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THREE RIVERS DISTRICT COUNCIL

Three Rivers House
Northway
Rickmansworth
Herts WD3 1RL

AUDIT COMMITTEE

NOTICE AND AGENDA

For a meeting to be held in the Penn Chamber, Three Rivers House, Northway, Rickmansworth on Thursday, 21 March 2024 at 7.30 pm

Members of the Committee:-

Councillors:

Tony Humphreys (Chair)
Lisa Hudson
Khalid Hussain
Raj Khiroya
Jonathan Solomons

Ruth Clark (Vice-Chair)
Andrea Fraser
Ciaran Reed
Rue Grewal

Joanne Wagstaffe, Chief Executive
Wednesday, 13 March 2024

The Council welcomes contributions from members of the public on agenda items at the Audit Committee meetings. Details of the procedure are provided below:

For those wishing to speak:

Members of the public are entitled to register and identify which item(s) they wish to speak on from the published agenda for the meeting. Those who wish to register to speak are asked to register on the night of the meeting from 7pm. Please note that contributions will be limited to one person speaking for and one against each item for not more than three minutes.

In the event of registering your interest to speak on an agenda item but not taking up that right because the item is deferred, you will be given the right to speak on that item at the next meeting of the Committee.

Those wishing to observe the meeting are requested to arrive from 7pm.

In accordance with The Openness of Local Government Bodies Regulations 2014 any matters considered under Part I business only of the meeting may be filmed, recorded, photographed, broadcast or reported via social media by any person.

Recording and reporting the Council's meetings is subject to the law and it is the responsibility of those doing the recording and reporting to ensure compliance. This will include the Human Rights Act, the Data Protection Legislation and the laws of libel and defamation.

1. **APOLOGIES FOR ABSENCE**

2. **MINUTES** (Pages 5 - 10)

To confirm, as a correct record, the minutes of the Audit Committee meeting held on Thursday, 30 November 2023.

3. **NOTICE OF OTHER BUSINESS**

Items of other business notified under Council Procedure Rule 30 to be announced, together with the special circumstances that justify their consideration as a matter of urgency. The Chair to rule on the admission of such items.

4. **DECLARATIONS OF INTEREST**

To receive and Declarations of Interest.

5. **INTERNAL AUDIT PROGRESS UPDATE REPORT** (Pages 11 - 48)

This report details:

- Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2023/24 as at 8 March 2024.

- Proposed amendments to the approved 2023/24 Annual Audit Plan.

- Implementation status of all previously agreed audit recommendations from 2019/20 onwards.

- An update on performance management information as at 8 March 2024.

Recommendation:

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 8 March 2024.

- Approve amendments to the Audit Plan as at 8 March 2024.

- Agree changes to the implementation date for 4 audit recommendations (paragraph 2.5) for the reason set out in Appendices 3 to 7.

- Agree removal of implemented audit recommendations (Appendices 3 to 7).

6. AUDIT PLAN 2024/25 REPORT (Pages 49 - 66)

The Council's Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Chief Audit Executive's Annual Opinion Report.

Recommendation:

Members are recommended to approve the proposed Three Rivers District Council and the Watford and Three Rivers Shared Services Internal Audit Plans for 2024/25.

7. STATEMENT OF ACCOUNTS UPDATE (Pages 67 - 114)

This report sets out the latest position for external audit of the Statement of Accounts for 2020/21, 2021/22 and 2022/23, and the timetable for the 2023/24 Statement of Accounts.

Recommendation:

The Audit Committee is recommended to:

- Note the update in relation to the 2021/22 and 2022/23 external audits**.**
- Note the progress in relation to onboarding the new external auditors for 2023/24.
- Ratify the Accounting Policies for 2023/24 as approved by the Director of Finance as set out in Appendix 4.

8. EXTERNAL AUDITOR UPDATE (Verbal Report)

Verbal update by the Council's External Auditors.

9. AUDIT COMMITTEE WORK PROGRAMME (Pages 115 - 118)

To consider a report by the Head of Finance recommending that the Committee consider and make any changes necessary to its Work Programme.

10. OTHER BUSINESS

Any other Items of Business approved under Item 3 of the Agenda.

11. EXCLUSION OF PRESS AND PUBLIC

If the Committee wishes to consider any item in private, it will be appropriate for a resolution to be passed in the following terms:-

"that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined under Part I of Schedule 12A to the Act. It has been decided by the Council that in all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information."

(Note: If other confidential business is approved under item 3, it will also be necessary to specify the class of exempt or confidential information in the additional items.)

General Enquiries: Please contact the Committee Team at
committeeteam@threerivers.gov.uk

Three Rivers House
Northway
Rickmansworth
Herts WD3 1RL

THREE RIVERS DISTRICT COUNCIL

AUDIT COMMITTEE

At a meeting of the Audit Committee held in the Penn Chamber, Three Rivers House, Rickmansworth, on Thursday, 28 September from 7.30 – 8:15 pm.

Present:

Councillor Tony Humphreys (Chair)
Councillor Ruth Clark (Vice Chair)
Councillor Lisa Hudson
Councillor Khalid Hussain
Councillor Raj Khirova
Councillor Ciaran Reed
Councillor Rue Grewal

Officers

Hannah Doney, Head of Finance

Also Present

Darren Williams:	Shared Internal Audit Service (SIAS)
Leigha Britnell:	Shared Internal Audit Service (SIAS)
Simon Luk:	Ernst and Young (EY)
Paul Grady:	Azets Audit Services
Reshma Ravikumar:	Azets Audit Services
Anita Hibbs:	Legal & Democratic Services

Minutes Produced by Cameron MacLean, Interim Committee Services Manager

AC30/23 APOLOGIES FOR ABSENCE

Apologies were received from Councillor Andrea Fraser, Khalid Hussain, Raj Khiroya and Lisa Hudson.

AC31/23 MINUTES

The minutes of the Audit Committee meeting held on Thursday, 28 September 2023 were approved, and the Chair was authorised to sign them as a correct record.

AC32/23 NOTICE OF OTHER BUSINESS

There were no items of other business.

AC33/23 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC34/23 INTERNAL AUDIT PROGRESS REPORT 2023/24

The Committee considered a report by the Shared Internal Audit Service (SIAS) regarding the delivery of the Council's Annual Audit Plan for 2023/2024 as of 17 November 2023.

The report detailed progress made by the SIAS in delivering the Council's Annual Audit Plan for 2023/24 ("the Plan"), along with proposed amendments to the Plan and the implementation status of all previously agreed audit recommendations from 2019/20 onwards. The report also provided an update on Performance Management information as of 17 November 2023.

Mr Darren Williams, Head of Audit, and Ms Leigha Britnell, Client Audit Manager, presented the report.

In the subsequent discussion, the following points arose.

a) In response to a question about how the Council's Internal Audit, given the financial crisis facing many councils, planned its audits, Ms Britnell stated that Financial Audits were undertaken each year to provide assurance regarding the governance of the Council's financial systems.

   The SIAS also undertook "horizon scanning" for new, emerging threats, for example, in relation to central government's proposals to introduce new procurement regulations in 2024/25. The SIAS also liaised with Heads of Service during the planning process in Quarter 4 of the financial year and would identify any further risks that may require an audit to provide further assurance.

b) Regarding stories about fraud that had appeared in the press, Ms Britnell stated that the Shared Anti-Fraud Service ("the Service") had identified the frauds referred to in the press before the press releases were published. In addition, officers from the Service had been in discussion with the Council's Section 151 Officer regarding how best to mitigate the risks around any potential fraud that could affect the Council.

c) In response to a question regarding changes to the implementation date of three audit recommendations, Ms Britnell confirmed that it was proposed to extend the deadlines because of procedural issues and there being insufficient time following the external audits to implement the procedural requirements.

RESOLVED: That the Committee –

1. Note the Internal Audit Progress Report for the period to 17 November 2023;
2. Approve amendments to the Audit Plan as of 17 November 2023;
3. Agree –
   a) Changes to the implementation date for three audit recommendations (Paragraph 2.5 [of the report]) for the reasons set out in Appendices 3 to 7 [of the report]; and
   b) Removal of implemented audit recommendations (Appendices 3 to 7 [of the report]).

AC35/23 TREASURY MANAGEMENT MID TERM REVIEW 2023/24

The Committee considered the Treasury Management mid-year report by the Director of Finance, which had been prepared in compliance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management, covering performance against the Council's Capital Strategy and Treasury Management Policy.

The report was presented to the Audit Committee as the body delegated by Council to undertake the role of scrutiny of Treasury Management strategy and policies.

Alison Scott, Director of Finance, presented the report.

In the subsequent discussion, Ms Scott responded to questions and matters raised by Members of the Committee.

RESOLVED: That the Committee –

1. Note the contents of the 2023/24 mid-year review of the Treasury Management Function; and
2. Recommend the report to Council.

AC36/23 DRAFT CAPITAL INVESTMENT STRATEGY AND TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25

The Committee considered a report of the Director of Finance inviting comments on the Draft Capital Investment Strategy and Treasury Management Strategy Statement over the medium-term (2024/25 to 2026/27).

The report noted that the framework used by central government to control how much Councils could afford to spend on capital investment was the Prudential Framework, the objectives of which were to ensure that local authorities' capital investment plans were:

- Affordable, prudent, and sustainable;
- That treasury management decisions were taken in accordance with reliable professional practice; and
- That local strategic planning, asset management planning and proper option appraisal were supported.

The Capital Strategy set out how the Council would achieve those objectives.

Alison Scott, Director of Finance, presented the report.

In the subsequent discussion, Ms Scott responded to questions and matters raised by Members of the Committee.

RESOLVED: That the Committee note the report.

AC37/23 STATEMENT OF ACCOUNTS UPDATE

The Committee considered a report of the Head of Finance recommending that the Audit Committee note the progress and latest timetable for completion of the External Audit of the Statement of Accounts for 2019/20 onwards.

It was noted that, regarding the Statement of Accounts 2019/20, officers were working with the External Auditors to finalise the audit as soon as possible. Consequently, work on the Statement of Accounts 2020/21 had been delayed because of the priority given to completing the 2019/20 accounts.

Alison Scott, Director of Finance, presented the report.

In the subsequent discussion, Ms Scott responded to questions and matters raised by Members of the Committee.

RESOLVED: That the Committee note the progress and latest timetable for completion of the External Audit of the Statement of Accounts for 2019/20 onwards.

AC38/23 EXTERNAL AUDITOR UPDATE

The Committee received a verbal update from Mr Simon Luk of EY, the Council's External Auditors

In the subsequent discussion, Mr Luk responded to questions raised by Members of the Committee.

RESOLVED: To receive the verbal update.

AC39/23 DRAFT EXTERNAL AUDIT PLAN 2023/24

The Committee considered the Draft External Audit Plan 2023/24 prepared by the Council's External Auditors, Azets.

Mr Paul Grady and Ms Reshma Ravikumar of Azets presented the Draft Audit Plan for 2023/24 ("the Plan").

Mr Grady noted that there was a significant risk in relation to the audit due to the fact the prior year audits had not yet been completed. He stated that this risk was reflected in the Plan.

Ms Ravikumar then discussed the significant risks arising in the Plan which would be considered in the 2023/24 audit and discussed the materiality levels; planned value-for-money arrangements work; and proposed fees. It was noted that, at the planning stage, no significant risks had been identified for the value-for-money arrangements work.

In the subsequent discussion, Members noted the risks identified and confirmed the Plan was in line with Committee's expectations.

RESOLVED: To note the Draft External Audit Plan 2023/24

AC40/23 FINANCE AND BUDGETARY RISKS

The Committee considered a report of the Head of Finance recommending that the Committee review the Risk Register and make any comments it wished to make against individual risks.

The report advised the Committee on the latest position in respect of the evaluation of financial risks facing the Council.

It was reported that, since the last Audit Committee, the pay award for 2023/24 had been agreed at the level included in the latest budget forecast and that inflation had started to reduce with the result that the pay award risk has been lowered. However, the pay award risk remained a significant risk for future years.

It was also reported that the interest rate risk had been updated to reflect the fact the Council was forecast to remain cash positive and would benefit from higher interest rates whilst this remained the position.

Accordingly, updates to the Action Plan had been provided where action had been taken or was planned, or where further information had become available.

It was noted that the recommendations allowed the Committee to review the financial risks faced by the Council and record any comments it wished to make in respect of individual risks.

Alison Scott, Director of Finance, presented the report.

In the subsequent discussion, Ms Scott responded to questions and matters raised by Members of the Committee.

RESOLVED: That the Committee note the report.

AC41/23 AUDIT COMMITTEE WORK PROGRAMME

The Committee considered a report by the Head of Finance recommending that the Committee consider and make any changes necessary to its Work Programme.

It was noted that the Audit Committee met five times during the financial year between the 1 April and 31 March, the Work Programme being presented at each meeting of the Committee.

Alison Scott, Director of Finance, presented the report.

In the subsequent discussion, Ms Scott responded to questions and matters raised by Members of the Committee.

RESOLVED: That the Committee note the report.

CHAIR

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Shared Internal Audit Service
Hertfordshire in Partnership

Three Rivers District Council
Audit Committee Progress Report
21 March 2024

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 8 March 2024
- Approve amendments to the Audit Plan as at 8 March 2024
- Agree changes to the implementation date for 4 audit recommendations (paragraph 2.5) for the reason set out in Appendices 3 to 7
- Agree removal of implemented audit recommendations (Appendices 3 to 7)

Contents

1. Introduction and Background

Purpose of Report

1.1 This report details:

a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2023/24 as at 8 March 2024.
b) Proposed amendments to the approved 2023/24 Annual Audit Plan.
c) Implementation status of all previously agreed audit recommendations from 2019/20 onwards.
d) An update on performance management information as at 8 March 2024.

Background

1.2 The work of internal audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

1.3 The 2023/24 Annual Audit Plan was approved by Audit Committee on 28 March 2023.

1.4 The Audit Committee receives periodic updates on progress against the Annual Audit Plan from SIAS, the most recent of which was brought to this Committee on 30 November 2023.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

2.1 At 8 March 2024, 88% of the 2023/24 Audit Plan days had been delivered (calculation excludes unused 'To Be Allocated'). Appendix A provides a status update on each individual deliverable within the audit plan.

2.2 The following 2023/24 final reports have been issued since the November 2023 Audit Committee.

Audit Title	**Date of Issue**	**Assurance Level**	**Number and Priority of Recommendations**
IT Operations	Dec '23	Reasonable	Two Medium
Safeguarding	Jan '24	Reasonable	One Medium Two Low
Watersmeet Theatre	Feb '24	Reasonable	Four Low

All Priority Audit Recommendations

2.3 Members will be aware that a Final Audit Report is issued when agreed by Management. This includes an agreement to implement the recommendations made. It is SIAS's responsibility to bring to Members' attention the implementation status of recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.

2.4 The table below summarises progress in implementation of all outstanding internal audit recommendations as at 8 March 2024, with full details given in appendices 3 to 7:

Year	Number of Recommendations	Implemented	Not yet due	Outstanding & request made for extended time or no update provided	% implemented
2019/20	37	36	0	1	97%
2020/21	25	24	0	1	96%
2021/22	36	35	1	0	97%
2022/23	44	41	3	0	93%
2023/24	6	2	2	2	33%

2.5 Since 30 November 2023 Audit Committee, extension to implementation dates have been requested by action owners for 4 recommendations as follows:

- One from the 2019/20 Property (Rent and Lease Administration) audit, with a revised target date of 31 August 2024 (was 31 January 2024).
- One from the 2020/21 Debtors audit, with a revised target date of 31 March 2024 (was 31 December 2023) and,
- Two from the 2023/24 Taxi Licensing audit, with revised target dates of 28 June 2024 (was 30 April 2024).

Proposed 2023/24 Audit Plan Amendments

2.6 A grant certification was completed by the 1 March 2024 deadline in respect of the DEFRA Waste Recycling funding received by the Council. The time has been taken from the Grant Certifications allocation.

Reporting of Audit Plan Delivery Progress

2.7 To help the Committee assess the current position in terms of progress against the projects in the 2023/24 Audit Plan, an analysis of agreed start dates is shown at Appendix 2. Dates have been agreed with management and resources allocated accordingly.

2.8 The 2023/24 Annual performance indicators and targets were approved by the SIAS Board in March 2023. Actual performance for Three Rivers District Council (including the Shared Services Plan) against the targets that are monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target to 8 March 2024	Actual to 8 March 2024
1. **Planned Days** – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	90% (200 / 221 days)	88% (193.5 / 221 days)
2. **Planned Projects** – percentage of actual completed projects to draft report stage against planned completed projects by 31st March 2024	90%	63% (12 out of 19 projects to draft)	53% (10 out of 19 projects to draft)
3. **Planned Projects** – percentage of actual completed projects to Final report stage against planned completed projects by the production of the HoA Annual Report	100%	N/A	32% New Indicator – first measurement will be May 2024 (Currently 6/19 delivered to final report stage)
4. **Client Satisfaction** – percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	95%	100%	50% (based on two received from fifteen issued in 2023/24)
5. **Number of Critical and High Priority Audit Recommendations agreed**	95%	95%	100% (based on one high priority recommendation made)

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2023/24 Head of Assurance's Annual Report:

- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the plan should be prepared for the first meeting of the financial year.

- **7. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

2023/24 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Key Financial Systems									
Benefits (Shared Services Plan)						10	SIAS	9	In Fieldwork
Debt Recovery (Shared Services Plan)						12	SIAS	4	In Fieldwork
Key Financial Controls Testing (Shared Services Plan)						12	BDO	11	In Quality Review
Main Accounting / Creditors – Control Risk Assessment (Shared Services Plan)						9	SIAS	8.5	Draft Report Issued
Payroll (Shared Services Plan)						10	SIAS	7	In Fieldwork
Parameters Testing (Shared Services Plan)						3	SIAS	3	Draft Report Issued
Operational Audits									
Agency Staffing (Shared Services Plan)						12	SIAS	11.5	Draft Report Issued
Emergency Planning						8	SIAS	5	In Fieldwork
Performance Management / Data Quality						15	SIAS	14	In Fieldwork
Property Services						10	BDO	9.5	Draft Report Issued
Safeguarding	Reasonable	0	0	1	2	10	BDO	10	Final Report Issued
Taxi Licensing	Reasonable	0	0	2	2	9	SIAS	9	Final Report Issued
Temporary Accommodation						9	SIAS	5	In Fieldwork

APPENDIX 1 INTERNAL AUDIT PLAN 2023/24 – UPDATE ON POSITION AS AT 8 MARCH 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Watersmeet Theatre	Reasonable	0	0	0	4	8	SIAS	8	Final Report Issued
Contract Management									
Procurement of Play Areas / Small Outdoor Leisure Facilities						8	SIAS	7	In Fieldwork
Grant Certifications									
DEFRA Waste Recycling Grant	Unqualified	-	-	-	-	1	SIAS	1	Final Report Issued
Net Zero: Fast Followers Grant	Unqualified	-	-	-	-	2	SIAS	2	Final Report Issued
IT Audits									
IT Operations (Shared Services Plan)	Reasonable	0	0	2	0	15	BDO	15	Final Report Issued
Cyber Security (Shared Services Plan)						15	BDO	12	In Fieldwork
To Be Allocated									
Unused Contingency (Shared Services Plan)						0	N/A	0	N/A
Follow-Up Audits									
Follow-up of outstanding audit recommendations						8	N/A	8	Complete
Strategic Support									
2024/25 Audit Planning						5	N/A	5	Complete
Audit Committee						8	N/A	7.5	Through Year

APPENDIX 1 INTERNAL AUDIT PLAN 2023/24 – UPDATE ON POSITION AS AT 8 MARCH 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Head of Internal Audit Opinion 2022/23						3	Yes	3	Complete
Monitoring and Client Meetings						7	Yes	6.5	Through Year
SIAS Development						3	Yes	3	Complete
2022/23 Projects Requiring Completion									
2022/23 Projects Requiring Completion (5 days TRDC plan / 4 days Shared Services Plan)						9		9	Complete
TRDC TOTAL						**119**		**112.5**	
SHARED SERVICES TOTAL						**102**		**81**	
COMBINED TOTAL						**221**		**193.5**	

Key to recommendation priority levels:
C = Critical, H = High, M = Medium, L = Low

APPENDIX 2   2023/24 AUDIT PLAN PROJECTED START DATES

Apr	May	Jun	July	Aug	Sept
	Parameters Testing (Shared Services Plan) **Draft Report Issued**	IT Operations (Shared Services Plan) **Final Report Issued**	Agency Staffing (Shared Services Plan) **Draft Report Issued**	Watersmeet Theatre **Final Report Issued**	Debt Recovery (Shared Services Plan) **In Fieldwork**
	Safeguarding **Final Report Issued**		Taxi Licensing **Final Report Issued**		Performance Management / Data Quality **In Fieldwork**

Oct	Nov	Dec	Jan	Feb	Mar
Key Financial Controls Testing (Shared Services Plan) **In Quality Review**	Benefits (Shared Services Plan) **In Fieldwork**	Payroll (Shared Services Plan) **In Fieldwork**	Cyber Security (Shared services plan) **In Fieldwork**	DEFRA Waste Recycling Grant **Final Report Issued**	
Property **Draft Report Issued**	Temporary Accommodation **In Fieldwork**	Procurement of Play Areas / Small Outdoor Leisure Facilities **In Fieldwork**	Emergency Planning **In Fieldwork**		

APPENDIX 2 2023/24 AUDIT PLAN PROJECTED START DATES

Oct	Nov	Dec	Jan	Feb	Mar
Main Accounting Control Risk Assessment (Shared Services Plan) **Draft Report Issued**					
Net Zero: Fast Followers Grant Certification **Final Report Issued**					

APPENDIX 3 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20 **Final report issued October 2019**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved ✗ or ✓	Revised Deadline
01	We recommend that the Council review the systems used to maintain records of Council owned properties.	Medium	Position (November 2022) Basic data on TRDC's property assets is currently being added to the Trace 'upload' spreadsheets and this work is likely to be concluded by the end of 2022. A data extract report is being downloaded from the IDOX system and any useful information will be added to the Trace spreadsheet for uploading to the system. A complete ownership layer of assets and unregistered assets has been created by the Council's GIS Officer. This is a major step forward in being able to visually identify land owned or occupied by TRDC, without the need to download Land Registry Office Copies. The next stage is to correlate the data held on the GIS system with data being uploaded in the Trace system – these are likely to be linked by reference to the UPRN (Unique Property Reference Number). The garage management aspect of the Property Management System is now operational. This follows an intensive period of data-loading, testing and training. CSC colleagues are now getting to grips with the new system in order to manage the Council's garage estate. Minor improvements and amendments will e made in the coming weeks and months, but this stage marks a major milestone in the roll out of the Property Management System.	Head of Property Services / Property & Legal Services Teams	31 January 2024	✗	31 August 2024

Property (Rent and Lease Administration) 2019/20 **Final report issued October 2019**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
Page 23			Position (March 2023) The garage management data has been uploaded into the Trace system. Final data reconciliation and testing between the Property and CSC Teams is nearing completion and the official 'go live' for garage management via the Trace system will commence from 1 April 2023. This is all on target. The focus now switches to collating and uploading data relating to TRDC's Commercial Estate. The property and asset addresses have been uploaded into the system and the next stage of work will shared between the Property & Legal Teams. Presently both Teams are recruiting key individuals who will lead on this work for the respective Services. In the intervening period, colleagues from the Property Team will continue with scoping and data collection work. Position (July 2023) Garage data has been loaded and reconciled and the Property Management system is being used for the management of garages – reports and processes have been provided. The GIS link has been applied and is currently being tested. Recruitment for a temporary staff member has commenced and once in place will continue with the data collection for the commercial properties. Position (September 2023)				

Property (Rent and Lease Administration) 2019/20 **Final report issued October 2019**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			GIS link is working. The temporary Officer has been appointed and will start to load the commercial property data. A full procedure has been created to ensure consistency. Full training will be given. Financial data is being collated to compliment the PMS. On target for completion 31st January 2024 Position – November 2023 The Temporary Property Data Analyst is currently engaged in collating data in connection with the Council's commercial property portfolio. The work remains on target for completion 31st January 2024. **Position – March 2024** **Garage data implementation has now been completed and the system is being used for garage purposes (it should be noted that this is a new system, and issues are being addressed as they arise).** **Mapping data is still being analysed, and is progressing well, led by the Council's GIS Officer. A GIS link is being added to the Trace system, and delays on this completion are due to TRDC-specific requirements being considered. The primary assets have been uploaded onto Trace, in the form of freehold and subsequent leasehold interests. These two systems together will form the basis for asset ownership and associated enquiries. Deed Packets will be retained.**				

Property (Rent and Lease Administration) 2019/20 **Final report issued October 2019**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			The postholder of the Temporary Property Data Analyst left the Council at the end of February 2024 and at the time of writing the post is vacant, however, the closing date for internal applicants is 15 March 2024. **As has been stated previously, the completion of this task is largely reliant upon available resources. The extension to the deadline is required to complete the task, based upon the dedicated resources available.**				

Debtors 2020/21

Final report issued June 2021

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
03	Consideration should be given to an annual review of debtor accounts to identify duplicate or dormant for deletion or deactivation.	Low	Position – July 2021 We will speak to Finance about the best way of doing this. Position – September 2021 A complete review of the entire Sundry Debtor service has recently been commenced and this will be included as part of the review. Position – November 2021 No update received. Position – February 2022 No update received. Position – July 2022 To date we have not been able to resource this review as we have had to prioritise Grant work and more recently the Council Tax Energy Rebates. We will pick up this project towards the end of the calendar year once the Energy rebate work is completed. Position – August 2022 No update received – target date not yet reached. Update received September 2022 but after reporting deadline for September 2022 Audit Committee: Finance are going to run and extract this data from the Finance System which Revs & Bens will then check. It may be completed before 30	Recovery Team Leader, Revenues Manager and Finance.	31 August 2021	×	~~31 October 2021~~ ~~31 October 2022~~ ~~31 December 2022~~ ~~30 June 2023~~ ~~31 December 2023~~ 31 March 2024

Debtors 2020/21
Final report issued June 2021

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
Page 27			October 2022; it really depends on how many are on the list. Position – November 2022 The lists were provided by Finance mid-September, but work has not yet commenced as the entire Revs and Bens Service was delivering the Energy Fuel Rebate payments. Work will commence on the lists, week commencing 14.11.22. Position – February 2023 Revs and Bens have not had the capacity to carry out this work yet as resource has diverted to Energy Fuel Rebate schemes and resource has been very low due to long term staff sickness. Revs and Bens will take ownership of checking duplicate customer account and deleting those where we are certain there is no current billing rule. Finance and the individual services will need to take responsibility for deleting or de-activating old accounts. We will remind them of this requirement. Position – July 2023 The list has been generated and there are 2252 accounts to check. Each one must be checked individually before it can be decided if the duplicate entry can be deleted. Work has commenced on the checking / deletion. We are allocating a little resource to this each week as BAU work is extremely high currently so it will take some time to check all 2,000 accounts. Position – September 2023 Revenues Manager 12.09.23 This recommendation is a low priority, and we continue to be under resourced, which means				

Debtors 2020/21
Final report issued June 2021

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			the focus on housekeeping projects is not as high as we would like. This is progressing slowly because it needs to be managed around BAU. Some further analysis of the reports from Finance is needed because some customers should have multiple account references, where, for example they are being billed for different services, such as Rent, Trade Waste, or for multiple units if they are a larger business. Position – November 2023 We have limited resource in the Recovery Team and BAU work takes precedence, but we continue to review these accounts. **Position – March 2024** **We have been unable to check many cases during Q4 due to clearing BAU work before entering the annual billing period. Dedicated resource of 46 Hrs per week (2 part-time officers) has now been allocated to the work to complete the first review of duplicate cases by the end of Q1 2024/25.**				

Cyber Security 2021/22
Final report issued April 2022

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	1.1 Management should ensure that appropriate monitoring controls are in place for the password monitoring and management activities. These should include but not be limited to the following: • brute-forcing of account passwords including password spraying, • login attempts from unexpected geographic areas, • unexpected account lockouts • password database for the deny list hashes, • other unusual behaviour from users. 1.2 The above proposed controls, once in place, should be actively reported upon, through the periodic cyber security reports, to the senior management.	Medium	01 Mar 2022 the Azure AD Password Protection was implemented. Users will not be able to change passwords to weak passwords nor known passwords nor passwords from our Ban List of passwords. 1.1 – requires a third-party tool and associated funding would be required. The implementation of the password protection for Azure AD lowers the risk. 1.2 - this would be dependent on the ability to fund with a third-party tool – 1.1. Position – July 2022 Third party tools currently being reviewed and costed. Item not yet due. Position – August 2022 1.1 - Third party tools have been evaluated and Netwrix has been selected as the preferred tool. 1.2 – Netwrix had demonstrated the tool in detail and a 30-day trial to test the system further is available. 1.3 – Quotation for 1- and 3-year option has been provided. • 1-year option - £7,806 • 3-year option - £16,483 1.4 – Implementation of the tool will be dependent on the ability to fund the third-party tool, this will require an approval by ITSG for an additional spend. A paper to review this	Associate Director of ICT and Shared Services	31 March 2023	×	31 March 2024

Cyber Security 2021/22

Final report issued April 2022

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			recommendation and request any growth in budget 2022. Position – November 2022 1.1 – Due to the audit, which was performed by DLUHC, the scope of the security posture has extended. The grant to address the sections of the new recommendations within the scope has been successfully secured. 1.2 – The evaluation of the third-party tool has been extended, due to the new requirements within the scope presented post the DLUHC audit. 1.3 The new proposed completion dates recommended by DLUHC is end of Q4 March 2024. Position – February 2023 In progress. Produce options and costs continue to be reviewed and costed against all recommendations included within the DLUHC cyber grant budget. Position – July 2023 1.1 – All available options offered by a number of vendors have been evaluated. The decision has been made to utilise the DLUHC grant and to expand on the existing CSOC provision from Exponential-e to meet the requirements of the recommendation. 1.2 The quotation has been provided from Exponential-e to expand the CSOC offering. This has been approved and the project is now moving to the procurement phase. The procurement should be completed by the end of October 2023.				

Cyber Security 2021/22
Final report issued April 2022

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			Position – September 2023 1.1 The procurement to expand the CSOC offering is completed, duration of the contract is set for 24 months. 1.2 – The on prem virtual deployment is currently in progress, deadline to implement the solution is set for end of October 2023. Position – November 2023 1.1 The implementation phase is completed, finetuning and baselining of the alerting with the vendor to reduce the false positives. This phase is expected to run over 8 week period. 1.2 Once the finetuning and baselining is completed, it will be handed over to CSOC for monitoring, triage, and remediation. **Position – March 2024** **1.1 The CSOC Alien Vault baselining and fine tuning has completed, and it is now running in full production.** **1.2 The CSOC reports will be included within the ITSG cyber security update.**				
03	Management should conduct regular monthly vulnerability scans across the entire IT estate including endpoint, to identify and mitigate vulnerabilities including software flaws, missing patches, misconfigurations and malwares.	Low	This would require additional budget and would need a growth item approved, as there are licence implications for the Qualys scanner. Position – July 2022 Extension of current third-party tools currently being reviewed and costed. Item not yet due. Position – August 2022	Associate Director of ICT and Shared Services	31 March 2023	✓	~~30 June 2023~~ ~~30 November2023~~ Resolved 31 Jan 2024

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Cyber Security 2021/22
Final report issued April 2022

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			1.1- Third party Qualys had introduced a new module which will enable the management of remote devices through the cloud. 1.2 – Both options are currently being evaluated and costed. Decision made will be based on cost, functionality, and management. Position – November 2022 1.1 – Due to the allocation of a new Account Manager at Qualys and the changes within the licensing structure, Qualys are currently reviewing the proposed quotation to align the requirements with the new licensing structure. 1.2 – Workshop with Qualys has been scheduled to discuss the new proposed licensing structure and the modules which are required to enable the management of the devices remotely through the cloud and not relaying on the VPN. Position – February 2023 Remains in progress, however Associate Director of ICT and Shared services requests an extension of 3 months. This is due to a. Qualys licencing for public sector has recently changed. Awaiting updated quotations. b. In terms of funding, a recent grant award from DLUHC will cover this item. Therefore, no requirement for additional growth within the ICT service budget.				

Cyber Security 2021/22 **Final report issued April 2022**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
Page 33			Position – July 2023 1.1 The quotation from Qualys has been provided to extend the service to include the endpoint vulnerability scanning. This has been handed over to the desktop support team, who are currently reviewing the offering. Position – September 2023 1.1 The revenue budget is currently being reviewed by the Director of Partnerships in absence of the Associate Director of ICT and Shared Services. Position – November 2023 1.1 Meeting took place with LittleFish 15 Oct – they are preparing a quote for us to consider. 1.2 Direct meeting with vendor Qualys has take place to review available options and pricing. Request for a full system demo has been submitted, vendor to provide dates. **Position – March 2024 : complete** **Qualys has been procured direct from Qualys, and has been fully operational since January. We perform daily checks and record the vulnerability position dally with a weekly summary report.**				

Development Management – Pre-Application Fees 2022/23

Final report issued February 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
02	The Council should produce a line-by-line breakdown of the pre-application fees and charges and how they relate to the costs of the service to ensure that the costs are recovered fully and all resource requirements are considered adequately.	Low	Position (March 2023) It is proposed to undertake a full cost exercise that will take into account the cost of the team and organisational overheads for setting charges for 2024/25. Position (July 2023) Support from finance team needed to undertake this action. Finance team have to date been occupied by end of year work. HOS and TLs to discuss next steps with finance, however, six month extension suggested at this time to accommodate this work. Position (September 2023) Awaiting support from the Finance team. Still aiming for March 2024 completion. Position (November 2023) Officers are discussing with Finance colleagues. Still aiming for March 2024 completion. **Position – March 2024** **Management have accepted the risk - we do this at an overall level for pre-application fees and not by individual charges as this would be too time consuming and not add value for money.**	Head of Regulatory Services / DM Team Leaders	30 September 2023	✓	31 March 2024

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Financial Reconciliations 2022/23

Final report issued April 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved ✗ or ✓	Revised Deadline
01	We recommend that the reconciliation procedure notes detail the responsible owner as well as the next review date to ensure they remain up-to-date and relevant.	Low	The process notes do name the author of the note; however, we will add a next review date and responsible person. We will introduce a front sheet on each reconciliation to provide all details recommended. Position – July 2023 Process notes are in the process of being updated – on target for completion by deadline. Position – September 2023 Process note updates are continuing but progress is slower than anticipated due to work pressures. Completion is expected by 30th November 2023. Position – November 2023 Work pressures from external audit continue to delay completion of the review and update work. Completion is now expected by 31st December 2023 **Position – March 2024** **Process notes have been updated and a process is in place to ensure regular review.**	Chief Accountant	31 August 2023	✓	~~30 November 2023~~ 31 December 2023

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Treasury 2022/23 **Final report issued April 2023**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	1) The Councils should develop an ESG policy, which ensures that investments are made in consideration with the Councils climate change, environmental and governance policies. The policy should emphasise that the Council seeks to be a responsible investor and consider ESG risks as an important overlay to the investment process, thereby improving future sustainability of investments. Once incorporated, ESG risks should also be included in under the Risk Management section of the Treasury Management Practices document for consistency. 2) The policy should also explain that the Councils will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's mission and values. 3) The policy should outline the conditions where investments should not be made with certain organisations, which have material links to: • Human rights abuse (e.g., child labour, political oppression) • Environmentally harmful activities (e.g., pollutants, destruction of habitat, fossil fuels) • Socially harmful activities (e.g., tobacco, gambling).	Medium	An ESG Policy will be developed for both Councils during 2023/24 for approval alongside the 2024/25 Treasury Management Strategy Statements. Position – July 2023 Guidance has been provided by our Treasury Management providers and we are on target to include an ESG policy within the 2024/25 Treasury Management Strategy Statements. Position – September 2023 We remain on track to include an ESG Policy in the Draft Treasury Management Strategy Statements for 2024/25 which will be presented to Audit Committees in November and December. Position – November 2023 The draft ESG policies have been published for Audit Committees and will form part of the budget papers to Council in January (WBC) and February (TRDC). **Position – March 2024** **Treasury Management Strategy Statements including ESG Policy statements have been approved by both councils (WBC 30 January 2024, TRDC 20 February 2024).**	Head of Finance	30 November 2023	✓	31 January 2024

Council Tax 2022/23

Final report issued May 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	TRDC should ensure that a review of debt outstanding is conducted, and decisions taken regarding whether or not to proceed for write-offs. Subsequently, write-offs should be conducted at regular intervals going forward. The 'How and Why to put a write off code on a Council Tax Account' procedure should include version control to ensure that it is reviewed periodically.	Medium	A review of all outstanding debt will be completed during 2023/24. March 2024 - Ongoing All outstanding write-offs have been cleared since this report was written and on-going write-offs will be reviewed once a quarter. Agreed. Our quality team will get a version control sheet added. Position – July 2023 The review of all debt is underway, and this will include looking at debts suitable for write-off. The write-offs for Q1 are being prepared. Version control has been added to all procedures. Position – September 2023 Revenues Manager 12.09.23 The team continue to identify and put forward cases for write off where appropriate. Position – November 2023 Q1 write-offs have been prepared and await sign-off. Q2 write-offs are being prepared. **Position – March 2024** **Q1 and 2 for Council Tax being reviewed and processed.** **S/Debt write-offs identified during 2023/24 to date have been processed.**	Revenues Manager/Data Performance Manager	31 March 2024	×	

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APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Council Tax 2022/23
Final report issued May 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			Any further write-off's identified for 203/24 will be processed after annual billing and processed before 31 March 2024.				

NDR 2022/23
Final report issued May 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	We recommend that: • Actions are taken to address the issue preventing the production of the monthly 'default arrangement list' and (subject to the issue being successfully resolved), arrangements are put in place for Senior Officers to check that these are being actioned appropriately. • As an interim measure, Revenues Officers should be reminded to diarise arrangements to enable checks to be conducted to confirm arrangements are being complied with.	Medium	The default arrangements list is working and being run. During 2022/23 much of the BAU recovery work slipped due to the service having to process energy and business grants (CARF). During 2023/24 all recovery work will be reviewed, and this will include a review of arrangements that have defaulted. Position – July 2023 Review is currently underway. Position – September 2023 Revenues Manager 12.09.23 A review of the Recovery processes is ongoing and as part of this we are looking at the ways in which this can be managed more efficiently. Position – November 2023 No change to the position in September. The review of recovery processes continues. **Position – March 2024** **The report is being run on a regular basis and worked on.**	Revenues Manager	31 March 2024	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

NDR 2022/23

Final report issued May 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
02	We recommend that: • Seven-day lists are produced and actioned at regular interval (e.g. monthly). • Arrangements are put in place for Senior Officers to check that these are being actioned appropriately.	Medium	The 7-day list is working and being run. During 2022/23 much of the BAU recovery work slipped due to the service having to process energy and business grants (CARF). During 2023/24 all recovery work will be reviewed, and this will include a review of arrangements that have defaulted. Position – July 2023 Review is currently underway. Position – September 2023 Revenues Manager 12.09.23 A review of the Recovery processes is ongoing and as part of this we are looking at the ways in which this can be managed more efficiently. Position – November 2023 No change to the position in September. The review of recovery processes continues. **Position – November 2024** **Arrangements are being checked.**	Revenues Manager	31 March 2024	✓	

Property Services 2022/23

Final report issued May 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
03	The Council should ensure that it is aware of all records which were held outside of the Capita System, and that once the information is fully implemented within the TRAMPS	Medium	This recommendation is noted and Officers will continue to observe all data protection and GDPR guidance with respect to data security. External records will be deleted once this stage of work is complete.	Facilities Manager	31 December 2023	✓	

Property Services 2022/23

Final report issued May 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
	system these external records are deleted.		A wider Council review of direct debit data transfer is being carried out. As part of this a data upload into the TRAMPS system is being considered. Position (July 2023) Data protection and GDPR guidance continues to be followed by Officers. Completion date remains on target. Position (September 2023) work is ongoing and remains on target for completion by the specified date. Once the data transfer has been fully reconciled, data from the legacy system will be fully and thoroughly deleted. Position (November 2023) Final reconciliation work is nearing completion and on target for 31st December date. Once complete all legacy data will be deleted. **Position – March 2024** **All records involving tenant bank details held outside of the Trace (Property Management) System have been deleted. This will leave only documents pertaining to tenant names and addresses, which are necessary in the event of system failure.**				

Business Continuity Planning 2022/23

Final report issued July 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
02	An agreed plan for regular Business Continuity training should be scheduled to ensure all staff with business continuity responsibilities have received all the necessary training and support to be able to fully perform their duties.	Medium	Agreed. Tabletop exercise will be undertaken in Q1 of 2024 Position (November 2023) On target to complete by March 2024. **Position – March 2024** **Service Continuity Plans are being reviewed and updated. A table-top exercise to validate the plans will be undertaken in summer 2024.**	Emergency Planning & Risk Manager	31 March 2024	×	
04	The Council should ensure that a full review of the Business Continuity Plan is completed by March 2023.	Medium	Implementation has been delayed so that the SCPs will align with new Council structure and new post of EP & Risk Officer filled. Position (November 2023) On target to complete by March 2024. **Position – March 2024** **The BCP is being reviewed and updated. A table-top exercise to validate the plan will be undertaken in summer 2024.**	Emergency Planning & Risk Manager	31 March 2024	×	

Fixed Asset Register

Final report issued July 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	We recommend that procedures are put in place by the finance service, which make clear the information to be provided regarding the acquisition and disposal of assets in order to	Low	We will issue updated guidance about the information to be recorded on Purchase Orders to coincide with he roll-out of upgraded Finance System.	Chief Accountant	31 October 2023	✓	31 December 2023

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Fixed Asset Register
Final report issued July 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
	ensure that accurate finance records can be created and maintained.		Pro-forma returns to be issued to capital budget holders, to be completed with support from Finance Business Partners, specifying information to be provided regarding additions and disposals. Position – November 2023 Initial review of capital additions and disposals will be conducted in January 2024, ahead of interim audit. Pro-forma returns to be created in December 2023. **Position – March 2024** **This action has been completed with the process incorporated into year end work. This will form part of BAU in future years.**		31 December 2023		

CIL Spend
Final report issued June 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	We recommend that the policy (Governance Report) is updated to outline the method of submitting CIL applications, e.g. to the CIL inbox. This should be communicated across the Council. Where applications are received directly to an individual officer, a reminder should be sent back to the applicant detailing the correct method for submitting applications. In order to retain audit trails, the CIL Officer	Low	We can update the Governance report to specify applications are sent to the dedicated CIL Inbox Should emails be received directly by the CIL Officer we will ensure they are forwarded to the dedicated inbox and the sender notified of the correct email address for future correspondence. We do not feel it would be good practice to refuse and ask the sender to re submit. Position – November 2023	CIL Officer	31 August 2023	✓	

CIL Spend

Final report issued June 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
	should forward all applications to the CIL inbox.		With effect of November 2023 the CIL Inbox is being used for all correspondence. Until now this has caused problems because the CIL Inbox wasn't working correctly (you couldn't send or forward emails from this destination). The governance Report has not been updated yet. **Position – March 2024** **All relevant reports/comms have been updated'.** **The Governance Report doesn't detail the email contact, therefore doesn't need updating.**				

Taxi Licensing **Final report issued September 2023**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
03	We recommend that fees should be reconciled monthly between Idox and the finance system.	Low	This had already been raised with the digital team and finance prior to the audit. Officers will continue to liaise with finance to ensure that payee details are transferred to the payment system to ensure reconciliation can be achieved. Position – November 2023 Officers are continuing to liaise with finance to ensure that payee details are transferred to the payment system to ensure reconciliation can be achieved. **Position – March 2024** **Officers are continuing to liaise with finance to ensure reconciliation.**	Lead Licensing Officer	30 April 2024	×	28 June 2024
04	We recommend that the service should undertake a data cleansing exercise on an annual basis to ensure they are only keeping necessary information.	Low	We will discuss further with the relevant officer and review the retention policy. When a licence has been surrendered, we are required to keep the record if the driver has issues that could be of interest or concern to another licensing authority. Position – November 2023 To be reviewed with the Data Protection Officer and potentially delete and securely dispose of all files that are not required. (Retain files indefinitely where there is information that should be shared with other authorities such as any enforcement action that has been taken by Three Rivers). **Position – March 2024**	Lead Licensing Officer	30 April 2024	×	28 June 2024

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Taxi Licensing
Final report issued September 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			To be discussed with the Data Protection Officer within the next month and then to review process.				

IT Operations 2023/24
Final report issued December 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	Management should develop an overarching IT Asset Management Policy which establishes how the Council manages its IT assets in order to support the achievement of the Council's corporate objectives. The Policy should include, but not be limited to: • Purpose • Scope • Principle (Councils' assets that are known, identified and managed with appropriate security protection in place) • Inventory of Physical and Virtual assets • Inventory of data assets (Data and information assets identified and an inventory of these assets is drawn up and maintained) • Inventory of Software License Assets (Software and software licenses identified, and an inventory of these assets is drawn up and	Medium	We have most of the component parts listed under 'Recommendation' captured within other ICT policies. Inventory of data assets are out of scope for ICT, as data assets are the responsibility of the business. Consequently, we will not be reporting this inventory – this will be reflected within the policy. The overarching policy will be created by the stated target date. **Position – March 2024** **These policy changes are on target for the end of March**	Service Delivery Manager	31 March 2024	×	

IT Operations 2023/24
Final report issued December 2023

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
Page 46	maintained) • Ownership of Assets (Individuals, roles or teams that are assigned ownership of assets) • Returning of Assets when they are no longer required • Arrangements for reporting a lost or stolen IT asset • The requirements for securing an IT asset • Policy compliance (compliance measurement, exceptions, non compliance, continual improvement) This policy should be approved and made available to all members of staff. *Further guidance on implementing asset management for good cyber security is available via this link: Asset management - NCSC.GOV.UK*						
02	An over-arching policy for problem and incident management should be developed. The policy document should define: • The scope of incident and problem management • Guidelines for incident and problem management operations • Guidelines to decide urgency level	Medium	We have most of the component parts listed under 'Recommendation' captured within other ICT policies. This policy will be completed in full for the target date of March 2024. **Position – March 2024** **This policy change is on target for the end of March**	Service Delivery Manager	31 March 2024	×	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

IT Operations 2023/24 **Final report issued December 2023**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
	• Roles and responsibilities of incident/problem manager, team structure, RACI Matrix • Service Level Agreements (SLAs) • Deliverable mapping (reports and meetings) • Life cycle of a problem and incident and the monitoring activities. This policy should be approved and made available to all members of staff.						

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APPENDIX 8 ASSURANCE AND RECOMMENDATION PRIORITY LEVELS

Audit Opinions	
Assurance Level	**Definition**
Assurance Reviews	
Substantial	A sound system of governance, risk management and control exist, 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	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.
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

Recommendation Priority Levels		
Priority Level		**Definition**
Corporate	**Critical**	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	**High**	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

THREE RIVERS DISTRICT COUNCIL
AUDIT COMMITTEE
21 MARCH 2024

INTERNAL AUDIT PLAN 2024/25

RECOMMENDATION:
MEMBERS ARE RECOMMENDED TO APPROVE THE PROPOSED THREE RIVERS DISTRICT COUNCIL AND THE WATFORD & THREE RIVERS SHARED SERVICES INTERNAL AUDIT PLANS FOR 2024/25

Contents

Appendices

1. Introduction and Background

1.1 The mission of Internal Audit is “to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”. The Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These Standards note that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

1.2 The SIAS Board reviewed the SIAS Internal Audit Strategy in 2023, and this strategy outlines how SIAS will achieve the mission of Internal Audit and ensure ongoing compliance with the PSIAS. The following report follows the key principles within the Strategy related to Audit Planning and Resourcing, with the Strategy document itself being available to Members upon request.

1.3 Whilst the above strategy is ideally reviewed on an annual basis, the International Internal Audit Standards Board has recently completed a major project to update the mandatory guidance of the International Professional Practices Framework. The Standards Board released the Global Internal Audit Standards, the IPPF's main component, on 9 January 2024 which will replace the 2017 International Standards for the Professional Practice of Internal Auditing, effective from 9 January 2025. The 2017 Standards remain in effect during the 12-month transition period. Internal audit functions are required to adopt the new Global Internal Audit Standards by 9 January 2025.

1.4 Upon completion of SIAS’s review of how current practice and processes will need to be adapted to meet the standards a revised Internal Audit Strategy will be presented to the Committee for information.

1.5 The PSIAS set out how SIAS must approach audit planning. The specific standards that SIAS must adhere to are as follows:

Standard	Description
2010	A risk-based plan, setting out audit priorities consistent with the goals of the organisation.
2010	Linked to annual opinion need and Internal Audit Charter
2010.A1	Based on documented risk assessment, updated at least yearly and consulting Senior Management and Members
2010.A2	Reflect expectations of Senior Management, Members, and other stakeholders
2020	Communicated to Senior Management for review and to Members for approval
2030	Ensure internal audit’s resources are fit and effectively used
2030	Must explain how resource adequacy assessed, and set out results of any limits

1.6 The Council’s Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council’s wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Chief Audit Executive's Annual Opinion Report.

1.7 The Shared Internal Audit Service's (SIAS) Audit Charter was presented to the May 2023 meeting of this Committee, and it shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the first Audit Committee meeting in the 2024/25 financial year for Member approval.

1.8 Section 2 of this report details how SIAS complies with these requirements.

2. Audit Planning Process

Planning Principles

2.1 SIAS audit planning is underpinned by the following principles:

a) Focus of assurance effort on the Council's obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.

b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.

c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.

d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.

e) Identification of responsibilities where services are delivered in partnership.

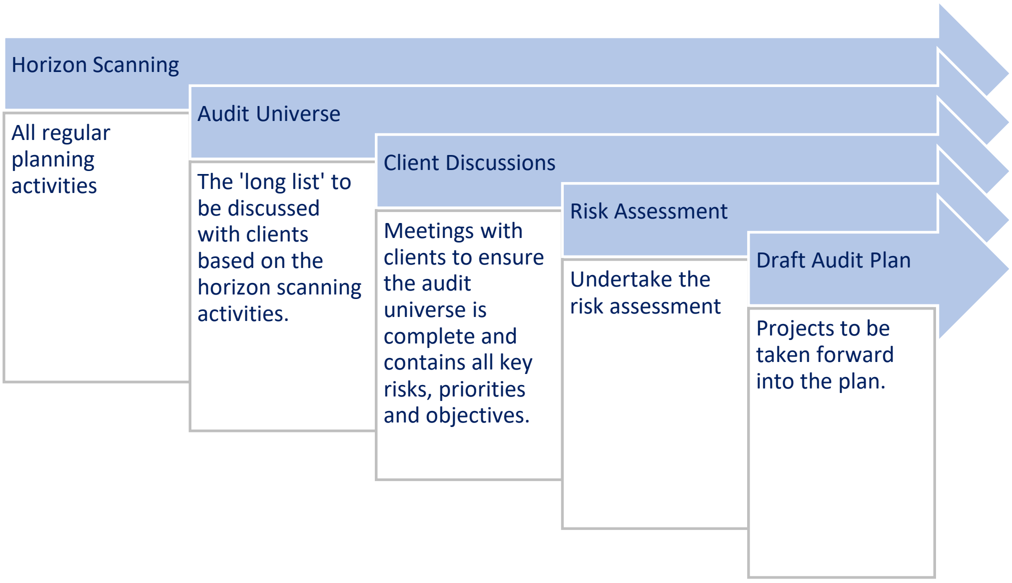
f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.

g) Capacity to deliver key commitments including governance work.

h) Capacity to respond to management requests for assistance with special investigations, consultancy, and other forms of advice.

Approach to Planning

2.2 SIAS has developed an approach to annual planning that ensures ongoing compliance with the requirements of the PSIAS, SIAS applies the following methodology at its partners:



Horizon Scanning and Audit Universe

2.3 SIAS conducts horizon scanning to ensure that it is aware of the key issues and risks locally and nationally as well as the corporate and service objectives of the Council. To do this, SIAS undertakes the following activities:

2.4 Following the horizon scanning work, SIAS creates an Audit Universe based on all auditable areas and entities. The Audit Universe forms the basis of discussions with senior managers.

Client Discussions

2.5 SIAS undertook detailed discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the gathering of information to inform the risk assessment phase of audit planning.

Risk Assessment

2.6 The overarching risk that SIAS bases planning against is the risk that audit work completed does not provide sufficient coverage and significance for SIAS to provide a robust annual assurance opinion. Therefore, SIAS risk assesses each auditable area to ensure that their resources are directed appropriately.

2.7 The risk assessment behind the development of the 2024/25 Internal Audit Plan was correlated to the Council's plans and associated monitoring through risk assessments, KPI's and project progress.

2.8 SIAS also include considerations of financial materiality, corporate significance, vulnerability and change and management concerns, as part of the risk assessment, including alternative sources of assurance through the Three Lines (of Defence) model.

Draft Audit Plan

2.9 The results of the discussions with senior managers provides a draft Internal Audit Plan. SIAS has presented the draft plans to the Governance Group to seek their views on the assessments completed and to provide any further updates or comments. The outcome is now presented to Members as part of this report for their approval of the Draft Internal Audit Plans 2024/25.

The Planning Context

2.10 The context within which local authorities provide their services remains challenging:

- Demand for services is still rising, driven a range of factors including the growing and ageing population, and challenges in the healthcare system. Combined with the cost of living, local authorities will have to continue to be more innovative and commercially minded.

- Macro-economic uncertainty continues, driven by factors such as inflation, interest rates, energy costs and a range of geo-political tensions. Resulting cost pressures and government funding make financial planning a key component of local government finance.

- Cyber and data security remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful cyber-attacks. Continued vigilance and risk management remain key to protecting local authority assets and services.

- Local authorities are facing significant challenges in relation to talent management, both in terms of recruitment and retaining staff meaning ability to remain resilient and deliver high quality services may continue to be an increasing concern.

- Many local authorities have declared a Climate & Ecological Emergency and made public commitments relating to carbon reduction and becoming Net Zero.

2.11 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.12 The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.

- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.

- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.

- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses, this is particularly key given the current challenges and risks and the impact this has had on audit activity.

Internal Audit Plan 2024/25

2.13 The draft internal audit plans for 2024/25 are included at Appendix A & B and contain a high-level proposed outline scope for each audit; Appendix C details the likely start months.

2.14 The table shows the estimated allocation of the total annual number of commissioned audit days for 2024/25.

	TRDC Audit Plan Days	Shared Services Audit Plan Days	Total Audit Plan Days	% Of Total Days By Category
Key Financial Systems	0	52	52	25
Operational Services	56	0	56	26
IT Audits	0	33	33	16
Corporate Services / Themes	16	0	16	8
Carry forward work 2023/24	5	5	10	5
Contingency and other	0	3	3	1
Follow Up of Audit Recommendations	8	0	8	4
Strategic Support*	31	0	31	15
Total allocated days	**116**	**93**	**209**	**100%**

* This includes supporting the Audit Committee, monitoring delivery of the internal audit plan, SIAS service development and implementing the new Global Internal Audit Standards

2.15 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan update reporting cycle.

2.16 Members will note the inclusion of a provision for the completion of projects that relate to 2023/24. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing demands on their time, e.g. year-end closure procedures.

2.17 Members should also note provision for implementing the updated Global Internal Audit Standards during 2024/25. The new Standards will address key aspects of internal auditing such as:

- Purpose of Internal Auditing e.g. what internal audit is and how it should operate.
- Ethics and Professionalism e.g. conduct and professional performance.
- Governing the Internal Audit Function e.g. direction and responsibilities for audit committees and senior leaders.
- Managing the Internal Audit Function e.g. principles for planning, resourcing, and performance.
- Performing Internal Audit Services e.g. conducting day to day internal audit work.

Changes which have a bearing on the role of Audit Committee Members will be highlighted once the Standards impacts have been fully assessed.

2.18 The nature of assurance work is such that enough activity must have been completed in the financial year for the Chief Audit Executive to give an overall opinion on the Council's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Director of Finance.

Global Internal Audit Standards

2.19 The new Global Internal Audit Standards were released by the International Internal Audit Standards Board on 9 January 2024. Internal Audit providers are required to comply with these revised standards by 9 January 2025. The audit plan therefore includes a provision of time to review how the new standards may impact on our existing approach and practices and progress an action plan to make any required changes to ensure conformance. The above is critical to ensure that SIAS can maintain a 'generally conforms' rating in our next external quality assessment, due in 2026.

Assurance Mapping

2.20 The audit plan also includes a provision of time to take forward assurance mapping with the Council. An assurance map is a structured means of identifying and mapping the main sources and types of assurance in an organisation across the four lines of defence and coordinating them to best effect. The four lines of defence model can be seen in the table below.

Level	Explanation
First Line	Management establishes structures to manage risks which include the top-level policies of the organisation, control frameworks and controls and management supervisory processes.
Second Line	Exercises such as control risk self-assessment, risk and compliance reviews and Board or Committee supervisory processes. These tend to be operated or overseen by specialists within the organisation who are more separate from line management, which increases the level of confidence in the assurance.

Level	Explanation
Third Line	The third line often only comprises internal auditors, The third line is the most separate internal line of defence from line management, which further increases the level of confidence in the assurance.
Fourth Line	The fourth line comprises external assurers, the most significant of which is often the external auditor. The fourth line is independent of the organisation itself, with external assurers being required to comply with the Code of Ethics.

2.21 It is anticipated that if successfully achieved this will ensure that future audit plans and the Chief Audit Executive's Annual Opinion can more easily consider other assurance that is available and any gaps that may exist, this avoiding duplication and allowing a more rounded annual audit opinion and plan. Such an approach will also provide the Senior Management, Audit Committee, and external regulators with improved information on assurance available to demonstrate how the Council manage and oversee key risks.

Resources

2.22 The Standard 2030 requires SIAS to consider our resources, how these will be effectively used and any limitations of the adequacy of resources.

2.23 Achievement of our role and objectives is predicated on the matching of audit needs to available resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in a matrix structure to maximise the value to all our partners and clients. SIAS resources are calculated based on the chargeability of each member of the team and the structure was designed to ensure sufficient chargeability to deliver all plans.

2.24 SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.

2.25 SIAS staff are provided training and development across the year to support service delivery at our partners. In addition, SIAS provides funding for professional qualifications and currently has team members studying towards their professional qualifications.

2.26 The service will be adequately resourced to deliver the number of planned internal audit days commissioned by Three Rivers District Council. There are currently no limitations on the adequacy of resources in place to deliver the Three Rivers District Council and Shared Services Internal Audit Plans 2024/25.

3. Performance Management

Update Reporting

3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. Progress against the agreed plan for 2024/25 and any proposed changes will be reported to this Committee four times in the 2024/25 civic year.

3.2 SIAS will report on the implementation of agreed audit recommendations as part of the update reporting process.

Performance Indicators

3.3 Annual performance indicators were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2024/25 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target	Reporting
1. **Planned Days** – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	Update Report
2. **Planned Projects** – percentage of actual completed projects to draft report stage against planned completed projects by 31st March 2025	90%	Update Report
3. **Planned Projects** – percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report	100%	Update Report
4. **Client Satisfaction** - percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	Update Report
5. **Number of High and Critical Priority Audit Recommendations agreed as a percentage**	95%	Update Report
6. **Annual Plan –** prepared in time to present to the last Audit Committee meeting of the financial	Yes	Annual

year. If there is no meeting, then the Plan should be prepared for the first meeting of the financial year		
7. **Chief Audit Executive's Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year	Yes	Annual

APPENDIX A – PROPOSED THREE RIVERS DISTRICT COUNCIL INTERNAL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF OPERATIONAL SERVICES		
Democratic Services	To provide assurance over risks linked to the operation of Committee Services.	8
Disabled Facilities Improvement	To provide assurance on the process for monitoring validity of works to be undertaken and contract monitoring.	8
Public Health Funerals	To provide assurance over the management of public health funerals and associated deceased property / financial interests.	8
Homelessness	To provide assurance that appropriate arrangements are in place for the provision of accommodation to homeless clients and preventative measures are adequate.	8
Asset Management System – including Garages Follow Up.	To provide assurance over the implementation of the Asset Management System and income collection with regard to garages.	8
Parks, Open Spaces and Woodlands Management Plans	To provide assurance that the site management plans are realistic, fit for purpose and followed up.	8
Community Safety	Community Safety - to provide assurance over community safety policies, procedures, and partnerships.	8
COVERAGE OF CORPORATE SERVICES/THEMES		
SARs, EIRs and FOI requests.	To provide assurance that data requests are actioned efficiently and effectively.	10
Embedded Project Assurance	Provision for real time contributions to nominated key projects during 2024/25.	6
STRATEGIC SUPPORT		
Chief Audit Executive Opinion 2023/24	To prepare and agree the Chief Audit Executive Internal Audit Opinion and Annual Report for 2023/24.	3

APPENDIX A – PROPOSED THREE RIVERS DISTRICT COUNCIL INTERNAL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
Follow Up of Audit Recommendations	Follow up of all outstanding internal audit recommendations with outcomes reported to Audit Committee.	8
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports, meeting with the Audit Committee Chair prior to each Audit Committee (as required) and presentation of reports / participation at Audit Committee.	8
Client Liaison & Plan Monitoring	Meetings and updates with the Council's Audit Champion and other key officers and to produce and monitor performance and billing information, work allocation and scheduling.	7
SIAS Development and Global Internal Audit Standards implementation	Included to reflect the Council's contribution to developing and maintaining the shared service / partnership through its service planning activity and assurance mapping objectives (5 days) and a provision for implementing the new Global Internal Audit Standards (3 days).	8
2025/26 Audit Planning	To provide services in relation to preparation and agreement of the 2025/26 Audit Plan.	5
2023/24 Projects Requiring Completion	Additional time, if required, for the completion of 2023/24 audit work carried forward into the 2024/25 year. Unused days will be returned to contingency and re-allocated.	5
TOTAL		**116**
Reserve list: • Complaints - to provide assurance that the complaints system is operating effectively. • CIL Collection – To provide assurance over the collection of the CIL and debt management. • Parking – To provide assurance over the collection, receipt and banking of parking money (excluding PCNs and enforcement). • Development Management – To provide assurance that the Council has an appropriate control environment in place governing the timely processing of planning applications and that an appropriate application decision making process is in place.		

APPENDIX B – PROPOSED WATFORD & THREE RIVERS SHARED SERVICES INTERNAL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF KEY FINANCIAL SYSTEMS		
Council Tax	To provide assurance over risks linked to bandings, discounts and exemptions, billing, recovery and write-offs.	10
Business Rates	To provide assurance over risks linked to rateable values, voids and reliefs, billing, recovery and write-offs.	10
Finance	Review of Finance systems to confirm that controls are adequate and are effective. Scope to be agreed with management and may involve a detailed review of a restricted number of areas to provide additional assurance and / or the further rollout of the Control Risk Assessment methodology as utilised in the 2023/24 Main Accounting audit.	20
Payroll	To provide assurance over risks linked to starters, leavers, payments to third parties e.g. HMRC, payroll runs and BACS payments.	12
OPERATIONAL SERVICES		
	No audits identified.	0
INFORMATION TECHNOLOGY		
IT Project Management	To provide assurance on preparation and approval of business cases, prioritisation of projects, delivery methods and arrangements for post implementation review.	10
Service Desk Contract Management	To provide assurance on the operation of the outsourced service desk arrangements.	8
Cyber Security	To provide assurance that cyber security strategies and arrangements are appropriately designed and operated to manage the risk of a cyber-attack.	15

APPENDIX B – PROPOSED WATFORD & THREE RIVERS SHARED SERVICES INTERNAL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
CONTINGENCY		
Contingency	To provide for adequate response to risks emerging during the financial year.	3
STRATEGIC SUPPORT		
2023/24 Projects Requiring Completion	Additional time, if required, for the completion of 2023/24 audit work carried forward into 2024/25. Unused days will be returned to contingency and re-allocated.	5
TOTAL		**93**
Reserve list: - IT Strategy and Delivery Plan (likely 2025/26 audit)		

APPENDIX C – 2024/25 AUDIT START DATES

Apr	May	Jun	July	Aug	Sept
Disabled Facilities Improvement	Embedded Project Assurance	Asset Management Systems - Garages	Homelessness	Public Health Funerals	Finance – scope to be determined (shared services plan)
Parks, Open Spaces and Woodlands Management Plans	Service Desk Contract Management (shared services plan)				Business Rates (shared services plan)

Oct	Nov	Dec	Jan	Feb	Mar
Democratic Services (to move to December if there is a general election)	Council Tax (shared services plan)	Payroll (shared services plan)	Cyber Security (shared services plan)	IT Project Management (shared services plan)	
			SARs, EIRs and FOI requests	Community Safety	

The above is an indicative spread of audits and is subject to change. Any changes to the audit plan agreed with management will be brought to the Audit Committee for approval.

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AUDIT COMMITTEE – 21 MARCH 2024

PART I – DELEGATED

Statement of Accounts Update
(DoF)

1 Summary

1.1 This report sets out the latest position for external audit of the Statement of Accounts for 2020/21, 2021/22 and 2022/23, and the timetable for the 2023/24 Statement of Accounts.

2 Detail

2.1 Statement of Accounts 2019/20

2.1.1 The audited Statement of Accounts were signed on 5 March 2024. The final accounts and Annual Audit Letter are published on the Council's website.

2.2 Statement of Accounts 2020/21, 2021/22 and 2022/23

2.2.1 As set out in previous reports to this committee, there are significant challenges and delays to the completion of external audits across the sector. The Public Sector Audit Appointments Ltd (PSAA) reported on 10 October 2023 that only 5 out of 467 local government bodies' 2022/23 audit opinion had been given by the statutory deadline of 30 September 2023, representing 1%. By 31 December 2023 this had reached 45 2022/23 audits, 10%. The cumulative total for the backlog of outstanding audits had reduced to 771 across the sector (914 at 10 October 2023).

2.2.2 On 8 February 2024, the Minister for Local Government (Simon Hoare) wrote to councils and audit firms to launch a consultation from the Department of Levelling Up, Housing and Communities (DLUHC) on proposals to address the backlog. The main proposal is to introduce the concept of a backstop date for the completion of outstanding audits. The backstop date for accounts for 2015/16 through to 2022/23 is proposed to be 30 September 2024. Further backstop dates are proposed for the 'Recovery Period' of 2023/24 to 2027/28 as follows:

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

2.2.3 The legislation will require auditors to issue a modified or disclaimed opinion and audited accounts to be published by the relevant backstop, regardless of the progress of the audit.

2.2.4 Alongside the DLUHC consultation, a joint statement was issued with the Financial Reporting Council (FRC) who regulate external auditors and a consultation was also issued by the National Audit Office (NAO) on changes to the Code of Audit Practice to complement the DLUHC proposals. Both consultations closed on 7 March. The letter, joint statement and DLUHC consultation are included as appendices 1 to 3 to this report.

2.2.5 Following the closure of the consultations, it is expected that government will move to make the required regulatory changes in late spring, early summer. The Council's auditors, EY, have indicated that they will not be able to formally set out their approach until this has taken place. It is the view of Officers that it is highly unlikely that there will be time and capacity to complete the audits for 2021/22 and 2022/23 before the backstop date. Officers are therefore working on the assumption that the audit opinion will be disclaimed for these years.

2.2.6 The Value for Money element of the annual audit cannot be disclaimed. Therefore, EY have commenced work in this area for 2020/21, 2021/22 and 2022/23. This audit work is expected to be completed by the end of March 2024. However, the auditors will not issue the value for money commentary until a position is agreed regarding the audit of the statement of accounts.

2.2.7 The joint statement is clear that in order for auditors to disclaim their opinion on a statement of accounts, a draft must have been formally issued and undergone public inspection. This has already been completed for 2020/21, 2021/22 and 2022/23. However, the due to the timing of when these drafts were issued, they do not include all adjustments to brought forward balances arsing from the 2019/20 audit. As such it is proposed to reissue the drafts for 2021/22, 2021/22 and 2022/23 alongside the draft for 2023/24 and undergo a new public inspection period. This will enable the audit opinion to be disclaimed on accounts that are as complete as possible and ensure consistency between the opening and closing balances in these years. It is acknowledged that Azets will need to undertake additional work on the opening balances for 2023/24 as a result of disclaimed opinions for prior years. However, updating the current drafts will ensure that the opening balances are as robust as possible.

2.2.8 On 29 February, the Chartered Institute of Public Finance and Accountancy (CIPFA) launched a consultation on changes to the Code of Practice on Local Authority Financial Reporting for 2023/24 and 2024/25. These changes would apply to England only and would be short term. The consultation closes on 28 March.

2.2.9 After considering a wide range of options CIPFA LASAAC (Local Authority Scotland Accounts Advisory Committee) decided to explore two approaches. These would affect the 2023/24 and 2024/25 Codes, by providing:

- An option to simplify measurement of operational property plant and equipment using specified indexation, and
- Reduced disclosures for pensions reporting, by aligning that reporting with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

2.3 Statement of Accounts and External Audit 2023/24

2.3.1 The on boarding process for the new auditors has continued since the last committee and an interim audit commenced on 26 February 2024. The interim audit includes testing of transactions up to 31 January 2024.

2.3.2 Under the Accounts and Audit Regulations as amended in 2022, the draft accounts must be authorised for issue by 31 May 2024. The public inspection period will commence on 1 June 2024 for 30 working days.

2.3.3 The Annual Governance Statement must be approved by the Audit Committee ahead of the commencement of the public inspection period. This will be presented to Audit Committee in May.

2.3.4 The statutory deadline for the completion of the external audit is 30 September 2024. The timing of the main audit is subject to agreement and will depend on the outcome of the approach to the outstanding audits for 2021/22 and 2022/23 as set out above. However, at this stage, officers are working on the assumption that it will take place over the summer with the aim of achieving the statutory deadline.

2.4 Accounting Policies 2023/24

2.4.1 The Council's Statement of Accounts is prepared in accordance the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Council is required to adopt accounting policies which describe how the Council has interpreted and applied the Code.

2.4.2 The Code defines Accounting Policies as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.'

2.4.3 The significant accounting policies adopted by the Council are disclosed within note 1 to the Core Financial Statements in the Statement of Accounts, 'Accounting Policies – Single Entity and Group Accounts'.

2.4.4 The Code prescribes that 'authorities shall apply the objective, underlying assumption and qualitative characteristics of useful financial information, in the selection and application of accounting policies and estimation techniques.'

2.4.5 The Code provides a detailed framework within which accounting policies must be set:

- When the Code specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Code. Those policies need not be applied when the effect of applying them is immaterial.

- Where the Code does not specifically apply to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

  a) relevant to the decision-making needs of users, and
  b) reliable, in that the financial statements:
    - i) represent faithfully the financial position, financial performance and cash flows of the authority
    - ii) reflect the economic substance of transactions, other events and conditions and not merely the legal form
    - iii) are neutral, i.e. free from bias
    - iv) are prudent, and
    - v) are complete in all material respects.

- In making the judgement management shall refer to, and consider the applicability of, the Code requirements dealing with similar and related issues. Management may also consider the most recent pronouncements of standard-setting bodies and accepted public or private sector practices to the extent, but only to the extent, that these do not conflict with the requirements of the Code.

- An authority shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless the Code specifically requires or permits different treatment.

- An authority shall change an accounting policy only if the change is required by the Code or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the authority's financial position, financial performance or cash flows.

- Where an authority changes an accounting policy, it shall apply the changes retrospectively unless the Code specifies transitional provisions that shall be followed. A change in accounting policy shall be applied retrospectively by adjusting the opening balance of each affected component of net worth for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied, except to the extent that it is impracticable to so do. Approval of Accounting Policies

2.4.6 The code states that the Chief Finance Officer is responsible for selecting 'suitable' accounting policies and ensuring that they are applied consistently in the preparation of the statement of accounts. The Chief Finance Officer (Director of Finance) has approved Note 1. Accounting Policies for 2022/23 as set out in Appendix 1. All significant accounting policies have been selected with reference to the Code.

2.4.7 The Council's auditors will review the adopted accounting policies as part of the audit of the statement of accounts. There is also an expectation that the auditors will be able to evidence that the accounting policies have been approved by the Audit Committee in its capacity as 'Those Charged with Governance'. The Audit Committee is therefore asked to ratify the accounting policies as set out in Appendix 1.

2.4.8 There are currently no proposed changes to the Accounting Policies for 2023/24. The policies will be kept under review as the accounts are drafted and to take into account any changes arising from the CIPFA consultation on changes to the Code of Practice for 2023/24.

3 Policy/Budget Reference and Implications

3.1 The recommendations in this report are within the Council's agreed policy and budgets.

4 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

4.1 None specific.

5 Recommendation

The Audit Committee is recommended to:

- Note the update in relation to the 2021/22 and 2022/23 external audits**.**
- Note the progress in relation to onboarding the new external auditors for 2023/24.
- Ratify the Accounting Policies for 2023/24 as approved by the Director of Finance as set out in Appendix 4.

Report prepared by: Hannah Doney, Head of Finance

Data Quality

Data sources: None used in the preparation of the report

Background Papers

Statement of Accounts report to Audit Committee November 2023

APPENDICES / ATTACHMENTS

Appendix 1 – Letter from Minister for Local Government to Councils and Audit firms

Appendix 2 – Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit

Appendix 3 – Addressing the local audit backlog in England: Consultation

Appendix 4 – Accounting Policies 2023/24

Department for Levelling Up, Housing & Communities

Simon Hoare MP
Minister for Local Government
2 Marsham Street
London
SW1P 4DF

To All Chief Executives, Chief Financial Officers, Local Authority Leaders and Local Audit Firm Partners

8 February 2024

Dear Colleagues,

Local Audit Consultation

I am delighted that today the Government is launching a consultation and Joint Statement, progressing the commitments made by the previous Minister for Local Government to work with the Financial Reporting Council (FRC), and other organisations in the local audit system on cross-system proposals to clear the backlog and put the local audit system on a sustainable footing.

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework. A significant number of local audits in England are outstanding. The issues facing local audit are widely recognised as multi-faceted and complex. Delays are to an extent affecting Scotland and Wales as well as England. They also impact different sectors, not just local government. It is widely recognised that many organisations in the local audit system have contributed to the delays experienced since 2017/2018 and that audits have become more challenging, with firms responding to a changing regulatory environment. In addition, pressures on the system were compounded during the COVID-19 pandemic and by an aging workforce.

The consultation seeks views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). We have published a draft statutory instrument alongside the consultation which covers the core elements of the proposed amendments. These, along with the Joint Statement are available at www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation.

These cross-system proposals have been developed and agreed by the Department for Levelling-Up Housing and Communities (DLUHC), the FRC, the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

These are not proposals we take lightly, but these are exceptional times. Key organisations across the local audit system, including the Government, share the conviction that bold steps are necessary to reset the system.

The Joint Statement provides vital context, and explains the package of measures and how the various elements are intended to interact and explains that the wider package of measures consists of three stages:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation itself covers questions on:

- Phase 1: 'Backstop' Proposals for Financial Years 2015/2016 to 2022/2023 and
- Phase 2: 'Backstop' Proposals for the Recovery Period, Financial Years 2023/2024 - 2027/2028

This consultation will run for four weeks from 8 February 2024 to 7 March 2024. This is an open consultation, and we welcome the views of any individual or entity interested in the proposals, including all Category 1 authorities and their Section 151 officers, audit firms, and other organisations which form part of the local audit framework. You can respond to this call for evidence through our online consultation platform Citizen Space: https://consult.levellingup.gov.uk/local-audit-and-conduct/addressing-the-local-audit-backlog-in-england .

The NAO is also consulting in parallel to this consultation, on related changes to the Code of Audit Practice. A link to the NAO consultation can be found here: www.nao.org.uk/code-of-audit-practice-consultation. Further detail on the NAO's proposals can also be found in the Joint Statement. The CIPFA LASAAC Board will be consulting shortly on related changes to the Code of Practice for Local Authority Accounting.

While I recognise the challenges there have been I would like to encourage you to continue undertaking existing work to produce and audit local authority financial statements while the consultations take place. Any slowdown in activity would lead to further issues in the future and, ahead of the first proposed backstop date. Please do continue to work together to ensure that as many audits can be completed in full as possible.

These proposals are an important step in restoring timely and high-quality financial reporting and audit for local bodies and I am grateful for the hard work and collaboration of system organisations in developing these measures. Please let us know your views so that we can work closely together to refine and implement measures to clear the backlog of local audit opinions, and develop the long-term reforms required to prevent a backlog recurring.

I look forward to seeing your responses.

With all my best wishes,
Yours,
Simon

SIMON HOARE MP
Minister for Local Government

<u>Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit</u>

<u>Published 8 February 2024</u>

Executive summary

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers.

The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level. The number of outstanding opinions peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.

In July 2023, the Minister for Local Government published a Cross-System Statement to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit ("system partners") have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. This new Joint Statement provides an update on the proposals. All system partners share the conviction that bold steps are necessary to reset the system and recognise the exceptional nature of the proposed measures.

To clear the backlog of historical accounts and 'reset' the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law (the "backstop date") – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

The National Audit Office (NAO) is proposing changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.

The duty for local bodies to publish a delay notice where the audit has not been concluded by the deadline will be withdrawn. This is because, with a backstop in place for both local bodies and auditors, authorities would be required to publish audited accounts by 30 September 2024. The introduction of a backstop date is intended to allow those who prepare and audit local body accounts to focus on more current financial periods.

The backstop date is likely to be a factor in local auditors issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues.

Auditors have a responsibility under auditing standards to clearly communicate the reasons for their opinion within their report, including where the backstop date causes a modified or disclaimed opinion. System partners will consider guidance for auditors to remind them of these responsibilities. System partners will also issue communications that explain what the different types of modified opinions mean and that clarify that local bodies should not be unfairly judged based on modified opinions caused by the introduction of a backstop date that are largely beyond their control.

As was set out in the July Cross-System Statement, auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (including to make statutory recommendations or issue Public Interest Reports) are important for enabling identification of areas of concern at an early stage, allowing councils to address them. These remain a high priority in our proposals.

For these measures to achieve their intended objectives, auditors and local bodies need to work together to ensure that as many audits can be completed in full as possible. Auditors should make prioritisation decisions within their portfolio of the audits of local bodies to limit the impact on other public bodies' audits and ensure they complete the work required to conclude and report on whether there are any significant weaknesses in VFM arrangements. Preparers must ensure that any unaudited accounts from 2022/23 or earlier years, that have not been published, are published as soon as possible and respond to auditor requests in a timely manner.

The Financial Reporting Council's (FRC) Audit Quality Review (AQR) team will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. Alongside this, the Institute of Chartered Accountants in England and Wales (ICAEW) has committed to mirroring this approach for its inspections of non-major local audits.

To ensure that delays do not re-emerge once the backlog of local body audit opinions has been cleared and 'recover' the system, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the 5-year audit appointments awarded in 2022 by Public Sector Audit Appointments (PSAA) for financial years 2023/24 to 2027/28. As it is anticipated there would be modified and disclaimed opinions on outstanding accounts from the 30 September 2024 backstop date, this measure is designed to enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging. This means there would also likely be modified or disclaimed audit opinions for several years.

To support the 'recovery' of the system, the CIPFA LASAAC Local Authority Code Board (CIPFA LASAAC) will consult on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years.

PSAA will use its fee variation process to determine the final fees local public bodies will have to pay in relation to delayed audits and 2023/24 audits. PSAA will set the scale fees for 2024/25 in accordance with the Local Audit (Appointing Person) Regulations 2015. The FRC and the NAO will support PSAA as it determines the fee impact of changes in audit requirements. It will also review relevant aspects of the contracts for the audits from 2023/24 to identify changes required to align with the changes proposed in the consultations.

All system partners have a shared resolve that the current situation needs addressing and measures of this nature are needed to achieve the shared priority of restoring timely, high-quality financial reporting and audit. Further work is required to address the systemic issues that have led to the unprecedented backlog. The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution.

The development of these proposals has involved widespread engagement since summer 2023, especially with auditors and finance teams. To support the further development and testing of the measures, 2 consultations have been launched today, in partnership with the FRC, to receive further feedback and inform the decision on how to proceed:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors.

The 'local bodies' these proposals relate to include councils, but also other relevant authorities as defined under the Local Audit and Accountability Act (2014). It does not include NHS bodies.

Introduction

1. Local bodies need to have accurate and independently audited accounts, delivered on time, to help them effectively plan, make informed decisions and manage their services. Local residents, councillors, central government and other accounts users need timely audited accounts to understand what money the local body has received and how it has used its resources so they can hold it to account. This is key to transparent, trusted and accountable local democracy.

2. In July 2023, the Minister for Local Government published a Cross-System Statement setting out proposals to set a series of backstop dates to clear the backlog in local audit opinions in England and embed timely audit. The Statement included commitments by the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and Public Sector Audit Appointments (PSAA).

3. Since the publication of the Cross-System Statement, the Department has worked collaboratively with the FRC, as incoming shadow system leader, and the other system partners, to develop proposals to achieve the objectives. The proposals maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)). The proposals consist of 3 stages:

- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

4. Financial reporting and audit frameworks were not designed for the current backlog in local audit. Although these proposals have been designed to minimise risks and unintended consequences, the proposed measures are likely to result in a significant number of local authority accounts receiving modified or disclaimed opinions, during both Phase 1 and Phase 2. The work required to resolve the

local audit backlog will be challenging for both local body finance teams and auditors, as well as system partners.

Phase 1: Reset

5. In line with the Cross-System Statement in July 2023, Phase 1 involves using legislation and changes to the Code of Audit Practice to implement a backstop date for the publication of audited financial statements which are outstanding for all financial years up to and including 2022/23. The current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded ahead of the deadline, would be removed.

6. Local auditors would be required to issue an opinion based on the work they have been able to complete to enable local bodies to publish audited accounts ahead of the backstop dates. An audit opinion can be either unmodified, modified (qualified or adverse) or disclaimed.

7. Auditing standards allow auditors to issue modified or disclaimed opinions in the event of a statutory backstop date, even in cases where little to no substantive testing has been carried out. As set out in the Cross-System statement in July, the proposed backstop date is likely to result in modifications or disclaimers of the audit opinion. System partners will provide clear communications to the system explaining what the different types of opinions mean, including explaining that modified or disclaimed opinions caused by the backstop date do not necessarily indicate significant financial reporting or financial management issues in a local body.

8. The auditors' statutory duty to report on VFM arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important for identifying areas of concern at an early stage, allowing local bodies to address them. Under these proposals this will remain a high priority including during Phase 1.

9. The NAO consultation asks for views on changes to the Code of Audit Practice to enable auditors to produce a single commentary on VFM arrangements covering all outstanding periods up to 2022/23 and remind auditors of their obligations to use their statutory reporting powers to draw significant matters to the attention of bodies and residents in a timely way.

10. The proposed backstop date for Phase 1, as set out in DLUHC's consultation on changes to the Accounts and Audit Regulations 2015, 30 September 2024. This has been designed to enable sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.

11. The NAO's consultation on changes to the Code and any subsequent laying of a new Code of Audit Practice in Parliament would support the backstop date. The proposed backstop date also recognises the multiple priorities of preparers and auditors. For example, finance teams need to, amongst other things, prepare budgets and medium-term financial plans, and for auditors, there will be pre-existing commitments to carry out other public sector audit work, including NHS external audit work, most of which will take place between April and June 2024.

12. The government will publish a list of local bodies and their auditors which do not meet the backstop date, making it clear where unaudited accounts have also not been published.

13. There will be no exemptions for auditors or local bodies except in very limited circumstances. The NAO will consult on specific exemptions to auditors issuing their opinion ahead of the backstop date as part of its consultation on changes to the Code of Audit Practice. These include, for example,

if the auditor is unable to issue their opinion where there are outstanding elector objections to the accounts that could be material to the opinion. DLUHC's consultation also includes a question about creating an equivalent exemption for local bodies in this circumstance, as well as a question seeking views on any other exceptional circumstances in which exemptions may be justifiable.

14. If auditors have completed the required work then they are able to issue their audit opinion ahead of the backstop date. Auditors are expected to complete as much audit work as possible ahead of the backstop date. The NAO, working closely with the FRC, will produce statutory guidance and any additional advice needed to ensure the reset works as intended.

Phase 2: Recovery

15. The July Cross-System Statement set out that recovering from modified and disclaimed audit opinions requires significant work for preparers and auditors. Following modified or disclaimed audit opinions, auditors will need to audit some of the opening balances in order to obtain assurance over the current year closing balances. Where the audit opinion is modified or disclaimed, the auditor does not have assurance over all historical figures that carry forward into the subsequent year. Opening balances can impact closing balances and movements in the current year. In some cases, where the auditor does not have assurance over opening balances, they would be unable to obtain assurance over the closing balances.

16. System partners committed to consider the secondary effects of the proposals, which may impact the audit of opening balances within the accounts for future years. Under these proposals and to maintain compliance with the ISAs (UK), auditors need to perform sufficient testing on opening balances to rebuild assurance that enables them to issue unmodified opinions in the future.

17. To prevent this recovery work causing delays to future audits, the proposals involve establishing new statutory backstop dates for all financial years up to and including 2027/28. These backstop dates would replace the existing deadlines in the Accounts and Audit Regulations 2015. As at Phase 1, the current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded by the deadline, would be removed. The changes to the Code of Audit Practice in Phase 1 requiring auditors to discharge their statutory duties in relation to the financial statements audit in accordance with backstop dates would continue to apply in Phase 2.

18. These new backstop dates would enable auditors to rebuild assurance over local bodies' financial information which has been subject to modified opinion over a longer period of several years. The default position without backstop dates would be that auditors need to rebuild all assurance in the first year following a modified or disclaimed opinion, creating an exceptional workload in this first year, which would risk a recurrence of the backlog. Instead, these proposals enable spreading the work to rebuild this assurance over multiple periods, and we welcome responses on local bodies' and auditors' capacity to manage this work. Backstop dates may result in additional modifications or disclaimers of the audit opinion for some bodies. Unmodified opinions cannot be issued until assurance has been sufficiently rebuilt for the auditor to conclude that the financial statements as a whole are free from material misstatement. This proposal draws on the findings of the recent Levelling Up, Housing and Communities Committee report on financial reporting and audit in local authorities.

19. The FRC has confirmed that rebuilding assurance over multiple periods is compliant with ISAs (UK).

20. Taken together with the proposal outlined in 'Phase 1' for a backstop date of 30 September 2024 for all years up to and including 2022/23, the government is now consulting on the following additional backstop dates:

- Year ended 31 March 2024: 31 May 2025
- Year ended 31 March 2025: 31 March 2026
- Year ended 31 March 2026: 31 January 2027
- Year ended 31 March 2027: 30 November 2027
- Year ended 31 March 2028: 30 November 2028

21. These dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local bodies. They have also been designed, to the extent possible, to limit the impact on other public sector audits, including NHS audits.

22. As has been set out, returning to full and timely reporting on VFM arrangements is a priority. Whilst Phase 1 enables the auditor to incorporate outstanding VFM arrangements reporting for historical years into a single output under a reduced scope, proposals for Phase 2 involve the restoration of full scope VFM arrangements by 2023/24. In addition, it is proposed that the Code of Audit Practice will set a requirement that from 2023/24 the Auditors' Annual Report will be issued in draft to those charged with governance by 30 November each year, irrespective of the position on the audit, to enable auditors to report regularly on most of the VFM arrangements work in a more timely and predicable way.

23. To reduce burdens on preparers and support auditors spreading the work to rebuild assurance over multiple periods CIPFA LASAAC will consult on 3 temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25:

- extending the override relating to the valuation and disclosure requirements for infrastructure assets
- simplifying the revaluation of operational property and instead permitting the use of indexation until new requirements for revaluation of operational property are introduced in 2025/26 following HM Treasury's thematic review of the valuation of non-investments assets in the public sector
- reducing the requirements for disclosures around net defined benefit pension liabilities / assets for 2 years to align with those in FRS 102 (UK Generally Accepted Accounting Practice) rather than International Financial Reporting Standards (IFRS)

24. The current deadline for local bodies (other than NHS bodies) for the publication of unaudited accounts is 31 May following the financial year end. This means the 2024/25 unaudited accounts deadline is set to be the same date as the backstop date for 2023/24 audited accounts. The government's consultation includes questions asking for views over whether this will create any significant issues and for views on the 31 May deadline for 2024/25 to 2027/28.

Consultations to deliver Phase 1 and Phase 2

25. There will be 3 consultations to implement the Phase 1 and Phase 2 measures set out:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements
- CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors

Commitments by the FRC to support delivery of Phase 1 and Phase 2

26. All system partners recognise that the exceptional nature of the proposed measures means there will need to be an extensive programme of communications and engagement with local bodies, auditors and wider system stakeholders including elected members.

27. The FRC will support the NAO and CIPFA to issue guidance for preparers and auditors. The guidance for auditors will be designed to support audit firms with implementing the proposed approach to Phase 1 and Phase 2 in a way that is compliant with the ISAs (UK) and the Code of Audit Practice whilst supporting the overall objectives of the reset and recovery.

28. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues. Guidance for auditors will remind auditors of their responsibilities to communicate the reasons for a modified or disclaimed opinion in reports to audit committees and in the auditor's report. This includes indicating clearly where the modified or disclaimed opinion occurs because the auditor has not completed work ahead of the backstop date.

29. We expect audit committees and other stakeholders to take this into account and ensure that their decisions and judgements are cognisant of where modified or disclaimed opinions are a result of the introduction of backstop dates.

30. The FRC will also hold an exceptional local audit specific meeting of the Technical Advisory Group (TAG). TAG normally takes place every 2 months to consider the application of ISAs (UK), ethical and quality management standards. TAG provides a forum for firms to raise technical issues with the application of standards as well as a means for the FRC to informally consult on standards and guidance that it might issue. The purpose of the local audit specific TAG would be for the FRC to respond to queries from firms in applying the ISAs (UK) in light of the backstop dates as well as any technical guidance issued by the NAO or the FRC. It will also provide an opportunity for firms to discuss best practice and practical matters of implementation in a forum convened by the FRC. The FRC will invite all firms involved in local audit, and representatives from system partners, to this special TAG meeting.

31. In line with the July Cross-System Statement, the FRC's AQR team has recently set out changes to its regulatory approach as part of its report on the quality of major local audits. This sets out that AQR will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. AQR will provide further details on its planned approach to individual inspections for 2023/24 onwards, once the proposed measures are finalised. ICAEW has committed to mirroring the FRC's approach for its inspections of non-major local audits.

32. Working with DLUHC, the FRC is developing an escalated reporting framework. The intention is for the framework to be fully operational for 2023/24 audits so local authorities and auditors can use it to raise risks to individual audits meeting backstop dates and / or emerging systemic issues ahead of backstop dates to enable them and system partners to take appropriate action as early as possible. The framework is being designed to enable a coordinated response where there are more significant risks and complexities facing entities and ensure that system wide issues are identified as soon as possible so they can be addressed. We will provide further details on the proposed framework by the point the legislation on the backstop dates is in place.

33. The FRC intends to conclude its Audit and Assurance Sandbox on the approach to materiality on local audits in the first quarter of 2024 and will publish the findings. The Sandbox has brought together groups of auditors, practitioners, regulatory bodies and interested parties to explore potential pathways whereby auditors could set differential materiality levels for balance sheet items, such as operational property, from overall account materiality set based on expenditure.

Commitments by ICAEW

34. ICAEW has committed to mirroring the FRC AQR's approach for its inspections of non-major local audits.

Commitments by PSAA

35. PSAA will set scale fees and determine fee variations where the auditor undertakes more or less work than assumed by the scale fee in line with the Local Audit (Appointing Person) Regulations 2015. It will also consult with bodies where appropriate. Where possible (subject to sufficient satisfactory data and information from key parties), PSAA will develop indicative fee ranges and assumptions for areas where there is expected to be a change in the audit work carried out.

36. When PSAA subsequently determines the fees payable, the principles set out in the Cross System Statement will apply: if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, and the body is due to pay the applicable fee, including where there is a modified or disclaimed opinion. Conversely, if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done and reported.

Expectations of auditors and local bodies to deliver Phase 1 and Phase 2

37. If implemented, all system partners believe Phase 1 and Phase 2 taken together will result in an overall significant reduction in work compared to the option of not introducing backstop dates. Nevertheless, the success of these proposals depends on both auditors and audited bodies focusing on their obligations in the public interest for timely, high-quality financial reporting and audit.

38. During the consultation period, any local body with concerns about specific financial risk resulting from the proposals should discuss this with their auditors and engage with DLUHC or the relevant parent Department at the earliest opportunity. This may include, but is not limited to, bodies with covenants that require audited accounts with unmodified audit opinions. Any auditors with specific technical, practical, or ethical concerns should flag these with the FRC as soon as possible.

39. Any slowdown in activity would lead to further issues in the future. Ahead of the first proposed backstop date, auditors and local bodies should work together to ensure that as many audits can be completed in full as possible. Where work has already been completed to provide sufficient evidence to support the audit opinion, preparers and auditors should work together to publish the audited accounts as soon as possible.

40. The potential introduction of backstop dates does not preclude the legal responsibilities for local bodies to publish unaudited accounts and hold the 30-working day inspection period for local electors. Any local body that has not yet published unaudited accounts for all years up to and including the financial year 2022/2023, or held the inspection period, should do so as soon as possible.

41. Where a local body believes they will not be able to provide draft accounts, which have been subject to the 30-working day inspection period, to the auditor, with sufficient time ahead of the backstop date, they should, following engagement with their auditors, flag this with DLUHC or the relevant sponsor department as soon as possible. Auditors are only able to provide an opinion – whether unmodified, modified or disclaimed – on a set of accounts which have been certified by the Section 151 Officer as true and fair, subject to the 30-day inspection period and approved as final by those charged with governance.

42. It should not be necessary for the audit of the previous year's accounts for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance.

43. In consultation with local bodies and those charged with governance, auditors will need to make prioritisation decisions about the work they complete on local bodies' audits. When making such prioritisation decisions, auditors should consider the impact on other local bodies' audits. For example, they may choose to prioritise conducting sufficient audit work on pension funds to provide IAS 19 assurances to auditors of other local bodies. Finance teams should ensure they provide high-quality evidence requested by auditors in a timely manner.

44. Where an auditor has not obtained sufficient audit evidence to conclude they have reasonable assurance that the financial statements as a whole are free from material misstatement, they will need to modify or disclaim their audit opinion, as required by the ISAs (UK). Auditors are reminded of their existing responsibilities to clearly communicate the reasons for modified or disclaimed opinions in the auditor's report. They should explain in reports to the audit committee if the modified opinion is caused by the introduction of statutory backstop dates and to communicate what work they have been able to carry out.

45. Auditors should also keep in mind that the July Cross-System Statement stated that the auditors' statutory duty to report on VFM arrangements and their wider reporting powers remain a high priority. Auditors will need to ensure that they are able to conclude and report significant weaknesses in VFM arrangements in the audit report ahead of the backstop date as this legal duty cannot be disclaimed. For audits undertaken under the 2015 Code of Audit Practice, covering years up to 2019/20, auditors will need to report their conclusion on VFM arrangements as part of the auditor's report. Where auditors have concerns about a local body's ability to prepare accounts of sufficient quality ahead of the backstop date, they should consider using their wider reporting powers.

46. The government recognises that all audit firms conduct a variety of public sector audit work in addition to local audit. Local auditors should plan and commit to deliver work ahead of the backstop dates that allows for their existing contractual commitments for other public sector audits. Apart from in exceptional circumstances, NHS England will not accept requests for extensions to audit deadlines for NHS bodies because of auditors needing to complete work ahead of backstop dates for non-NHS local audited accounts.

Phase 3: Reform

47. Further, longer term work is required to address the systemic challenges that have led to the current local audit backlog. All parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.

48. This work will build on the recommendations of the Redmond Review, the recent Levelling Up, Housing and Communities Committee report into financial reporting and audit in local authorities and Public Accounts Committee reports on the timeliness of local audit. The government remains committed to establishing the Audit, Reporting and Governance Authority as system leader for local audit when Parliamentary time allows.

49. CIPFA LASAAC's strategic plan includes a workstream looking at long-term reforms to financial reporting based on the needs of accounts users. CIPFA are in the process of relaunching the Better Reporting Group to inform this work.

50. HM Treasury will be setting out in the first quarter of 2024 the outcome of the thematic review into the valuation of non-investment assets. CIPFA will continue to work with HM Treasury on how the changes apply to local bodies with the intention that they are introduced to the Code of Practice for Local Authority Accounting for 2025/26.

51. The FRC intends to publish its Local Audit Workforce Strategy during 2024, following a presentation to the Local Audit Liaison Committee. The Strategy will include both short-term and longer-term recommendations to increase the supply of suitably skilled auditors, including for further changes to Key Audit Partner requirements.

52. Closely linked to the Local Audit Workforce Strategy, the government has successfully procured the development of a Local Audit Qualification which will shortly be launched by CIPFA, opening the training route for experienced Responsible Individuals to become Key Audit Partners. In addition, CIPFA and the Local Government Association (LGA) are working on a parallel Workforce Strategy for local government finance teams.

Conclusion

53. The measures proposed are an important step in restoring timely financial reporting and audit for local bodies. The government is grateful for the hard work and collaboration of system partners in developing these ambitious measures. All system partners are committed to continue to work closely together to, following the consultation, implement measures to clear the backlog of local audit opinions and develop the long-term reforms required to prevent a backlog arising in the future.

Addressing the local audit backlog in England: Consultation

Published 8 February 2024

Topic of this consultation:

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework. The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level.

This consultation seeks views on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog and put the system on a sustainable footing.

This document should be read in conjunction with the Joint Statement from system partners, including the Department for Levelling Up, Housing and Communities.

Scope of this consultation:

The proposals covered by this consultation relate specifically to 'Category 1' Authorities. Category 1 bodies encompass local authorities, but also police and fire bodies, as well as bodies such as National Parks Authorities, waste authorities and Passenger Transport Authorities.

More specifically, in accordance with the Accounts and Audit Regulations 2015, a "Category 1 authority" means a relevant authority that either—

(a) is not a smaller authority; or

(b) is a smaller authority that has chosen to prepare its accounts for the purpose of a full audit in accordance with the Local Audit (Small Authorities) Regulations 2015.

For the definition of "relevant authority", see section 2 of the Local Audit and Accountability Act 2014.

For the definition of a "smaller authority", see section 6 of the Local Audit and Accountability Act 2014.

Geographical scope:

The questions in this consultation relate to local bodies in England, as defined above.

Basic information

In accordance with section 32 of the Local Audit and Accountability Act 2014, there is a statutory duty to consult the following entities in relation to amendments to the Accounts and Audit Regulations 2015:

- the Comptroller and Auditor General,
- such representatives of relevant authorities as the Secretary of State thinks appropriate, and
- the recognised supervisory bodies

This is an open consultation, and we welcome the views of any individual or entity interested in the proposals, including all Category 1 authorities (as defined above), audit firms, and other organisations which form part of the local audit framework.

Body/bodies responsible for the consultation:

The Local Government Performance Division in the Department for Levelling-Up Housing and Communities is responsible for conducting this consultation.

Duration:

This consultation will be open from 8 February. It will be open for 4 weeks for public participation and will close on 7 March 2024.

Enquiries:

For enquiries about the consultation please contact: localaudit@levellingup.gov.uk

How to respond:

You can respond to this consultation through our online consultation platform. We strongly encourage responses via the online survey. Using the online survey greatly assists our analysis of the responses, enabling more efficient and effective consideration of the issues raised for each question.

Alternatively you can email your response to the questions in this consultation to localaudit@levellingup.gov.uk

If you are responding in writing, please make it clear which questions you are responding to.

Written responses should be sent to:

Consultation on Addressing the Local Audit Backlog
FAO Elizabeth Parckar/Local Audit Team
Department for Levelling Up, Housing and Communities
Local Government Performance Division
Fry Building
2 Marsham Street
London, SW1P 4DF

When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an address (including postcode)
- an email address
- a contact telephone number

Introduction

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework.

A significant number of local audits in England are outstanding. The government, working with the Financial Reporting Council (FRC) and other system partners, is taking steps to clear the backlog and put the system on a sustainable footing moving forward.

This consultation seeks views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). These are central to cross-system proposals agreed by the Department for Levelling-Up Housing and Communities (DLUHC), the FRC, the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

Given the requirement for concerted action, system partners have published a joint statement explaining the package of measures and how the various elements are intended to interact. This Joint Statement provides vital context for this consultation and should be reviewed before responding to the questions below.

As the Joint Statement explains, the wider package of measures consists of 3 stages:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

These are not proposals we take lightly, but these are exceptional times. All system partners, including the government, share the conviction that bold steps are necessary to reset the system.

The NAO is also consulting, in parallel to this consultation, on related changes to the Code of Audit Practice. Further detail on the NAO's proposals can also be found in the Joint Statement.

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors. Further detail on CIPFA LASAAC's proposals can also be found in the Joint Statement.

The government has published a draft statutory instrument (PDF, 179 KB) alongside this consultation. As explained further below, this covers the core elements of the proposed amendments to the 2015 Regulations.

Phase 1: 'Backstop' proposals for financial years 2015/2016 to 2022/2023

The proposed changes to the 2015 Regulations would require Category 1 authorities to ensure that (subject to consideration of potential exceptional circumstances – see below) by 30 September 2024 they have published audited accounts for financial years 2015/2016 to 2022/2023.

An authority's ability to meet the requirement above would be contingent on an audit opinion being issued in time. For this reason, the NAO is proposing that the Code of Audit Practice be amended so that auditors are required (unless specific circumstances apply – see below) to issue their opinion in time for the authority to publish its accounts by the specified date in the 2015 Regulations (in this case, 30 September 2024).

Regulation 10(2) currently imposes a duty on authorities to publish a delay notice if an audit of accounts has not been concluded before the date specified. We propose to disapply this duty for accounts with outstanding audits for financial years 2015/2016 to 2022/2023. This is because, under these proposals, authorities would be required to publish audited accounts by the backstop date.

The proposal to set the backstop date at 30 September 2024 reflects the need to ensure sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.

The NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadline for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Where there is an outstanding objection of this nature, we consider it may be desirable to create an equivalent exemption for Category 1 authorities. This consultation also seeks views on other exceptional circumstances in which Category 1 authorities might be exempted from the 30 September 2024 backstop date.

Our intention is to publish a list of Category 1 authorities and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not, making it clear any instances where unaudited accounts had also not been published by the required date.

Under these proposals, the existing requirements in the 2015 regulations relating to the publication of unaudited accounts and to public inspection periods would continue to apply in their current form (see 'Part 5' of the Regulations).

Under these proposals, the published, audited accounts must also be approved in accordance with regulation 9(2) and therefore the approval must be given before the backstop date.

Further context on these aspects of the proposals can be found in the Joint Statement (especially paragraphs 5 to 14 and 25 to 46) as well as the draft regulations (PDF, 179 KB).

Questions

Q1. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 3 and 4 below), do you agree that Category 1 authorities should be required to have published audited accounts for all financial years up to and including financial year 2022/2023 by 30 September 2024? (agree, disagree, unsure)

Do you have any comments on this issue?

Q2. Do you agree that the requirement at Regulation 10(2) for Category 1 authorities to publish a delay notice should be disapplied in relation to any outstanding audits covering financial years 2015/2016 to 2022/2023? (agree, disagree, unsure)

Do you have any comments on this issue?

Q3. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop date of 30 September in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)

Please explain your response.

Q4. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the 30 September backstop date? (agree, disagree, unsure)

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

Q5. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadline of 30 September 2024? (agree, disagree, unsure)

Please explain your response and, where relevant, include any suggested consequences.

Phase 2: 'Backstop' proposals for the recovery period, financial years 2023/2024 to 2027/2028

The proposed changes to the 2015 Regulations would require (subject to consideration of potential exceptions – see below) Category 1 authorities to publish audited accounts by the following dates for financial years 2023/2024 to 2027/2028:

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

As per the Phase 1 backstop proposals, the NAO is proposing that the Code of Audit Practice would require auditors (unless specific circumstances apply) to issue their opinion in time for the authority to publish its accounts by the specified dates.

As per the Phase 1 backstop proposals, we propose to disapply regulation 10(2), which requires authorities to publish a delay notice if the audit of accounts has not been concluded before the date specified.

Also to maintain consistency with the proposals for phase 1, the NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadlines for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Where there is an outstanding objection of this nature, we consider it may be desirable to create an equivalent exemption for Category 1 authorities. This consultation also seeks views on other exceptional circumstances in which Category 1 authorities might be exempted from the backstop dates for this period.

Our intention is to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not, making it clear any instances where unaudited accounts had also not been published by the required date.

Questions 10 and 11 below seek views on whether, in light of the proposed deadlines for the publication of audited accounts, the existing 31 May deadline for the publication of unaudited accounts (see regulation 15(1)(a)) remains appropriate for financial years 2024/2025 to 2027/2028. (Note that the deadline of 31 May 2024 for the publication of unaudited accounts for the current financial year is not under consideration.)

Under these proposals, the existing requirements in the 2015 regulations relating to public inspection periods would continue to apply in their current form (see 'Part 5' of the Regulations).

Under these proposals, the published, audited accounts must also be approved in accordance with regulation 9(2) and therefore the approval must be given before the backstop date.

Further context on these aspects of the proposals can be found in the Joint Statement (especially paragraphs 15 to 46), as well as the draft regulations (PDF, 179 KB).

Questions

Q6. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 7 and 8 below), do you agree that Category 1 local authorities should be required to publish audited accounts for financial years 2023/2024 to 2027/2028 by the following dates (agree, disagree, unsure)?

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

Do you have any comments on these dates?

Q7. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop dates for Phase 2 in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)

Please explain your response.

Q8. Do you think there would be any other exceptional circumstances which might create conditions in which it would appropriate for Category 1 authorities to be exempt from the backstop dates for Phase 2? (agree, disagree, unsure)

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

Q9. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadlines for Phase 2? (agree, disagree, unsure)

Please explain your response and, where relevant, include any suggested consequences.

Q10. The Accounts and Audit Regulations 2015 (regulation 15(1)(a)) currently requires Category 1 local authorities to publish unaudited accounts by the 31 May following the end of the financial year. In light of the proposed deadlines for the publication of audited accounts, do you think the 31 May deadline remains appropriate for financial years 2024/2025 to 2027/2028? (agree, disagree, unsure)

Please explain your response.

Q11. The existing annual deadline for the publication of unaudited accounts is 31 May. As set out above, we are proposing a backstop date for the publication of audited accounts for the financial year 2023/2024 of 31 May 2025. This would mean that 31 May 2025 would be the statutory deadline for both the publication of audited accounts for financial year 2023/2024 and unaudited accounts for financial year 2024/2025. Do you expect this would create any significant issues? (agree, disagree, unsure)

Please explain your response.

Q12. The government anticipates that the Phase 1 backstop proposals will result in modified or disclaimed opinions. A modified or disclaimed opinion at the end of Phase 1 would require auditors to subsequently rebuild assurance. The Phase 2 backstop dates are intended to enable this work to be spread across multiple years. Given this additional work, and noting the further explanation at paragraphs 15 to 46 of the Joint Statement, do you have any views on the feasibility of audited accounts being published by the proposed statutory backstop dates for Phase 2?

Publication of an audit letter

Regulation 20 of the 2015 Regulations places a duty on Category 1 authorities to consider and then publish any audit letter received from the auditor "following completion of an audit."

The NAO's Code of Audit Practice currently specifies that an auditor's annual report meets the definition of an 'audit letter' in the 2015 Regulations. In practice, therefore, Category 1 authorities have a duty to consider and publish annual audit reports in accordance with Regulation 20.

The 2020 Code of Audit Practice states that an auditor's annual report brings together all of the auditor's work over the year. This should be presented at an appropriate forum at the body (e.g. Audit Committee or Full Council) and be made available on the authority's website.

A core element of the auditor's annual report is a commentary on the organisation's arrangements to secure value for money through the economic, efficient and effective use of its resources. The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

These arrangements previously allowed for timely and reasonably predictable public reporting of local auditors' audit letters. The recent backlog issues have, however, resulted in both delays to this public reporting and much less predictability in terms of when the auditors' letters would be published.

Under the proposed changes to the NAO's Code of Audit Practice, aimed at helping with clearing the backlog of local audit opinions and restoring more timely reporting of auditors' work on arrangements to secure value for money, the NAO plans to consult on a fixed annual deadline of 30 November for production and subsequent publication of the auditor's annual report.

A fixed cycle may mean that, due to the proposed deadlines for publication of audited accounts for financial years 2023/2024 to 2027/2028, the auditor would issue their annual report before they have completed all of their work. However, it is hoped that these changes will enable the auditor to report the outcome of the majority of their work on financial sustainability and governance in a more timely and predictable way.

It may therefore be helpful for the 2015 Regulations to require reports categorised as 'audit letters' to be considered and published by Category 1 authorities whenever they are issued, rather than limiting this to circumstances in which an audit has been completed.

Further context on these proposals can be found in the NAO's consultation.

Question

Q13. Do you agree that it would be beneficial for the 2015 Regulations be amended so that Category 1 bodies would be under a duty to consider and publish audit letters received from the local auditor whenever they are issued, rather than, as is currently the case, only following the completion of the audit? (agree, disagree, unsure)

Do you have any comments on this issue?

Equality impacts

In considering new legislation, under section 149 of the Equality Act 2010 (the Act), the government is required to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and those who do not; and
- foster good relations between people who share protected characteristics and those who do not.

Under the Act, protected characteristics refer to:

- age
- disability

- sex
- gender reassignment
- marriage or civil partnership
- pregnancy and maternity
- race
- religion or belief
- sexual orientation.

Question

Q14. Do you have any comments on whether any of the proposals outlined in this consultation could have a disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?

Further feedback

Question

Q15. Finally, do you have any further comments on the proposed changes to the 2015 Regulations not covered by the questions so far, including relating to any unintended consequences?

(Where possible, please limit your response to 500 words)

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and UK data protection legislation. In certain circumstances this may therefore include personal data when required by law.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the information access regimes and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Levelling Up, Housing and Communities will at all times process your personal data in accordance with UK data protection legislation and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included below.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the complaints procedure.

Personal data

The following is to explain your rights and give you the information you are entitled to under UK data protection legislation.

Note that this section only refers to personal data (your name, contact details and any other information that relates to you or another identified or identifiable individual personally) not the content otherwise of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Department for Levelling Up, Housing and Communities (DLUHC) is the data controller. The Data Protection Officer can be contacted at dataprotection@levellingup.gov.uk or by writing to the following address:

Data Protection Officer
Department for Levelling Up, Housing and Communities
Fry Building
2 Marsham Street
London SW1P 4DF

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

We will collect your IP address if you complete a consultation online. We may use this to ensure that each person only completes a survey once. We will not use this data for any other purpose.

Sensitive types of personal data

Please do not share special category personal data or criminal offence data if we have not asked for this unless absolutely necessary for the purposes of your consultation response. By 'special category personal data', we mean information about a living individual's:

- race
- ethnic origin
- political opinions
- religious or philosophical beliefs
- trade union membership
- genetics
- biometrics

- health (including disability-related information)
- sex life; or
- sexual orientation.

By 'criminal offence data', we mean information relating to a living individual's criminal convictions or offences or related security measures.

3. Our legal basis for processing your personal data

In accordance with section 32 of the Local Audit and Accountability Act 2014, there is a statutory duty to consult the following entities in relation to amendments to the Accounts and Audit Regulations 2015:

- the Comptroller and Auditor General,
- such representatives of relevant authorities as the Secretary of State thinks appropriate, and
- the recognised supervisory bodies

The collection of your personal data is lawful under article 6(1)(e) of the UK General Data Protection Regulation as it is necessary for the performance by DLUHC of a task in the public interest/in the exercise of official authority vested in the data controller. Section 8(d) of the Data Protection Act 2018 states that this will include processing of personal data that is necessary for the exercise of a function of the Crown, a Minister of the Crown or a government department i.e. in this case a consultation.

Where necessary for the purposes of this consultation, our lawful basis for the processing of any special category personal data or 'criminal offence' data (terms explained under 'Sensitive Types of Data') which you submit in response to this consultation is as follows. The relevant lawful basis for the processing of special category personal data is Article 9(2)(g) UK GDPR ('substantial public interest'), and Schedule 1 paragraph 6 of the Data Protection Act 2018 ('statutory etc and government purposes'). The relevant lawful basis in relation to personal data relating to criminal convictions and offences data is likewise provided by Schedule 1 paragraph 6 of the Data Protection Act 2018.

4. With whom we will be sharing your personal data

The data collected may be shared with other government departments and arms length bodies.

For any other bodies all data shared will be anonymised.

DLUHC may appoint a 'data processor', acting on behalf of the Department and under our instruction, to help analyse the responses to this consultation. Where we do we will ensure that the processing of your personal data remains in strict accordance with the requirements of the data protection legislation.

5. For how long we will keep your personal data, or criteria used to determine the retention period

Your personal data will be held for 2 years from the closure of the consultation, unless we identify that its continued retention is unnecessary before that point.

6. Your rights, e.g. access, rectification, restriction, objection

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

a. to see what data we have about you

b. to ask us to stop using your data, but keep it on record

c. to ask to have your data corrected if it is incorrect or incomplete

d. to object to our use of your personal data in certain circumstances

e. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/, or telephone 0303 123 1113.

Please contact us at the following address if you wish to exercise the rights listed above, except the right to lodge a complaint with the ICO: dataprotection@levellingup.gov.uk or

Knowledge and Information Access Team
Department for Levelling Up, Housing and Communities
Fry Building
2 Marsham Street
London SW1P 4DF

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making

9. Your personal data will be stored in a secure government IT system

We use a third-party system, Citizen Space, to collect consultation responses. In the first instance your personal data will be stored on their secure UK-based server. Your personal data will be transferred to our secure government IT system as soon as possible, and it will be stored there for 2 years before it is deleted.

2 Accounting Policies

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year end of 31 March 20243. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2015, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code). The Code prescribes guidance on the preparation of the Statement of Accounts, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act). 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 Statement of Accounts has been prepared on a 'going concern' basis.

2.2 Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- 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 receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. The Council has no overdraft facility.

2.4 Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. [IF APPLICABLE] See Note 4 for an outline of PPA's within this set of accounts.

2.5 Charges to Revenue for Long Term Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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; and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These entries are adjusted through the Movement in Reserves Statement (MIRS).

2.6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) 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 rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement **(CIES)** when the Council is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

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 MIRS, 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 Pension Scheme, administered by Hertfordshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council. The schemes arrangements are summarised as follows:-

The Local Government Pension Scheme

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

- the liabilities of Hertfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;

- liabilities are discounted to their value at current prices, using a discount rate of 3.6%-3.8% (based on the indicative rate of return on high quality corporate bonds); and
- the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS) 19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure.

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

- current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the CIES to the services for which the employees worked;
- past service cost — the increase in liabilities arising from current year decisions which relate to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs;
- interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to the Financing and Investment Income and Expenditure line in the CIES;
- expected return on assets — the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the CIES;
- gains or losses on settlements and curtailments — the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs
- 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 — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the Movement in Reserves to the Pensions Reserve; and
- contributions paid to the HCC pension fund — cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the CIES.

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 MIRS this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and 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 on the basis of cash flows, rather than as benefits 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 as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

2.7 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.

Financial Assets - Loans and Receivables

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for Statements the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its material financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to material lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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 on the basis of 12-month expected losses.

The Expected Credit Loss Model is not applied to debts related to Council Tax and Non Domestic Rates.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL 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 arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

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

2.8 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 Council when there is reasonable assurance that:

- the Council will comply with the conditions of the payment; and
- the grants or contributions will be received.

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

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. 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.

2.9 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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 or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the 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 CIES.

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 CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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 MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Where there is intangible asset expenditure of an immaterial nature, the Council's policy is that these be capitalised and then written off in-year.

2.10 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

2.11 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, for the provision of community benefit, for the purpose of economic development and regeneration, production of goods, or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties 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 CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income 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 MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

2.12 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. 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 Council 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). 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 periods in which they are incurred.

Lease payments are apportioned between:-

- a charge for the acquisition of the interest in the property, plant or equipment — applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES.

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 Council 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 MIRS.

Operating Leases

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

The Council as Lessor

Finance 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 CIES 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 the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property — applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES 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 MIRS. 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 out of the General Fund Balance to the Deferred Capital Receipts Reserve in the MIRS. 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

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 the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

2.13 Overheads and Support Services

The costs of overheads and support services are not charged to those service segments that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SERCOP).

However, the costs of overheads and support services are accounted for as separate headings in the CIES.

2.14 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 accruals 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 (i.e. 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 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 (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

It should be noted that at present the Council has no donated assets.

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

- Infrastructure, community assets and assets under construction — depreciated historical
- All other assets — fair 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 fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In addition, should current valuations of a similar class of asset suggest material differences in valuations, the entire class to which the asset belongs would be revalued. The current valuers have undertaken a market review of individual asset types within the Council's portfolio at year end to identify any material changes to the fair value of assets. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

When decreases in value are identified:

- 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); or
- 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 CIES.

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

Impairment

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

When impairment losses are identified:

- 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), or
- 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 CIES.

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

Depreciation

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

Deprecation is calculated on the following bases:-

- Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years;
- Vehicles — straight-line over the estimated life of the asset - up to 20 years;
- Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years;
- Infrastructure — straight-line over the estimated life of the asset - up to 25 years; and
- Finance leases — over the life on the underlying asset or over the life of the lease where there is no option to acquire the asset at the end of the lease.

Please note, to ensure consistency across the Councils policies, the previous accounting policy of depreciating some plant, furniture and equipment has been changed from reducing balance to straight-line. This now means all Councils assets if depreciated are depreciated based on a straight-line basis. The impact was immaterial.

Depreciation commences in the year following acquisition.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated **separately**, in order to ensure the depreciation charge is realistic.

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 of Non-current Assets

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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). 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 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.

Construction Contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2.15 Heritage Assets

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area. 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. However, some of the measurement rules have been simplified in relation to heritage assets as detailed below.

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and restoration of its heritage assets and therefore the assets are deemed to have indefinite lives and the Council does not consider it necessary to charge depreciation.

The Council's collection of Heritage Assets, which includes works of art, musical equipment, sculptures, statues, war memorials and civic regalia, are reported at insurance valuations, which are based on market values, internal or external valuations. These insurance valuations are reviewed and updated on an annual basis. The carrying amounts of heritage assets are reviewed where there is evidence of impairment or where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

2.16 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the 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.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year — where it becomes less than 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 (e.g. 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 Council settles the obligation.

The level of provisions is reviewed annually by the Council.

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.

2.17 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 MIRS. 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 the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MIRS 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 do not represent usable resources for the Council — these reserves are explained in the relevant policies.

2.18 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 CIES 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 MIRS 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.

2.19 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.

2.20 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other organisations, that involve the use of assets and resources of the Council and organisations without the establishment of a separate legal entity.

The Council recognises the assets and liabilities it controls on the Council's balance sheet. Expenditure incurred by the Council and income it earns from the operation is included in the Council's CIES.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other organisations. The assets being used to obtain benefit to the Council and organisations. The arrangement does not involve the formation of a legal entity.

The Council accounts for only its share of jointly controlled assets, liabilities and expenses incurred in respect of its interest in the arrangement.

An agreement exists between Dacorum Borough Council, Hertsmere Borough Council, St Albans City & District Council, Three Rivers District Council and Watford Borough Council to constitute a West Herts Crematorium Joint Committee under the Local Government Act 2000.

The Joint Committee has one member from each of the constituent Councils. One Watford Councillor represents the Council on the Joint Committee. The Council's Managing Director is the Clerk to the Joint Committee. Three Rivers District Council provide the Treasurer.

2.21 Single Entity Financial Statements

The financial statements presented by a parent, an investor in an associate or a venturer in a joint venture (jointly controlled entity) in which the investments are accounted for on the basis of the direct equity interest (i.e. at cost) rather than on the basis of the reported results and net assets of the investees. In the context of the Code, an Authority's single entity financial statements are deemed to be separate financial statements.

2.22 Group Accounts are the financial statements of an entity together with:-

- its subsidiary undertakings,
- its investments in associates, and
- its interests in joint ventures (jointly controlled entities); presented as a single economic entity.

Subsidiary undertakings are accounted for in accordance with the implementation of IAS27 (International Accounting Standard 27) in the 2019/20 Code. The 2019/20 Code requires consolidation of subsidiaries. Consolidation is a method of accounting whereby an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, reserves, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:-

- the carrying amount of the parent's investment in each subsidiary and the parent's portion of reserves of each subsidiary are eliminated;
- any non-controlling interest is identified and separately disclosed;
- intragroup balances and transactions, including income, expenses and dividends, are eliminated in full.

Investments in associates are accounted for in accordance with the implementation of IAS28 in the Code. The Code requires the consolidation of an entity's interest in associates. Joint ventures are accounted for in accordance with the implementation of IFRS 11 in the Code. The Code requires use of the "equity method" of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investor's share of the net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Turnover (for Group Accounts)

Turnover in respect of property development is recognised on unconditional exchange of contracts on disposals of finished developments.

Where construction of pre-sold developments is under-taken, the revenue and profits are recognised in accordance with IFRIC 15. Revenue is determined by independently certified milestones.

Taxation (for Group Accounts)

Taxation on all profits is solely the personal liability of individual members. Consequently, neither taxation nor related deferred taxation arising in respect of Three Rivers Homes LLP or Three Rivers Homes Ltd are accounted for in these financial statements.

Subscription and Repayment of Members' Capital (for Group Accounts)

The capital requirements of the LLP are reviewed from time to time by the Board and further capital contributions may be made at the discretion of the members. No interest is charged on capital except pursuant to a dissolution, no capital can be withdrawn by a member unless agreed by all members.

Allocation of Profits and Drawings (for Group Accounts)

The allocation of profits to those who were members during the financial period occurs following the finalisation of the annual financial statements.

The allocation of profits between members is determined by entitlements outlined in the Members' Agreement and is dependent on certain profit criteria being achieved. In accordance with the SORP as a consequence of the LLPs profits being automatically divided in line with the entitlements outlined in the Members' Agreement these profits are treated as an expense in the profit and loss account.

Work in progress (for Group Accounts)

Development land and work in progress is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals. Where a property is being developed, cost includes cost of acquisition and development to date, including directly attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the profit and loss account.

2.23 Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices,
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 – unobservable inputs for the asset or liability.

AUDIT COMMITTEE – 21 MARCH 2024

PART I – DELEGATED

. COMMITTEE'S WORK PROGRAMME
(DoF)

1 Summary

1.1 This report sets out the Audit Committee's latest Work Programme to enable the Committee to make updates as required.

2. Details

2.1 The Audit Committee meets five times per financial year between 1 April and 31 March. The work programme is presented at each meeting of the Committee to enable any changes to be made and to provide Members with updated information on future meetings.

2.2 The work programme includes a rolling annual training programme which is delivered prior to each committee. The following topics form the programme:

- Role of the Audit Committee
- Statement of Accounts
- Treasury Management
- Internal Audit
- Risk Management

2.3 Additional 'deep dive' training is arranged for members of the committee ahead of approval of the audited Statement of Accounts.

2.4 The following items are standing items on the agenda and are presented at each meeting of the Committee:

- Internal Audit Report – SIAS Audit Client Manager
- Financial and Budgetary Risks – Head of Finance
- Committee Work Programme

2.5 The programme of ad hoc reports scheduled to be presented to this Committee in the next 12 months is shown in the table below:

Financial Year 2024/25		
May 2024	TRAINING: Statement of Accounts • Treasury Management Annual Report 2023/24 • SIAS Annual Assurance Statement & Internal Audit Annual Report • Approval of the draft Statement of Accounts 2023/24 and Annual Governance Statement • Standing Items	Director of Finance Director of Finance Client Audit Manager Director of Finance
July 2024	TRAINING: Role of the Audit Committee • Fraud Annual Report • SIAS Board Annual Report • Standing Items	Director of Finance Fraud Manager Client Audit Manager

September 2024	TRAINING: Risk Management • Approval of the audited Statement of Accounts 2023/24 • Standing Items	Emergency Planning and Risk Manager Director of Finance and External Auditors

3 Options/Reasons for Recommendation

3.1 The recommendation allows the Committee to determine its work programme.

4 Policy/Budget Implications

4.1 The recommendations in this report are within the Council's agreed policy and budgets.

5 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Customer Services Centre, Website and Risk ManagementImplications

5.1 None specific.

6 Recommendation

6.1 That the Committee consider and makes necessary changes to its Work Programme.

Background Papers

Reports and minutes – Audit Committee

Report prepared by: Hannah Doney – Head of Finance

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