees that local authority elected representatives should act in good faith in the public interest and not seek to influence decisions for personal gain, for malicious intent or to further the interests of any business or any other organisations which they may be affiliated with.

The Local Government Association have updated their own suggested code of conduct to state that the code applies when “[a member's] actions could give the impression to a reasonable member of the public with knowledge of all the facts that [they] are acting as a [member]”.

It is for individual local authorities to ensure that their codes of conducts are regularly updated, comprehensive and fit for purpose. Elected members receive the necessary training to make them aware of their personal responsibilities in upholding the code.

The government will keep this matter under review but has no immediate plans to amend the regulations.

#### **RDC Officer Comment**

The Council's code of conduct scope already contains this provision, as follows:

“..... you must comply with the Code whenever you –

- (a) conduct the business of your authority (which, in this Code, includes the business of the office to which you are elected or appointed); or
- (b) act, claim to act or give the impression you are acting as a representative of your authority.

and references to your official capacity are construed accordingly.

#### **Recommendation 5**

**The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.**

#### **Government Response**

The electorate must have confidence that the decisions of their elected representatives are being made in the best interests of the community they have been elected to serve. Unpaid roles may need to be declared, if it is relevant to council business, and councillors should recuse themselves, if necessary, if discussions relate to private bodies they are involved in.

The government is mindful that councillors have a right to a private life, and rights of freedom of association outside their role as a councillor. It is frequently the case that people in public life have a complex pattern of interests and play a variety of roles with different types of organisations, including community interest groups and charities.

The government will keep this matter under review but has no immediate plans to amend the regulations.

#### **RDC Officer Comment**

The Council's code of conduct has retained these other registerable interests.

#### **Recommendation 6**

**Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record gifts and hospitality received over a value of £50 or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.**

#### **Government Response**

The Local Government Association's suggested code of conduct published in January 2021 includes a requirement for members to "register... any gift or hospitality with an estimated value of at least £50". However, it did not contain any requirements relating to the total value of gifts or hospitality received from the same source over a sustained period.

Local authorities have the autonomy to set gifts and hospitality requirements in their own codes of conduct. The government accepts that there is merit in best practice guidance on the thresholds for gifts and hospitality and agrees that a register of gifts and hospitality should be publicly available.

#### **RDC Officer Comment**

The Council's current Code of Conduct retained the provision to record any gifts or hospitality received over the value of £50. Whilst some Members have considered this threshold too high, no amendment was considered in March 2021, but Members are free to reconsider this at any time.

#### **Recommendation 7**

**Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, "if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to the matter".**

#### **Government Response**

Section 31 of the Localism Act 2011 requires that a councillor must not participate in a discussion or vote on a matter where they have a disclosable pecuniary interest in any matter to be considered at the meeting. Section 30(3) of the Localism Act 2011 further provides that any relevant pecuniary interests of a councillor's spouse or partner are considered as a disclosable pecuniary interest of the councillor.

The Committee's report reflects concerns that the disclosable pecuniary interest arrangements infringe on the privacy of a councillor's spouse or partner. Where there would be a potential conflict of interest, the principle of integrity requires that any such interests should nevertheless be declared and resolved.

The Government will keep this matter under review but has no immediate plans to repeal Section 31 of the Localism Act 2011.

#### **RDC Officer Comment**

The Council's current Code of Conduct has retained "prejudicial interests" from the previous national model code, which covers this scenario.

#### **Recommendation 8**

**The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of 2 years, renewable once.**

#### **Government Response**

The government does not accept this recommendation as appropriate for legislation on the basis that it would be likely to be unworkable. The government's view is that it would be more appropriately implemented as a best practice recommendation for local authorities.

In principle, it may be attractive to limit the terms Independent Persons serve to keep their role and contribution "fresh" and avoid them becoming too closely affiliated with the overriding organisational culture. However, discussions with Monitoring Officers indicate that in practice most local authorities would likely find servicing this rate of turnover unachievable. There is frequently a small pool of people capable and willing to undertake the role, who also fit the stringent specifications of being amongst the electorate, having no political affiliation, no current or previous association with the council, and no friends or family members associated with the council.

When local authorities have found effective Independent Persons who demonstrate the capability, judgement and integrity required for this quite demanding yet unpaid role, it is understandable that they may be reluctant to place limitations on the appointment.

#### **RDC Officer Comment**

Agree with Government stance. This proposal would lead to onerous recruitment administration every two years; the Council does not handle a vast amount of complaints and turn over every two years would not provide for consistency and continuity of approach. The Council currently has two appointed IPs with first terms of office (4 years) expiring in December 2023 and July 2025, under our current procedure, both could reapply for a second term, if they wished.

#### **Recommendation 9**

**The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.**

**Government Response**

The government does not agree with this. The Local Government Transparency Code is a statutory requirement to publish information; it does not regulate the content of councils' minutes or decision notices.

The substantive policy suggestion has merit but will depend on circumstances. In cases where there is no case to answer from an unfounded complaint, it should not necessarily be a legal requirement to publish details of that unfounded complaint.

**RDC Officer Comment**

Agree with Government stance. Rother IPs are very much part of the Member complaints procedure being consulted at assessment stage and post investigation in cases that are investigated. An IP would attend any Hearing Sub-Committee and their input documented and minuted appropriately.

**Recommendation 10**

**A local authority should only be able to suspend a councillor where the authority's Independent Person agrees both with the finding or a breach and that suspending the councillor would be a proportionate sanction.**

**Recommendation 12**

**Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.**

**Recommendation 13**

**Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.**

**Recommendation 14**

**The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, on appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.**

**Recommendation 16**

**Local authorities should be given the power to suspend councillors, without allowances, for up to 6 months.**

**Government Response**

There is no provision in current legislation for a sanction to suspend a councillor found to have breached the code of conduct, and this was a deliberate policy decision by the Coalition Government at the time of the Localism Act 2011 to differentiate from the previous, failed Standards Board regime. The Standards Board regime allowed politically motivated and vexatious complaints and had a chilling effect on free speech within local government. These proposals would effectively reinstate that flawed regime. (10)

It would be undesirable to have a government quango to police the free speech of councillors; it would be equally undesirable to have a council body (appointed by councillors, and/or made up of councillors) sitting in judgment on the political comments of fellow councillors. (12/13/14)

On the rare occasions where notable breaches of the code of conduct have occurred, local authorities are not without sanctions under the current regime. Councillors can be barred from Cabinet, Committees, or representative roles, and may be publicly criticised. If the elected member is a member of a political group, they would also expect to be subject to party discipline, including being removed from that group or their party. Political parties are unlikely to reselect councillors who have brought their group or party into disrepute. All councillors are ultimately held to account via the ballot box. (16)

As part of the government's response to the Committee's report on intimidation in public life, the government recommended that every political party establish their own code of conduct for party members, including elected representatives.

The government will engage with sector representative bodies of councillors and officers of all tiers of local government to seek views on options to strengthen sanctions to address breaches of the code which fall below the bar of criminal activity and related sanctions but involve serious incidents of bullying and harassment or disruptive behaviour.

#### **RDC Officer Comment**

The current sanctions fail to have any teeth, particularly at parish and town council level where cabinet governance models and group structures do not exist (commonly). Sanctions to address disruptive behaviour at parish and town council level, as seen locally within Rother in recent times, are not catered for under the current provisions and Government proposals to seek views on this are welcome. Waiting until the next ordinary elections to hopefully remove a disruptive councillor does not seem conducive to good local governance, particularly given voter apathy and interest in local elections.

The Government's reluctance to involve the Local Government Ombudsman and introduce appeal rights for Councillors who have had a period of suspension imposed is welcome; it would be undesirable for a local decision to be overruled by the Ombudsman.

#### **Recommendation 11**

**Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.**

#### **Government Response**

The government agrees in principle.

Initial soundings with the sector indicate that some local authorities already provide legal indemnity for Independent Persons.

The government endorses providing legal indemnity for Independent Person as local authority best practice but does not currently see the need to require this



through secondary legislation.

**RDC Officer Comment**

Further advice will be sort with regard to whether legal indemnity is already provided at RDC. The Council has operated on the basis that IP comments on any complaint matter are confidential and not disclosable under Freedom of Information legislation.

**Recommendation 15**

**The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g., bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.**

**Government Response**

The government believes that this is better addressed through the sector adopting as best practice a regular pattern of annual reporting by Standard Committees of the cases and complaints handled and would encourage this as best practice by the sector.

The government does not believe that there is a requirement to prescribe to local authorities the form and content of such Standard Committee annual reports.

**RDC Officer Comment**

This Council already publishes this information on a six-monthly rolling basis via the reports to this Committee.

**Recommendation 17**

**The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.**

**Government Response**

The criminal law, overseen by the police and courts, provides for more appropriate and effective action against breaches of public order, for anti-social behaviour, and against harassment.

The occasion where councils would seek to bar councillors from council premises are thought to be extremely rare. We will consider this further.

**RDC Officer Comment**

This would be welcomed if made a formal sanction; the Government's future response on this will be awaited.

**Recommendation 18**

**The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.**

**Government Response**

It is a criminal offence to fail to declare pecuniary interests, which acts as a strong

deterrent against corruption.

The government does not agree with this recommendation, but rather believes the criminal offence of a non-disclosure of pecuniary interest to be a necessary and proportionate safeguard and deterrent against corruption.

The high bar of police involvement has served to discourage politically motivated and unfounded complaints.

**RDC Officer Comment**

In the absence of any new sanctions, the Government's rationale for retention seems practical.

**Recommendation 20**

**Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.**

**Government Response**

The government does not agree that this is necessary and has no plans to repeal Section 27(3) of the Localism Act 2011.

The government considers that the adoption of the principal authority's code or the new model code is a matter for local determination.

There are merits in achieving consistency within principal authority areas to eliminate potential confusion amongst constituents and elected members but there may be instances where a parish council may want to add to the code of their principal authority to reflect local circumstances.

**RDC Officer Comment**

Across the Rother District there is a mixed approach with around half of all parish and towns councils having retained RDC's code of conduct and half adopting the National Association of Local Council's model code and with the new Bexhill-on-Sea Town Council having adopted the new LGA model code of conduct. Whilst the principles are the same, assessment against various codes for complaints and advice with regard to application and interests given by the MO has to be considered on a case by case basis. However, the ability for each parish and town to adopt their own code to suit local circumstances does provide freedom and flexibility.

**Recommendation 21**

**Section 28 (11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.**

**Government Response**

The government has no current plans to repeal Section 28 (11) of the Localism Act 2011 but will give this matter further consideration.

**RDC Officer Comment**



It is reassuring that the Government will consider this further. Currently, RDC bears the cost of any complaint referred for investigation into a parish or town councillor. It would be encouraging if, after an investigation and imposition of a sanction on a parish councillor, the parish council was bound to implement the sanction.

#### **Recommendation 22**

**The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.**

#### **Government Response**

The 3 statutory officers in local government are the Monitoring Officer, the Head of Paid Service (Chief Executive) and the Chief Finance Officer (often referred to as the Section 151 Officer).

Under the current disciplinary arrangements for statutory officers, any decision to dismiss a statutory officer must be taken by full council, following a hearing by a panel that must include at least 2 Independent Persons. The Committee consider that the disciplinary protections for statutory officers should be enhanced, by extending disciplinary protections to all disciplinary actions (such as suspension or formal warnings), not just dismissal.

The government agrees in principle with this recommendation and recognises this will be pertinent to Monitoring Officers who may not necessarily be afforded the same seniority in the organisational hierarchy of a local authority as the 2 other statutory officers (Head of Paid Service and the Section 151 Officer), and who may be subject to personal pressures when conducting high profile breach of conduct investigations.

The government will engage with sector representative bodies of all tiers of local government to seek views on amending the Local Authorities (Standing Orders) (England)(Amendment) Regulations to provide disciplinary protections for statutory officers.

#### **RDC Officer Comment**

This would provide enhanced protection for these officers and agree with the point made with regard to Monitoring Officers.

#### **Recommendation 23**

**The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.**

#### **Government Response**

The government agrees with the principle that openness is essential.

Most local authorities already publish their whistleblowing policy, procedures and a named contact on their websites, and Government is recommending that this is adopted as a best practice recommendation.

The government published the UK National Action Plan for Open Government 2021- 2023 in January 2022. This includes a commitment on local transparency. The Department for Levelling Up Housing and Communities (DLUHC) will work with the local government community to develop a set of specific actions to advance transparency in the sector. DLUHC will support local government to solidify their transparency policies and processes and encourage proactive publication of open data across councils.

**RDC Officer Comment**

Whilst named Council officers are published on the Council's website for the purposes of whistleblowing and fraud reporting, the Council does not currently specify a named contact for the Council's current external auditors.

The Audit Manager has contacted the Grant Thornton director responsible for the Council's external audit work and he is happy for his name and contact details to be included in the Whistleblowing Policy. The policy will therefore be amended to include this information.

**Recommendation 24**

**Councillors should be listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998.**

**Government Response**

Prescribed persons are individuals or organisations that a worker may approach outside their workplace to report suspected or known wrongdoing and still be protected by the rights afforded to them under whistleblowing legislation. They are prescribed by an order made by the Secretary of State (for Business, Energy and Industrial Strategy) for this purpose. See a complete list of prescribed persons.

Local councillors would not meet the criteria of being external to an individual's workplace in relation to matters affecting the council and could therefore not be considered as a 'prescribed person' for the purposes of the Public Interest Disclosure Act 1998. Disclosures relating to local authorities can be made to the external auditor of the relevant authority, the Comptroller and Auditor General (National Audit Office), or a Member of Parliament.

However, the government recognises that this may provide a further check and balance against council corruption or wrongdoing and is open to further representations on the matter on how local accountability can be strengthened in this regard.

**RDC Officer Comment**

Government position noted. No action is required.

## Rother District Council

**Report to:** Audit and Standards Committee

**Date:** 20 June 2022

**Title:** Local Government and Social Care Ombudsman  
Complaints Monitoring

**Report of:** Mark Adams, Customer Services Manager

**Purpose of Report:** To receive an update on the number of Local Government and Social Care Ombudsman complaints received since the last report in December 2021.

**Officer**

**Recommendation(s):** It be **RESOLVED:** That the report be noted.

### Introduction

1. Details of the complaints made to the Local Government and Social Care Ombudsman (LGSCO) are reported to the Committee as and when they are determined throughout the year. Five cases have been determined since the Committee's last meeting as detailed below:

REFERENCE	DETAILS OF THE ALLEGATION	OUTCOME
20 013 807	A customer complained about the way the we had handled complaints of noise nuisance made about them and about the way the Council responded to her complaints.	There was fault by the Council to which it will apologise to the customer.
21 012 396	The customer has complained that the Council has granted planning permission for development near his home. He says he and other residents raised concerns about the proposal, but the Council ignored these.	The LGSO will not investigate this complaint about granting planning permission for development near to the complainant's home. The complaint does not meet the tests in the LGSO Assessment Code on how they decide which complaints to investigate. There is nothing to suggest fault affected the Council's decision.
21 015 418	The complainant is aggrieved about how the Council dealt with his planning application. The complainant alleges there were delays which has incurred additional costs.	The LGSO will not investigate this complaint because the complainant had the right to appeal to the Planning Inspector.

REFERENCE	DETAILS OF THE ALLEGATION	OUTCOME
21 016 940	The complainant alleges the Council signed off substandard building work to his neighbour's property which has resulted in damage to his property.	The LGSO will not investigate as they cannot hold the Council responsible for the damage.
22 001 264	The complainant alleges that the Council failed to properly sign parking restrictions and wrongly issued a ticket to his vehicle. (Rye Car parked – customer parked outside of marked bays).	The LGSO will not investigate this complaint as the courts are better placed to consider this matter.

2. A total of five complaints were made to the Local Government and Social Care Ombudsman covering the period 18 November 2021 to 27 May 2022 of which:

- one was upheld (Councils actions were at fault)
- 0 were not upheld (No fault found in the Councils actions)
- four cannot be investigated

3. For the same period Rother received 67 non-ombudsman complaints from 18 November 2021 to 27 May 2022 of which:

- 28 of these were non-complaints (treated as department service request).
- seven were resolved at initial stage (non-formal complaint resolution).
- 18 were Stage 1 complaint (responded to formally in writing) of which:
  - four were upheld
  - eight were not upheld
  - six were partially upheld
- There have been no Stage 2 complaints (responded to formally by Head of service)
- 13 are currently awaiting determination/under investigation

	Average response time (days)	Max time (days)	Number of complaints received
All Complaints	17	119	26
Environmental Health	0	0	0
Council Tax	23	35	2
Benefits	0	0	0
Housing	0	0	0
Planning	25	119	15
Customer Service	0	0	0
Neighbourhood Services	32	81	8

## Conclusion

4. The Committee is asked to note the report.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No

Risk Management	No	Exempt from publication	No
Chief Executive:	Malcolm Johnston		
Report Contact Officer:	Mark Adams		
e-mail address:	<a href="mailto:mark.adams@rother.gov.uk">mark.adams@rother.gov.uk</a>		
Appendices:	None		
Relevant Previous Minutes:	None		
Background Papers:	None		
Reference Documents:	None		

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# Auditor's Annual Report on Rother District Council

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020-21  
April 2022

# Contents



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

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



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



# Executive summary



## Value for money arrangements and key recommendations

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

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

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



### Financial sustainability

The Council is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Rother, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained its financial position. The 2020/21 final outturn for the General Fund was a deficit of £1.284m. The 2022/23 budget shows the Authority coming out of deficit in 2025/26.

Overall, the Council has a relative amount of capacity to manage variances over the short to medium term. We are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability.

We have made some improvement recommendations including the production of a workforce plan.

### Governance

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

We have identified some improvement recommendations around risk management and the need to update some policies.



### Improving economy, efficiency and effectiveness

The Authority has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

We have made some improvement recommendations around service reviews and procurement



### Opinion on financial statements

An unqualified audit opinion was issued on 20<sup>th</sup> May 2022.



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

- No significant weaknesses in arrangements identified or improvement recommendations made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

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

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

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on the following pages.



# Financial sustainability



## We considered how the Council:

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

## 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

The Covid-19 pandemic has been the largest peace time emergency seen in this country since WWII. The knock-on effects on local government finance have meant shortfalls in income due to cessation of services and reduction in collection of both council tax and business rates. There has also been a loss of commercial income in such areas as car parking and commercial rents as people stayed at home and business were forced to close. The Council does not have a large property portfolio but does have some property holdings in district. Covid has hit rental income but in the medium-term income levels are expected to return to pre Covid levels. While government grants have covered part of the general shortfall, councils have been left with increased financial uncertainty.

Throughout the uncertainty of the last financial year, the Council worked to minimise expenditure in all areas where appropriate. Some services were suspended for example, parking enforcement, while some staff were diverted to Covid related work including paying out Covid related support grants across the district. Some of its capital programme was paused or delayed due to Covid-19. Alongside this, new, essential activity was introduced, such as the Rother Community Hub (RCH) and bringing those who are homeless into accommodation, to address the impact of the pandemic on the residents of the district.

The Council set its budget for 2020/21 and determined the council tax including the precepts for County, Fire and Police services in February 2020 before the effects of the pandemic were realized. District councils have had to pay precepts over as planned, while collection rates have been down, providing added pressures on cashflow.

The pandemic started in March and it became clear over the next couple of months that it would have a fundamental impact on the Council's finances. The Cabinet were briefed on the financial impact of Covid in June 2020. At that time, it was projected that the Council would forego approximately £2m in income and £750K planned savings and incur additional costs in the region of £500k. This shortfall was planned to be funded by use of reserves.

The final outturn for the General Fund was a deficit of £1.284m including the cost of covid. This is a relative positive performance given the income losses incurred by the Council and was achieved in part to the receipt of significant levels of government grant coupled with strong budgetary control.

A balanced budget was set for 2021/22 in February 2021. The 2021/22 budget assumes a reliance on reserves and savings as recovery begins. To ensure organisational focus is maintained on the delivery of extra income and cost savings, a financial stability programme has been established to facilitate the achievement of the Corporate Plan objective of financial stability for the Council by March 2026. Since April 2021, Heads of Service have been developing ideas in line with the key themes of invest to save, income generation and service prioritisation. This work identified a significant number of suggestions which, following a meeting of the Programme Board in September 2021 are being worked up into detailed proposals together, where necessary, with project and resource plans. A number of small proposals can be commenced straight away which is expected to deliver some savings in 2021/22 but management consider that the majority of proposals will start to be delivered from 2022/23. Progress is to be monitored by the Programme Board and reported regularly to Cabinet. Overall this programme is expected to deliver £2.2m in savings.

The Council also has a Property Investment Strategy, which is gathering pace and it expects its investments to deliver a substantial amount of additional income.

# Financial sustainability

While there are obviously risks to the delivery of the above income and savings, clear plans are in place and being activated which should build back reserves in the medium term.

One key element of the savings plan is the transfer of services to the newly formed Bexhill Town Council and other local parish councils. Negotiations on this transfer is on-going and it is unclear if and when these savings will be realised. Given the anticipated savings, we will monitor this situation and may comment further in subsequent reports.

Review of Council papers indicate the assumptions used for the financial planning for 2020/21 and 2021/22 are sound. We have seen no evidence that short term measures are being used to relieve current pressures.

The future financing of local government is still unclear. A planned government long term spending review was postponed from 2020 due to the pandemic and the local government settlement for 2020/21 and 2021/22 only covered year. The date of the long-term review, whilst announced in the October 2021 budget statement, is yet to be confirmed with 2022/23 being covered by a 1-year settlement also.

The Council has a detailed financial plan covering five years. Given the uncertainty of the financial regime, its plan has been drawn up on prudent assumptions on future income streams. The Council has considered the financial pressures brought about by the pandemic and has also looked at long term pressures on funding streams such as council tax, business rates and the Government funding settlement. Lack of information on future funding is a national issue but we have seen pre pandemic that the Council has a sensible approach to financial planning and budget management.

Financial plans are discussed at Council, Cabinet and Overview and Scrutiny Committee. The Council has a history of transparency in financial matters. Financial plans are discussed with wider stakeholders through an annual consultation exercise. We were provided with evidence of consultation.

Section 25 of the Local Government Act 2003 requires that when a local authority is agreeing its annual budget and precept, the chief finance officer must report to it on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. While budget reports to Cabinet for 2020/21 do discuss financial risks, budget assumptions and reserves, there is no overt statement that the s151 officer believes the estimates to be robust and the level of reserves held is adequate. The former point has been corrected by the 2022/23 budget report but the statement on reserves is still omitted. We feel Members would benefit from the assurance provided by such a statement (recommendation 1).

## How the body plans to bridge its funding gaps and identifies achievable savings

The Council's financial stability programme's purpose is to provide structure, focus and direction in addressing the financial challenge faced by the Council. This programme was initiated during 2020/21 to address the changes in financial circumstances engendered by the pandemic. The programme is required to deliver £9.4m of savings over the next 5 years.

As part of the 2022/23 budget setting, budgets have been reviewed and changes to the budget were made, adjusting for pressures, new initiatives, expected cost increases and income changes. The current financial plan highlighted a potential use of reserves of £5.5m in the medium term along with the required savings of £7.1m. There is an expectation set by officers and endorsed by Members, that the Council will be making a net contribution to reserves by 2025/26. The Council currently has a healthy reserves position so this expected draw down of reserves is not of immediate concern. On 31st March 2021, the Council held useable reserves of £13.2m. The Council has been prudent in its' funding assumptions and the council tax base and the Council is anticipating collection fund balances should be better than expected and thus the predicted level of use of reserves to support the general fund may not be as great as forecast. The CIPFA resilience index does not raise concerns over the use of reserves.

While savings potential has been affected by the pandemic, from our experience in previous years, Rother has a history of successful delivery on savings. Some £1.8m of savings/income were identified in the December 2017 and December 2018 budget reviews and built into the 2018/19 and 2019/20 budgets and delivered. The identification and delivery of future savings remains a challenge.

## How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.

We found a robust financial planning process which ties in with corporate objectives. There is extensive internal consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Council currently has no workforce strategy. The preparation of this has been delayed by Covid, revision of the corporate plan and a management reorganization, but officers expect work on this will commence shortly. The development of such a document should be seen as a priority. As a sector, local government is facing a recruitment and retention challenge. The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is clear. We would recommend the Council invests in a workforce review for the medium term (recommendation 2).



# Financial sustainability

The Council has the necessary resources for financial management including a financial system able to provide timely financial information; the necessary financial skills, experience and capacity in the finance team; and budget holders in the services, with clearly defined responsibilities for budget management. Corporate Management and member challenge of performance, holding budget holders to account, and making decisive interventions where necessary provide effective challenge. The Finance team is well established with significant experience of managing the Council's finances.

We consider, based on our work, that the Council has a positive financial culture and an appropriate 'tone from the top' set by the Chief Executive and the executive. The ongoing management of the Council's financial position over recent years is evidence of this. In challenging times, it is vitally important that a strong financial culture is maintained. We do note that the Council has a number of key projects to deliver over the next few years and it will need to ensure that it has sufficient finance staff capacity and consider requests for additional support as identified by the s151 officer.

Budgets are monitored monthly with budget holders and the forecast is reported to CMT monthly. There are plans to move to cash limited budgeting from zero based and enhance ownership of budgets with managers.

The Council has a Capital Programme and has adopted a Capital Strategy and Capital Planning process which are regularly reviewed to reflect changing circumstances. Other than funding for the replacement of assets which deliver services as well as recurring capital expenditure, the programme includes the property investment strategy, housing developments and purchase of housing for temporary accommodation. The capital programme is overseen by Cabinet, while projects are subject to an appraisal and approval process.

The current corporate strategy covers the period 2020 to 2027. The current areas of focus are:

- Financial Stability
- Prosperity and Economic Development
- Increasing the supply of affordable homes in the District
- Delivering more effective services
- Protecting the natural environment and tackling climate change
- Empowering our people and strengthening our processes and resources

The understanding of drivers of risk in the Council budget are strong and variances from budget are understood. However, there remain fluctuations in variances to budget which may indicate further work is required, either to arrive at more accurate assumptions / a better understanding of cost pressures in the budget, or to ensure budgetary adherence is improved by budget holders. Some variance is inevitable as some services are demand led and difficult to predict. The Covid-19 pandemic has also made it more difficult to predict future costs and demand as the Council has experienced a 'difficult-to-predict-and-plan-for' year. However, in emerging from the pandemic, a return to the norms of budgetary monitoring and financial discipline will be required to ensure financial success. It will be equally critical to ensure that budget holders, and the Council as a whole, on signing up to future budgets, are held to account for any future failure to deliver the budgets agreed to. The Council will also need to be cognisant, early on, of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken. It is equally critical there are effective monitoring and assessment arrangements in place to understand whether future budgetary overspends are the result of unavoidable / unforeseeable cost pressures, or deficiencies in budgetary and financial discipline within directorates. Previous experience has indicated to us that the Council is well equipped to deal with the challenges ahead as long as its strong financial culture is maintained.

Statutory and discretionary spend is not clearly differentiated in the financial planning reports which underlie the budget and MTFP. After years of savings at local authorities, the Council continually reviews all its services to identify potential savings, including the level of statutory services provided while still meeting its obligations. However, being clear on discretionary spend in its financial planning and reporting, will contribute to its decision making as the Council seeks to balance its annual budgets (Recommendation 3).

**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.**

In 2020/21, an additional role of the Council was to support the response to the pandemic. The response was coordinated at a county level by East Sussex County Council. The Council has paid out millions in Covid grants, supported local residents and business and provided advice to business. Planning for 2021/22 has been challenging as the pandemic has provided increased uncertainty around future funding. In November 2020, a one-year funding settlement was announced and the next year's funding settlement is due for announcement shortly at the time of writing.

# Financial sustainability

We found a robust financial planning process which ties in with corporate objectives. There is evidence of staff working collaboratively across the Council as opposed to silo working and evidence of positive working with other councils. Service provision is aligned to the funding envelope.

How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

2020/21 has been a unique year for financial management of dealing with a pandemic including the temporary cessation of some services to deal with Covid demands and a changing profile of demands on services.

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Within the corporate risk register, the Council has identified the risk of not delivering savings and incomes targets. It is noted that the latest Strategic Risk Register indicated the risk was marked as “amber”. Budget reports are monitored on a regular basis and finance reports are subject to scrutiny and challenge at Cabinet meetings. A list of financial risks is included in budget papers sent to members when setting the Council’s budget. It is evident that the Council has built up its reserves in the “good times” for any “rainy day”.

As the Council emerges from the pandemic, and the ‘new normal’ begins to be established – crucially, a normal which once again comes with financial constraints – the organisation should assess what covid working patterns and arrangements should continue in the post pandemic world.

## Summary

We found no evidence or indication of significant risks to your financial sustainability as such no further risk-based work has been undertaken in this area.

# Improvement recommendations



## Financial Sustainability

### Recommendation One

#### Summary recommendation

The Chief Finance Officer should make a definite statement in the annual budget setting report that he believes the level of reserves held are adequate in line with s25 of the 2003 Local Government Act.

#### Auditor judgement

s25 of the Local Government Act 2003 requires that when a local authority is agreeing its annual budget and precept, the chief finance officer must report to it on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. While the budget report to Cabinet for 2020/21 does discuss financial risks, budget assumptions and reserves, there was no overt statement that the s151 officer believes the estimates to be robust and the level of reserves held is adequate. While the former had been corrected by the 2022/23 budget report there was no statement about the adequacy of reserves. We feel Members would benefit from the comfort assurance provided by such a statement.

#### Management comment

Paragraph 4 of the budget report to Cabinet on the 10th January 2022 states that 'the estimates have been prepared on a robust basis'. However, whilst we think it is implied in the body of the report we agree with the recommendation about the adequacy of reserves and will rectify this for the 2023/24 budget process.

### Recommendation Two

A workforce plan or people strategy, aligned to the corporate plan and MTFS should be prepared, formally approved and circulated to appropriate officers.

We have been unable to identify any People Strategy or Workforce Plan, so we were unable to ascertain how this ties in with corporate plans and the budget. Failure to develop a workforce plan may mean that the Council does not have the staff it needs to deliver services going forward.

We agree with the recommendation and SLT/SMT will develop a plan to implement this.

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

# Improvement recommendations



## Financial Sustainability

### Recommendation Three

**Summary recommendation** Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.

**Auditor judgement** No distinction is made in the financial information reported to TCWG between statutory and discretionary spending. This approach would help residents to understand the difference between these types of spending and would help inform them as to any spending which is made as a result of manifesto pledges or following a decision by the Council to undertake a specific project outside of or in addition to its statutory obligations.

**Management comment** Whilst it is possible to estimate the costs any split between statutory and discretionary service spending will to a certain degree be arbitrary and of limited value. We will consider an approach to this as part of the 2023/24 budget setting process

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



# Governance



## We considered how the Council:

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

## 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

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all elements of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth.

The Annual Governance Statement for 2020/21 notes “The Council has an approved Risk Management Policy and Strategic Integrated Framework. This document shows the role both Members and officers have in the identification and minimisation of risk. Progress has been made to further embed risk management within the organisation and is now driven by risk and corporate governance forming an integral part of meetings of the Corporate Management Team”

Risk Management of Covid-19 was reviewed by Internal Audit in 2020/21 and was provided with “substantial” assurance. The only issue found related to one service area, where no formal record had been kept of the risks affecting that service. This omission has since been corrected.

The risk management policy was reviewed in March 2021 but there is no detailed guidance for managers on how to identify, assess and manage their risks. While roles and responsibilities are clearly defined the Council has not defined its risk appetite. We have been informed that staff have not received any training on risk management.

The Council’s Strategic Risk Register is reported to the Audit and Standards Committee annually and we were informed it is reported to Corporate Management Team every six months. It was last reported to Audit and Standards Committee in March 2022 The Strategic Risk Register contains 38 risks which we feel may be too many for all risks to be provided with appropriate focus. Risks are scored for inherent and residual risk and the risk register contains two “red” risks relating to significant contract failure and loss of staff due to the pandemic.

The risk register format is clear showing current and residual risk score, direction of travel, lead officer, contingency. The risk register does not document a number of potential factors including target risk score, actions required, sources of risk and assurance and dates of last and next review. The Council should consider developing information provided to Members and Senior Management regarding risk and this can be linked to the three lines of defence model advocated by the Institute of Internal Auditors.

The Council could strengthen its risk management framework further by developing a full training programme for all levels of staff, providing greater clarity of the relationship between all the risk registers used across the Council, including strategic, operational, project and partnership risk. These should align to ensure that there is a clear golden thread of risks that runs up and down the organisation (recommendation 4).

Internal audit is provided by an in-house team. Although the agreed plan had to be adjusted because of the pandemic, Internal Audit provided sufficient fieldwork and completed reports within the year and the Head of Internal Audit Opinion provided to the Council by June 2021. Progress reports highlighting key issues and findings on reviews are reported to Audit and Standards Committee periodically. The Head of Internal Audit Opinion concludes that “the Audit Manager’s overall opinion on the Council’s framework of governance, risk management and control in 2020/21 is therefore that it is adequate and effective.” Review of the Annual Internal Audit Opinion indicates a wide breadth of work during the year covering financial and operational processes and including a flexible approach which allowed adjustments to the plan in year.

# Governance

Internal audit presented no “limited” or “minimal” assurance reports in 2020/21.

Counter fraud services are also provided by the internal audit team. The Annual Internal Audit Opinion makes reference to this service. The internal audit team undertake work related to the National Fraud Initiative and other counter fraud duties primarily focused on council tax and business rates. This includes the identification of unbanded dwellings, removal of discounts/disregards that are no longer applicable, removal of small business rate relief and identification of unrated holiday lets.

Counter fraud operations are underpinned by Member and Staff codes of conduct (dated May 2021 and 2011 respectively), an Anti-Fraud and Corruption Strategy (dated September 2019) and a whistleblowing policy (dated September 2019). Some of these documents have not been reviewed recently and an updating of them is recommended with annual review thereafter (recommendation 5).

The annual work plans for internal audit are currently approved and overseen by the Audit and Standards Committee. From our attendance at this Committee, we consider it to robustly review the work of internal audit, providing appropriate challenge.

## How the body approaches and carries out its annual budget setting process

The Government financial landscape has made this a unique year for financial planning. The Council has a robust approach to financial planning and assumptions made appear reasonable. While future funding is unclear, a medium-term financial plan has been produced based on prudent assumptions about future income streams. Our previous knowledge of the Council informs us those arrangements are in place with the Council to model the uncertainties in the system notwithstanding the factors that are outside the Council’s control. We understand that the model medium term financial strategy is a living document, constantly updated following discussions across the Council. Given the approach, we have seen evidence of scenario planning.

A Draft Medium Term Financial Strategy (MTFS) is taken to Overview & Scrutiny Committee in November, this is worked up through consultation with budget holders, CMT, Members and the general public to a draft budget which goes to Cabinet and Overview & Scrutiny Committee in January. Final agreed budget is sent to Cabinet for approval in February.

Investments and Borrowings are included within the financial plan, but the effects are minimal given the current rates of return on investments.

## How the body ensures effective processes and systems are in place to ensure budgetary control.

Budget managers have access to finance system and can review budgets at any time. Budgets are monitored monthly with budget holders and the forecast is reported to Corporate Management Team monthly. Quarterly monitoring reports are submitted to Overview and Scrutiny Committee and Cabinet every quarter. Review of Cabinet papers indicates that variances are adequately identified and explained.

The Finance team is duly qualified, stable and experienced. The senior management team has recently been restructured and further staffing restructures are planned. The S151 Officer is the Chief Finance Officer and sits on the Management Team.

It is clear that financial delivery is a key objective from the top down. 2020/21 has been a tough year financially for Rother and without a concerted effort across the council the year end position could have been troubling for financial sustainability.

We consider budget management arrangements to be robust and we have found no areas of concern during our work.

## How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

From review of papers and discussions with staff, we believe the Council’s decision-making processes are open, transparent and strong and we have no evidence that reactive or unlawful decisions have been made.

It is evident from our review of papers that sufficient information is provided to members and they challenge and hold senior management to account appropriately. The Council is engaged and provides appropriate levels of scrutiny to external and internal audit. There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements.

Covid-19 brought some unique challenges to the Council and some decisions had to be taken on a short timescale. However, as will be seen in our section on Covid in this report, we feel that appropriate arrangements were put in place to facilitate both agile decision making but also appropriate scrutiny and authorization in line with the wishes of the Council.

# Governance

The Council is well established and since 2019 run by a coalition led by independent members. The Members therefore have an understanding of the organisation in order to make informed decisions. This is supported by detailed and comprehensive reports from officers. The importance of maintaining a strong financial culture is vital in the context.

Financial and operational activity appears well planned with no need for reactive actions and short-term remedies. Even during the height of the effects of the pandemic responses have been deliberate and thought out.

The Council has ambitious plans for the next period including building new homes through its arm's length housing company, development of the Bexhill leisure centre, purchase of commercial property for regeneration and increased income and buying accommodation to house the homeless on a temporary basis. The ability of the Council to deliver this relies on capacity of both officers and members and will need to be monitored closely.

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)

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements.

Our work has not uncovered any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any data breaches at the Council.

Officer and Member codes of conduct are in place and members' interests are published on the Council website. There is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and sent to all Members and Senior officers for their completion. Officers are advised on the rules related to gifts and hospitality and registering of interest. There is a register of gifts and hospitality for officers and officers are required to declare interests annual. A register of officer interest is maintained by corporate services. We found no evidence of adverse outcomes of interests, gifts or hospitality not being declared.

## Summary

We found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken in this area.

# Improvement recommendations



## Governance

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	Recommendation Four	Recommendation Five
<b>Summary recommendation</b>	<p>To further enhance the risk management approach the Council's review of risk management it should consider:</p> <ul style="list-style-type: none"> <li>• Provide detail guidance on risk management for risk managers</li> <li>• Reducing the number of risks in the corporate risk register to those risks with greatest impact or likelihood and manage the lower scored risks at Director level.</li> <li>• Factors such as target risk score, actions required, sources of risk and assurance and dates of last and next review should be recorded in the risk register.</li> <li>• Developing a comprehensive risk management training programme for members and staff.</li> </ul>	<p>Codes of conduct, the Anti Fraud and Corruption Strategy and Whistleblowing Policy should be updated as soon as possible and annual thereafter</p>
<b>Auditor judgement</b>	<p>The risk management policy was reviewed in March 2021 but there is no detailed guidance for managers on how to identify, assess and manage their risks. While roles and responsibilities are clearly defined the Council has not defined its risk appetite. We have been informed that staff have not received any training on risk management.</p> <p>The Strategic Risk Register contains 35 risks which we feel may be too many for all risks to be provided with appropriate focus. Risks are scored for inherent and residual risk and the risk register contains two "red" risks for residual risk relating to significant contract failure and loss of staff due to the pandemic.</p> <p>The risk register does not document a number of potential factors including target risk score, actions required, sources of risk and assurance and dates of last and next review.</p>	<p>Counter fraud operations are underpinned by Member and Staff codes of conduct (dated May 2021 and 2011 respectively), an Anti-Fraud and Corruption Strategy (dated September 2019) and a Whistleblowing Policy (dated September 2019).</p>
<b>Management comment</b>	<p>The shortcomings of the existing risk management processes are recognised by CMT and workshops have been arranged with our insurance provider (Zurich) in June and July 2022 which should address most of the issues raised.</p>	<p>Agreed</p>

# Improving economy, efficiency and effectiveness



## We considered how the Council:

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

## How financial and performance information has been used to assess performance to identify areas for improvement

This year has been incredibly challenging one for public services as a whole and Rother are no different. Rother played its part in the county wide effort to support residents and local business. Local Government will face yet more challenge as it moves from the Covid response stage to the task of supporting long-term economic and social recovery.

Performance management sits at several levels in the organisation. A suite of 8 to 10 performance indicators selected annually by Members are reported quarterly to Overview and Scrutiny Committee. Below this health check, performance indicators are reported to the Chief Executive and Deputy Chief Executive. These include 25 to 30 indicators around operational performance and are reported monthly. The Council used to have 652 performance indicators under this collated by the performance management office. Use of these has been discontinued and the performance management office are looking to produce a new rationalized suite of performance indicators. The Council has recently replaced the Pentana performance management system with a bespoke solution. All performance indicators can go to Overview and Scrutiny by exception. Below this service heads monitor delivery service plans and action plans.

Benchmarking has been used to assess performance in the past but with the focus on dealing with the pandemic over the last 20 months, understandably resources have not been available to focus on service improvement. We would recommend, especially given the need for significant efficiencies in the medium term, a return to looking to see how other councils provide services with a view to introducing best practice, identifying efficiencies and providing value for money (recommendation 6).

The Council has a Performance Data Quality Policy which was reviewed in 2018 and is due for review in 2023. The policy sets out the Council's data quality principles, rules related to ownership and accountability, monitoring and reporting and analysis and use and the Council's expectations in regard to system and processes.

## How the body evaluates the services it provides to assess performance and identify areas for improvement

The Corporate Plan is used by officers to deliver services and to inform their recommendations to service committees. Councillors use it to inform their decisions too. The current Corporate Plan runs until 2027.

As previously mentioned, the Council has a comprehensive approach to performance management.

We found no evidence of failure to meet minimum service standards or to consider appropriate service delivery options. The organisation has a focus on long term development and not short-term expediency.

## 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.

Partnerships and in particular shared services have been seen as a cost effective and efficient way to provide services by the Council for a number of years. Partnerships have been entered into with neighbouring councils in East Sussex to provide key services such as refuse collection and licensing. The Council is flexible in its approach, working in partnership when it is efficient and economical to do so, and reverting to direct provision, should circumstances call for that. Leisure Facilities are run by Freedom Leisure, a not-for-profit leisure trust who work with other councils both adjacent to Rother and across the country. The Council is transparent about its dealing with significant partners except where commercial sensitivity precludes this.



# Improving economy, efficiency and effectiveness

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.

Procurement support services across the organisation delivering front line and back-office services. The Council uses the services of the East Sussex Procurement Hub (ESPH) which is hosted by Wealden District Council. It is a three-way partnership including Hastings Borough Council, although the Hub do undertake wider joint procurements across East Sussex and beyond where there is an economic/market advantage in procuring together. The Council has a Procurement Strategy last updated in May 2020.

During July 2019 ESPH held a workshop with Members to inform the development of a new strategy that would meet legal requirements and policy objectives. The strategy includes performance targets for 2020/21. We can find no report where 2020/21 performance against these targets was reported., although a performance report for 21/22 was presented to Cabinet in February 2022. The strategy covers value for money, social value, sustainability, local procurement and contract management and refers to the National Procurement Strategy for Local Government in England which was introduced in 2018. It does not mention partnering, e-procurement or procurement with small to medium size enterprises and the voluntary sector. We feel the document is in need of review (recommendation 7).

The Council has a legal duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money. This is defined as considering the optimum combination of whole life cost and the quality necessary to meet the customer's requirements. In conjunction with relevant legislation and the Council's Constitution (particularly the Financial Procedure Rules and Contract Procedure Rules).

We found no evidence that appropriate procurement processes were not followed during 2020/21.

The Council has no significant commercial ventures.

## Summary

We found no evidence or indication of significant risks to your arrangements as such no further risk-based work has been undertaken in this area.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

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### Summary recommendation

#### Recommendation Six

Consideration should be given to developing a programme of service reviews using such tools as benchmarking to identify best practice. Firstly, it could compare its performance reporting (in terms of number and types of KPIs against other Sussex Districts) to determine whether others are capturing and reporting useful information the Council is not. Secondly, the Council could actually compare the performance of existing KPIs against other Councils (starting in Sussex initially to determine whether the exercise is useful).

### Auditor judgement

Benchmarking has been used to assess performance in the past but with the focus on dealing with the pandemic over the last 20 months, understandably resources have not been available to focus on service improvement. We would suggest, especially given the need for significant efficiencies in the medium term, a return to looking to see how other Councils provide services with a view to introducing best practice and providing value for money.

### Management comment

The Council has already improved its approach to performance management, which is now reported to Overview & Scrutiny Committee. However, this recommendation will also be discussed at Senior Leadership Team.

#### Recommendation Seven

Consideration should be given to improving procurement practice by

- Reporting performance against agreed performance targets every six months
- When the Procurement Strategy is next updated sections are added outlining guidance in relation to partnering, e-procurement and procurement with small to medium size enterprises and the voluntary sector.

The Council has a Procurement Strategy last reviewed in May 2020. During July 2019 East Sussex Procurement Hub held a workshop with Members to inform the development of a new strategy that would meet legal requirements and policy objectives. The strategy includes performance targets for 2020/21. We can find no report where performance against these targets was reported in 2020/21. The strategy covers value for money, social value, sustainability, local procurement and contract management and refers to the National Procurement Strategy for Local Government in England which was introduced in 2018. It does not provide guidance partnering, e-procurement or procurement with small to medium size enterprises and the voluntary sector.

We agree with these recommendations and would point out that Procurement performance and Strategy were both reported to Cabinet on the 28th February 2022.

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

# COVID-19 arrangements



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

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

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## Financial Sustainability

On 15 March 2020 based on epidemiological forecasts, the UK government said everyone should avoid all "non-essential" travel and contact with others, avoid crowds, and work from home if possible. Those with symptoms, and their household, were asked to self-isolate. Pregnant women, people over 70, and those with certain health conditions were asked to self-isolate for longer. On 20 March 2020, the UK governments closed all schools, restaurants, pubs, indoor entertainment venues and leisure centres, with some exceptions. On 23 March 2020, the government imposed a lockdown on the whole population, banning all "non-essential" travel and contact with people outside one's home, and shutting almost all businesses, venues, facilities, amenities and places of worship. People were told to keep apart in public. Police were given power to enforce the lockdown, and the Coronavirus Act 2020 gave the government emergency powers including local authorities.

These measures did not significantly change through the whole financial year 2020/21. The first six months of the year was spent largely adjusting to the demands of the pandemic with new services being introduced and the payment of grants to support residents and local business. Staff were seconded to help with Covid related work and this had a knock-on effect to day-to-day services.

The pandemic has had significant financial effect on the Council predominately through the loss of income from such things as commercial rents and car parking. However, operational changes have led to a change in expenditure profile which have partially offset losses.

In the early stages of the pandemic the Government announced various funds to provide financial support for business (Small Business Grant Fund, the Retail, Leisure and Hospitality Grant Fund and the Local Authority Discretionary Grant Fund (LADGF)). Local authorities were made responsible for delivering grants to eligible businesses. The administration of grants was reviewed by internal audit who provided "substantial" assurance.

Nevertheless, there is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Council has commenced some scenario modelling on the potential impact on the Council Tax base for the number of households from which full Council Tax can be collected, to understand how this may affect the Council's core funding in the immediate future. In the short term any unexpected shortfall in funding will be met from reserves.

The Council received additional grant funding to cover costs incurred as a result of Covid-19. This funding was utilised in a variety of ways. The Government also announced a support package to partly cover the irrecoverable council tax and business rate loss of income in 2020/21, whereby 75% of losses incurred will be funded by Government Grant.

## Governance

Given that the Government had introduced measures to restrict travel, adhere to social distancing rules and for people to work from home unless otherwise unavoidable, the Council held an extraordinary meeting on 23 March 2020 to agree emergency procedures to enable officers, in consultation with key Members, to make COVID-19 related critical executive or regulatory decisions that could not wait during the period of Government restrictions. It was also agreed that as a result of the COVID-19 emergency, all scheduled meetings be suspended until further notice; Member non-attendance would be considered as an absence approved by the Council until further notice and the Chairman of Council and all Committee Chairmen and Membership would remain as currently constituted until such times as the Annual Council meeting could be held.

On 4 April 2020, the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings (England and Wales) Regulations 2020 came into force. These regulations allowed local authorities to hold remote meetings, along with other considerations including there being no requirement to hold an Annual Council Meeting until May 2021. By mid-April it was agreed to pursue Microsoft Teams as the favoured platform in the short-term for remote meetings. Microsoft Teams had been rolled out to staff just prior to the lockdown and rolled out to Members shortly thereafter.



# COVID-19 arrangements



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

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

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In March there was an impact on business as usual and delivery of services mainly from staff working at home and some self-isolation, some services were unable to function during the initial lockdown such as parking enforcement. Decisions around any necessary changes to internal controls were discussed with senior managers and escalated if necessary. The Council started a food delivery service for those shielding in partnership with NHS volunteers at the request of government and procured personal protective equipment to help staff carry out their roles. An initial assessment of the costs and loss of income of immediately apparent changes was also carried out and reported to management and members

Member meetings went on-line and all staff started working from home where possible to reduce the risk of spread of the disease. Other measures were put in place to ensure the safety of those who still had to work in the community. The first formal meeting of the Council to use the Microsoft Teams platform was the Audit and Standards Committee on 18 May 2020

Governance arrangements were amended to meet the challenges of the pandemic. Specific cost centres were set up to allow for accurate recording of Covid related costs.

The Council was kept up to date with the situation through regular updates through reports to Cabinet.

## Improving economy, efficiency and effectiveness

The Councils response to the Covid-19 emergency included providing temporary accommodation for rough sleepers and people at risk of homelessness, supporting vulnerable residents and the Council distributed millions of pounds in Business Grants.

## Conclusion

We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area.

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 20<sup>th</sup> May 2022.

## Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council in April 2022.

## Preparation of the accounts

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

## Whole of Government Accounts

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

As in previous years we expect the Council to be below the threshold requiring audit procedures however at the time of issuing this report the Group Instructions have not been issued by the NAO to confirm the approach for 2020/21.



# Appendices

# Appendix A - Responsibilities of the Council



## Role of the Chief Financial Officer (or equivalent):

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

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

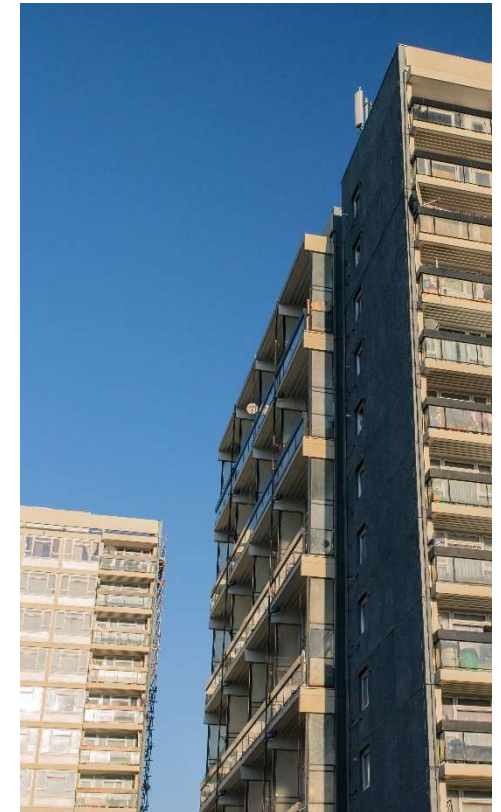
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



# Appendix B - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Service to discuss and respond publicly to the report.	No
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes, see pages 13 and 14.

# Appendix C - Use of formal auditor's powers

The following are formal powers that can be used by auditors:

Formal power	Used by auditor in 2020/21
<p><b>Statutory recommendations</b></p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	Not required.
<p><b>Public interest report</b></p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	Not required.
<p><b>Application to the Court</b></p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	Not required.
<p><b>Advisory notice</b></p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> <li>is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or</li> <li>is about to enter an item of account, the entry of which is unlawful.</li> </ul>	Not required.
<p><b>Judicial review</b></p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	Not required.



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# Rother District Council audit plan

Year ending 31 March 2022

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# Contents



## Your key Grant Thornton team members are:

### Darren Wells

Key Audit Partner

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

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# Key matters

## Factors

### Council developments

The Council's financial position in 2021/22 continued to be challenging amidst the outbreak of new variants of COVID-19 which had a major impact on the Council's finances and services. A balanced budget was set for 2021/22 that required savings of £632k and planned contributions from reserves of £2.7m. Based on the March Cabinet meeting, the revenue budget forecast as of 31 December 2021 indicated a surplus of £128k against the approved budget drawdown from Reserves of £2.7m. This represents an improvement of £222k since the Quarter 2 forecast. Reserves were planned to be used to partially support the capital programme. The forecast capital spend for the year as assessed at 31 December was £15.348m, £47.345m lower than planned. The updated MTFP at the time of setting the 2021/22 budget highlighted the requirement for incurring savings rising to around £2.2m from 2024/25, with forecast usage of reserves over this period. The financial year 2024/25, is the planned final year in which reserves are used to balance the budget.

The Council declared a climate and ecological Emergency in September 2019, and has committed to make Council operations carbon neutral by 2030. The apparent impact of climate change in more extreme (and costly) weather events and increasing concern generally, is driving an increased demand for Authorities and businesses to flesh these plans out with what investment and changes to operations may be required to make such targets a reality in the medium to long term. This is also increasingly becoming an area of concern for Audit/Risk Committees in terms of how they oversee this risk, and auditors nationally are considering the impact on financial reporting.

### Recovery from Covid 19 pandemic and other issues

The pandemic continued to impact on the Council's activities during the past year and the challenge now is to return to a new normal way of working and service delivery.

The Council is in the process of developing an Anti-Poverty Strategy which aims to improve the economic, housing, health and wellbeing outcomes of its residents by adopting measures and supporting local initiatives that address some of the causes of income, health and housing poverty (and alleviate its effects).

### Infrastructure Assets

Recent sector developments have highlighted an increased risk of material misstatement of infrastructure assets where some auditors have highlighted that authorities may not have appropriate systems and processes in place to identify assets which are being replaced and to derecognise such assets from the fixed asset register and the statement of accounts. As the gross and net balance for infrastructure assets is several times our materiality level we have included this as an other risk for the audit.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee is set further in our Audit Plan.
- We will consider your arrangements for managing and reporting your financial resources as part of our Value for Money work.
- We will obtain updates on actions/recommendations agreed in respect of matters identified through our previous audit work, including Value for Money work. We will report progress to this Committee in subsequent reports.
- We will consider the Council's planned response to the climate emergency and potential impacts on financial reporting in the current year.
- We will continue to provide you with sector updates via our Audit and Standards Committee updates.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Rother District Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor to the Council. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance, the Audit and Standards Committee; and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of the pension fund net liability
- Valuation of land and buildings and Investment Properties.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

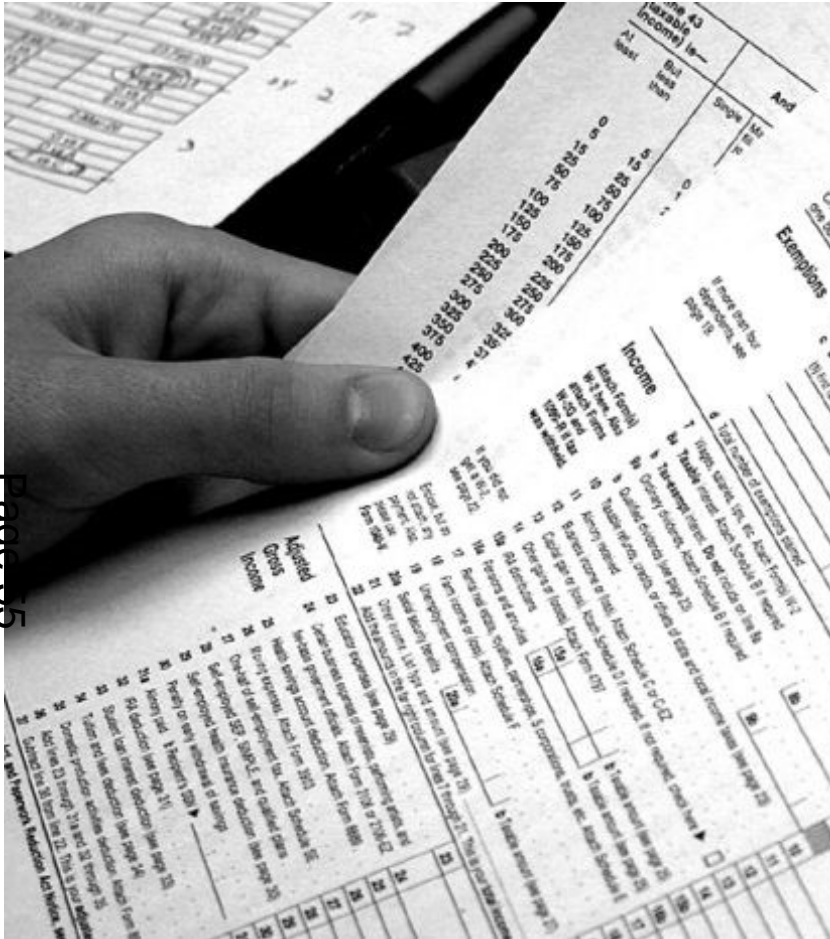
## Materiality

We have determined planning materiality to be £1.19m (PY £1.014m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £59.5k (PY £50.7k).

## Value for Money arrangements

We are currently finalising our value for money work for 2020/21. We have not identified any significant weaknesses in your arrangements as part of the 2020/21 VFM work and nothing has come to our attention to date to suggest a potential risk of significant weakness in your arrangements for 2021/22. We will update our risk assessment for 2021/22 on completion of our 2020/21 review.

# Introduction and headlines cont.



## Audit logistics

Our planning visit is taking place in March and April 2022 and our final visit will take place between July-September 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £65,934 (PY fee: £61,934) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..



# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals;</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• Gain an understanding of the accounting estimates and critical judgements made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of the pension fund net liability	<p>Your pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£22.6 million in your 2020-21 balance sheet) and the sensitivity of the estimate to changes in key assumptions. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings and Investment Properties	<p>You revalue your land and buildings every five years with desktop valuations each year to ensure their carrying amount is not materially different from their current value, or fair value at the year-end. Investment properties are valued annually each year end.</p> <p>These valuations represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings and investment properties, as a significant risk, particularly focused on the valuers' key assumptions and inputs to the valuations.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• Evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• Write to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;</li> <li>• Test revaluations made during the year to see if they had been input correctly into your asset register; and</li> <li>• Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud in expenditure recognition (rebutted)	We consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public sector bodies are net spending bodies there may be an incentive to manipulate expenditure to meet targets or budgets. The risk of material misstatement due to fraud relating to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.	<p>Having considered the risk factors and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited;</li> <li>• the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>However, we have identified that due to the level of estimation involved in the manual accruals of expenditure and the potential volume of accruals at year end there is an increased risk of error in expenditure recognition.</p> <p>We do not consider this to be a significant fraud risk for Rother District Council.</p>
Revenue cycle includes fraudulent transactions (rebutted)	Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	<p>Having considered the risk factors set out in ISA240 and nature of the revenue streams at Rother District Council, we have determined that the risk of fraud arising from revenue recognition on the remaining revenue streams can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue recognition</li> <li>• Opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Rother District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We do not consider this to be a significant risk for Rother District Council.</p>



# other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Existence/accuracy of infrastructure asset balances and associated accumulated depreciation charged	Recent sector developments have highlighted an increased risk of material misstatement of infrastructure assets where some auditors have highlighted that authorities may not have appropriate systems and processes in place to identify assets which are being replaced and to derecognise such assets from the fixed asset register and the statement of accounts. As the gross and net balance for infrastructure assets is several times our materiality level we have included this as an other risk for the audit.	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the useful economic lives for infrastructure assets are set at an appropriate length;</li> <li>• update our understanding of the processes and controls put in place to ensure that infrastructure assets which have been replaced are identified and written out of the fixed asset register and financial statements as replacement additions are made; and</li> <li>• Understand how management complies with the CIPFA Code of Practice in how it accounts for infrastructure assets.</li> </ul> <p>Once we have updated our understanding in these areas we may need to design further audit procedures to test the existence and accuracy of the infrastructure assets balances and the associated accumulated depreciation.</p>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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## Introduction

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

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

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

Specifically do Audit and Standards Committee members:

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



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings
- Valuation of investment properties

Depreciation

Year end accruals

Credit loss and impairment allowances

Valuation of defined benefit net pension fund liabilities

- Fair value estimates for financial instruments

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

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Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have sent enquiries to management. The response will be presented to the Audit and Standards Committee. We would appreciate a prompt response to these enquires in due course.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.

We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.19m (PY £1.014m) for the Council, which equates to 2% of your gross expenditure for the prior year.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

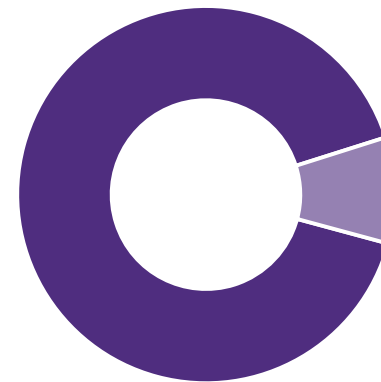
## Matters we will report to the Audit and Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £59.5k (PY £50.7k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.

## Prior year gross operating costs

£59,536m Council



■ Prior year gross operating costs

## Materiality

£1.19m

Council financial statements materiality (PY: £1.014m)



£59,5k

Misstatements reported to the Audit and Standards Committee (PY: £50.7k)

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Unit4	Financial reporting	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> </ul>
Academy	Housing Benefits, Council Tax, and NDR	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> </ul>



# Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

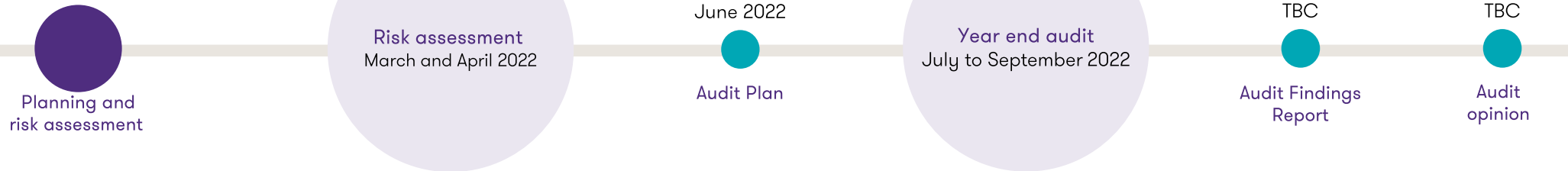
Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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Our planning risk assessment has not identified any potential significant risks. We will keep our risk assessment under review and will update the Audit and Standards Committee should emerging issues alter our assessment.



# Audit logistics and team



## Darren Wells, Key Audit Partner

Responsible for overall client relationship, quality control, provision of accounts opinions, meeting with key internal stakeholders and final authorization of reports. Attendance of Audit and Standards Committee meetings supported by Manager as required.

## Omer Awais, Audit Manager

Responsible for overall audit management over the course of the year, support and review of work performed by audit In-charge and junior team members. Attendance of Audit and Standards Committee meetings alongside Engagement Lead as required.

## William Chen, Audit In-charge

Responsible for day to day management of the audit planning and final accounts audit fieldwork, ensuring that your audit is delivered effectively, efficiently and supportively

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In 2018 PSAA awarded a contract of audit for Rother District Council to begin with effect from 2018/19. The fee agreed in the contract was £37,059. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

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

Our proposed work and fee for 2021/22, as set out below. Included in this fee is £2,500 for infrastructure review.

The fee is based on an assumption that we will be able to work on site and have on site access to finance staff, where appropriate, to ensure the most efficient approach. If the Council would prefer the audit to be conducted remotely an additional fee of up to £5,000 may be chargeable.

## Proposed fee 2021/22

Rother District Council - Audit

£65,934

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies. We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

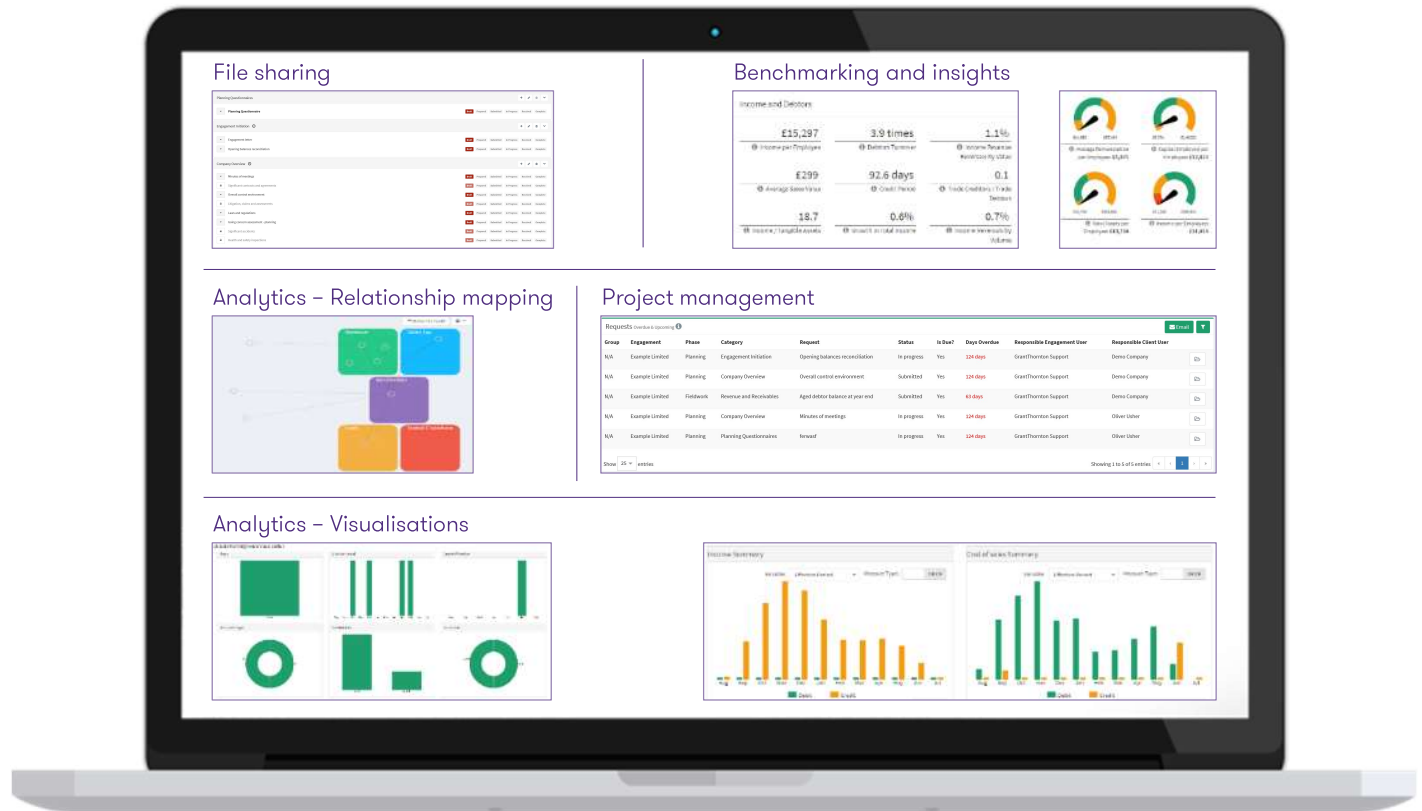
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit Subsidy claim	£10,500 estimated	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the proposed fee for this work is not significant in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. This mitigates the perceived self-interest threat to an acceptable level.

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



# Appendix 1: Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

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

## Our file review results

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

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

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

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

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

# Appendix 1: Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

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

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

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

## Conclusion

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





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**Rother District Council**

**Report to:** Audit and Standards Committee

**Date:** 20 June 2022

**Title:** Internal Audit – Annual Report and Opinion 2021/22

**Report of:** Audit Manager

**Purpose of Report:** To summarise the work undertaken by Internal Audit in 2021/22; to report on the Internal Audit Team's performance during the year; and to provide an opinion on the Council's control environment based on the results of the Internal Audit work.

**Officer**

**Recommendation(s):** It be **RESOLVED:** That:

- 1) Internal Audit's activity and performance in 2021/22 be noted; and
- 2) the Audit Manager's opinion on the control environment (paragraph 37) be approved.

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**Introduction**

1. The Council is required to ensure that it has reliable and effective internal control systems in place. The adequacy of these systems is tested by both Internal and External Audit.
2. To be effective, Internal Audit must be (and be seen to be) independent from the activities it evaluates. Rother's Internal Audit Service achieves this by operating as an independent unit within the Deputy Chief Executive's Directorate. It has unrestricted access to Senior Management; reports in its own name; and has no managerial responsibility for any of the systems it reviews. This enables Internal Audit to provide independent and objective assurance when reporting on the Council's activities.
3. In the year up to 31 March 2022, Internal Audit has operated in accordance with the Public Sector Internal Audit Standards (hereafter referred to as 'the Standards'). It is a requirement of the Standards that we report to the Audit and Standards Committee on audit matters and any emerging issues, not only in relation to audit but risk management and corporate governance.
4. In line with the Standards, the Audit Manager is expected to present an annual report on the performance of the Internal Audit Service and to provide an overall opinion on the Council's control environment.
5. The annual report must incorporate:
  - the opinion;
  - a summary of the work that supports the opinion; and

- a statement on conformance with the Standards and the results of the Quality Assurance and Improvement Programme.

#### Summary of Activity in Quarter 4

6. Eight audit reviews were completed in the final quarter of 2021/22. An overview of the findings arising from these audits is given in Appendix A.
7. Five of these audits provided good assurance on the overall governance arrangements. However, three audits (Creditors, BACS/BACSTEL-IP Computer System, and Debtors) received a limited assurance rating meaning that improvements in controls or in the application of controls are required. The reason(s) why these audits received this assessment are outlined below:
  - **Creditors** – The limited assurance rating was not due to a specific issue. It is a consequence of the number of issues found.
  - **BACS/BACSTEL-IP Computer System** – This was given a limited rating because there was nobody with overall responsibility for managing the BACS process when the review took place. Responsibility has since been assigned to the Financial Systems Administrator.
  - **Debtors** – This received a limited assurance rating as there was no legal debt recovery service in place at the time of the review. Wealden District Council has since added a new member of staff to the Legal Services Team to deal with debt recovery work.

#### Overall Performance in 2021/22

8. Appendix B provides a summary of all audit reports completed in 2021/22, the level of compliance and assurance rating for each review, and the overall performance of the Internal Audit Team against the plan. NB – The details of all audit reports issued in the first three quarters of 2021/22 have already been reported to this Committee at previous meetings.
9. This summary shows 91.3% of the 2021/22 Audit Plan was completed and only two planned audits (ICT Governance and Payroll) were still outstanding at the end of the financial year. Both of these audits have since been completed and good/substantial assurance was obtained in each case.
10. Internal Audit's overall performance in 2021/22 is therefore comparable to that achieved in the previous financial year.

#### Implementation of Audit Recommendations

11. Each quarter, Members are updated on the progress made on implementing the audit recommendations reported at previous meetings. Appendix C shows a summary of the current position.
12. The situation regarding the old year recommendations has not changed since the last quarter, with three recommendations still outstanding. Progress is being made in all of these cases, but the issues highlighted by the recommendations are yet to be fully resolved.

13. Good progress continues to be made on the 2021/22 recommendations, with almost two-thirds already completed and work having commenced in all remaining cases.

### **Counter Fraud Work**

14. In addition to compliance work, Internal Audit also allocates time each year to undertake counter fraud duties. This work primarily focuses on council tax and business rates. In 2021/22, it identified three properties which had remained unbanded for council tax purposes, two business where small business rate relief was being wrongly applied, and two unrated business premises. All of these cases were followed up with the help of colleagues in the Revenues and Benefits Team and an additional £30,147 of revenue income is now being collected as a result.
15. Counter fraud work is also carried out on the Community Infrastructure Levy (CIL) to identify any cases where the development has commenced without notifying the Council, or exemptions that may no longer be appropriate. A number of cases have already been found and passed to the new CIL Officer in the Planning Department for investigation. However, no additional income has so far been collected as a result of this work as these cases are yet to be followed up.
16. The Audit Manager also coordinates the annual National Fraud Initiative (NFI) data matching exercises. However, this work did not result in any financial savings in 2021/22.

### **Other Financial Savings**

17. In addition to providing management with assurance on the adequacy of its control environment, routine audit work can also sometimes highlight financial errors which can result in savings (or increased income) once corrected. Savings totalling £41,104 were identified in 2021/22. This figure is comprised of one case where temporary accommodation charges were not being covered by the customer's benefit claim due to a system glitch (£25,121), four cases where the business rate liability was being incorrectly incurred in respect of the Council's commercial properties (£12,588), and two duplicate invoice payments which have since been recovered (£3,395).

### **Quality Assurance and Improvement Programme**

18. The Audit Manager is required to develop and maintain a Quality Assurance and Improvement Programme in order to evaluate the Internal Audit Team's conformance with the Standards, to assess the efficiency and effectiveness of all Internal Audit activity and to identify opportunities for improvement.
19. The proficiency, effectiveness and quality of the Internal Audit Team is monitored and improved through:
  - annual self-assessments (Review of Internal Audit)
  - 5-yearly external quality assessment
  - supervision and the review of all Internal Audit output
  - obtaining client feedback

20. The Audit Manager’s latest self-assessment of his Team’s compliance with the Standards (Review of Internal Audit 2021/22) was approved by Members on 21 March 2022 (Minute AS21/47 refers). The review only identified one new issue and concluded that there is a high level of effectiveness overall.
21. The Team’s first external quality assessment was completed in April 2017 and the assessors’ findings were reported to this Committee on 26 June 2017 (Minute AS17/14 refers). No significant issues were found, and the report concluded that the Rother Internal Audit Service “generally conforms with the Public Sector Internal Audit Standards and general good practice for the profession”.
22. As more than five years have elapsed since the last external quality assessment a further review is now due. Consequently, the Audit Manager is currently in the process of obtaining competitive quotes to carry out another review this financial year. In parallel to this, the Audit Manager is also in discussion with the Internal Audit departments in our neighbouring authorities to explore the possibility of carrying out the work on a reciprocal basis. Hopefully, the best way forward will be determined by the time this Committee next meets.
23. Quality assurance questionnaires are used to capture client feedback. Two different questionnaires are currently used: one to obtain immediate feedback from line management at exit meetings (once the fieldwork is complete and draft audit report has been issued and discussed); and the other to get the Service Manager’s overall opinion on the quality of all audit reports issued to them in the previous quarter. Questionnaire recipients are invited to rate the service provided as either ‘good’, ‘fair’ or ‘poor’ and are also encouraged to comment where improvement is required.
24. A summary of the responses received in 2021/22 is shown in the table below.

Questionnaire Type	Responses to Individual Questions					
	Good		Fair		Poor	
Exit Meeting (Line Manager)	105	100%	0	0%	0	0%
Service Manager Meeting	57	100%	0	0%	0	0%
<b>Totals</b>	<b>162</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>

25. All of the feedback received was very positive indicating a high level of satisfaction with the quality of the Internal Audit Service.

### Performance Measures

26. The Audit Manager closely monitors the performance of the Internal Audit Team throughout the year to ensure that agreed targets are achieved. The table below shows the performance indicators and targets for 2021/22 together with the actual results for the year.

Performance Indicator	Target	Actual
Audit Plan – Percentage of governance audits completed.	100%	77.8%
Audit Plan – Percentage of overall audit plan completed.	90%	91.3%
Audit Assignments – Final reports issued within 15 days of second draft report.	90%	90%

Audit Recommendations – Percentage of “high” risk recommendations accepted by management.	100%	100%
Satisfaction/Feedback – Overall percentage of customers rating the Internal Audit Service as “Good” or “Fair”.	90%	100%

27. The governance audit target was not met on this occasion because the ICT Governance and Payroll audits were still in progress at year end as a result of overruns on earlier audits. However, both have since been completed and the results will be reported to this Committee at the next meeting.
28. All other targets have been met or exceeded.

### Conformance with the Public Sector Internal Audit Standards

29. The results of the 2017 external quality assessment and the recent self-assessment exercise performed by the Audit Manager both show that Rother’s Internal Audit Service generally conforms with the Public Sector Internal Audit Standards.

### Overall Assessment of the Council’s Internal Control Systems

30. Under the Accounts and Audit Regulations 2015, ultimate responsibility for maintaining a sound system of internal control rests with the Council, but this has been delegated to the Chief Finance Officer (as s.151 Officer). The assessment of the control environment is made in two ways, by reviewing the recommendations made in Internal Audit reports and by the production of the Annual Governance Statement. The Annual Governance Statement will be considered by this Committee at its next meeting.
31. The work carried out by Internal Audit in 2021/22 did highlight some concerns regarding the internal control environment but only one audit (BACS/BACSTEL-IP Computer System) resulted in a high risk recommendation being made. There is no need to include this point in the Annual Governance Statement as the issue that resulted in this recommendation has since been addressed.
32. Two other areas (Creditors and Debtors) were also considered for inclusion in the Annual Governance Statement because of their limited assurance rating. However, neither are currently considered significant concerns. This is because the Creditors audit identified a collection of issues but no single overriding concern, and the issue which gave rise to the Debtors audit assessment (i.e. no legal debt recovery service) is now being dealt with.

### Opinion on the Control Environment

33. All audit reports are given an assurance rating based on the following criteria.

Rating	Description
Good	Strong controls are in place and are complied with.
Substantial	Controls are in place, but improvements would be beneficial.
Limited	Improvements in controls or in the application of controls are required.

Minimal	Urgent improvements in controls or in the application of controls are required.
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34. Limited/minimal assurance ratings are triggered by the presence of either high risk recommendations or five or more medium risk recommendations – which refer to the likelihood and impact of a negative outcome occurring if the expected controls are not in place.
35. In forming an overall opinion, Internal Audit findings need to be set in context and viewed corporately. The summary of the audit reports completed in 2021/22 (Appendix B) shows that three audit reports (15%) received a “limited” assurance rating. This may seem like a marked increase on the previous year, but it should be noted that only one of the 69 control objectives examined during the period had not been “met” at least in part.
36. The quarterly Internal Audit activity reports submitted to this Committee have also shown that the vast majority of the expected controls are in place and no significant concerns were found with the internal control environment.
37. Taking all of the factors highlighted in this and the quarterly reports into account, the Audit Manager’s overall opinion on the Council’s framework of governance, risk management and control in 2021/22 is therefore that it is adequate and effective.

### Whistleblowing Activity 2021/22

38. An update on the Whistleblowing Policy activity in 2021/22 is provided in Appendix D.
39. In summary, a total of 26 whistleblowing cases were reported to the Audit Manager in 2021/22. As in previous years, the vast majority of these focused on either Benefit/Council Tax Fraud or Housing Issue/Tenancy Fraud. All cases were initially reviewed by the Audit Manager and then either referred to the relevant Council officer for further investigation or reported to the appropriate authority.
40. Further details on the Whistleblowing arrangements can be found on the Council’s [website](#).

### Conclusion

41. The Internal Audit Team continues to perform well and the overall results of its work in 2020/21 have enabled the Audit Manager to give a positive opinion on the Council’s control environment. The Team’s counter fraud and compliance work has also led to the identification of £71,251 worth of savings/additional income during the year.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

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Chief Executive: Malcolm Johnston

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Report Contact Officer:	Gary Angell, Audit Manager
e-mail address:	<a href="mailto:gary.angell@rother.gov.uk">gary.angell@rother.gov.uk</a>
Appendices:	<ul style="list-style-type: none"> <li>A – Audit Reports issued during Quarter to 31 March 2022</li> <li>B – Audits Completed in 2021/22 and Overall Performance Against the Audit Plan</li> <li>C – Summary of Progress on Recommendations Made up to 31 December 2021</li> <li>D – Whistleblowing Activity 2021/22</li> </ul>
Relevant Previous Minutes:	AS17/14 Internal Audit – Peer Review AS21/47 Review of Internal Audit 2021/22
Background Papers:	None.
Reference Documents:	None.

**VAT AUDIT**

Service Manager: Antony Baden

Overall Level of Assurance: **GOOD****Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>VAT Returns</b> – VAT returns are submitted on a timely basis and prepared correctly.	<b>M</b>
<b>Identification &amp; Classification</b> – All VAT transactions are correctly classified and correct rates applied.	<b>M</b>
<b>Accounting Arrangements</b> – The Council accounts for VAT on all taxable activity at the correct rate at the correct time.	<b>M</b>
<b>VAT Records</b> – VAT is accounted for and reclaimed within the regulations issued by HMRC.	<b>M</b>
<b>Refunds</b> – Product codes for refunds on the U4BW system are set up with a VAT code which corresponds with the original payment/invoice.	<b>M</b>
<b>Exempt Income</b> – VAT incurred on exempt activities is not reclaimed where it exceeds the 5% partial exemption threshold.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements as no significant issues were found.

**Executive Summary**

Overall, the control objectives are considered to have been met and it was not necessary to make any formal recommendations to management as a result of this audit.

Internal Audit Service  
January 2022

**CREDITORS AUDIT**

Service Manager: Antony Baden

Officer(s) Responsible for Implementing Recommendations: Ola Janowicz, Noureen Safdar and Angie Edwards

Overall Level of Assurance: **LIMITED**

**Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Orders and Authorisation</b> – Orders for goods and services are properly raised, authorised and confirmed in accordance with the Financial Procedure Rules.	<b>P</b>
<b>Invoice Processing</b> – Legitimate invoices are promptly paid once the goods or services have been received. Payments are made to the correct supplier for the correct amount.	<b>P</b>
<b>Payment</b> – All payments are properly authorised and run totals agreed.	<b>M</b>
<b>Cheque Control</b> – All cheque usage is controlled and recorded.	<b>M</b>
<b>Construction Industry Scheme (CIS)</b> – The Council fully complies with CIS regulations and monitors all qualifying expenditure including spending on capital project building works.	<b>P</b>

**Level of Assurance**

Based on the findings from the audit we have determined that only limited assurance can be given on the overall governance arrangements owing to the number of issues found at this review which include several matters that are still outstanding from earlier reports.

The main issues found at this review were:

- **List of Approvers** – Audit checks found a number of anomalies in the active approval limits currently on the U4BW system. These included officers who have left the Council, one Hastings BC employee with Rother DC approval rights and one officer whose limits had not been revoked following a change in role. The list of approvers was last reviewed and agreed by senior management in October

2019. This should be done at least annually, and approval limits reviewed on a regular basis to ensure that they are only granted to authorised officers.

- **Invoices paid without a purchase order** – Many invoices are now routinely processed without a purchase order being raised. Only invoices from suppliers appearing on the Exempt Suppliers List (e.g. utility companies, builders' merchants and temporary accommodation providers) should be paid in this way as it bypasses standard controls. Failure to raise a purchase order increases the risk of overspends, fraud and error, as well as the likelihood of duplicate payments being made. Officers were reminded of the rules for ordering goods and services following the last audit, but this has had little impact. Further action is therefore required to enforce the use of purchase orders.
- **Orders that remain open once fulfilled** – Invoices can be registered (and paid) against old purchase order numbers if they are allowed to remain open. This impedes budgetary control and increases the risk of fraud and error. It is therefore recommended that a report, detailing all fully delivered purchase orders, be produced on a regular basis and reviewed so that completed orders can be manually closed to prevent them from being reused. Such a report already exists as it was written following a similar recommendation made at the last audit, however it is not currently being run and checked.
- **Supplier Masterfile Changes** – Reports showing changes to supplier bank details are not being promptly checked by management to validate the changes made. It is important that this is done given that local authorities are frequently targeted by fraudsters for bank mandate fraud.
- **Construction Industry Scheme (CIS) Monitoring** – All expenditure relating to CIS suppliers is monitored each month to check that the total spend on construction does not exceed £3 million in any 12 month period. Should the Council exceed this threshold, all construction payments will need to be separately processed in accordance with HMRC rules. However, it is not easy, at present, to identify all relevant activity as some works which would not normally fall under CIS (such as tree felling) may be brought into the scheme if the work contributes to the overall delivery of a construction project. Greater awareness of the CIS rules is therefore required within the Accountancy Team to ensure that all relevant expenditure is identified and included in the total spend.

Two medium risk recommendations are also still outstanding from previous audits. Both of these relate to improvements required to the controls for the approval of additional expenditure.

**Note – Both of these issues have since been closed, unresolved.**

### Executive Summary

Overall, the control objectives are considered to have only been partially met. We have made five medium and one low risk recommendations to management all of which are aimed at enhancing the governance arrangements.

Internal Audit Service  
February 2022

**BACS/BACSTEL-IP COMPUTER SYSTEM AUDIT**

Service Manager: Malcolm Johnston

Officer(s) Responsible for Implementing Recommendations: Malcolm Johnston, Tom Alexander and Ola Janowicz

Overall Level of Assurance: **LIMITED**

**Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Background Information**

Overall responsibility for administering and processing BACS payments used to sit within the IT department. However, in early 2020, both the officers responsible for administering the BACS system and the main BACS processor took voluntary redundancy. The timing of their departure also coincided with the commencement of the COVID-19 pandemic and quick decisions needed to be made to ensure these systems could continue to operate in the event of a lockdown. Consequently, certain aspects of the BACS process are now handled by staff in different service areas.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

Proper control exists over the submission of data to BACS.	<b>N</b>
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**Level of Assurance**

Based on the findings from the audit we have determined that only limited assurance can be given on the overall governance arrangements. Whilst the operational side of BACS processing is working well, this negative assurance rating reflects the fact that there was nobody with overall responsibility for managing the BACS process when the review took place (see below).

The main issues found relate to:

- **Ownership** – The responsibility for BACS processing and support is currently split across three different service areas (i.e. Revenues & Benefits, IT Infrastructure and Finance) but, at the time of the audit, no-one had overall responsibility for managing the BACS process. The value of the BACS files generated for both inward and outward payments is significant, and their timely processing is key to the Council's operations. If the system were to fail this could cause serious disruption. This matter was therefore raised with the Chief Executive who has since agreed with the Chief Finance Officer that overall responsibility for managing

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and co-ordinating all BACS activity will now sit with the Financial Systems Administrator.

- **Change Control** – Updates to the software used to transmit payment and direct debit files to BACS are not currently applied to a test system first. Instead a snapshot of the server is taken prior to an upgrade so that the system can be rolled back if there are any problems. However, the snapshot is only saved for two weeks whereas some BACS jobs are run on a monthly basis.
- **Access Control** – The Finance Deputy Systems Administrator is currently setup as both a Primary Security Contact (administrator) and Additional Contact (processor) for the BACS system. As there should be a separation of duties between these roles, access for this officer should be restricted to one user group only.

Other minor issues were also identified regarding the need (a) to remove or deactivate the user accounts for officers who no longer work for the Council, and (b) to keep better records of the smart cards currently in circulation.

### **Executive Summary**


Overall, the control objectives are considered to have only been partially met. We have made one high and four medium/low risk recommendations to management in order to improve the governance arrangements. The high risk recommendation and management's response to it will be included in the quarterly report to the Audit and Standards Committee.

Internal Audit Service  
February 2022

**BACS/BACSTEL-IP COMPUTER SYSTEM AUDIT**

**High Risk Recommendations and Management Responses**

The recommendations below arise from audit findings which carry a **High** risk and which have resulted in the control objective not being met (**N**). Management's response to the recommendation is also included and where the recommendation or an alternative action which will satisfy the control objective is agreed, an implementation date is shown. Progress against these recommendations will be included in the quarterly report to Audit and Standards Committee.

Audit Ref	Finding/Risk	Recommendation	Risk	Management Response
1.1	<p><b>Finding</b></p> <p>At present there is no-one in the Council with overall responsibility for managing the BACS process.</p> <p><b>Risk</b></p> <p>Lack of supervisory oversight could lead to poor overall control of the system increasing the risk of disruption and financial loss.</p>	<p>There should be a nominated manager who has overall responsibility for the BACS process. This is to ensure that BACS files continue to be processed efficiently and a sound system of control is maintained.</p>	<p>High</p> 	<p>The Chief Executive has agreed with the Chief Finance Officer that overall responsibility for managing and co-ordinating all BACS activity will now sit with the Financial Systems Administrator.</p> <p><b>Agreed Implementation Date</b></p> <p>28 February 2022</p> <p><b>Responsible Officer</b></p> <p>Malcolm Johnston</p>



**COUNCIL TAX AUDIT**

Service Manager: Chris Watchman

Overall Level of Assurance: **GOOD****Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Background Information**

The impact of the COVID-19 pandemic continues to be felt on the collection and recovery of Council Tax in 2021/22.

Most Visiting Officer inspections are still suspended at present, apart from urgent inspections and those that can be carried out without the need to enter the property. However, a new software package and new procedures are being introduced which should facilitate improvements to the recording and monitoring of inspections once they resume.

Recovery action has recommenced but the primary goal this year has been to monitor the collection of the 2020/21 and 2021/22 Council Tax debt because two years of formal recovery action has been rolled into one. This has meant that the Recovery Team has been exceptionally busy at certain times of the year. In addition, Members have asked officers to take a more cautious approach to debt recovery to take into account the financial hardships experienced as a result of the pandemic as well as the toll on mental health. This has resulted in officers spending more time ascertaining taxpayers' personal circumstances before setting up arrangements to pay in order to ensure these are affordable and realistic. Enforcement agents have also been asked to take a more cautious approach to debt recovery to allow for the fact that the pandemic has had serious financial implications for many families and individuals.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Valuation and Liability</b> – All taxable properties and liable persons are identified, and exemptions, discounts and disregards are correctly applied.	<b>M</b>
<b>Billing</b> – The Council complies with all statutory requirements for tax setting and amounts due in respect of each taxable property have been correctly calculated and payment promptly demanded.	<b>M</b>
<b>Collection and Refunds</b> – There is a sound system for the collection of income and the refund of overpayments.	<b>M</b>

<p><b>Recovery and Enforcement</b> – All arrears are promptly identified, and effectively pursued in accordance with statutory requirements/laid down procedures. All write-offs are valid and authorised.</p>	<p><b>M</b></p>
--	-----------------

**M**

**Level of Assurance**

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements as no significant issues were found.

**Executive Summary**

Overall, the control objectives are considered to have been met and it was not necessary to make any formal recommendations to management as a result of this audit.

Internal Audit Service  
February 2022

**BUSINESS RATES AUDIT**

Service Manager: Chris Watchman

Officer(s) Responsible for Implementing Recommendations: Chris Watchman

Overall Level of Assurance: **GOOD****Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Background Information**

The impact of the COVID-19 pandemic continues to be felt on the collection and recovery of Business Rates in 2021/22.

As with Council Tax, most Visiting Officer inspections for Business Rates are still suspended at present, with the exception of urgent inspections and those that can be carried out without the need to enter the property.

Recovery action has recommenced, but many businesses have continued to receive Government assistance throughout 2021/22 in the form of reduced Business Rates, meaning that current year debts are still lower than in normal times.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Valuation and Liability</b> – All properties liable for business rates are identified and assessed, and all reliefs and exemptions correctly applied.	<b>M</b>
<b>Billing</b> – Business rates liability is accurately assessed, and correct bills are issued to the occupiers of all rateable hereditaments.	<b>M</b>
<b>Collection and Refunds</b> – There is a sound system for the collection of income and the refund of overpayments.	<b>M</b>
<b>Recovery and Enforcement</b> – All arrears are promptly identified, and effectively pursued in accordance with statutory requirements/laid down procedures. All write-offs are valid and authorised.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements as no significant issues were found.

### **Executive Summary**

Overall, the control objectives are considered to have largely been met and it was only necessary to make one low risk recommendation to management to further enhance the governance arrangements.

Internal Audit Service  
February 2022

**BENEFITS AUDIT**

Service Manager: Chris Watchman

Overall Level of Assurance: **GOOD****Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>New Applications and Changes of Circumstances</b> – All applications are promptly and properly processed.	<b>M</b>
<b>Benefit Assessment</b> – Benefits are properly due and are calculated correctly.	<b>M</b>
<b>Payment</b> – Rent allowances are promptly paid to those for whom they are intended.	<b>M</b>
<b>Overpayments</b> – Overpayment of benefit, including those arising from fraud and abuse, are either prevented or identified and promptly followed up. Refunds and write-offs are properly authorised.	<b>M</b>
<b>Reconciliation</b> – Benefit payments are correctly applied and regularly reconciled to the main accounting system.	<b>M</b>
<b>System Administration</b> – The computer system is kept up-to-date and access to benefit records, system parameters and creditor masterfile records are suitably restricted.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements as no significant issues were found.

**Executive Summary**

Overall, the control objectives are considered to have been met and it was not necessary to make any formal recommendations to management as a result of this audit.

Internal Audit Service  
March 2022

**MAIN ACCOUNTING AUDIT**

Service Manager: Antony Baden

Overall Level of Assurance: **GOOD****Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Completeness of Records</b> – All transactions are promptly recorded in the General Ledger and bank reconciliations are regularly carried out to ensure that they are correct.	<b>M</b>
<b>Journals</b> – All journal entries are complete, accurate and properly authorised.	<b>M</b>
<b>Budgetary Control</b> – All expenditure and income is closely monitored and controlled.	<b>M</b>
<b>Year End Provisions</b> – Adequate provisions are made for outstanding liabilities and income due in the final accounts.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements as no significant issues were found.

**Executive Summary**

Overall, the control objectives are considered to have been met and it was not necessary to make any formal recommendations to management as a result of this audit.

Internal Audit Service  
March 2022

**DEBTORS AUDIT**

Service Manager: Chris Watchman

Officer(s) Responsible for Implementing Recommendations: Rebecca Algar

Overall Level of Assurance: **LIMITED****Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Billing Arrangements</b> – Debtor invoices are promptly and correctly raised for all sums owed to the Council.	<b>M</b>
<b>Collection, Debt Recovery and Refunds</b> – Procedures for the recovery of unpaid debts are documented and implemented. Direct debit income is collected on time. Refunds and write-offs are properly authorised.	<b>P</b>
<b>Suspense Account</b> – Unallocated payments are posted to a suspense account and promptly investigated and cleared.	<b>M</b>
<b>Monitoring of Arrears</b> – Debt collection performance is monitored.	<b>P</b>

**Level of Assurance**

Based on the findings from the audit we have determined that only limited assurance can be given on the overall governance arrangements. This assessment is not due to any failing on the part of the RDC officers whose systems are well controlled and managed, but rather a reflection of the fact that Legal Services has not provided a legal debt recovery service since December 2021.

The service stopped because the person who previously took legal action on RDC debts left Wealden DC at this time and is yet to be replaced. No further referrals have been made to Legal Services since then, and all monitoring of existing cases has also ceased because none of the remaining members of the Legal Services Team currently have access to the U4BW Debtors module.

Whilst the current lack of any legal debt recovery service is most unsatisfactory, it is understood that Legal Services are now in the process of recruiting an additional person to deal with Rother debts and are actively working with the Council to improve communication. No recommendation is therefore made at this time, but the situation will continue to be monitored by RDC officers until it is resolved.



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The only other issue found relates to the need to improve the monitoring of aged debts.

### **Executive Summary**

Overall, the control objectives are considered to have largely been met apart from the debt recovery issue, and it was only necessary to make one low risk recommendation to management to further enhance the governance arrangements.

Internal Audit Service  
March 2022

#### **Position Update on Legal Debt Recovery Service**

Legal Services have now appointed a new Team member, and she has made a start on the debt recovery work. Further action is still required to get everything up and running again but the Finance Officer responsible for Debtors and the new Legal Services officer are in regular contact.

## Audits Completed in 2021/22 and Overall Performance Against the Audit Plan

Audit	Control Objectives (Number)	Control Objectives Met	Control Objectives Met In Part	Control Objectives Not Met	Assurance Rating
<b>Audits Brought Forward from 2020/21 – Total 2, Completed 2 (100%)</b>					
Payroll 2020/21	6	4	2	0	Substantial
CIL Income COVID Risks – Final	1	1	0	0	Good
<b>Governance Audits – Planned 9, Completed 7 (77.8%)</b>					
Benefits	6	6	0	0	Good
Business Rates	4	4	0	0	Good
Council Tax	4	4	0	0	Good
Creditors	5	2	3	0	Limited
Debtors	4	2	2	0	Limited
Main Accounting	4	4	0	0	Good
Treasury Management	7	5	2	0	Substantial
<b>High/Medium Risk Audits – Planned 11, Completed 11 (100%)</b>					
BACS/BACSTEL-IP Computer System	1	0	0	1	Limited
Data Protection	4	1	3	0	Substantial
Estates Income	2	0	2	0	Substantial
Grounds Maintenance Contract	4	3	1	0	Substantial
Housing Temporary Accommodation	3	0	3	0	Substantial
Income Management	3	3	0	0	Good
Land Charges	4	3	1	0	Good
Pollution Control	4	3	1	0	Substantial
Value Added Tax (VAT)	6	6	0	0	Good
Waste Contract - RDC Client Control	2	1	1	0	Substantial
Works Contract – Blackfriars Project	2	1	1	0	Substantial
<b>Total: 20 Audit Reports (16)</b>	<b>69</b>	<b>48</b>	<b>20</b>	<b>1</b>	
<i>Excluding audits brought forward</i>	100%	69.6%	29.0%	1.4%	
Good/Substantial Assurance	17 (16)		85% (100%)		
Limited/Minimal Assurance	3 (0)		15% (0%)		
<b>Other Work (No Report Required) – Planned 3, Completed 2 (66.7%)</b>					
ERP System - Implementation/Ongoing Advice	Consultancy work				
Legal Services VFM	Postponed pending outcome of SLA review				
New Initiatives - Audit Advice	Consultancy work				
<b>Audit Work Not Completed at Year End – Total 2</b>					
ICT Governance 2021/22	Work in progress (63.3% complete)				
Payroll 2021/22	Work in progress (44.0% complete)				
<b>Total Work Planned 2021/22</b>	23 (23)		<b>Percentage of Plan Completed</b>		
<b>Total Work Completed 2021/22</b>	21 (20.7)		91.3% (90%)		
<i>Excluding audits brought forward</i>					

*Previous year's performance italicised and in brackets.*

## Summary of Progress on Recommendations Made up to 31 December 2021

### Old Years – Audit Recommendations 2018/19 and 2019/20 and 2020/21

Previous quarter's performance shown in brackets

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	3	3 (3)	0 (0)	0 (0)
Medium	79	77 (77)	2 (2)	0 (0)
Low	49	48 (48)	1 (1)	0 (0)
<b>Total</b>	<b>131</b>	<b>128 (128)</b>	<b>3 (3)</b>	<b>0 (0)</b>

**97.7%** (97.7%)    **2.3%** (2.3%)    **0%** (0%)

Note – All audit recommendations made in 2020/21 have been implemented.

Breakdown of outstanding audit recommendations by Service Manager:

#### Antony Baden (Chief Finance Officer)

- Procurement (2018/19) – issued 05/10/18 (1 Medium)

#### Graham McCallum (ICT Manager & Data Protection Officer)

- ICT Network Security (2018/19) – issued 16/01/19 (1 Low)
- ICT Governance (2018/19) – issued 12/04/19 (1 Medium)

### Latest Year – Audit Recommendations 2021/22 (up to 31 December 2021)

Previous quarter's performance shown in brackets

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	0	0 (0)	0 (0)	0 (0)
Medium	17	11 (6)	6 (4)	0 (0)
Low	15	10 (5)	5 (4)	0 (0)
<b>Total</b>	<b>32</b>	<b>21 (11)</b>	<b>11 (8)</b>	<b>0 (0)</b>

**65.6%** (57.9%)    **34.4%** (42.1%)    **0%** (0%)

### Whistleblowing Activity 2021/22

A total of 26 whistleblowing cases were reported to the Audit Manager in 2021/22, which is down slightly from the previous financial year.

The cases received in 2021/22 are made up of emails and webforms sent to the [audit@rother.gov.uk](mailto:audit@rother.gov.uk) mailbox (23) or letters received by the Audit Manager (3). The figure does not however include any cases reported via the Benefit Fraud Hotline 01424 787737 or submitted using the online Benefits 'Report a Fraud' form as both these channels go direct to the Revenues and Benefits Team.

The breakdown of whistleblowing cases by the type of allegation is as follows:

Allegation	Number of Cases
Benefit/Council Tax Fraud	13
Housing Issue/Tenancy Fraud	11
Planning Enforcement Issue	3
Environmental Health – Infestation/Noise Nuisance Issue	1
False Injury Claim	1
Member Conduct Issue	1
Scam Phone Calls	1
<b>Total</b>	<b>31</b>

Note - Some whistleblowing referrals covered more than one issue.

All cases were initially reviewed by the Audit Manager to establish if there was any evidence to substantiate the claims being made. Where possible, the cases were then either referred to the relevant Council officer for further investigation or reported to the appropriate authority. The Member conduct issue was a complaint about the handling of a Parish Council matter and was referred to the Monitoring Officer.

**Rother District Council**

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	20 June 2022
<b>Title:</b>	2021/22 Statement of Accounts – Audit Planning Risk Assessment
<b>Report of:</b>	Antony Baden – Chief Finance Officer
<b>Purpose of Report:</b>	To consider whether the management responses relating to the 2021/22 Audit Planning Risk Assessment as shown in Appendix A are consistent with Members' own understanding
<b>Officer</b>	
<b>Recommendation(s):</b>	It be <b>RESOLVED:</b> That Members confirm that the management responses in Appendix A are in line with their own understanding.

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**Introduction**

1. The Council's external auditors Grant Thornton (GT) are required to adopt International Standards in Auditing (ISA) when completing their work. This ensures that the Council receives value for money and high-quality audit outcomes. Auditing standard ISA 540 was revised in December 2018 to provide auditors with more robust guidance aimed at increasing audit quality. It requires auditors to scrutinize more closely defined areas of risk.
2. In order to comply with the revised standard GT requested information on certain management processes and the oversight of those processes by the Audit and Standards Committee (A&S). For the 2021/22 accounts audit the Council has provided this information in the form of a completed questionnaire. The responses are shown in Appendix A.

**Those Charged With Governance (TCWG)**

3. The term 'Those Charged With Governance' refers to those individuals within an organisation who have responsibility for the oversight of certain processes and controls, including the external audit process. In this context it refers to the A&S.
4. A key requirement of IAS 540 requires the auditors to confirm that the management responses included Appendix A are consistent with the understanding of TCWG. The input from TCWG on the Planning Risk Assessment needs to be evidenced by the auditors to inform their work on the 2021/22 accounts audit.

## Management Responses

5. As part of their risk assessment procedures GT are required to obtain an understanding of the Council's management processes and oversight of the following areas:
  - a. General enquiries of Management
  - b. Fraud
  - c. Laws and Regulations
  - d. Related Parties
  - e. The Council as a Going Concern
  - f. Accounting Estimates
6. Appendix B includes a range of questions asked in respect of the areas shown above and the management responses to them. TCWG are requested to consider whether the responses are consistent with their own understanding.

## Corporate Management Team Comments

7. The A&S is recommended to confirm that the management responses in Appendix A are in line with their own understanding.

## Conclusion

8. The investment activity conforms to the approved strategy and the Council has no liquidity difficulties.

## Financial Implications

9. The financial implications are those associated with the 2021/22 Statement of Accounts and are detailed in the report.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

Chief Executive:	Mr Malcolm Johnston
Report Contact Officer:	Antony Baden
e-mail address:	<a href="mailto:Antony.Baden@rother.gov.uk">Antony.Baden@rother.gov.uk</a>
Appendices:	Appendix A – Management Responses – Areas of Risk Assessment
Relevant Previous Minutes:	None
Background Papers:	None
Reference Documents:	None

# Informing the audit risk assessment for Rother District Council 2021/22

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

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## Purpose

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

## Background

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

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

## Communication

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

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

## Purpose

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

## General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>They will be mainly Covid grants which again affected our cashflows and will require reconciliations and additional accounting entries (RDC as principal or agent). Another thing will be significantly increased activity within the capital programme as well as capital grant receipts</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Yes, they are deemed appropriate, although we have made some changes around leases as well as clarification of our approach to componentisation of assets.</p> <p>We also reviewed and widened the range of the estimated Useful Economic Lives of assets</p> <p>New accounting policies will be introduced in 2022-23 and subsequent financial years with the adoption of new IFRS and introduction of group accounts as a result of consolidation with the council's housebuilding company</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Yes, PWLB borrowing and continued investments in property funds, but no derivatives (no change since last year)</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>Covid grants, increased capital expenditure</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Property investment and regeneration manager has highlighted to external valuers 11 properties which may be subject to impairment - we are awaiting the outcome.
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>We mainly use Wealden Legal Services as our 'in-house' provider who themselves use various external counsel services</p> <p>We have also used Bevan Brittan for advice on property purchases and property development deals.</p> <p>We have used Surrey Hills for advice in creating the new Bexhill Town Council.</p> <p>We have used Trowers for advice on matters affecting the Council's housing company.</p>

## General Enquiries of Management

Question	Management response
<p>9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>No</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>Link Asset Services – Treasury Management PS Tax – VAT advice</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>No, this will be done as part of the work on financial statements 21-22</p>

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# Fraud

## Matters in relation to fraud

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

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

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

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

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

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

# Fraud risk assessment

Question	Management response
<p>1. Has the Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes.</p> <p>The Internal Audit Team undertake regular audits on related matters, which are reported to Audit &amp; Standards committee throughout the year.</p> <p>Risks identified in the risk register are identified as part of the Medium Term Financial Planning process. The Risk Register is reported to, and managed by, the Corporate Management Team.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>All Covid-19 grants schemes</p> <p>Council Tax Reduction scheme</p> <p>Housing Benefit payments</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>Yes, limited instances of Covid 19 business grant fraud.</p>

## Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	We would communicate them to Internal Audit, if suspected. See also (1) above re: risk management and CMT.
5. Have you identified any specific fraud risks? If so, please provide details  Do you have any concerns there are areas that are at risk of fraud?  Are there particular locations within the Council where fraud is more likely to occur?	See answer 2 above.  None specifically.  They would be most likely to occur within Revenues and Benefits but these are scrutinized by Internal Audit
6. What processes do the Council have in place to identify and respond to risks of fraud?	Internal Audit team Various internal control processes covering all areas of the Council's operation. The Council operates a whistleblowing policy, details of which can be accessed on the Council's website.

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for the Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>Internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The Internal Audit team perform regular audits and areas deemed to be at a higher risk are audited more often. Recommendations with greater urgency are prioritised to be addressed more quickly.</p> <p>N/A</p> <p>We operate a scheme of delegation upon which segregation of duties is based.</p> <p>No. The Principal Accountant had systems administrator access due to sickness but this has now been removed now that the team is properly resourced.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No.</p>

## Fraud risk assessment

Question	Management response
<p>9. How does the Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>HR policies Procurement contracts.</p> <p>We have a whistleblowing policy.</p> <p>Any suspicions of fraudulent activity.</p> <p>Not that I am aware of.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Any post dealing with banking, cash handling, payment and payroll activities.</p> <p>See previous responses on scheme of delegation and separation of duties.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p> <p>As part of the Statement of Accounts we are required to compile a list of such relationships and transactions for Senior Officers and Members. Members of committees are also required to announce formally any declarations of interests prior to the commencement of all Committee meetings.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>See previous response re: reporting to Audit &amp; Standards Committee.</p> <p>Via Internal Audit reports.</p> <p>Any issues of concern are raised by Members and Officers respond accordingly.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Not that I am aware of.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>Not that I am aware of.</p>

# Law and regulations

## Matters in relation to laws and regulations

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

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

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

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



# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>WDC Legal Services, East Sussex Procurement Hub (based at WDC) and Democratic Services ensure compliance. Also The Information Officer regarding Data Protection</p> <p>See above response.</p> <p>No</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Reports to Audit &amp; Standards committee have mandatory sections on legal and financial implications, which must be reviewed/completed by the relevant professional officers. Also, all reports have to be cleared by the Corporate Management Team before going to the committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Not that I am aware of, but a separate communication with Legal services will take place to confirm</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	We refer such cases to WDC Legal Services.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No.

# Related Parties

## Matters in relation to Related Parties

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

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

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

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

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in the Council's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and the Council</li> <li>whether the Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>No major changes have been identified at this stage, but the data is subject to review during the closedown process</p>
<p>2. What controls <b>does the Council have</b> in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members and senior officers are approached to disclose their interests in third parties and a report is run and data analysed to show payments to those</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>A scheme of delegation function of the ERP system (Unit 4) ensures only authorised persons are allowed to approve requisitions, dual authorisation on online direct payments from the bank account</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>As above</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis of accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the Council will no longer continue?</p>	<p>There are monthly CMT meetings reviewing and monitoring the budgetary situation. Any issues or events would be raised there and reported quarterly to Members. Also Medium Term Financial Strategy has been prepared and reviewed alongside a Financial Stability Programme.</p> <p>The Chief Finance Officer has at their discretion to issue a s114 notice should they deem it necessary in order to control expenditure levels.</p>
<p>2. Are management aware of any factors which may mean for the Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>No</p>
<p>3. With regard to the statutory services currently provided by the Council, does the Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Council to cease to exist?</p>	<p>The Council will continue to provide statutory services but the Financial Stability Programme may identify lower levels of service provision should the requirement arise in order to match expenditure plans with available resources.</p>
<p>4. Are management satisfied that the financial reporting framework permits the Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes and Yes</p>

# Accounting estimates

## Matters in relation to accounting estimates

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

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

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

Specifically do Audit Committee members:

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

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



# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>Fixed asset valuations/Impairments</p> <p>Pension fund asset/liabilities (RDC share only)</p> <p>NNDR Appeals – reported to Audit &amp; Standards Committee as part of the critical judgements report</p> <p>Investments (Fair Value adjustment)</p> <p>Accruals</p>
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	<p>Risk Management is monitored and managed at CMT level. The Chief Finance Officer would identify any such risks and advise CMT accordingly.</p>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Accountants use actual and extrapolate from historical data, they use POs, advice from departments and their own judgement. They are explained in the working papers</p>
4. How do management review the outcomes of previous accounting estimates?	<p>Actuals from previous years are compared with estimates by individual accountants to inform methodology going forward. We will continue with this approach this year.</p>
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	<p>For accruals we continued using a report with expenditure transactions reviewed by individual accountants and processed by one of them coordinating the process. We will restrict this activity to the middle of April and further accruals will be done by individual accountants based on historical data, existing Purchase orders and their judgement. Accruals below £100 would not normally be processed unless they resulted from actual transactions analysed already and processed semi-automatically early in April. Low value manual/individual ones would not generally be done.</p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>If there is no internal expertise, we would use the skills of external consultants (LINK) who in turn use the actual new loan rates from the DMO.</p> <p>We use WHE for Property valuations.</p> <p>Staff attend specific professional training events organized by CIPFA and others.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>As above, the information provided would be reviewed and challenged if appropriate</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>As above</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>Methods are agreed with accountants prior to closedown, working papers are required, journals require management's approval before being posted.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	We would review and amend our assumptions and estimates made on NNDR Appeals and Impairment of doubtful debts. We would consider any other issues in due course for inclusion
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	As above, we would review them in the process.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Accounting Policies are approved every year by Audit & Standards committee.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Wilks, Head & Eves undertake annual cycle of valuations	Output reviewed by ATRS and Finance	Yes	Review by ATRS and Finance	No
Investment property valuations	Wilks, Head & Eves undertake annual cycle of valuations These are 100% revalued each year	Output reviewed by ATRS and Finance	Yes	Review by ATRS and Finance	No
Depreciation	Straight Line method	Output reviewed by Senior Finance Officers	No	Asset lives reviewed for suitability.	Yes, possible UELs of Assets reviewed

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of pension liability	Report from East Sussex local government pension scheme	Output reviewed by Senior Finance Officer	Yes	Review of actuaries report.	No
Fair value of Pensions	Report from external consultants Link Treasury Services	Output reviewed by Senior Finance Officers	Yes	Review of the Fair Value Report from Link	No

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## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
NNDR Appeals provision	Use data provided by Analyse Local	Review by Senior Finance Officers	Yes	Data taken from Analyse Local portal	No
Significant accruals	Year on year comparisons/analytical reviews carried out by Accountants	Year end instructions communicated to Accountants and monitored during weekly closedown meetings.	No	Accruals based on actual invoices, raised Purchase Orders and/or estimated values agreed with Service Managers.	No
Credit loss allowance	Per Council's accounting policies.	Year end instructions produced by year end Accountant.	No	Estimates based on professional judgement of the Year End accountant.	No



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## Rother District Council

**Report to:** Audit and Standards Committee

**Date:** 20 June 2022

**Title:** Treasury Management Update – 2021/22 Outturn

**Report of:** Antony Baden – Chief Finance Officer

**Purpose of Report:** To note the Council’s treasury activities for the fourth financial quarter ending 31 March 2022

**Officer**

**Recommendation(s):** It be **RESOLVED:** That the report be noted.

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### Introduction

1. The Council’s Investment Strategy for 2021/22 requires regular reports to be presented to this Committee on treasury management activities. In managing these, the Council has implemented the Department of Levelling Up, Housing and Communities investment guidance and followed the Chartered Institute of Public Finance and Accountancy’s Code of Practice on Treasury Management.
2. The investment activity to date conforms to the approved strategy and the Council has had no liquidity difficulties. Members are reminded that investment activity is also reported through the Members’ Bulletin. This report focuses on the financial period ending 31 March 2022 and is based on the latest available data.
3. Members will note that the 2021/22 outturn figures are draft and also subject to audit although no material changes are anticipated at this point in time.

### Financial Investments Review

4. As at 31 March 2022, the Council’s total investments were about £51m with £18m invested in short term call accounts and Property Funds. The remaining £33m is held the General account but Members will note that a significant element of this balance relates to cash owed to public bodies, e.g. council tax precepts, shares of business rates.
5. The Council’s investments yielded interest income of £350,000 in 2021/22 mainly from its Property Funds, which yielded returns of between 3.41% and 3.68%. The investment portfolio and Property Fund values are detailed in Appendix A.

### Borrowing

6. The Council’s Capital Financing Requirement (CFR) shows how much of its capital expenditure is financed by borrowing and it is summarised in Appendix B. The pandemic again slowed the pace of the capital programme delivery in 2021/22 so the CFR only increased by £7.492m against a budget of £48.764m.

7. The value of outstanding loans as at 31 March 2022 is £27.312m, (the borrowing portfolio is also shown in Appendix B). This is £1.864m higher than the CFR, which means the Council has ‘over-borrowed’ but this will only be for a short period of time, until further capital expenditure is incurred in 2022/23. The reason for this was reported to this Committee on 21 March 2022 in the quarterly update report and relates to new borrowing taken out during the last financial year.
8. Officers will continue to keep borrowing policy under review and use internal balances where possible to minimise borrowing costs.

### Treasury and Prudential Indicators

9. The Council’s Authorised and Operational external borrowing limits are shown in Appendix C and were approved by Cabinet on the 7 February 2022 as part of the Council’s Capital Strategy. Members will note that the current borrowing levels shown in Appendix B are comfortably within both limits.
10. The ratio of Net Financing Costs to the Net Revenue Stream is 1.74%, which is 6.69% lower than the original budget. This is due to the delay in the capital programme delivery referred to in paragraph 5 above. The Prudential Indicators are shown in Appendix C.

### Non-Treasury Investments

11. The table below shows property rental income for the year against the approved budget and is split between existing assets and those purchased through the Property Investment Strategy (PIS):

Property Type	Budget 2021/22	Draft Rent Income	Variance	Return on Investment
	£	£	£	%
Non-PIS	851,480	848,639	2,841	5.05%
PIS	966,300	1,046,237	(79,937)	3.17%
<b>Total</b>	<b>1,817,780</b>	<b>1,894,876</b>	<b>(77,096)</b>	

12. The above table shows the overall return on investment on all PIS properties, including borrowing costs. Appendix D shows detail including the total cost of purchase as well as running costs.

### Economic Update and Outlook

13. The main change since the previous treasury management update that affects the Council was the Bank of England announcement to increase the base rate to a 13 year high of 1%. The impact on the Council is that the increase has been mirrored by an increase in the Public Works Loans Board lending rates, which will make future borrowing more expensive.
14. Further increases are expected over the forthcoming months, although Members will appreciate that forecasting economic activity in the current climate is fraught with difficulties. Officers will continue to monitor closely any

future changes and will factor them into the Council's Medium-Term Financial Plan, which will be reported to Members later in the financial year.

15. There are other economic issues that will have a significant impact on the Council. For example, the Council has recently procured a new electricity supply contract and while this still has to be properly costed, an increase of over 60% can be expected. Also, the cost of living crisis will hit thousands of families across the district and that could in turn have an impact on council tax collection rates.
16. Global events may also affect the Council, especially the Russian invasion of Ukraine, which may have a long-lasting impact on things such as food and energy prices.

## Conclusion

17. The investment activity conforms to the approved strategy and the Council has no liquidity difficulties.

## Financial Implications

18. As detailed in the report.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive:	Mr Malcolm Johnston
Report Contact Officer:	Antony Baden
e-mail address:	<a href="mailto:Antony.Baden@rother.gov.uk">Antony.Baden@rother.gov.uk</a>
Appendices:	Appendix A – Investments Portfolio Appendix B – Capital Financing Requirement & Borrowing Portfolio Appendix C – Prudential Indicators Appendix D – Purchased Properties
Relevant Previous Minutes:	None
Background Papers:	Capital Strategy Report to Cabinet, 7 February 2022  Treasury Management and Annual Investment Strategies Report to Cabinet, 28 February 2022
Reference Documents:	None

**Investments Portfolio**

Deposit	Type of account	Maturity Date	Amount £	Interest Rate	Share %
Lloyds - General (RFB)	Call	N/A	32,357,485	0.00%	64.26%
Bank of Scotland (RFB)	Call	N/A	16	0.00%	0.00%
Barclays - Call Account (NRFB)	Call	N/A	4,998,147	0.05%	9.93%
Santander - Call Account	Call	N/A	2,999,214	0.12%	5.96%
Santander - 31 Day Notice Account	31 Days Notice	N/A	2,001,868	0.27%	3.98%
CCLA Local Authority Property Fund	Long Term	N/A	5,000,000	3.68%	9.93%
HERMES Property Fund	Long Term	N/A	2,999,998	3.41%	5.96%
<b>Total</b>			<b>50,356,728</b>		<b>100.00%</b>
Total managed in-house			42,356,731		
Total managed externally			7,999,998		
<b>Total Treasury Investments</b>			<b>50,356,728</b>		

**Property Funds**

Name of Property Fund	Original Investment Value	Value as at 31st Mar 2022	Value as at 31st Dec 2021	Change
	£	£	£	£
CCLA Local Authority Property Fund	5,000,000	5,579,590	5,333,465	246,125
HERMES Property Fund	2,999,998	3,250,474	3,103,560	146,914
<b>Total</b>	<b>7,999,998</b>	<b>8,830,064</b>	<b>8,437,025</b>	<b>393,039</b>

**Capital Financing Requirement**

<b>Capital Financing Requirement (CFR)</b>	<b>2021/22 Original Budget £ (000)</b>	<b>2021/22 Draft Outturn £ (000)</b>
Opening Balance	18,168	18,168
Add unfinanced capital expenditure	48,764	7,492
Less Minimum Revenue Provision (MRP)	(513)	(213)
<b>Closing Balance</b>	<b>66,419</b>	<b>25,447</b>

**Current Borrowing Portfolio**

<b>Borrowing position as at 31st March 2022</b>					
<b>Properties</b>	<b>Amount o/s</b>	<b>Interest Rate</b>	<b>Term</b>	<b>Type</b>	<b>Full Year Repayments</b>
14, Terminus Road	£433,817	2.59%	50	Annuity	£16,102
14, Terminus Road	£433,771	2.58%	50	Annuity	£16,070
Beeching Road	£1,605,719	2.39%	50	Annuity	£56,729
Various	£1,000,000	2.24%	50	Maturity	£22,400
Glovers House & Barnhorn Road	£8,277,624	2.48%	50	Annuity	£297,572
Various	£6,260,668	1.78%	50	Annuity	£190,804
Various	£9,300,000	1.65%	50	Annuity	£273,880
<b>Total Borrowing</b>	<b>£27,311,599</b>				<b>£873,557</b>

**Treasury Indicators (Borrowing Limits)**

<b>Treasury Indicators</b>	<b>31st Dec 2021 £ (000)</b>
Authorised Limit for External Debt	98,629
Operational boundary for External Debt	93,629
Gross External Debt (actual)	27,312
<b>Remaining Authorised Limit for External Debt</b>	<b>71,317</b>

**Prudential Indicators**

<b>Prudential Indicators</b>	<b>2021/22 Original Budget £ (000)</b>	<b>2021/22 Draft Outturn £ (000)</b>
Capital Financing Requirement (CFR)	66,419	25,447
Annual Change in CFR	48,251	7,279
In-Year Borrowing Requirements	48,764	7,492
Ratio of Financing costs to Net Revenue Stream (%)	8.43%	1.74%

**Properties purchased through the Property Investment Strategy**

2021/22 Draft Property Investment Performance						
Property	Purchase Price	Acquisition Costs	Total Cost of Purchase	Annual Rent Income	Annual Running Costs	Net Surplus
	£	£	£	£	£	£
14 Terminus Road	850,000	37,485	<b>887,485</b>	(106,000)	2,050	<b>(103,950)</b>
16 Beeching Road	825,000	45,133	<b>870,133</b>	(68,225)	950	<b>(67,275)</b>
18-40 Beeching Road	825,000	60,638	<b>885,638</b>	(90,298)	9,232	<b>(81,066)</b>
1-7, Wainwright Road	1	358,129	<b>358,130</b>	0	0	<b>0</b>
Glovers House, Bexhill	7,450,000	393,952	<b>7,843,952</b>	(479,369)	542	<b>(478,827)</b>
Land at Barnhorn Green, Bexhill	600,000	12,387	<b>612,387</b>	0	0	<b>0</b>
Market Square, Battle	3,075,000	181,184	<b>3,256,184</b>	(195,000)	162	<b>(194,838)</b>
35, Beeching Road, Bexhill (headlease)	675,000	0	<b>675,000</b>	(100,000)	100	<b>(99,900)</b>
64, Ninfield Road, Sidley	100,000	0	<b>100,000</b>	(7,345)	64	<b>(7,281)</b>
<b>Total</b>	<b>14,400,001</b>	<b>1,088,908</b>	<b>15,488,909</b>	<b>(1,046,237)</b>	<b>13,100</b>	<b>(1,033,137)</b>

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## AUDIT AND STANDARDS COMMITTEE

<b>WORK PROGRAMME 2022 – 2023</b>	
<b>DATE OF COMMITTEE</b>	<b>SUBJECT</b>
<b>Monday 20 June 2022</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct Complaints Monitoring and other Standards Matters</li> <li>• Government Response to the review of Local Government Ethical Standards</li> <li>• Ombudsman Complaints Monitoring</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Audit Report 2020/21</li> <li>• Grant Thornton – External Audit Plan Year ending March 2022</li> <li>• Internal Audit – Annual Report and Opinion 2021/22</li> <li>• 2021/22 Statement of Accounts – Audit Planning Risk Assessment</li> <li>• Treasury Management Update – 2021/22 Outturn</li> </ul>
<b>Wednesday 27 July 2022</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Audit Progress Report and Sector Update</li> <li>• Constitution Review – Responsibility for Functions Part 3</li> <li>• Wholly owned Council Housing Company Governance Monitoring</li> <li>• Statement of Accounts 2021/22</li> <li>• Annual Governance Statement 2021/22</li> <li>• Treasury Management Update – Quarter 1</li> </ul>
<b>Monday 26 September 2022</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Report to 30 June 2022</li> <li>• Treasury Management Update – Quarter 2</li> <li>• Risk Management Update</li> </ul>
<b>Monday 5 December 2022</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct Complaints Monitoring and other Standards Matters</li> <li>• Local Government Ombudsman Complaints Monitoring and Annual Review 2021/2022</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Report to 30 September 2022</li> <li>• Treasury Management Update – Quarter 3</li> </ul>
<b>Monday</b>	<b>Part A – Standards Reports (none scheduled)</b>

**20 March 2023**

**Part B – Audit Reports**

- Grant Thornton – Audit Progress Report and Sector Update
- Grant Thornton – External Audit Plan 2022/23
- Internal Audit Report to 31 December 2022
- Internal Audit Plan 2023/24
- Review of Internal Audit 2022/23
- Annual Property Investment Update
- Treasury Management Update
- Accounting Policies 2022/23
- Risk Management Update