

Auditor's Annual Report on Forest of Dean District Council

2020-21

April 2022



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

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



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

Executive summary

Value for money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. We are required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. The specified criteria are set out below

Criteria	Risk assessment	Finding
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified but ten improvement recommendations made.
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified but three improvement recommendations made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified but two improvement recommendations made.

	No significant weaknesses in arrangements identified.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weakness in arrangements identified and key recommendation made.



Improving economy, efficiency and effectiveness

We have not identified any risks of significant weakness, but we have identified areas for improvement. Whilst we recognise that the Council is in the process of developing its performance management framework since it was introduced, we have issued improvement recommendations to aid this process.

Our findings are set out in further detail on pages 6 to 19.



Financial sustainability

Overall we are satisfied that the Council had appropriate arrangements in place to manage the risks it faced in respect of financial resilience. We have not identified any significant risks of material weakness but have identified opportunities for improvement.

Our findings are set out in further detail on pages 20 to 24.



Governance

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that they made informed decisions and properly managed its risks, but have identified a small number of improvement recommendations.

Our findings are set out in further detail on pages 25 to 28.



Opinion on the financial statements

We issued an unqualified opinion on the financial statements following the Audit Committee on 26 October 2021.

Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any public interest reports.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not issue any applications to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not utilise this power.

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 30. Further detail on how we approached our work is included in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- responded to the changes required as a result of Covid-19
- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance management

In October 2017 the Council entered into an agreement with Publica (Publica Group (Support) Limited) whereby Publica would provide a complete and comprehensive organisational management service which includes direct management of a number of services provided to residents such as Planning and Economic Growth; Housing, Benefits and Council Tax; Environmental Health and Licensing; Waste and Recycling; Leisure and Community Services. Council staff were transferred into Publica and as at 31 March 2021 the Council had retained six officers.

In December 2019, the Council approved its Corporate Plan for the period 2019-2023. Within this Plan the Council listed five key areas of focus in order to achieve its vision of “to be a great place to live, learn, do business and enjoy”.



Improving economy, efficiency and effectiveness

The Corporate Plan included actions and targets against each area of focus to show how the Council would know when they have achieved their objective. As part of the quarterly performance reporting, the Council includes an appendix on “council priorities”, which provides an update on the quarterly progress to date. The Corporate Plan covers the period 2019-2023 and therefore the Council should consider an annual update highlighting progress made against the actions set out and which actions will be undertaken in future years. Whilst commentary is provided on the performance to date, the report does not go in detail about whether the Council is on track to achieve the targets set. We therefore recommend that the Council should consider reporting annually against progress made on achieving the targets set out in the Corporate Plan as well as the actions that will be undertaken in future years.

In October 2020, Cabinet approved the “Commissioning Framework with Publica”, which included a performance management framework. This framework proposed six key strands:

1. Service key performance measures and assurance
2. Place based measures and comparators
3. Council plan priority actions
4. Publica business plan strategic actions
5. Project and programme management assurance
6. Risk and opportunity management

Across each of those strands would be a regard for inputs, outputs and outcomes as follows:

Inputs = the resources used

Outputs = the products and services delivered

Outcomes = what’s different as a result of the inputs and outputs

However, as at 31 March 2021 the quarterly performance reporting does not yet follow this framework although some improvements have been made when compared to the reporting for the year ended 31 March 2020. We would therefore recommend that the Council should review its performance reporting arrangements and ensure that this is compliant with the performance management framework approved by Cabinet.

Evaluation of services

The services provided by Publica are evaluated in the Performance Indicator report which is part of the quarterly performance reporting pack. This indicator report is prepared by Publica, checked by the Head of Paid Service for the Council and then published via the Cabinet papers on a quarterly basis.

The performance indicator report has a summary page which includes a RAG Rating (Red, Amber, Green Rating) for all of the indicators in the report. Detailed pages are then presented for each indicator. The detailed pages however do not provide any of the RAG Ratings and therefore the reader needs to refer back to the summary page. We would therefore recommend that the Council show the RAG Rating against each detailed page which also includes comparative data i.e. showing a movement since the last quarter or last financial year. The quarter four report for the year ended 31 March 2021 also includes benchmarking data against publicly available benchmarking data. The two comparator groups that have been used are the “all shire districts” and “CIPFA Nearest Neighbourhoods”, however there is a disclaimer that the 2021 data is not available so the data for the year ended 31 March 2020 has been used. The data is therefore out of date and while this can be used for discussion at Cabinet, the report itself does not offer any scenarios or text around this data. We would therefore recommend that the Council reviews the benchmarking data and ensures that the most up to date data is used and a commentary is included to explain the relationship between the Council data and the benchmarking data.

The detailed pages of the performance indicator report include a box with ‘observations’. These are often one or two sentences to describe the graphs presented. However the Council should also ensure that the observations included within the detailed pages of the indicator reports actually describe accurately the data shown as this review has noted examples where the observation was describing the opposite movement shown in the graph.

The summary page of the performance indicator report, as stated above, shows a RAG rating against each indicator. However for those items with a Red or Amber rating, there is no action plan to bring the performance back on track. We would therefore recommend that the Council include an action plan where performance isn’t on track.

Improving economy, efficiency and effectiveness

Evaluation of financial performance

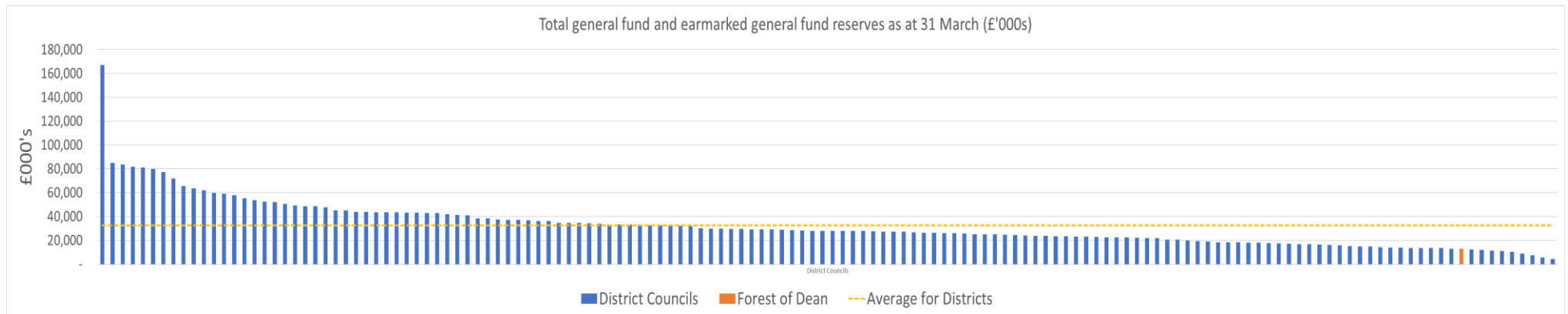
From discussions with the Chief Finance Officer, we note that the financial performance reports are evolving in nature and whilst information is presented as part of the quarterly performance reporting pack around budget and spend to date, no data is provided around savings achieved in year and whether the savings targets have been achieved. We therefore recommend that the Council review the information provided as part of the quarterly reporting pack and consider including savings data also.

Benchmarking and learning from others

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can identify areas for improvement and also provide targets to work towards.

Benchmarking was undertaken as part of our value for money work. We used our management tool 'CFO Insights' and compared the unit costs for a range of services. We did not note any particular areas for concern with the Council around the middle of the pack for most of the costs incurred.

We also compared the level of reserves that the Council holds against all other District Councils. The CIPFA Code of Practice on Local Authority Accounting (at paragraph 2.1.2.36) defines reserves as representing "the residual interest in the assets of the authority after deducting all its liabilities." It is therefore the amount carried forward into future financial years to help fund any excess liabilities in future years should there not be enough assets within the Council. The chart below shows the position of the Council against all other District Councils as at 31 March 2021 and against the average level of reserves held by these Councils. Given that the Council is at the lower end of the chart and below the average level, we would recommend that the Council should consider whether the level of Reserves is appropriate.



Significant Partnerships

During this review Officers have made us aware that they consider Publica Group (Support) Limited (Publica) and Ubico Limited to be their significant partners. Due to the nature of the Publica relationship, performance management arrangements are embedded in the Council's arrangements as described in above sections.

Improving economy, efficiency and effectiveness

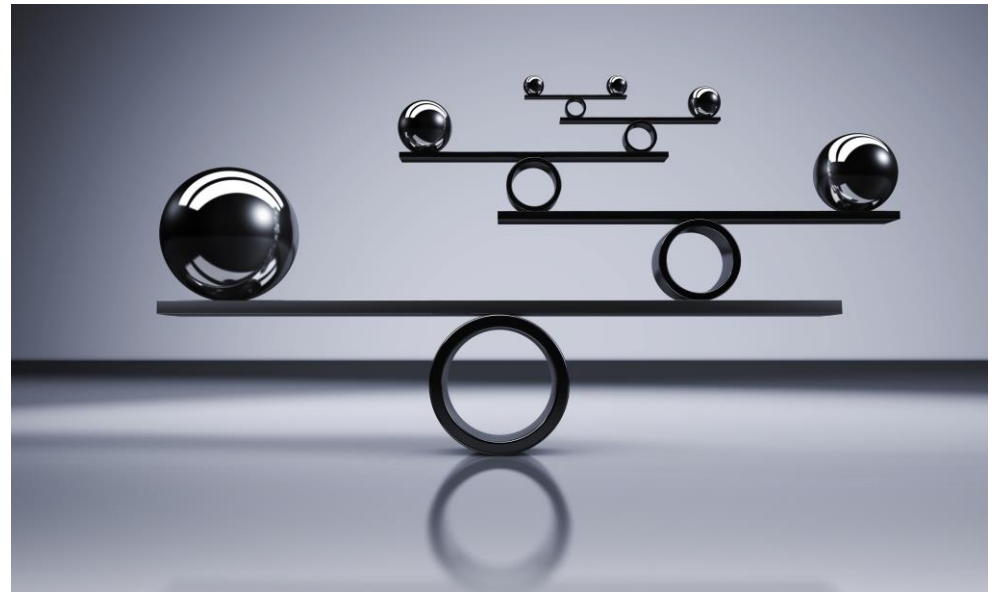
Procurement

The procurement service is an outsourced service provided by Publica. As at 31 March 2021 the Council has a procurement policy however this is dated 2015. In November 2021 a paper was taken to the Audit Committee stating that “Internal Audit recommend that the 2015 procurement and contract management strategy be updated to incorporate the latest guidance Government as well as Social Value and Climate Change.” We would therefore recommend that the Council ensure that the procurement policy is updated.

Data Quality

The Council assures itself over the accuracy of the information reported to elected members by ensuring documents are reviewed by senior officers and that agreed procedures are followed. This will include review by a legal representative and finance.

The Council does not have a data quality policy. Such a policy should set out an agreed approach to ensuring the reliability and consistency of data quality across the Council. It should also set out who is responsible for ensuring quality and accuracy of data used throughout the Council.

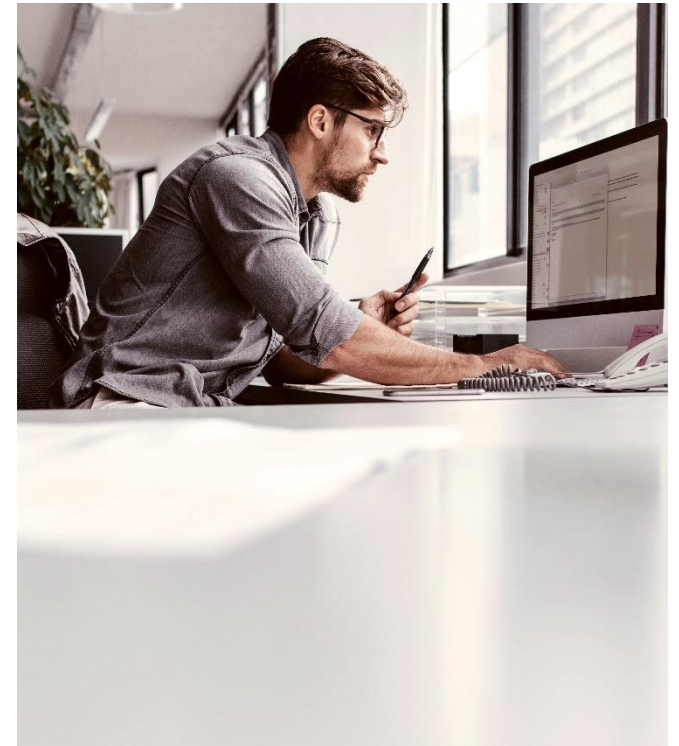


Improvement recommendations



Improving economy, efficiency and effectiveness

1 Recommendation	We recommend that the Council should consider reporting annually against progress made on achieving the targets set out in the Corporate Plan as well as the actions that will be undertaken in future years.
Why/impact	The reader of the performance report can see the progress being made against each target but there is no commentary or charts against all targets or any details provided around whether the Council is on track to meet the target set out in the Corporate Plan.
Summary findings	As part of the quarterly performance reporting, the Council includes a report on the performance of the Council against its priorities as set out in the Corporate Plan 2019-2023. Whilst commentary is provided on the performance to date, the report does not go in detail about whether the Council is on track to achieve the targets set.
Management comment	This is currently set out in the Q4 performance report each year where the Council reflect on the Corporate Plan. This could be set out in a separate report but not sure what this would add.



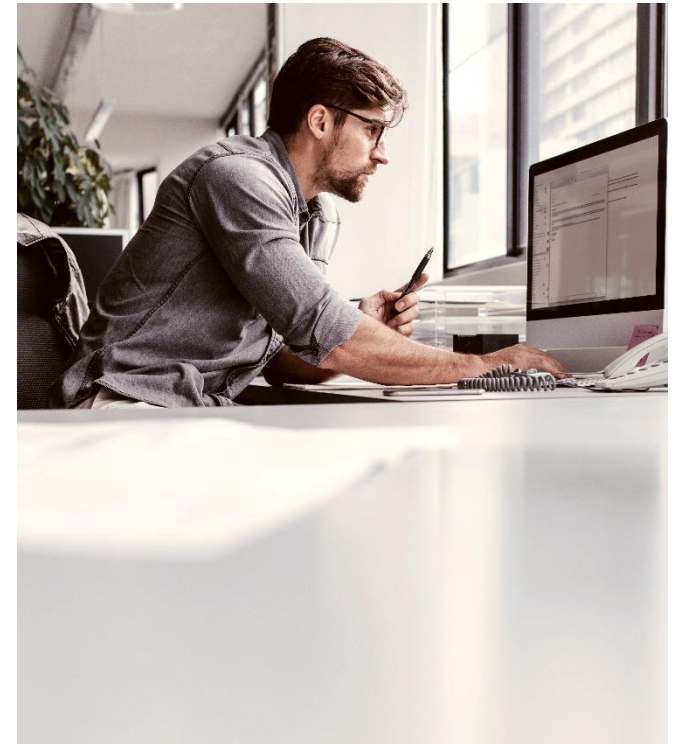
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

2 Recommendation	We recommend that the Council should review its performance reporting and ensure that this is compliant with the performance management framework approved by Cabinet.
Why/impact	The performance management framework was set up to ensure that the Council had access to the performance information to highlight whether the commissioned services were being delivered to a high quality. Decisions should not be made where the information presented to Council is not complete.
Summary findings	During our review of the performance reporting, we noted that whilst improvements have been made in the year ended 31 March 2021, the reporting doesn't fully comply with the performance management framework approved by Cabinet in October 2020.
Management comment	The performance framework that is highlight is the Publica framework and therefore the Council only currently report on the KPI's that have been reported on in previous year.



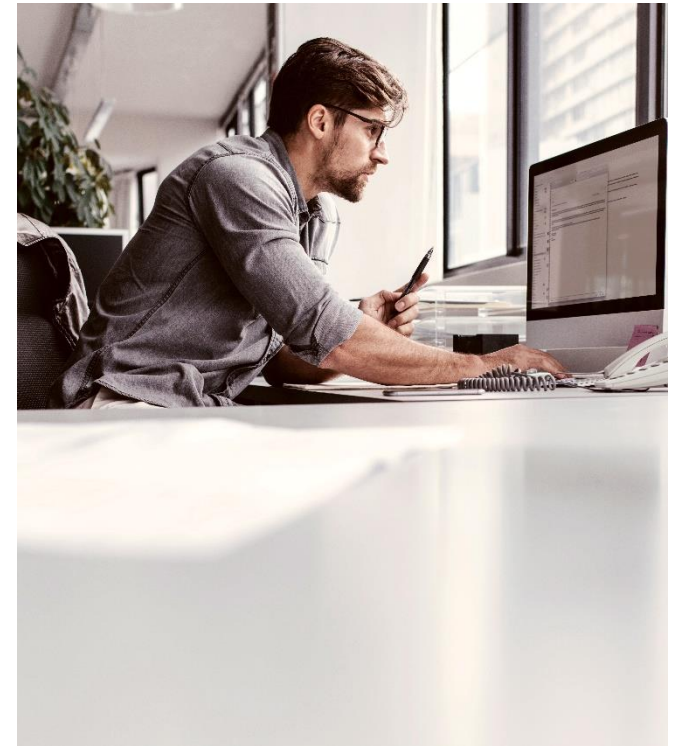
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

3 Recommendation	We recommend that the Council include the RAG (Red, Amber, Green) Rating on the detailed pages of the Performance Indicator report and that the data included also comparative data against the last quarter / financial year.
Why/impact	Presenting the full picture to the reader will enable more accurate decisions to be made.
Summary findings	During our review of the performance indicator report, we noted that whilst there is a summary page showing the RAG Rating, no further detail is presented on the detailed pages showing the trends or journey that the Council is taking.
Management comment	Over the last year, this has been reviewed to ensure that the data is included for last quarter / year for comparisons however we don't believe that repeating and duplicating the RAG status in the detail is not needed and will not add anything extra to the reader.



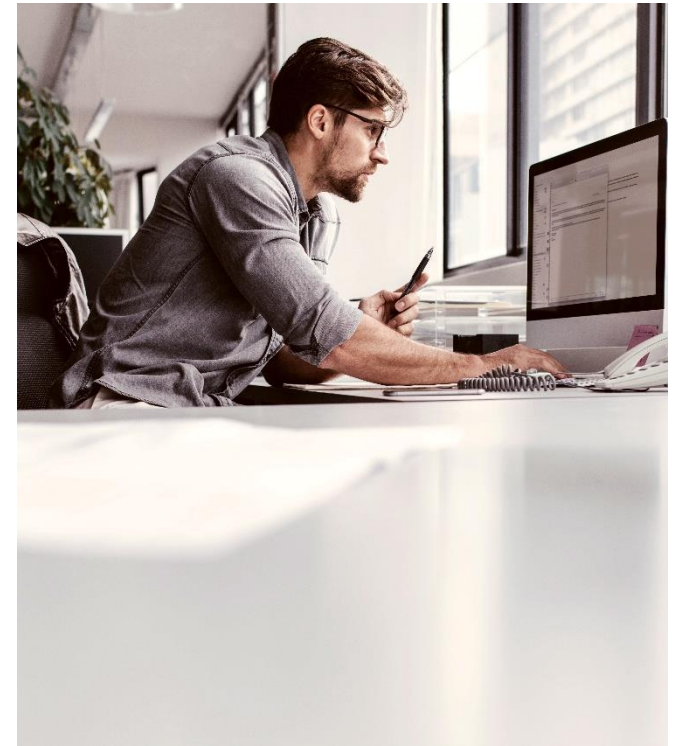
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

4 Recommendation	We recommend that the Council should review the benchmarking data and ensure that the most up to date data is used and a commentary is included to explain the relationship between the Council data and the benchmarking data.
Why/impact	Presenting the full picture to the reader will enable more accurate decisions to be made.
Summary findings	During our review of the performance reporting, we noted that whilst benchmarking data had been introduced in the quarter four report, a disclaimer was included stating that the 2021 data is not available so the data for the year ended 31 March 2020 had been used. The data therefore was out of date and whilst this could have been used for discussion at Cabinet, there was no commentary around the data.
Management comment	This is something that has been reviewed over the last year as although the data could be argued to be out of date, it is the latest to be available. Over the last month or so, it has been agreed that the CIPFA near neighbours data should be used and this will be explained in future reports.



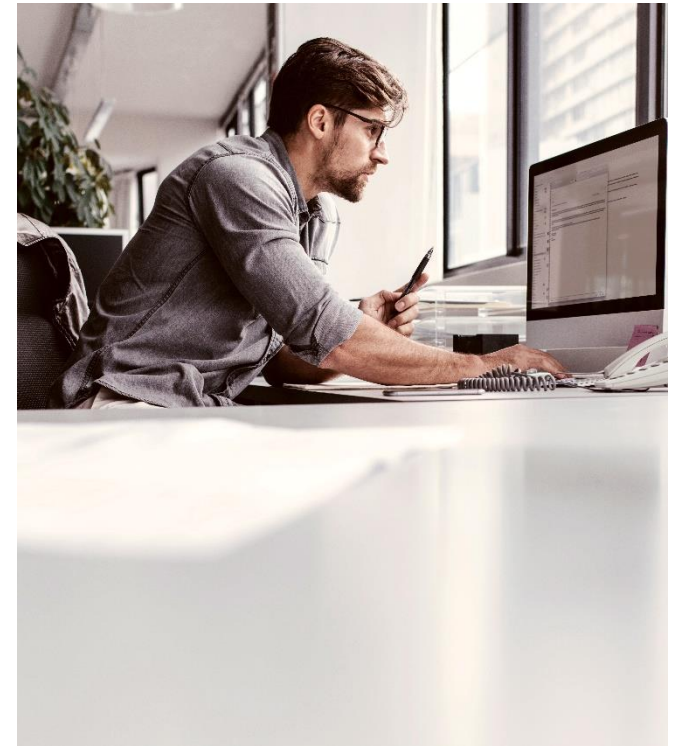
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

5 Recommendation	We recommend that the Council should review its performance reporting and ensure that the 'observations' included for each dataset describe the data appropriately.
Why/impact	Presenting the full picture to the reader will enable more accurate decisions to be made.
Summary findings	During our review of the performance reporting, we noted that the 'observations' did not always agree to the data being presented within the report.
Management comment	This is checked by management on a quarterly basis and therefore should not happen. The aim of the observations are to tell the story of the data and then if needed the actions that are being carried out to improve the data / service going forward.



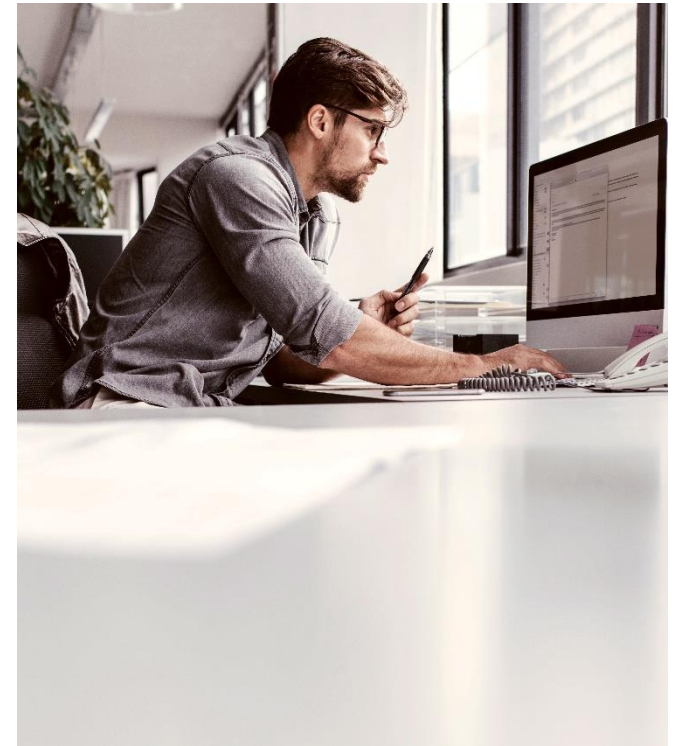
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

6 Recommendation	We recommend that the Council should review the information presented in its performance reporting and consider including an action plan where a performance indicator is Red or Amber.
Why/impact	By including an action plan within the performance reporting showing the steps needed to achieve each Red or Amber performance indicator will ensure that decision makers have full access to the information when making decisions.
Summary findings	The summary page of the performance indicator report shows a RAG Rating against each indicator. However for those items with a Red or Amber Rating, there is no action plan to bring the performance back on track.
Management comment	Although there is no formal action plan, the observations now include the reasons for the status being red or amber and what actions are being taken and the time line expected for these actions to be completed and the KPI to return to green status.



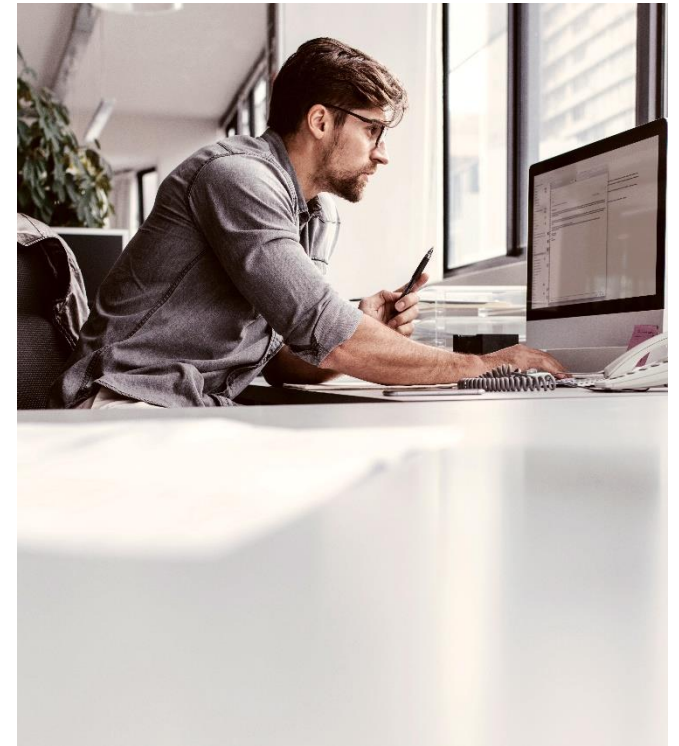
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

7 Recommendation	We recommend that the Council should review its financial performance reporting and consider including further details around savings data.
Why/impact	Presenting the full picture to the reader will enable more accurate decisions to be made.
Summary findings	During our review of the performance reporting, we noted that whilst financial reporting is presented in the quarterly financial reporting, the Council should consider including details around the savings targets and the progress made against each of these to date.
Management comment	The savings data agreed as part of the budget is now reviewed on a quarterly basis and included in the separate budget performance report.



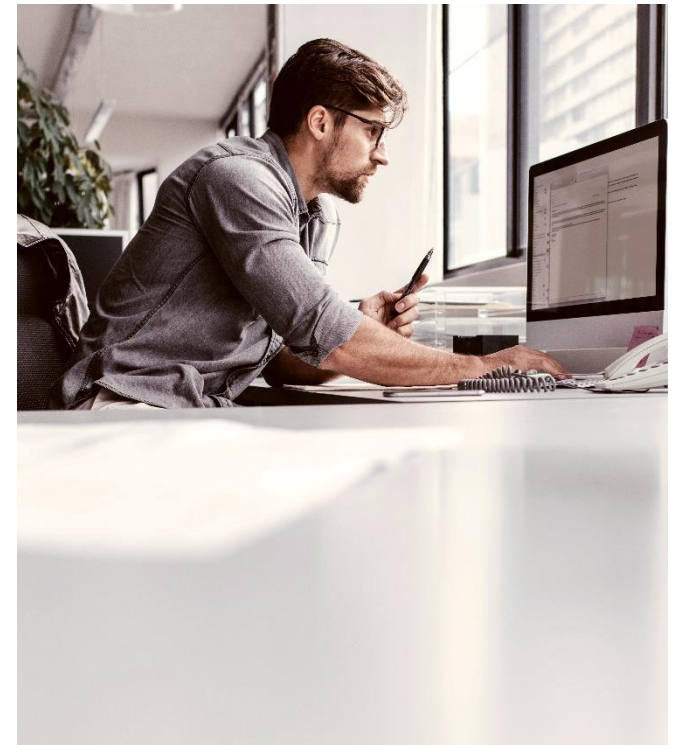
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

8 Recommendation	We recommend that the Council should review the level of reserves held to consider whether these remain appropriate.
Why/impact	The Councils reserves are amounts carried forward in future years to fund any excess liabilities. The Council should therefore consider that the reserves held are appropriate for the Council.
Summary findings	During our value for money work we noted that when compared to other District Councils the Council has a below average level of reserves.
Management comment	As part of the Budget Challenge Group at the beginning of 2021/22, a full review of the reserves took place and decisions were made to strengthen the Budget Deficit Reserve.



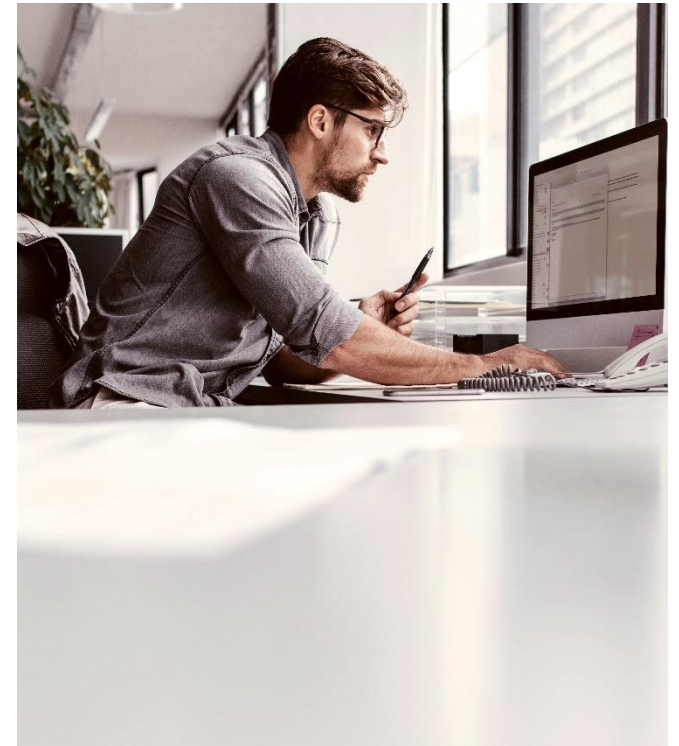
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

9 Recommendation	We recommend that the Council should ensure that the procurement policy is updated.
Why/impact	The existing arrangements should be improved to ensure that there are no significant failings in the procurement process.
Summary findings	The Council does not have a current procurement policy. Its existing policy is dated 2015 and Internal Audit have recommended that the policy be updated.
Management comment	This has now been presented to Audit Committee as a draft , amendments are currently being made to review the current Ukrainian war and cyber issues to ensure that these are covered. It is expected that this will return to Audit Committee in June 2022 for recommendation on to Cabinet for approval.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

10 Recommendation We recommend that the Council should adopt a data quality policy.

Why/impact

A data quality policy would set out the Council's approach to continually improving the quality of data required to support good decision making. A data quality policy should include:

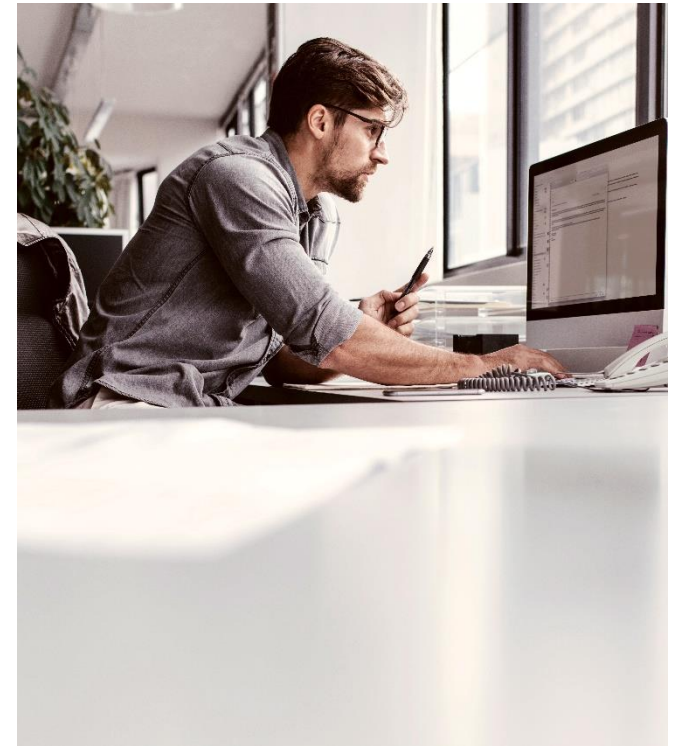
- Definition of data quality and why it is important
- Roles and responsibilities, including members, senior officers and individual employees
- Data quality objectives
- Monitoring arrangements
- Arrangements for data sharing.

Summary findings

The Council does not have a data quality policy.

Management comment

This is something that the management will review and put in place if needed for the Council



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

Financial sustainability



We considered how the Council:

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

Outturn 2020/21

The 2020/21 General Fund outturn position, after taking into account the costs of the pandemic, was an underspend of £137,594 against budget. The Council incurred additional expenditure as a result of Covid-19 as well as a loss of income (which impacted Planning, Building Control, Leisure, Waste and Car Parking). Four tranches of funding were received from Government to cover these costs totalling £1,277,153 and a further £435,160 is due to be received in 2021/22.

The Council has also received and paid out £32.8m in business grants to local businesses from Central Government funds as well as payments for Track and Trace of £95,000.

The original budget included within the Medium Term Financial Strategy (MTFS) for the year ended 31 March 2021 had a shortfall and a need for a drawdown from the Deficits Earmarked Reserve of £366,020 to balance but at the end of the financial year, the underspend allowed a contribution to this Reserve instead.

Managing financial risk

The financial risks of the Council have been set out as part of the Medium Term Financial Strategy and the Chief Finance Officer report on the Reserves however the quarterly performance reports do not give any indication of financial risks. We therefore recommend that the Council include the financial risks within the quarterly performance reporting.

Cash flow forecasting has been undertaken during 2020/21 and no projected gaps were identified. The cash position was eased by the various sources of government funding and support to businesses that were paid through the Council.

We have found no evidence of significant weakness in the Council's arrangement for managing financial risk, however we have raised an improvement recommendation around the reporting of financial risks.

Funding gaps and savings identification

The Medium Term Financial Strategy (MTFS) for 2020/21 was taken to Council for approval in Feb 2020. This showed a gap of £4.570m to 2023/24. In this plan, the 'Deficits Reserves' would be utilised in full during 2021/22. In Feb 2021, the 2021/22 MTFS was taken to Council for approval and this showed a cumulative gap to 2025/26 of £3.568m. In March 2021, the Strategic Risk Register was presented to the Audit Committee and it was noted that "It is likely that all earmarked reserves will be exhausted by end of 2023/24 if current spending levels continue.

The Council have continued to review its financial position and in its latest MTFS (February 2022) show that there is no funding gap until 2024/25.

Financial sustainability

Savings schemes are identified by the business managers within the service areas and go through several layers of challenge before being taken to Council for approval.

Sustainable delivery of services

Effective financial planning ensures sustainable delivery of services. However in order to achieve effective financial planning, the Council will need to demonstrate an understanding of the costs of delivering core statutory services as distinct from discretionary areas of spend. Our review noted that discretionary spending isn't routinely reported as part of the quarterly financial performance reports, but papers published from the Council meeting in March 2021 show that a review of discretionary spend has occurred within the Council. We would therefore recommend that the Council expand its financial reporting to include quarterly reporting on the discretionary expenditure.

Consistency between financial and other corporate plans

The Council priorities are considered when the budget is set and throughout the financial year the budget is monitored by the Chief Finance Officer to establish whether a service deterioration warrants a budget virement to bring the service back on track.

The way that the Council has set up its service provision through the use of Publica staff means that the Council itself only has the Statutory posts within the Council with the staff all sitting with Publica. Publica however do not have a workforce plan. We have been provided with a budgeted FTEs report showing the FTEs that Publica need to deliver its services for 22/23 but this does not show how many FTEs are in post. We would therefore recommend that the Council work with Publica to ensure that there is a workforce plan in place covering the Council's services.



Improvement recommendations



Financial sustainability

11 Recommendation	We recommend that the Council include the financial risks as part of the quarterly performance reporting.
Why/impact	Presenting the full picture to the reader will enable more accurate decisions to be made.
Summary findings	Our review noted that whilst financial risks have been included in the Medium Term Financial Strategy and the Chief Finance Officer's statutory report on Reserves, no financial risks information is presented as part of the quarterly performance reporting.
Management comment	This will be added in future, currently the Council covers financial risks through the Strategic Risk Register and the MTFS but happy to add commentary into the quarterly report on this.



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

Improvement recommendations

Financial sustainability

12 Recommendation	We recommend that the Council report expenditure on discretionary services separately in the quarterly financial performance reports.
Why/impact	Presenting the full picture to the reader will enable more accurate decisions to be made.
Summary findings	During our review we noted that the Council do not report the expenditure on discretionary services separately in the financial performance reports. We note however that a review of these services has been undertaken which shows the Council knows which services are discretionary and costs to be attributed to those services.
Management comment	This will be added in future, however the Council will need to work with the Public Finance Team to ensure that the correct costs are picked up and that this is report correctly and does not confuse the readers of the report.



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

Improvement recommendations

Financial sustainability

13 Recommendation	We recommend that the Council work with Publica to develop a workforce plan.
Why/impact	The Council will have a clearer understanding of disruption to services if it understands any shortfalls in FTE numbers.
Summary findings	During our review we noted whilst Publica have a budgeted Full Time Equivalent (FTE) report showing the FTE required to deliver the services, this does not show the FTE in post and therefore any shortfall in staff.
Management comment	The Council will work with Publica to ensure that this is put in place in the future.



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

Governance



We considered how the Council:

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

Managing Risk

The Council has a Risk Management Policy which is reviewed annually and was agreed by the Audit Committee in November 2021.

All risks are reviewed at the operational level before being entered onto the Strategic Risk Register. These are regularly reviewed by the Local Leadership Team (which comprises the Head of Paid Service, S151 Officer, the Publica Relationship Director and the Risk and Compliance Officer) to ensure that these are understood, recorded correctly and scored correctly. The Strategic Risk Register is taken to the Audit Committee for members to also confirm their approval.

Within the Strategic Risk Register, each risk is given a unique ID and a description of the risk is provided. The risks are split across departments of the Council with the link being made to the Corporate Objective for each section. An initial risk score is provided and then any existing control, mitigation or contingency is described which then provides the residual risk assessment and any changes since the previous assessment are noted, along with the direction of travel. The risk response and further action is also detailed along with the date of the next review. A named risk owner is also provided.

The Council has a Counter-Fraud Manager who provides regular updates to the Audit Committee, as well as a Counter-Fraud and Anti-Corruption policy. In addition the Council has a code of conduct included within the Constitution. The Council also has a Whistleblowing policy, however this is dated November 2017 and was due for review in November 2020. We therefore recommend that the Council undertakes a review of the policies in places and embeds a system for ensuring that these are frequently considered and updated where necessary.

Overall we found the Council's arrangements to be adequate with regards to internal controls. We have raised an improvement recommendation that the Council should maintain a system to ensure that the policies of the Council are kept up to date.

Monitoring Standards

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standard, such as the Monitoring Officer and the Chief Finance Officer. During our review we did not identify any instances where officers or elected members have failed to comply with the necessary standards. The Council has not had a data breach in the year ended 31 March 2021.

A large range of policies and standards are in place to ensure compliance, such as codes of conduct, gifts and hospitality and whistleblowing policies. Officers and members are required to annually declare any interest that they might have and any gifts and hospitality received during the year.



Governance

Budgetary control 2020/21

We have reviewed the Council's processes and procedures for monitoring the 2020/21 budget.

The finance team work with each service manager to look at their areas and review issues and likely outcomes and agree the budget level needed. As this is done on a team by team basis, there is no consideration of trends including analysis and extrapolation and the impact these would have on the projected final out-turn. A risk and sensitivity analysis is not undertaken. We would therefore recommend that consideration of trends including analysis and extrapolation and the impact on the projected final out-turn. A risk and sensitivity analysis is not undertaken on the final budget.

The Council introduced new arrangements to identify and monitor the additional costs arising from the pandemic. These included:

- A specific cost centre was established to record costs and income losses relating to the pandemic
- Details around Covid-19 expenditure and income is presented as an annex in the quarterly reporting

Financial monitoring is undertaken by the 'Budget Cabinet Working Group' and the 'Budget Challenge Group' who are responsible for the setting of the initial budget as well as maintaining oversight and monitoring performance. Both the Head of Paid Service and Chief Finance Officer sit on these groups. Financial variances are shown as an annex to the quarterly reporting, with the narrative explaining these variances shown in the covering paper.

We have not therefore identified any significant weaknesses with regard to the Council's arrangements for budget monitoring.

Informed decision making

The work of the Council's committees is governed by the constitution. The constitution was last updated in February 2021. The constitution is available on the Council's website and includes the elected members code of conduct.

The Annual Governance Statement sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

As a result of the Covid-19 pandemic, the Council began the year operating under emergency powers which it introduced in March 2020. These arrangements continued until virtual meetings were introduced from July 2020.

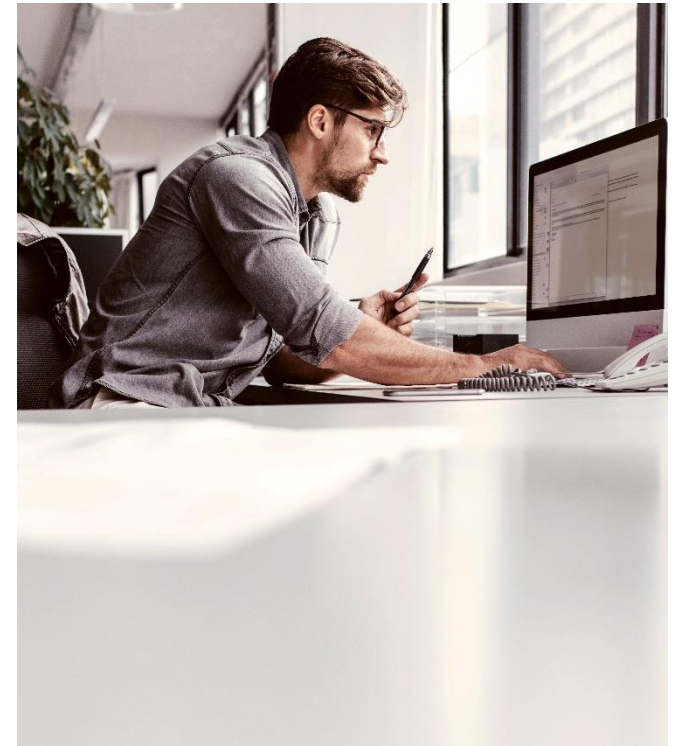
We therefore consider the Council's arrangements to be adequate with regard to decision making.



Improvement recommendations

Governance

14 Recommendation	We recommend that Management undertake a review of the policies and procedures currently in place to ensure that these are updated regularly and remain appropriate and in line with the latest guidance and requirements.
Why/impact	Key policies like the whistleblowing policy should be updated annually to ensure they are up to date with current legislation and good practice and be consistent with other complementary policies, such as grievance procedures and harassment and bullying policies.
Summary findings	Our review noted that the Whistleblowing policy is dated November 2017 and was due for review in November 2020.
Management comment	The reason why some of these policies and procedures have not been updated as quickly and timely as they would normal be is due to the additional workloads created due to COVID-19 especially around the various Business Grants. For example, the whistleblowing policy has now been updated and went to the last Audit Committee.

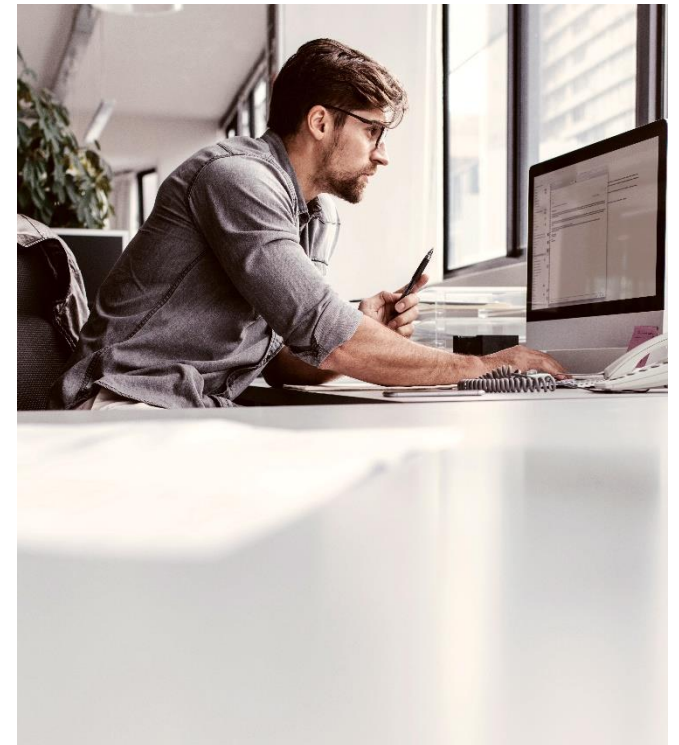


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

15 Recommendation	We recommend that as part of the annual budget setting process, the Council consider trends including analysis and extrapolation and the impact on the projected final out-turn.
Why/impact	Presenting the full picture to the reader will enable more accurate decisions to be made.
Summary findings	Our review noted that a risk and sensitivity analysis is not undertaken as part of the budget setting process.
Management comment	A risk and sensitivity process will be undertaken as part of future budget setting processes.



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

COVID-19 arrangements



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

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

Financial sustainability

Covid-19 posed a significant finance challenge to all organisations. There has been significant extra spending by the Council on leisure provision, homelessness, extra PPE and Licencing costs for IT for virtual meetings. In addition to this, the Council suffered a loss of income due to the National Restrictions and lockdowns put in place. The Council set up additional cost centres for Covid-19 costs and income so that these could be recorded separately.

The Council has received Government funding to cover these costs of £1,277,153 and a further amount of £435,160 in 2021/22. This funding has helped the Council with the year end overspend being transferred into an earmarked reserve for future years.

Governance

Whilst generally maintaining a 'business-as-usual' approach to governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions in March 2020 the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. For example, 'mobile' working was immediately and successfully deployed, enabling staff across the Council and Publica to continue working seamlessly at home. Following the first national lockdown, committee meetings moved to video conferencing and subsequently took place online throughout the pandemic. Our reviews of the meeting minutes evidenced that appropriate levels of scrutiny and challenge continued to be applied, and we saw this first-hand from our attendance at the Audit Committee. There was also consideration by the Council around the different risks and the strategic risk registers were updated to ensure Covid-19 related risks were recorded appropriately and mitigated where appropriate.

Improving economy, efficiency and effectiveness

The Council has maintained performance reporting throughout the Covid-19 pandemic. The Council is now working on the recovery phase and how performance can be improved.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 26 October 2021.

Other opinion/key findings

There were no other opinion or other key findings.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit Committee on 16 September 2021.

Whole of Government Accounts

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

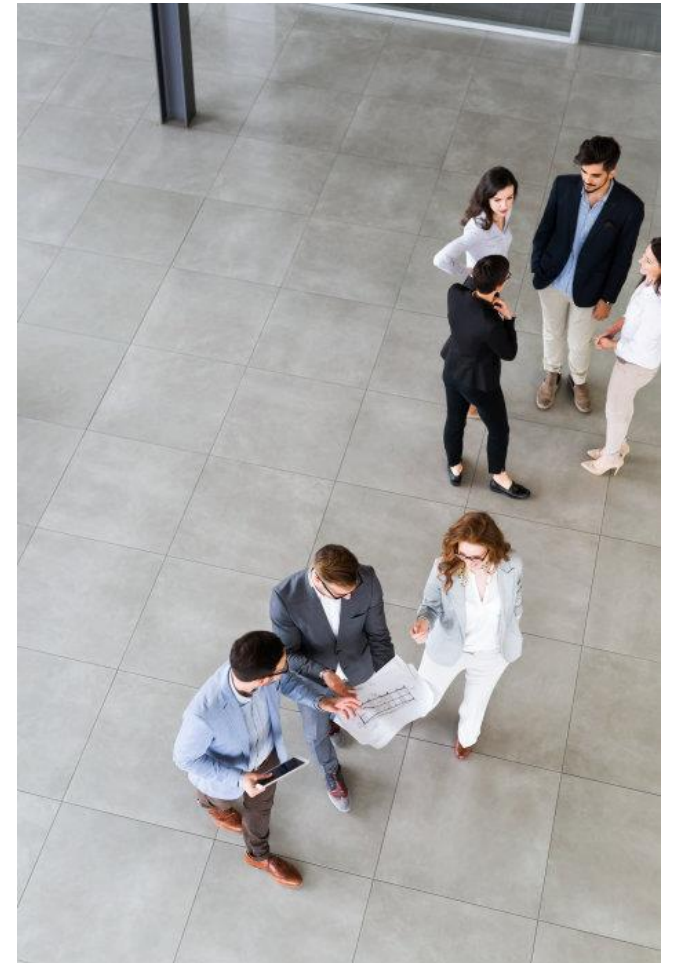
Our work has not yet been completed as we are awaiting the final instructions to be issued by the NAO.

Preparation of the accounts

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

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

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

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

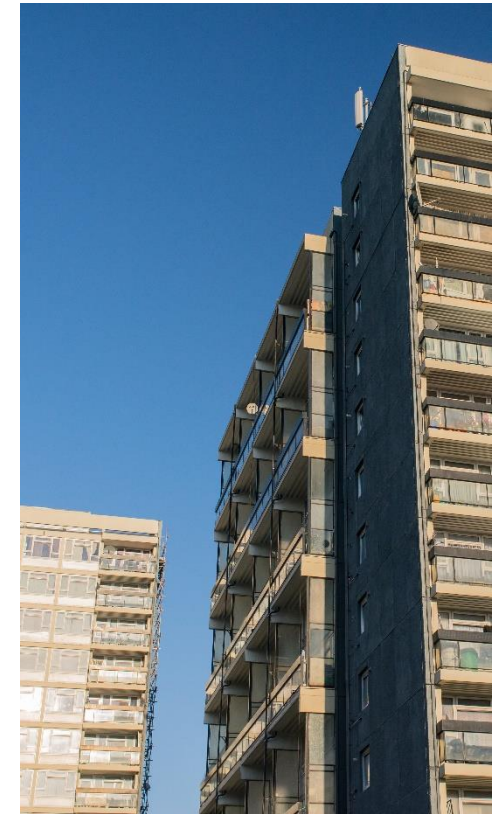
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was not identified as a potential significant weakness, see page 20 to 24 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, three improvement recommendations raised.
Governance was not identified as a potential significant weakness, see page 25 to 28 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, two improvement recommendations raised.
Improving economy, efficiency and effectiveness was identified as a significant weakness, a more detailed review was undertaken see page 6 to 19 for further information	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, ten improvement recommendations raised.

Appendix C - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 10-19 22-24 27+28



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