

DATE: 4 April 2023  
MY REF: Audit & Corporate Governance  
Committee Agenda  
YOUR REF:  
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**To Members of the Audit and Corporate Governance Committee**

Cllr. Shane Blackwell (Chairman)  
Cllr. Stuart Coar (Vice-Chairman)

Cllr. Nick Chapman  
Cllr. Alex DeWinter

Cllr. Paul Hartshorn  
Cllr. Mark Jackson

Cllr. Kirsteen Thomson

Dear Councillor,

A meeting of the **AUDIT AND CORPORATE GOVERNANCE COMMITTEE** will be held in the Council Chamber - Council Offices, Narborough on **MONDAY, 17 APRIL 2023** at **5.30 p.m.** for the transaction of the following business and your attendance is requested.

Yours faithfully



**Louisa Horton**  
**Monitoring Officer**



## **AGENDA**

1. Apologies for Absence

2. Disclosures of Interest

To receive disclosures of interests from Members (i.e. the existence and the nature of those interests in respect of items on this agenda).

3. Minutes (Pages 3 - 4)

To approve and sign the minutes of the meeting held on 2<sup>nd</sup> February 2023.

4. Accounting Policies 2022/23 (Pages 5 - 24)

To consider the report of the Finance Group Manager (enclosed).

5. Risk Management Q4 2022/23 (Pages 25 - 30)

To consider the report of the Finance Group Manager (enclosed).

6. Local Audit Delays (Pages 31 - 32)

To consider the report of the Finance Group Manager (to follow).

7. 2023-24 Internal Audit Annual Audit Plan (Pages 33 - 40)

To consider the report of the Shared Service Audit Manager (enclosed).

8. CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 (Pages 41 - 50)

To consider the report of the Shared Service Audit Manager (enclosed).

9. Internal Audit Progress Report 2022/23 Q4 (Pages 51 - 74)

To consider the report of the Shared Service Audit Manager (enclosed).

## **AUDIT AND CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting held at the Council Offices, Narborough

**THURSDAY, 2 FEBRUARY 2023**

### **Present:-**

Cllr. Shane Blackwell (Chairman)

Cllr. Nick Chapman

Cllr. Paul Hartshorn

Cllr. Mark Jackson

### **Officers present:-**

Sarah Pennelli	- Executive Director - S.151 Officer
Nick Brown	- Finance Group Manager
Kerry Beavis	- Senior Auditor
Sandeep Tiensa	- Senior Democratic Services & Scrutiny Officer
Nicole Cramp	- Democratic & Scrutiny Services Officer
Isaac Thomas	- Democracy Support Officer

### **Apologies:-**

Cllr. Stuart Coar and Cllr. Kirsteen Thomson

#### **200. DISCLOSURES OF INTEREST**

No disclosures were received.

#### **201. MINUTES**

The minutes of the meeting held on 12 October 2022, as circulated, were approved as correct record.

#### **202. RISK MANAGEMENT QUARTER 3 2022/23**

Considered - Report of the Finance Group Manager.

The Finance Group Manager provided an update on the corporate risk register. A total of 12 high risks, 9 medium and 2 low risk creating a total of 23 risks.

**203. INTERNAL AUDIT PROGRESS REPORT 2022/23 Q3**

Considered - Report of the Shared Service Audit Manager.

Cllr. Mark Jackson asked if staff shortages are a cause for the 7 overdue recommendations

The Shared Service Audit Manager commented that there are staffing gaps which is preventing audits.

The Finance Group Managed advised that since the Covid19 pandemic Blaby District council has lost many staff some with years of expertise. This causes more strain on departments which unfortunately leads to delays in completed accounts.

**THE MEETING CONCLUDED AT 6.01 P.M.**

## Blaby District Council

### Audit & Corporate Governance Committee

**Date of Meeting** 17 April 2023  
**Title of Report** **Accounting Policies 2022/23**  
**Report Author** Finance Group Manager

#### 1. What is this report about?

- 1.1 The report sets out the proposed accounting policies that will be followed by the Council in the preparation of its annual Statement of Accounts for 2022/23.

#### 2. Recommendation(s)

- 2.1 It is recommended that the accounting policies set out in Appendix A are approved.

#### 3. Reason for Decision(s) Recommended

- 3.1 The Council should select appropriate accounting policies to be applied in the preparation and presentation of its annual Statement of Accounts.
- 3.2 It is considered good practice for the Audit and Corporate Governance Committee to review and comment upon the proposed accounting policies to be used in the preparation of the Council's annual accounts.

#### 4. Matters to consider

##### 4.1 Background

The Accounts and Audit (England) Regulations 2015 require the Council to prepare an annual Statement of Accounts in accordance with proper accounting practices. This means that our accounts should comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), and various International Financial Reporting Standards (IFRS).

The Code defines accounting policies as “the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements”.

Accounting policies represent one of the key notes that support the Financial Statements. It is important that the Council selects appropriate policies for all

material transactions and balances (e.g., revenue recognition, non-current assets, and retirement benefits), and that those policies are applied in practice. Policies do not need to be disclosed in respect of immaterial transactions or balances, or where they are not applicable to the Council. They are reviewed and updated annually to reflect changes to the Code, accounting standards, or statutory guidance.

#### 4.2 Changes in Accounting Policies in 2022/23

For 2022/23 there have been no new Accounting Policy changes brought about by the Code that affect the Council's accounts.

However, during the financial year, the Council approved a change to the way it determines the annual Minimum Revenue Provision (MRP). The Council's new policy remains compliant with the Code and prevailing legislation but leads to a rephrasing of the MRP charged over time.

#### 4.3 IFRS 16 – Accounting for Leases

The adoption of IFRS 16, which will require the inclusion of all material leases on the balance sheet, has been deferred again until 1<sup>st</sup> April 2024 although the Code allows for early adoption of the standard in either 2022/23 or 2023/24. Blaby is not in a position to adopt IFRS16 in 2022/23 but consideration will be given to implementing the new requirements in 2023/24 subject to the availability of resource and competing priorities. It is understood that most local authorities across the country intend to defer until 2024/25.

### 5. What will it cost and are there opportunities for savings?

5.1 There are no direct financial implications arising from this report.

### 6. What are the risks and how can they be reduced?

6.1

Current Risk	Actions to reduce the risks
That the accounting policies might not reflect changes to the Code or accounting standards.	Annual review of the existing accounting policies to ensure compliance with the latest Code.
That the accounting policies may not reflect materiality.	The annual review seeks to ensure that policies are in place for all material transactions and balances, and that policies are not included where the transactions and balances related to those policies are not material.

## **7. Other options considered**

- 7.1 Not to present the accounting policies to Audit and Corporate Governance Committee. However, it is considered good practice to give Members early sight of the policies on which the financial statements will be based. The external auditors will also require evidence that the policies have been considered and approved by those charged with governance.

## **8. Other significant issues**

- 8.1 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities, and Climate Local and there are no areas of concern.

## **9. Appendix**

- 9.1 Appendix A – Accounting Policies 2022/23

## **10. Background paper(s)**

None.

## **11. Report author's contact details**

Nick Brown	Finance Group Manager
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## i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS).

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

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

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the common needs of most users.
- The objective of showing the results of stewardship and accountability of elected members and management of the resources entrusted to them.
- The underlying assumption of going concern.

### Going Concern Basis:

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. Therefore, it would not be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

During the Covid-19 pandemic there was a great deal of uncertainty over the Council's financial position due to added expenditure pressures and reductions to key income streams. Whilst the pandemic is now over, there is still a residual impact on income levels and service pressures are exacerbated by the cost of living crisis.

The Council updated its Medium-Term Financial Strategy (MTFS) in February 2023 as part of the 2023/24 budget setting process. The MTFS set out the financial forecast for the period through to 2027/28. Whilst a balanced budget was set for 2023/24, with a relatively low level of support required from balances, there are increasingly significant budget shortfalls forecast from 2024/25 onwards, due to inflationary pressures, increasing demand for services, and the ongoing reduction of income post-pandemic. There is also considerable uncertainty over the future nature and level of central government funding for local authorities, including the risk of changes to business rates which could result in a significant loss in retained business rate income from 2025/26. To

counteract the forecast budget shortfalls, the Council has begun work on a range of measures designed to transform service delivery and generate budget savings.

In mitigation, the Council's balances and reserves are robust and this helps to underpin the assessment of going concern. Furthermore, the Council's cash flow forecast demonstrates that cash balances will remain in a positive position for a minimum of 12 months from the approval of these accounts, meaning that the going concern basis of accounting will continue to apply for the foreseeable future.

## ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when, or as, the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Expenditure is accrued where goods or services have been received before 31 March but the invoice relating to the goods or services is paid after 31 March. Similarly, income is accrued where it is due before 31 March, but an invoice has not been raised or payment has not been received. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue, in financing and investment income and expenditure, for the income that might not be collected.

## iii. Cash and Cash Equivalents

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

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

## iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

## v. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is known as the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

In September 2022, the Council approved a change in its MRP Policy, effective from 1<sup>st</sup> April 2022.

- For supported capital expenditure incurred before 1st April 2008, the Council will apply the Asset Life Method using an annuity calculation over 50 years.
- For unsupported borrowing undertaken after 1<sup>st</sup> April 2008, MRP will be charged on an annuity basis over the weighted average life of the assets in question.

The change in policy has resulted in a reduction in MRP of £0.7m in 2022/23.

## vi. Council Tax and Business Rates

The Council, as a billing authority, acts as agent in the collection of council tax and business rates (or non-domestic rates/NDR) on behalf of the major preceptors and government. The Council is principal in terms of collecting council tax and business rates for itself. Billing authorities are required by statute to maintain a separate account, known as the Collection Fund, for the collection and distribution of amounts due in respect of council tax and business rates. Under the legislative framework, billing authorities, major preceptors, and central government (for NNDR) share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted.

### Accounting for Council Tax and Business Rates

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of the accrued income for the year. However, regulations determine the amount of council tax and business rates that must be included in the General Fund. As a result, the difference between the income included in the CIES and the amount credited to the General Fund under regulation is credited to the Collection Fund Adjustment Account and included as a reconciling amount in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year end balances in respect of council tax and business rates arrears, impairment allowances for doubtful debts, overpayments and prepayments, and appeals.

Where debtor balances for the above are identified as impaired, due to a likelihood arising from a past event that payment might not be received, the balance is written down and a charge made to the Taxation and Non-Specific Grant Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## vii. Employee Benefits

**Benefits Payable During Employment** – short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, car loans) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Short-Term Accumulated Absences Account, so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

**Termination Benefits** – termination benefits are amounts payable because of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accrual's basis to the appropriate service or, where applicable, to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

**Post-Employment Benefits** – employees of the Council are members of the Local Government Pensions Scheme, administered by Leicestershire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

- The liabilities of the Leicestershire pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and so on, and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate set by the actuary.
- The assets of the pension fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price

- property - market value

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

Service cost comprising:

- current service cost – the increase in liabilities because of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
- past service cost – the increase in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Net interest on the net defined benefit liability, that is net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments

Re-measurements comprising:

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

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



## viii. Events After the Reporting Period

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

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

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

## ix. Financial Instruments

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

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

### Financial Assets

Financial assets are classified on a “classification and measurement” approach that reflects the business model for holding the financial assets, and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are, therefore, measured at amortised cost. The only exception to this would be financial assets whose contractual payments are not solely payment of principal and interest, that is where the cash flows do not take the form of a basic debt instrument.

### Financial Assets Measured at Amortised Cost

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

principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

#### Expected Credit Loss Model

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

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

#### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

#### Fair Value Measurements of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

## x. Government Grants and Contributions

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

- The authority will comply with the conditions attached to the payments, and

- The grants or contributions will be received.

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

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

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

## xi. Heritage Assets

Heritage assets are assets that are held principally for their contribution to knowledge or culture. The Council's only heritage asset is the Ice House situated in the grounds of Bouskell Park, Blaby, a grade 2 listed building. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant, and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example, where an asset has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note xvi below.

## xii. Intangible Assets

Expenditure on non-monetary assets that do not have any physical substance but are controlled by the Council because of past events (for example, software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.



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

### xiii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. They are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is also applied to gains or losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant, or equipment from the lessor to the lessee. The Council recognises “substantially all” as being at least 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Authority as Lessee

##### Finance Leases

Property, plant, and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### Operating Leases

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

### The Authority as Lessor

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is, netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustments Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

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

### xv. Overheads and Support Services

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

### xvi. Property, Plant and Equipment

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

**Recognition** – expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (that is, repairs and maintenance) is charged as an expense when it is incurred.

**Measurement** – assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation** – depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (that is, freehold land and certain community assets) and assets that are not yet available for use (that is, assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture, and equipment – straight-line allocation over the useful life of the asset, based on the historic cost of that asset.
- Infrastructure – straight-line allocation over 1 to 15 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable

based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals and Non-current Assets Held for Sale** – when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had the not been classified as held for sale), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is, netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## xvii. Provisions, Contingent Liabilities and Contingent Assets

**Provisions** – Provisions are made where an event has taken place on or before the Balance Sheet date:

- That gives the Council a present obligation.
- That probably requires settlement by a transfer of economic benefits or service potential.
- Where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists on the Balance Sheet date. The present obligation can be legal or constructive.



Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example, from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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

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

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

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

## **xviii. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

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

## **xix. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## xx. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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## Blaby District Council

### Audit & Corporate Governance Committee

**Date of Meeting** 17 April 2023  
**Title of Report** Risk Management Quarter 4 2022/23  
**Report Author** Finance Group Manager

#### 1. What is this report about?

- 1.1 The report provides the Committee with an update in relation to the Council's Corporate Risk Register for the final quarter of 2022/23.

#### 2. Recommendation(s)

- 2.1 That the latest information in respect of the Council's major corporate risks is accepted.

#### 3. Reason for Decision(s) Recommended

- 3.1 The overview of the Council's risk management processes is a key responsibility of the Audit and Corporate Governance Committee.

#### 4. Matters to consider

##### 4.1 Background

The management of risk is a critical success factor in terms of an organisation achieving its objectives. The Audit and Corporate Governance Committee, supported by Internal Audit, has the role of evaluating the effectiveness of the Council's risk management procedures, and commenting upon areas of improvement as appropriate.

Risks are assessed for their impact on the Council's business, and the likelihood that those risks might arise. Scores for impact and likelihood are combined using a "5x5" matrix to arrive at a rating of high, medium, or low.

Risk Score	Matrix Category
16-25	High
9-15	Medium
1-8	Low

Further information can be found within the Risk Management Strategy.

## 4.2 Corporate Risk Register

The Corporate Risk Register captures the most significant current risks that have a potential impact on the Council's strategic aims and objectives. Updates on the latest corporate risks are presented to Audit and Corporate Governance Committee every quarter.

Corporate Risks are monitored by the Corporate Risk Group which comprises the Chief Executive and Directors. The Corporate Risk Group met on 20<sup>th</sup> March 2023 to review and update the Corporate Risk Register, ensuring that it properly reflects the current corporate risks and that actions are in place to mitigate those risks. A copy of the Corporate Risk Register is included at Appendix A, and this sets out each risk, an assessment of the degree of risk to the Council, and any control measures that are in place to mitigate the likelihood and impact of the risk occurring.

The following table summarises the number of corporate risks before any control measures are put in place (i.e., uncontrolled risks).

<b>All Corporate Risks – Uncontrolled Rating Summary</b>			
<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
12	9	1	22

The corporate risks, once control measures have been put in place, i.e., controlled risks, are as follows:

<b>All Corporate Risks – Controlled Rating Summary</b>			
<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
4	10	8	22

Since the last report to Committee, in February 2023, 2 risks have been removed from the risk register whilst another has been elevated from the Service Risk Register, leading to a reduction from 23 corporate risks to 22.

The risks that have been removed are:

- Transition to the new ICT Partnership arrangements – now in place; ongoing concerns around infrastructure and reliability of systems are encapsulated within other risks.
- Incident or outbreak within the Council leading to reduced staffing levels – this risk was primarily concerned with the Covid-19 pandemic which, whilst not eliminated, is less prevalent now. Hybrid working capabilities also make it less likely that staffing levels will be significantly affected.

The following risk has been added to the Corporate Risk Register:

Risk Description		Uncontrolled Risk Rating	Controlled Risk Rating
Failure to provide appropriate temporary accommodation for homeless households	Risk Likelihood	Very Likely (4)	Very Likely (4)
	Risk Impact	Major Impact (4)	Medium Impact (3)
	Status	16	12
Control Measures	<ul style="list-style-type: none"> <li>Alternative sources of temporary accommodation in place – hotels and bed &amp; breakfast accommodation; self-contained properties leased from EMH, self-contained properties via various private companies across the City and County area.</li> <li>UKSPF funding for a feasibility study to assess the suitability of Council-owned land for building temporary accommodation.</li> <li>Limited funding available to compensate for the cost of providing temporary accommodation for Ukrainian nationals.</li> </ul>		

Previously included on the Service Risk Register but upgraded to a corporate risk due to the ongoing service pressure being experienced by the Housing Services team. Demand for housing has increased significantly as a result of the cost of living crisis, the number of more complex and vulnerable cases, and approaches from Ukrainian nationals, as well as the longer term effects of the pandemic. The increase in demand also has financial implications in relation to the Homelessness budget and whilst some of the additional cost may be met from housing benefit, the full amount is not covered due to a cap on subsidy that can be claimed against temporary accommodation.

Overall, 12 high risks to the Council's business have been identified before any form of mitigation has been put in place. However, once control measures are considered, 8 of these are reduced to medium or low risk.

The Corporate Risk Group consider that the following risk has increased since quarter 3:

Risk Description		Uncontrolled Risk Rating	Controlled Risk Rating
Impact on the financial position because of the lack of certainty around future funding streams, and the cost-of-living crisis.	Risk Likelihood	Very Likely (4)	Very Likely (4)
	Risk Impact	Major Disaster (5)	Major Impact (4)
	Status	20	16
Control Measures	<ul style="list-style-type: none"> <li>Awareness and understanding of national policy changes</li> <li>Balanced budget approved, and MTFS in place</li> <li>Deliver action plan of Commercialisation Strategy</li> <li>Maintain awareness of changing priorities</li> <li>Working with partners</li> <li>Maintaining an adequate level of reserves</li> <li>Financial plan in place with measures to reduce the budget gap</li> </ul>		

Although there is an indication that the 2024/25 financial settlement could be pitched at a similar level to 2023/24, in cash terms if not real terms, it is not guaranteed. There is a strong likelihood that the settlement formula will be revised with effect from 1<sup>st</sup> April 2025, and that the business rates baseline will be reset. On the back of that assumption, the Medium-Term Financial Strategy forecasts a significant shortfall in funding from 2025/26 onwards.

Whilst the Council was able to set a balanced budget for 2023/24, risks remain around the impact of inflation on services, the potential for the annual pay award to exceed the budget, and ongoing uncertainty over the level of key income streams.

The following risk has reduced since last quarter:

- Failure to provide affordable housing and supporting infrastructure in line with identified need – this risk has been reduced because it is considered that there is a reasonable number of new developments in the pipeline in the next twelve months.

#### 4.3 Service & Project Risk Registers

Service risks are those which are more related to operational and service delivery matters. They are maintained on a separate risk register and are subject to quarterly monitoring by Service Managers to ensure that they remain up to date and have not become obsolete. Group Managers will provide an overview of the service risks on a quarterly basis, but service risks will not be reported to Audit and Corporate Governance Committee other than in exceptional circumstances.

Project risks are managed through the Council's project management framework, with risk registers maintained for corporate projects and high-profile service projects. These are monitored through individual project teams and by the Senior Leadership Team sitting as Programme Board.

### 5. What will it cost and are there opportunities for savings?

- 5.1 Financial implications may arise as a result of inadequate risk management, but with robust procedures in place they are minimised or removed

### 6. What are the risks and how can they be reduced?

#### 6.1

Current Risk	Actions to reduce the risks
If risks are not monitored, then the Council may not be aware of possible events arising.	Audit and Corporate Governance Committee receive regular reports on risk

	and advise Cabinet Executive as appropriate.
If risks are not effectively managed through mitigation, risks identified cannot be minimised and may have a significant impact on the Council.	Mitigating control measures are in place and monitored through Audit and Corporate Governance Committee, Corporate Risk Group and by Senior Leadership Team/Group Managers.

## **7. Other options considered**

- 7.1 None. It is a requirement of the Risk Management Strategy that regular reports are brought to Audit and Corporate Governance Committee.

## **8. Other significant issues**

- 8.1 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities, and Climate Local and there are no areas of concern.

## **9. Appendix**

- 9.1 Appendix A – Corporate Risk Register (To follow)

## **10. Background paper(s)**

Risk Management Strategy 2019 - 2022

## **11. Report author's contact details**

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## Blaby District Council

### Audit & Corporate Governance Committee

**Date of Meeting** 17 April 2023  
**Title of Report** Local Audit Delays  
**Report Author** Finance Group Manager

#### 1. What is this report about?

- 1.1 To provide members with an update on progress towards the audit of the Council's annual accounts, and actions that are being taken at a national level to improve the picture in terms of local audit provision.

#### 2. Recommendation(s)

- 2.1 To follow  
2.2  
2.3

#### 3. Reason for Decision(s) Recommended

- 3.1 To follow  
3.2  
3.3

#### 4. Matters to consider

- 4.1 Background  
To follow
- 4.2 Proposal(s)  
To follow
- 4.3 Relevant Consultations  
To follow
- 4.4 Significant Issues

To follow

**5. What will it cost and are there opportunities for savings?**

5.1 To follow

	Current year	2024/25
Revenue		
Capital		

**6. What are the risks and how can they be reduced?**

6.1 To follow

Current Risk	Actions to reduce the risks

**7. Other options considered**

7.1 None.

**8. Other significant issues**

8.1 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities, and Climate Local and there are no areas of concern.

**9. Appendix**

9.1 Appendix A – To follow

**10. Background paper(s)**

None

**11. Report author's contact details**

Nick Brown Finance Group Manager  
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## Blaby District Council

### Audit & Corporate Governance Committee

**Date of Meeting** 17 April 2023  
**Title of Report** 2023-24 Internal Audit Annual Audit Plan  
**Report Author** Shared Service Audit Manager

#### 1. What is this report about?

- 1.1 The report outlines the proposed 2023/24 Internal Audit Annual Audit Plan for the Audit Committee to review and approve.

#### 2. Recommendation(s)

- 2.1 That the Audit Committee notes this report and comments as appropriate.  
2.2 That the 2023/24 Internal Audit Annual Audit Plan be approved.

#### 3. Reason for Decision(s) Recommended

- 3.1 To comply with the Public Sector Internal Audit Standards.

#### 4. Matters to consider

##### 4.1 Background

The Public Sector Internal Audit Standards require the authority's Audit Committee to review and approve the annual audit plan and resource requirements.

##### 4.2 Relevant Consultations

All members of the Senior Leadership Team have been consulted with.

##### 4.3 Significant Issues

None.

#### 5. What will it cost and are there opportunities for savings?

- 5.1 No costs or opportunities for savings in the context of this report.

## 6. What are the risks and how can they be reduced?

6.1 There are no risks relating to this report.

## 7. Other options considered

7.1 Not applicable.

## 8. Other significant issues

8.1 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities, and Climate Local and there are no areas of concern.

## 9. Appendix

## 9.1 Appendix 1 – 2023/24 Internal Audit Annual Audit Plan

## 10. Background paper(s)

## Public Sector Internal Audit Standards.

## 11. Report author's contact details

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# **INTERNAL AUDIT SHARED SERVICE**

**Blaby District Council**

**2023/24 Internal Audit Annual Plan**

## 1. INTRODUCTION

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

## 2. BACKGROUND

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



Source: Chartered Institute of Internal Auditors

### 3. INTERNAL AUDIT PLAN

#### 3.1. Overall Strategy

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

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

- 3.1.3 The outcomes from each audit engagement undertaken as part of the annual audit plan underpin the Audit Manager's annual opinion on the Council's internal control environment. This opinion feeds into the Council's Annual Governance Statement.

- 3.1.4 It should be noted that the Public Sector Internal Audit Standards state that

*"The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls."*

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

#### 3.2. Resources Available

- 3.2.1 The Audit Team who will deliver the 2023/24 annual audit plan at Blaby District Council consists of the Audit Manager (0.2 FTE), an Internal Auditor (0.8 FTE), an Internal Audit Assistant (0.14 FTE) and an Internal Audit Apprentice (0.33 FTE). Table 1 shows a calculation of the available audit days for 2023/24.

**Table 1: Resources Available**

<b>Available Days</b>	<b>288</b>
Team and Contract Management / Annual Opinion/ Annual Plan/Audit Committees/Progress Reports/External Audit/ Audit related meetings	49
Corporate Meetings/General Admin/ Minutes Review/Regional Audit Groups	8
<b>Available Audit Days</b>	<b>231</b>

### 3.3. Internal Audit Annual Plan 2023/24

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

**Table 2: 2023/24 Annual Audit Plan**

Risk Based Audit Work 2022/23 (see Appendix A)	185
Completion of 2021/22 Outstanding Audits	10
Follow up reviews	10
Advisory – Ad hoc	10
NFI, Fraud	6
Public Sector Internal Audit Standards	4
Stock takes/Strong Room Records	2
Contingency	4
<b>Total Audit Days</b>	<b>231</b>

- 3.3.2 The timings shown within the Internal Audit Annual Plan are estimates based on time taken on previous similar audits and a high-level consideration of the scope and existing arrangements. As part of the set-up process for each audit engagement the scope of the audit will be agreed in detail and a more accurate budget for audit days will be set. A contingency has been included in the plan to allow for variances in planned audit days against actual and for ad-hoc or fraud investigations that may arise during the year. The quarterly progress reports to Audit and Corporate Governance Committee will include a comparison of planned to actual days for each audit undertaken.

### 3.4 Limitations

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

## 2023/24 INTERNAL AUDIT ANNUAL PLAN

AUDIT AREA	TYPE	TIMING	COUNCIL PRIORITY AREA	PLANNED AUDIT DAYS
<b>HR</b>				
Workforce Planning	Advisory	As required	4	4
ITrent	Advisory	As required	4	2
			<b>Subtotal</b>	<b>6</b>
<b>NEIGHBOURHOOD SERVICES &amp; ASSETS</b>				
Asset Management	Audit	Q4	All	10
Parks & Open Spaces	Audit	Q3	All	10
			<b>Subtotal</b>	<b>20</b>
<b>BUSINESS, PARTNERSHIPS &amp; HEALTH IMPROVEMENT</b>				
Disabled Facilities Grant Determinations	Grant	Q2	1	4
Building Control	Audit	Q4	1,2,3	10
Sport & Physical Activity	Audit	Q4	1,3	7
Lightbulb	Advisory	Q3	1	5
			<b>Subtotal</b>	<b>26</b>
<b>ENVIRONMENTAL HEALTH, NET ZERO &amp; COMMUNITY SAFETY</b>				
Community Triggers	Audit	Q1	1	10
Temporary Accommodation	Audit	Q2	1	10
			<b>Subtotal</b>	<b>20</b>
<b>FINANCE</b>				
Key Financial Systems	Audit	Q2/Q3	All	44
Budget Monitoring & Reporting	Audit	Q2	5	8
			<b>Subtotal</b>	<b>52</b>

<b>SERVICE TRANSFORMATION</b>				
IT Asset Management	Audit	Q1	All	8
Transformation projects	Advisory	As required	All	5
Corporate Project Management	Audit	Q3	All	10
			<b>Subtotal</b>	<b>23</b>
<b>CORPORATE SERVICES</b>				
Service Planning including Performance Management	Audit	Q1	All	10
Democratic Services	Audit	Q3	All	10
			<b>Subtotal</b>	<b>20</b>
<b>CROSS CUTTING</b>				
UKSPF	Audit	Q3	All	8
Capital Programme Management	Audit	Q2	5	10
			<b>Subtotal</b>	<b>18</b>
			<b>Total</b>	<b>185</b>

**Key - Priorities**

- 1.Live
2. Work
3. Visit
4. People Strategy
5. Medium Term Financial Strategy



## Blaby District Council

### Audit & Corporate Governance Committee

<b>Date of Meeting</b>	17 April 2023
<b>Title of Report</b>	<b>CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022</b>
<b>Report Author</b>	<b>Shared Service Audit Manager</b>

#### 1. What is this report about?

- 1.1 The purpose of this report is to inform members of the publication of CIPFA's 2022 edition of Audit Committees: Practical Guidance for Local Authorities and Police and to consider best practice recommendations within the guidance.

#### 2. Recommendation(s)

That the audit and corporate governance committee

- 2.1 Notes the report
- 2.2 Agrees to establish a cross party member working group, to be drawn from the audit and governance committee appointed at council on 23 May 2023, to work with the audit manager and the Strategic Director (S151 Officer) to undertake a self-assessment and training needs analysis and report back to the meeting of Audit and Corporate Governance Committee at the July meeting.
- 2.3 Agree the process for the recruitment of independent members to the committee.

#### 3. Reason for Decision(s) Recommended

- 3.1 To ensure compliance with recommended good practice.

#### 4. Matters to consider

- 4.1 Background

In May 2022, the Chartered Institute of Public Finance & Accountancy (CIPFA) published a revised and updated edition of the document *Position Statement: Audit Committees in Local Authorities and Police 2022*. In addition

to the statement CIPFA also released guidance documentation in October 2022 – *Audit committees: practical guidance for local authorities and police*.

The report identifies the main changes from the previous statement and proposes the in which the committee can ensure it is meeting the requirements of the statement.

#### 4.1 Significant Issues

None.

## 5. What will it cost and are there opportunities for savings?

5.1 No costs or opportunities for savings in the context of this report. There may be associated training costs for members.

## 6. What are the risks and how can they be reduced?

6.1 There are no risks relating to this report.

## 7. Other options considered

7.1 Not applicable.

## 8. Other significant issues

8.1 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities, and Climate Local and there are no areas of concern.

## 9. Appendix

9.1 Appendix 1 – CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022.

## 10. Background paper(s)

Position Statement: Audit Committees in Local Authorities and Police 2022  
(appendix A)

Audit committees: practical guidance for local authorities and police (to be circulated)

## 11. Report author's contact details

Kerry Beavis  
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Audit Manager

## 1. INTRODUCTION

## Appendix 1

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

## 2. GUIDANCE SUMMARY

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

## 3. MAIN CHANGES TO THE 2022 GUIDANCE.

- 3.1 The following sections of the position statement have been updated to reflect good practice and ensure the effectiveness of the audit committee
  - **Independent & effective model** – the committee should be independent of both the executive and the scrutiny functions.
  - **Core Functions** – responsibilities for the specific areas now provide further detail to ensure good governance and accountability arrangements are in place.
  - **Audit committee membership**
    - ❖ The appointment of co-opted independent members on the committee
    - ❖ A membership that is trained and has knowledge, expertise, and interest in the work of the committee.
  - **Engagement and outputs** – the committee is required to report annually on how it has complied with the position statement, discharged its responsibilities, and include an assessment of its performance.
  - **Impact** - The committee should evaluate its impact and identify areas for improvement

## **4 EFFECTIVE AUDIT COMMITTEES**

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

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

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

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

## **5 IDENTIFYING TRAINING NEEDS AND NEXT STEPS**

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

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

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

It is recommended that the knowledge and skills framework is utilised to undertake a training needs analysis for members of the Audit & Corporate Governance Committee. It is suggested that a small cross party working group be appointed to, work with the Audit Manager and the Strategic Director (S151 Officer) and lead this work to conduct

both an assessment of the committee's effectiveness, using the assessment tools within the CIPFA guidance and a training needs analysis.

- 5.3 It is suggested that the working group meets initially to collectively agree the methodology to undertake a self-assessment of the committee's effectiveness, which may include obtaining the views of key officers and other members. In addition, a knowledge and skills assessment based on the framework at Appendix C of the guidance should be completed by individual members of the Committee to assist in identifying where further training may be required. A subsequent meeting should then be held to review the results of both the effectiveness self-assessment and the knowledge and skills assessment.
- 5.4 It is suggested that the findings of the exercise be reported back to Audit & Corporate Governance Committee in July 2023. Outcomes will then identify knowledge gaps and assist with the requirements of the Job Description and Person Specification of the independent members. Additionally, it will identify training needs for existing members.
- 5.5 It is suggested that the appointment of the independent members is carried out during August – September with an interviewing panel consisting of the Audit Committee chair, one other member of the audit committee, S151 or Deputy S151 officer and the Audit Manager.

## 6 PROPOSED TIMELINE OF ACTIONS

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

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

### Scope

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

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

### Status of the position statement

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

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

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

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

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

## Purpose of the audit committee

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

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

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

## Independent and effective model

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

The committee should:

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

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

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

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

## Core functions

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

The specific responsibilities include:

### Maintenance of governance, risk and control arrangements

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

### Financial and governance reporting

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

### Establishing appropriate and effective arrangements for audit and assurance

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

## Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need



to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

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

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

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

## Engagement and outputs

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

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance

- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

## Impact

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

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

## Blaby District Council

### Audit & Corporate Governance Committee

**Date of Meeting** 17 April 2023  
**Title of Report** Internal Audit Progress Report 2022/23 Q4  
**Report Author** Shared Service Audit Manager

#### 1. What is this report about?

- 1.1 The purpose of this report is to inform the Committee of the progress against the Internal Audit plan for 2022/23 and to highlight incidences of any significant control failings or weaknesses that have been identified between 1 January 2023 and 31 March 2023 (Q4).

#### 2. Recommendation(s)

- 2.1 To note the Internal Audit progress report and comment as appropriate.

#### 3. Reason for Decision(s) Recommended

- 3.1 To keep the Audit and Corporate Governance Committee informed of progress and recent Internal Audit findings and recommendations, in line with the Public Sector Internal Audit Standards requirements.

#### 4. Matters to consider

##### 4.1 Background

The Public Sector Internal Audit Standards require the Audit and Standards Committee to approve the audit plan and monitor progress against it. They should receive periodic reports on the work of internal audit. The Audit and Standards Committee approved the 2022/23 audit plan on 27 April 2022. This is the fourth progress report for 2022/23.

##### 4.2 Progress Report

The Internal Audit Progress Report for the period from 01 January 2023 to 31 March 2023 (Q4) is attached at Appendix 1.

### 4.3 Relevant Consultations

The Senior Leadership Team were presented with the report at their meeting on 21 March 2023. There has been one further audit report that has been issued since this date, the summary of which is included within this report.

#### 4.4 Significant Issues

None.

## 5. What will it cost and are there opportunities for savings?

5.1 No costs or opportunities for savings in the context of this report.

**6. What are the risks and how can they be reduced?**

6.1 There are no risks relating to this report.

## 7. Other options considered

7.1 Not applicable.

## 8. Other significant issues

8.1 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities, and Climate Local and there are no areas of concern.

## 9. Appendix

## 9.1 Appendix 1 – Internal Audit Progress Report 2022/23 Q4.

## 10. Background paper(s)

Public Sector Internal Audit Standards.

## 11. Report author's contact details

Kerry Beavis  
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# **INTERNAL AUDIT SHARED SERVICE**

## **Blaby District Council**

### **Internal Audit Progress Report 2022/23 Q4**

## **1. Introduction**

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

## **2 Internal Audit Plan Update**

- 2.2 The 2022/23 audit plan is included at Appendix A for information and shows the audits in progress.
- 2.3 Since the last update report four final reports and one draft report have been issued, these are detailed at appendix B.
- Treasury Management – Reasonable
  - Policy Management – Limited
  - Main Accounting – Reasonable
  - Houses in Multiple Occupation (HMO's) - Limited
  - Fleet Management – Draft

The audits currently in progress are:

- Leisure Centre Fees & Charges
- Business Continuity – in progress
- Contaminated Land – in progress

## **3 Internal Audit Recommendations**

- 3.1 Internal Audit monitor and follow up all critical, high and medium priority recommendations. There are eight overdue recommendations, these are detailed in Appendix C.

## **4 Internal Audit Performance Indicators**

- 4.1 Progress against the agreed Internal Audit performance targets are documented in Appendix D. There are no areas of concern at this stage.

## Appendix A

### 2022/23 AUDIT PLAN PROGRESS TO 31 MARCH 2023

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Workforce Planning	Audit	8		Cancelled						Cancelled – this will now be an advisory piece of work during 2023/24.
Policy Management	Audit	12	12	Completed	Limited	-	7	3	-	
Fleet Management	Audit	10	10	Drafting report						
Disabled Facilities Grant Determinations	Grant	4	3.5	Completed	N/A					
Building Control	Advisory	2		As required						
Leisure Centres Fees & Charges	Audit	8	1	In progress						
Leisure Centres Contract	Advisory	3	2.5	As required						
Lightbulb	Advisory	2	0.5	As required						
Environmental Permits	Audit	8	16	Completed	Reasonable	-	8	6	-	
Environmental Health - HMO's	Audit	10	10.5	Completed	Limited	-	3	3	-	
Car Parking	Advisory	2		As required						
Revenue & Benefits - new system	Advisory	2		As required						
Contaminated Land	Audit	6	3	In progress						
Key Financial Systems as detailed below										
Benefits	Audit	3	3.5	Completed	Substantial	-	-	1	-	
Council Tax	Audit	4	3.5	Completed	Reasonable	-	1	-	-	
NNDR	Audit	10	8.5	Completed	Reasonable	-	1	-	1	
Income Collection	Audit	4	3	Completed	Reasonable	-	1	-	-	
Creditors	Audit	10	8	Completed	Reasonable	-	-	2	1	
Debtors	Audit	4	3	Completed	Reasonable	-	-	1	-	
Main Accounting	Audit	10	6.5	Completed	Reasonable	-	3	1	-	

HR & Payroll	Audit	4	4	Completed	Reasonable	-	2	7	-	
Treasury Management	Audit	4	3	Completed	Reasonable	-	1	-	-	
Business Grant assurance work, inc NFI	Advisory	10	2	As required						
Service Planning including Performance Management	Audit	10	0.5	Cancelled						Cancelled due to system implementation. Carried to 2023/24 plan
Service Planning including Performance Management	Advisory	2		As required						
ICT Partnership	Advisory	2	1	As required						
Business Continuity	Audit	8	2.5	In progress						
LAD 2 – Green Homes Grant	Certification		2.5	Completed	N/A					Addition to the plan.

#### Audit Opinion Definitions

Opinion	Definition
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

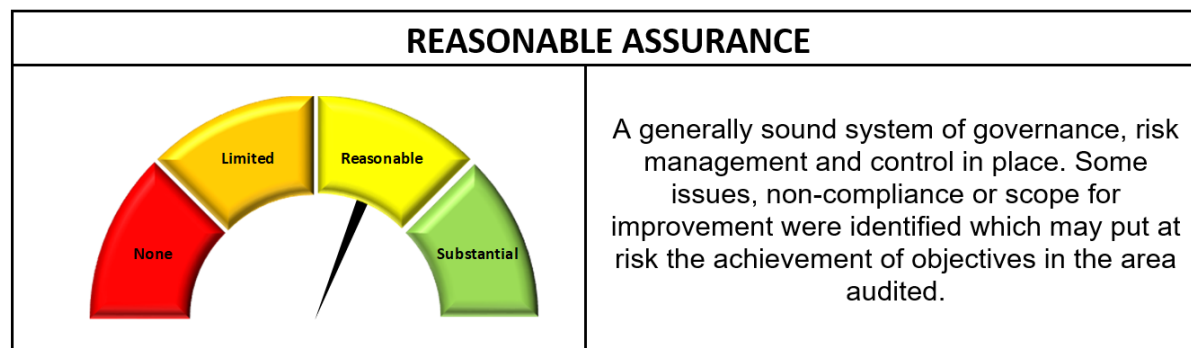


## Recommendation Priority

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made,
Low	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed or potential opportunities for management to improve the operational efficiency and/ or effectiveness of the system.

## EXECUTIVE SUMMARY OF FINAL AUDIT REPORTS ISSUED 01 JANUARY 2023 – 17 MARCH 2023

### TREASURY MANAGEMENT



### Key Findings

Areas of positive assurance identified during the audit:

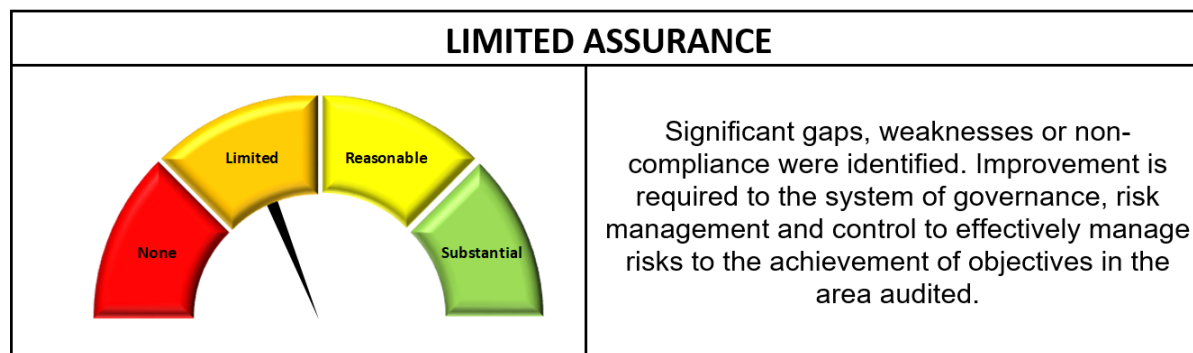
- Detailed procedure notes are in place.
- All five investments checked had been authorised and processed in accordance with procedures.
- System access is adequately controlled.

The sole area identified for improvement is:

- Control account reconciliations

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
The outstanding control account reconciliations are brought up to date as soon as possible and going forward arrangements are in place to ensure all are completed and reviewed promptly.	High	Agreed.	Interim Accountancy Services Manager	31.01.23 and ongoing.

## POLICY MANAGEMENT



### 1.1 Key Findings

Areas of positive assurance identified during the audit:

- New starters are made aware of key policies through the induction process
- Staff responsible for writing policies and procedures are suitably qualified

The main areas identified for improvement are:

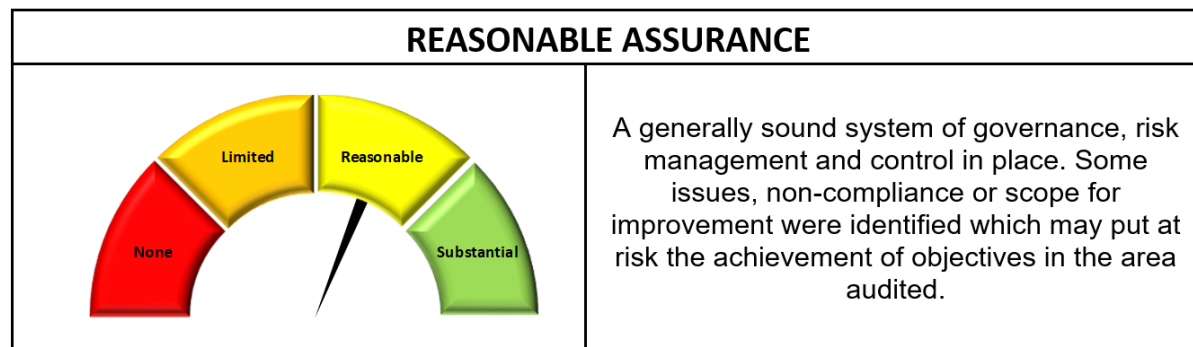
- The corporate policy review and publication process
- HR policies and procedures
- Officer acceptance of key policies

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Processes are put in place to review and update the policy register on a regular basis. This will, in turn, ensure that policies are appropriately reviewed and updated.	High	<p>Agreed</p> <p>A review and a record will be made to detail all</p> <ol style="list-style-type: none"> <li>1. Policies</li> <li>2. Strategies</li> <li>3. Plans</li> <li>4. Procedures</li> </ol> <p>Consideration is being given to using Pentana as a central management and repository for all policies, strategies and plans which require regular review or are required to be published.</p>	Performance & Information Service Manager	June 2023
2. HR policies reflecting current legislation, corporate values and industry best practice should be produced for all key employment areas. These should be supported by relevant procedure documents.	High	<p>Agreed.</p> <p>A process and timetable to produce the key documents will be in place within six months.</p>	Human Resources Strategic Manager	July 2023
3. A review of all HR documentation is carried out and, where appropriate, these are updated to reflect the purpose of the document, i.e. strategies are in place which are supported by policies which in turn are implemented using procedures, with consideration being given to the definitions within the Report Writing Toolkit.	High	Agreed. This will be form part of the action detailed in recommendation no. 2.	Human Resources Strategic Manager	July 2023

4. The position regarding the current People Strategy should be clarified and the correct information and version of the document should be published on both the website and iBlaby.	Medium	Agreed.	Human Resources Strategic Manager	March 2023
5. The Democratic Services Report Writing Toolkit should be reviewed and updated, and training provided to staff if required to ensure compliance.	High	Agreed The Toolkit will be updated.	Senior Democratic Services & Scrutiny Officer	May 2023
6. A Corporate Policy Management Toolkit is developed to provide detailed guidance in respect of the policy and procedure writing and approval process, together with standard templates to ensure consistency across the authority.	High	Agreed.	Performance & Information Service Manager	June 2023
7. The Equality and Human Rights Policy should be reviewed, updated and published and arrangements made to review and update at appropriate intervals going forward.	Medium	Agreed.	Performance & Information Service Manager	June 2023
8. Policies and procedures are updated on a regular basis and correspond to the relevantly published documents.	High	Agreed. This will be incorporated into the process and timetable to be developed as part of recommendation no. 2	Human Resources Strategic Manager	July 2023
9. A process is introduced that requires officers to accept relevant policies throughout the authority on a regular basis.	High	HR have concerns regarding this process as some staff may refuse to sign up to policies. An alternative could be to publicise / remind staff of policies on a regular basis and following any review / change.	Human Resources Strategic Manager	June 2023

10. The information sent to line managers in respect of the new starter process should include an instruction to complete the New Manager Checklist where applicable i.e. for posts including supervisory responsibilities (people managers) and a similar process should be introduced for internal appointments to posts of this type.	Medium	Agreed.	Human Resources Strategic Manager	April 2023
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## MAIN ACCOUNTING



### Key Findings

Areas of positive assurance identified during the audit:

- Journals are processed in accordance with procedures and supported by adequate documentation where applicable.
- Budget monitoring information is provided to budget holders and reported to management and members on a regular basis
- Access to the system is adequately controlled

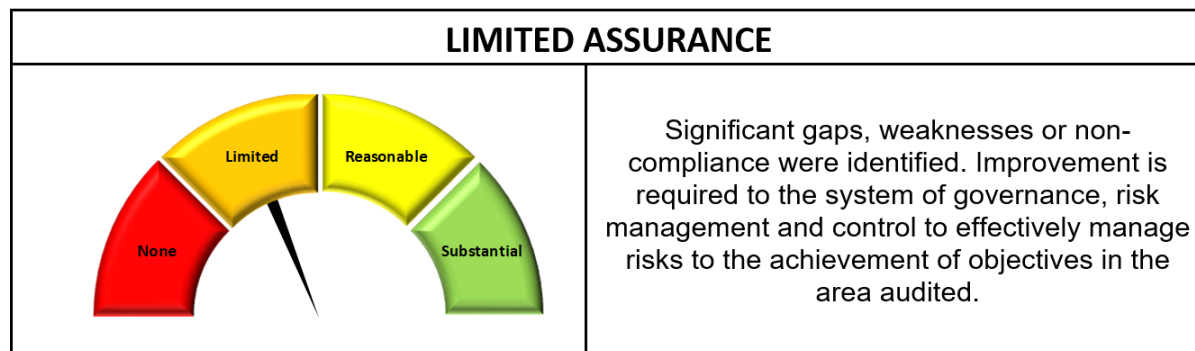
The main areas identified for improvement are:

- Control account reconciliations
- Virements



Recommendations	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Target completion dates are agreed for all control account reconciliations due.	High	Agreed.	Interim Accountancy Services Manager	28.02.23
2. Compliance is monitored using a central record on which the completion and review date of each reconciliation is recorded by the responsible officer.	High	Agreed.	Interim Accountancy Services Manager	Monitoring record in place by 31.03.23 to implement procedure from 01.04.23 onwards.
3. The Scheme of Virement is reviewed and updated to align with the current management structure and levels of responsibility and ensure that significant changes to the approved budget are adequately controlled.	Medium	Agreed.	Finance Group Manager	30.09.23
4. All relevant officers are reminded of the terms and authorisation requirements relating to virement transactions.	High	Agreed.	Interim Accountancy Services Manager	28.02.23

## HOUSES IN MULTIPLE OCCUPATION (HMO's)



### Key Findings

Areas of positive assurance identified during the audit:

- Policies are up to date.
- Licensing decisions are subject to agreement by a senior officer.
- Officers are suitably qualified.

The main areas identified for improvement are:

- The retention of key supporting documents and inspection records.
- The supervisory checking process.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Refresher training in respect of the issues identified during the audit and the corresponding documented procedures is delivered to all relevant officers.	High	Matters have been raised with the officers already but a training session on the procedures has been booked with the officers who are involved in HMO licensing.  In addition, once a month all HMO records are reviewed to check that the procedure has been followed and to ensure that all scheduled actions have been picked up.	Environmental Health Manager	Training completed 17.03.23.  Monthly checks have already started. As there are only around 20 records this is not an onerous task.
2. Officers are notified of changes to the fee structure.	Medium	This appears to have been a one-off error and all officers have been reminded of the fee structure. It is up to date on the website and shall be amended for the new financial year.	Environmental Health Manager	Completed but a reminder was included in the training session on 17.03.23.
3. The public register is reviewed and updated where applicable to ensure that it correctly reflects the details of each licence and officers are reminded of the correct procedure to ensure consistency and accuracy going forward.	Medium	A system issue has been identified which was giving an expiry date one day differently to that expected. The Performance team have corrected this and now and it is correct for all cases. The public register has been checked to ensure that the system dates match those on the register.  All of the licence documents were correct as they simply state that the licence lasts for five years from the issue date.	Environmental Health Manager	Completed.

4. Officers are reminded that all receipts, inspection forms and supporting documentation must be retained on the individual IDOX system case record.	High	This had already been picked up prior to the audit and reminders to all staff had gone out. These problems do not exist for any current applications.	Environmental Health Manager	Completed but a reminder was included in the training session on 17.03.23.
5. The supervisory checking process is revised to ensure that all key documents have been provided and retained on file and the correct fees have been paid before a licence is issued.	High	This was part of the procedure already, although it has been revised to tighten it further. All staff have been reminded of the purpose of such checks and the supervisory process will form part of the training session.	Environmental Health Manager	Completed but a reminder was included in the training session on 17.03.23.
6. Internal procedures and guidance for applicants are updated to explicitly state that all relevant certificates and checks must be in date at the time the application is deemed to be valid.	Medium	A clear note in bold type stating this requirement is now in the procedure.	Environmental Health Manager	Completed.

## RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 31 MARCH 2023

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	Original Due Date	1st Follow up comments	Ext Date	Second Follow up comments	Ext Date	Further Management update	Further ext date
2020/21	Safeguarding	12. The current DBS Process and Guidance Document (2018) should be reviewed and updated to reflect the latest national Guidance for Employers (updated in February 2020) and annually thereafter.	Medium	Agreed.	HR Services Manager	31.12.21	Nov 21 - Will schedule annual review and update as necessary in January of each year.	Jan-22	27.01.22: Update from HR - undertaking review and review started Jan 2022. 31.03.22 - Draft almost finished of DBS process and guidance. Feedback obtained from HR. Next steps feedback from Safeguarding Lead and Audit as agreed.	Mar-22	Consultation undertaken with Safeguarding, Audit, SLT and TUs on document. Feedback collected and currently being included into final document, which will now ensure compliance with national guidance as of Jan 23. Apr-23: Document now finalised and being uploaded to iBlaby for managers to use. Web pages will be updated with the new document.	Feb-23
		13. Consideration should be given to incorporating the internal guidance into a formally approved policy.	Medium	Agreed.	Leisure and Regulatory Services Group Manager in conjunction with Strategic HR Manager	31.12.21	08.11.21 - The HRSM update: Will consider along with update in January 2022.	Jan-22	27.01.22: Update from HR - undertaking review and review started Jan 2022. 31.03.22 - Draft almost finished of DBS process and guidance. Feedback obtained from HR. Next steps feedback	Mar-22	Consultation undertaken with Safeguarding, Audit, SLT and TUs on document. Feedback collected and currently being included into final document.	Feb-23

									from Safeguarding Lead and Audit as agreed.		Apr-23: Document adopted as a policy and procedure document, rather than guidance, given it details the Council's policy with regards to Safeguarding.	
2020/21	Safeguarding	14. A periodic recheck process for officers in posts requiring an enhanced DBS check should be introduced and managed via the HR/Payroll system.	Medium	Agreed.	Leisure and Regulatory Services Group Manager in conjunction with HR Services Manager	31.12.21	08.11.21 - The HRSM update: Will review requirements in line with updated guidance in January 2022 and implement as required. DBS records are not currently held in iTrent. Review if this would be a sensible approach/possible along with update noted above.	Jan-22	27.01.22: Update from HR - undertaking review and review started Jan 2022. 31.03.22 - Draft almost finished of DBS process and guidance. Feedback obtained from HR. Next steps feedback from Safeguarding Lead and Audit as agreed.	Mar-22	Consultation undertaken with Safeguarding, Audit, SLT and TUs on document. Feedback collected and currently being included into final document. (3 yearly recheck and use of DBS update service agreed). Apr-23: The policy document includes a three year check. Whilst this cannot be done through iTrent at this time, a plan is being put in place which will review all jobs currently requiring a DBS check to ascertain if this is still a requirement. All those that are found to still be required will go	Feb-23

											through a recheck process. This process is expected to be completed within six months given some DBS checks are taking some time to be returned.	
2022/23	Income Collection	1. The outstanding control account reconciliations are brought up to date as soon as possible and going forward arrangements are in place to ensure all are completed and reviewed promptly.	High	Agreed.	Interim Accountancy Services Manager	31.01.23	07.02.23: The bank reconciliations have been completed up to date (for Jan-23) but have not been authorised and the cash receipting reconciliations do not appear to have been completed or authorised to date. Update requested from IASM - no response received.	Feb-22	No response received to request for evidence.			
2022/23	Payroll (Key Controls)	2. The spot checking process is reviewed and documented to ensure that it is adequate, consistent and available to all relevant staff.	Medium	Agreed.	Interim Accountancy Services Manager	31.12.22	Copy of procedure requested from IASM - no response received.	Feb-22	No response received to request for evidence.			
2022/23	Treasury Management (Key Controls)	The outstanding control account reconciliations are brought up to date as soon as possible and going forward arrangements are in place to ensure all are completed and reviewed promptly.	High	Agreed.	Interim Accountancy Services Manager	31.01.23 and ongoing.	07.02.23: There has been no change / progress to the two highlighted reconciliations in the audit i.e. RLA & XPC which are still only completed up to Jun-22 & Apr-22 respectively. There is also no record of	28.02.23.	No response received to request for evidence.			

							any review of the completed reconciliations by a senior officer. This was referred to the IASM for an extension until 28.02.23.					
2022/23	Main Accounting	1. Target completion dates are agreed for all control account reconciliations due.	High	Agreed.	Interim Accountancy Services Manager	28.02.23	No response received to request for evidence					
2022/23	Main Accounting	4. All relevant officers are reminded of the terms and authorisation requirements relating to virement transactions.	High	Agreed.	Interim Accountancy Services Manager	28.02.23	No response received to request for evidence					



## 2022/23 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 31.03.2023	Comments
Achievement of the Internal Audit Plan	84%	
Quarterly Progress Reports to Management Team and Audit and Standards Committee	On track	
Follow up testing completed in month agreed in final report	On track	
Annual Opinion Report	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on four returns for 2022/23.
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried November 2020 which confirmed that the council conform to the Public Sector Internal Audit Standards.

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