

GOVERNANCE AND AUDIT SCRUTINY COMMITTEE AGENDA

Thursday, 3rd November 2022 at 7.15pm

Council Chamber, Braintree District Council, Causeway House, Bocking End,
Braintree, CM7 9HB.

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<http://www.braintree.gov.uk/youtube>

Members of the Governance and Audit Scrutiny Committee are requested to attend this meeting to transact the business set out in the Agenda.

Membership:-

Councillor P Euesden (Vice Chairman)	Councillor T Walsh
Councillor D Hume	Councillor Mrs L Walters
Councillor D Mann	Councillor D White
Councillor S Rehman	Councillor J Wrench (Chairman)
Councillor Miss V Santomauro	

Members unable to attend the meeting are requested to forward their apologies for absence to the Governance and Members Team on 01376 552525 or email governance@braintree.gov.uk by 3pm on the day of the meeting.

D GASCOYNE
Chief Executive

INFORMATION FOR MEMBERS – DECLARATIONS OF MEMBERS' INTERESTS

Declaration of Disclosable Pecuniary Interests (DPI), Other Pecuniary Interests (OPI) or Non-Pecuniary Interests (NPI).

Any Member with a DPI, OPI or NPI must declare the nature of their interest in accordance with the Code of Conduct. Members must not participate in any discussion of the matter in which they have declared a DPI or OPI or participate in any vote, or further vote, taken on the matter at the meeting. In addition, the Member must withdraw from the Chamber where the meeting considering the business is being held unless the Member has received a dispensation from the Monitoring Officer.

Public Question Time – Registration and Speaking:

The Agenda allows for a period of up to 30 minutes for Public Question Time. Members of the public wishing to participate are requested to register by contacting the Governance and Members Team on 01376 552525 or email governance@braintree.gov.uk by midday on the second working day before the day of the Committee meeting. For example, if the Committee meeting is due to be held on a Tuesday, the registration deadline is midday on Friday, (where there is a bank holiday Monday you will need to register by midday on the previous Thursday). Public Question Time speakers may participate in person or virtually. Speaker preference must be indicated upon registration.

The Council reserves the right to decline any requests to register for Public Question Time if they are received after the registration deadline.

The public may ask questions on any matter listed on the Agenda for this meeting. All questions or statements should be concise and should be able to be read within the 3 minutes allotted for each question/statement.

The Chairman of the Committee has discretion to extend the time allocated for public question time and to amend the order in which questions/statements are presented to the Committee.

Public Attendance at Meetings:

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Public attendance is limited and will be on a first come first served basis with priority given to Public Registered Speakers. In order to maintain safe distances, the Council may have to refuse entry to members of the public. The public may not be able to sit in the Council Chamber, but will be able to observe the meeting from a public gallery through a large screen. Alternatively, the Council meetings are webcast and are available via the Council's YouTube Channel and can be viewed by the public as a live broadcast, or as a recording following the meeting.

Public speakers and public attendees are required to attend on their own, and where possible only one representative of any community group, family household or Company should attend. Members of the public intending to come to Causeway House to observe a meeting are recommended to watch the meeting via the webcast, or to contact the Governance and Members Team to reserve a seat within the public gallery.

Health and Safety/COVID:

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Anyone attending meetings is asked to make themselves aware of the nearest available fire exit. In the event of an alarm you must evacuate the building immediately and follow all instructions provided by staff. You will be directed to the nearest designated assembly point until it is safe to return to the building.

Documents: Agendas, Reports and Minutes can be accessed via www.braintree.gov.uk

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https://www.braintree.gov.uk/info/200136/access_to_information/376/privacy_policy

Mobile Phones:

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Webcast and Audio Recording:

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Comments and Suggestions:

We welcome comments to make our services as efficient and effective as possible. If you have any suggestions regarding the meeting you have attended, you can send these to governance@braintree.gov.uk

PUBLIC SESSION	Page
1 Apologies for Absence	
2 Declaration of Interests - Scrutiny Committee	
1. To declare the existence and nature of any interests relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice (where necessary) before the meeting.	
2. To declare the existence and nature of any instruction given by or on behalf of a political group to any Councillor who is a member of that group as to how that Councillor shall speak or vote on any matter before the Committee or the application or threat to apply any sanction by the group in respect of that Councillor should he/she speak or vote on any particular matter.	
3 Minutes of the Previous Meeting	
To approve as a correct record the minutes of the meeting of the Governance and Audit Scrutiny Committee held on 21 st July 2022 (copy previously circulated).	
4 Public Question Time	
(See paragraph above)	
5 To receive a suite of the Council's Key Financial Indicators as at 30th September 2022	5 - 10
6 To receive the External Audit Update Report	11 - 25
7 Internal Audit Update, Progress Against Internal Audit Plan 2022 23	26 - 37
8 To update the Regulation of Investigatory Powers Act 2000 (RIPA) & Investigatory Powers Act 2016	38 - 40
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10 Governance and Audit Scrutiny Committee Self Assessment 2022	50 - 64

Report Title: To receive a suite of the Council's Key Financial Indicators as at 30 th September 2022	
Report to: Governance and Audit Scrutiny Committee	
Date: 3 rd November 2022	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Phil Myers, Head of Finance	
Enquiries to: Phil Myers, Head of Finance (phil.myers@braintree.gov.uk)	

1. Purpose of the Report

- 1.1 To receive a suite of the key financial indicators of the Council on performance in the current financial year up to 30th September 2022. To evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues as and when they may arise.

2. Recommendations

- 2.1 Members are asked to note the report of the Key Financial Indicators as at 30th September 2022.

3. Summary of Issues

- 3.1 The attached schedule (Appendix A) provides details of performance recorded for the financial year to 30th September 2022.

3.2 Commentary

- 3.2.1 The General Fund revenue budget for the year is £16.2m. Net expenditure was £6.7m at the end of September which is £78k below profile.
- 3.2.2 The total budget for Salaries for the whole year is £20.8m. Expenditure on salaries to the end of September was £9.9m, which is under profile by £134k. The budget for the year includes an Efficiency Factor of £300k to be achieved for the year of which £150k has been reflected in the profiled budget. This position excludes the National Employers' pay offer from April 2022, which proposes a £1,925 flat rate payment on all pay scale points. The Council is currently waiting for confirmation that the offer has been accepted by the relevant unions.
- 3.2.3 The budget for commercial rents for the year is £3.0m, and the amount invoiced to the end of September was £2.1m, which represented a shortfall against profiled budget of £73k. The number of units available for let was 221, with occupation being 91% (202 units) which is a reduction on the position at the end of May of 96%. Since the end of September one unit has now been let and appointed agents continue to actively market the remaining vacant

units. For the lettable space in Causeway House, action is being taken to help mitigate a reduction in service charge income now the area is vacant.

- 3.2.4 Other Controllable Income budgets total £20.4m, and at the end of September there was an overachievement against profile of £490k. The main service areas contributing to this position were waste management (recycling material), building control, licensing, and treasury management, partially offset by less income from car parking and planning applications. Controllable Expenditure budgets total £19.3m which were overspent at the end of September by £473k. The main areas where spending has been higher than budget has been across operational service areas (e.g. increased cost of fuel, recycling sacks, haulage, and material processing costs).
- 3.2.5 The first quarter's review of the financial position and projected outturn for the year was reported to Cabinet at its meeting held on 10th October 2022. This showed a projected overspend for the year of £721k, after allowing for the proposed pay offer. A recovery plan was put in place and all senior managers requested to review their service areas and identify opportunities for mitigating the financial position. The outcome from this review identified cost reductions from both savings and from deferring expenditure, along with additional income which when taken together would offset a significant portion of the projected overspend.
- 3.2.6 Accountants are currently finalising with service managers the second quarter review (end of September) and updated forecast of the financial outturn position. The outcome of this review will be included in the Quarterly Performance report which will be received by the Cabinet on 28 November 2022. This updated position will also be used to inform ongoing planning for next year's budget.
- 3.2.7 The expected level of spend on the capital programme for the year is currently £12.0m, which includes estimated expenditure on: The Plaza Enterprise Centre at Horizon 120 of £4.3m; Manor Street development of £0.7m; town centre improvements of £0.8m; planned maintenance programme of £1m; ICT investment of £0.4m; and play area refurbishments of £0.3m. Actual expenditure incurred to the end of September is £4.7m.
- 3.2.8 Capital receipts totalling £5.7m is anticipated for the year, which include: right-to-buy sales and VAT shelter savings from agreements with Eastlight Community Housing; the sale of serviced land plots at Horizon 120; and the sale of land assets which had been identified for potential residential development. The actual value and timing of receipts can vary as they are subject to interest from prospective buyers; commercial arrangements; and, in some cases, contracts are exchanged subject to receipt of satisfactory planning consents. The amount of capital receipts achieved to the end of September is £5.3m.

- 3.2.9 The total Council Tax collectable debit for the year is £109m. The collection rate as at the end of September was 57.4% (£62.6m collected), which compares to a rate of 57.5% for the same period last year.
- 3.2.10 The total Business Rates collectable debit for the year is £43.3m. The collection rate as at the end of September was 56.9% (£24.6m collected), which compares to a rate of 51.6% for the same period last year.
- 3.2.11 A total of 444 write-offs of Council Tax, with a value of £169k have been authorised in the year to date: 61 in respect of the current year and 383 in respect of previous financial years.
- 3.2.12 A total of 28 write-offs of Business Rates, with a net value of £53k, have been authorised in the year to date: 10 in respect of the current year and 18 in respect of previous financial years.
- 3.2.13 The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and Business Rates, is £3.3m, of which £1.5m is in respect of Housing Benefit overpayments. Payment plans are agreed and range from payment within 14 days, payments by instalments throughout the year, and plans determined under Regulations (prescribed maximum amount that can be received from a debtor's benefit award).
- 3.2.14 The proportion of supplier payments made within 30 days is 97.7% The target is 97%.
- 3.2.15 Up to the end of September, the average amount held as short-term investments was £48.0m on which £275k of interest has been secured, equivalent to a return of 1.1%. Returns have picked up following the increases made in Bank of England rate and market expectations. In 2021/22 the rate of return achieved was just 0.08% for the whole year.
- 3.2.16 The amount invested in pooled funds comprising equity, property, and multi-assets, has been held at £19m. Dividend income is generally paid quarterly, and the amount received up to the end of September was £464k. Overall, market values for funds fell sharply at the end of September as stock markets reacted unfavourably to the mini budget announced on 23rd September 2022. The total value of all the Council's fund holdings was £19.8m, which represented an unrealised gain of £0.8m.
- 3.2.17 Detail of the Council's investments of surplus monies, totalling £66.2m, as at 30th September, is provided at Appendix B.

4. Options

- 4.1 To receive and ask questions as appropriate on the Key Financial Indicators contained in this report.

5. Financial Implications

- 5.1 There are no new financial implications arising from the recommendations set out in this report.

6. Legal Implications

6.1 There are no specific legal implications arising out of this report at this time.

7. Other Implications

7.1 There are no other implications arising out of this report at this time.

8. Equality and Diversity Implications

8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

8.3 The content of this report will not have a disproportionately adverse impact on any people with a particular characteristic.

9. List of Appendices

Appendix A – Key Financial Indicators (including Revenue, Capital, and Taxation collection) for the period 1st April 2022 to 30th September 2022.

Appendix B – Treasury Management – Details of the Council's investments for the period 1st April 2022 to 30th September 2022.

10. Background Papers

None.

Key Financial Indicators at 30th September 2022
APPENDIX A

	Full Year Budget 2022/23	Actual 30 Sep 2022	Profile to 30 Sep 2022	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Expenditure					
Salaries	20,800	9,905	10,039	-134	-1.3%
Other Controllable Expenditure	41,302	19,289	18,816	473	2.5%
General Fund - Income					
Commercial & Industrial Property - Rental Income	-3,010	-2,068	-2,141	73	-3.4%
Other Controllable Income	-42,851	-20,395	-19,905	-490	2.5%
General Fund - Net Revenue (Controllable)	16,241	6,731	6,809	-78	-1.1%
Capital Programme					
Capital Expenditure	12,034	4,744			
Capital Receipts	-5,730	-5,333			

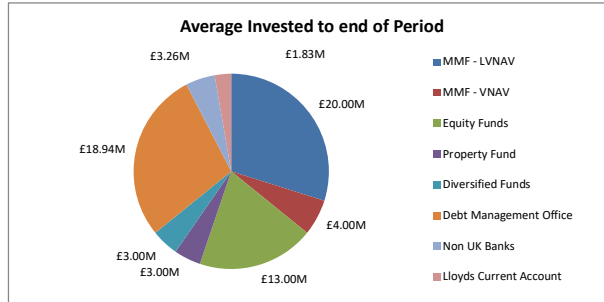
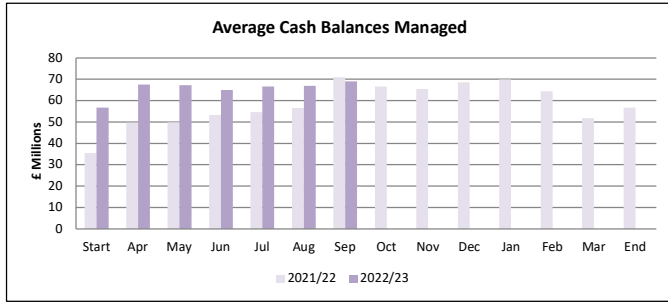
	Full Year Target	Actual 30 Sep 2022	Actual 30 Sep 2021	Variance
Council Tax collection in year - %	97.4%	57.4%	57.5%	0.0%
Council Tax collection - income collected for year - £m	£109.0	£62.6	£58.8	£3.9
Write-offs in year - £'000		£12	£10	£2
Write-offs in year - number		61	84	-23
Write-offs all years £'000		£169	£52	£117
Write-offs all years - number		444	399	45
Business Rates collection in year - %	98.7%	56.9%	51.6%	5.3%
Business Rates collected for year - £m	£43.3	£24.63	£19.8	£4.9
Write-offs in year - £'000		£11	£1	£10
Write-offs in year - number		10	4	6
Write-offs all years - £'000		£53	£18	£35
Write-offs all years - number		28	20	8
Creditors - payment of invoices within 30 days of receipt	97.0%	97.7%	95.8%	1.9%

Debtors - Balance Outstanding	31-Mar-20	31-Mar-21	31-Mar-22	30-Sep-22
	£'000	£'000	£'000	£'000
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	12	109	3	21
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	60	71	80	42
Development & Environment	375	512	570	405
Finance	92	102	82	186
Leisure (incl. joint-use recharges)	212	92	103	146
Operations	1,076	1,312	1,155	949
Housing	65	43	73	40
Sub-Total - excluding Hsg. Benefits	1,892	2,241	2,066	1,789
Housing Benefits	1,673	1,613	1,541	1,508
Total	3,565	3,854	3,607	3,297
Profile by Recovery Stage:				
Invoice	1,914	2,088	2,016	1,880
Reminder	648	791	674	510
Pre-legal	104	145	86	122
Enforcement Agent	328	184	202	202
Tracing Agent	3	2	-	25
Charging Order	30	22	22	20
Attachment to Benefits/Earnings	538	622	607	538
Total	3,565	3,854	3,607	3,297
Write offs (debits and credits) in year - value - £000	£7.7	£0.6	£90.3	£7.1
Write-offs in year - number	114	141	226	88

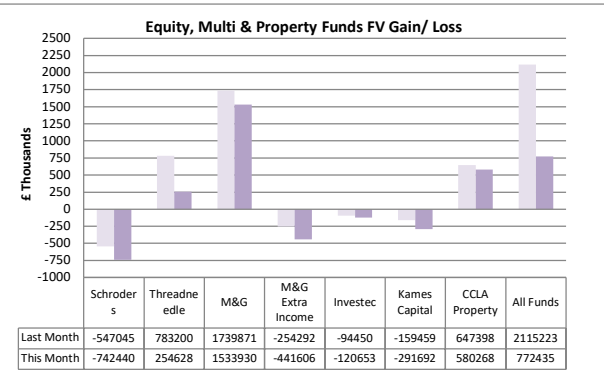
Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2022/23 is a net amount of £300,000. The underspend on salaries of £134,000, recorded above, is after offsetting £150,000 of the target.

APPENDIX B - Treasury Management Monitor - 30 September 2022

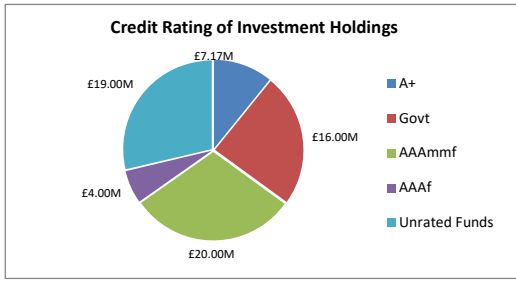
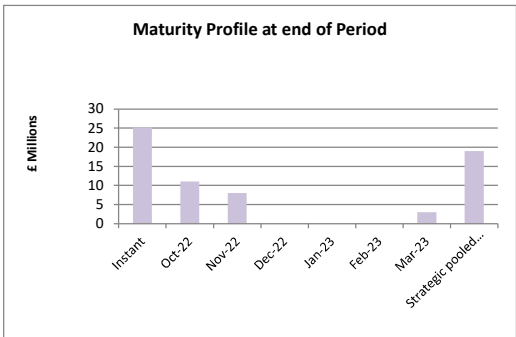


	This Month Made (£m)	Sold (£m)	Cumulative Made (£m)	Sold (£m)
External Investments				
Property Fund	0.0	0.0	0.0	0.0
Equity Funds	0.0	0.0	0.0	0.0
Multi Funds	0.0	0.0	0.0	0.0
MMF - LVNAV	0.0	0.0	0.0	0.0
MMF - VNAV	0.0	0.0	0.0	0.0
Sub-Total	0.0	0.0	0.0	0.0
Deposits - Fixed				
UK Bank & Building Soc.	0.0	0.0	0.0	0.0
Non-UK Banks	3.0	0.0	6.0	0.0
Debt Mgt Office	5.0	-7.5	103.5	-100.5
Local Authorities	0.0	0.0	0.0	0.0
Sub-Total	8.0	-7.5	109.5	-100.5
Lloyds Bank PLC	0.0	0.0	0.0	0.2
Sub-Total	0.0	0.0	0.0	0.2
Total	8.0	-7.5	109.5	-100.3

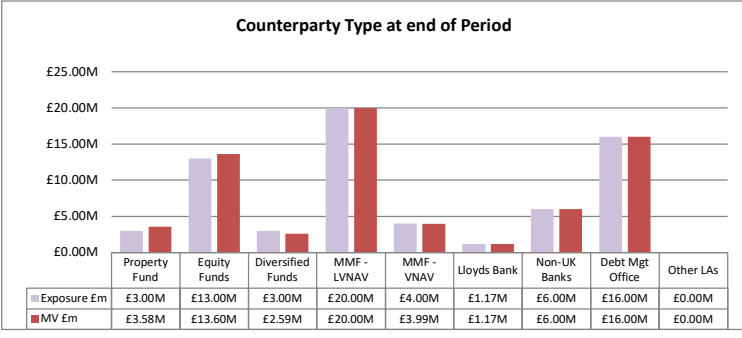


Commentary
 Average sum invested in the month £69.07m (Last year £70.89m)
 Average sum invested for the year to date £67.04m (Last year £55.77m)
 Actual sum invested at the end of the period £66.17m (Last year £68.43m)
 Interest secured on instant access accounts, fixed deposits, and MMFs at the end of the period £274795 a return of 1.14% [Annual Updated Budget £23k]
 Note: 3mth Libid 1.78% 6mth LIBID 2.21%
 Dividends earned (declared) on equity, property and diversified funds to the end of the period £464k [Annual Budget £786k]
 Unrealised gain/ -loss at end of period for equity, property and diversified funds is a net £840k a change of £-1276k from last month

COUNTERPARTY	Type	Principal	Start	Maturity	Yield
LANDESBANK HESSEN-THURINGEN (HELABA)	FIXED	3000000	15/09/2022	01/03/2023	3.30%
AUSTRALIA & NZ BANKING GROUP	FIXED	3000000	05/08/2022	08/11/2022	2.02%
DEBT MANAGEMENT OFFICE	FIXED	4000000	19/07/2022	19/10/2022	1.58%
DEBT MANAGEMENT OFFICE	FIXED	2500000	02/08/2022	19/10/2022	1.62%
DEBT MANAGEMENT OFFICE	FIXED	1000000	15/08/2022	14/10/2022	1.72%
DEBT MANAGEMENT OFFICE	FIXED	2000000	23/08/2022	19/10/2022	1.84%
DEBT MANAGEMENT OFFICE	FIXED	1500000	23/08/2022	26/10/2022	1.87%
DEBT MANAGEMENT OFFICE	FIXED	3500000	01/09/2022	21/11/2022	2.07%
DEBT MANAGEMENT OFFICE	FIXED	1500000	28/09/2022	03/11/2022	2.07%
LLOYDS BANK	CALL A/C	1170000	30/09/2022	01/10/2022	2.15%
DEUTSCHE	MMF	0			1.79%
GOLDMAN SACHS	MMF	5000000	30/09/2022	01/10/2022	1.93%
CCLA PUBLIC DEPOSIT	MMF	5000000	30/09/2022	01/10/2022	1.93%
FEDERATED PRIME	MMF	5000000	30/09/2022	01/10/2022	2.04%
ABERDEEN STANDARD	MMF	5000000	30/09/2022	01/10/2022	2.01%



Fund Name	Type	Principal	Yield
SHRODERS INCOME MAX.	EQUITY	2500000	Variable
THREADNEEDLE UK EQUITY	EQUITY	5000000	Variable
M&G GLOBAL DIVIDEND	EQUITY	2500000	Variable
M&G EXTRA INCOME	EQUITY	3000000	Variable
AEGON	MULTI	2000000	Variable
NINETY ONE	MULTI	1000000	Variable
CCLA - LAMIT PROPERTY	PROPERTY	3000000	Variable
ROYAL LONDON CASH PLUS	MMF-VNAV	4000000	Variable



Report Title: To Receive the External Audit Update Report 2019/20, 2020/21 and 2021/22	
Report to: Governance and Audit Scrutiny Committee	
Date: 3 rd November 2022	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Sebastian Evans, Audit Manager, BDO LLP	
Enquiries to: Phil Myers, Head of Finance (phil.myers@braintree.gov.uk)	

1. Purpose of the Report

1.1 To provide Members with an update on the following

- Progress in connection with the financial statement audits for 2019/20 and 2020/21, and the plan for completion and the wider audit landscape;
- Considerations with respect to the timing of the 2021/22 audit planning;
- Status of the current Housing Benefit Assurance Process agreed upon procedures for 2020/21, and;
- Contextual background to the Accounting for Infrastructure Assets matter and the impact of this on the financial statements audits.

2. Recommendations

2.1 To note the External Audit Update Report 2019/20, 2020/21 and 2021/22.

3. Summary of Issues

3.1 The work performed by the External Auditor enables them to express an opinion on the financial statements, including the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The External Audit Update report summarises the progress of their work, anticipated timing of reporting and matters impacting completion.

3.2 The External Audit Update Report includes the following:

- 2019/20 Audit Progress: initial results were reported to the October 2021 Governance and Audit Scrutiny Committee, subject to completion of Engagement Director and internal quality reviews. Subsequent national financial reporting issues relating to accounting for infrastructure assets put the conclusion of a large number of local authority audits on hold, the timescale for resolution of these is to be confirmed. The External Auditor has advised whilst some changes will be required to 2019/20 and 2020/21

financial statements, they do not anticipate that resolution of the matter will result in significant changes to the overall findings, and therefore they do not anticipate needing to distribute a revised audit completion report before signing.

- 2020/21 Audit Progress: work is close to being completed and the senior review process is underway. Outstanding areas primarily relate to Property, Plant and Equipment and the increased testing applied as a result of the change to the Council's appointed valuer and resultant change to methodology applied. Work to date has not identified material misstatements or significant control deficiencies, and Value for Money work has not identified significant weaknesses in the Council's arrangements. The External Auditor anticipates reporting final audit findings ahead of the Governance and Audit Scrutiny Committee meeting on 12th January 2023.
- 2021/22 Timing of Audit Work and Reporting: The External Auditor is focussed on the completion of outstanding 2019/20 and 2020/21 audits prior to starting or progressing 2021/22 audits, a timetable will be communicated with Officers and the Governance and Audit Scrutiny Committee at the earliest opportunity.
- Housing Benefit Assurance Process: The External Auditor performs 'Agreed upon Procedures' in respect of the Council's Housing Benefit Subsidy claim in line with the Housing Benefit Assurance process. The work is currently in progress and anticipated to be completed ahead of the submission deadline of 31st December 2022, with the results being formally reported to the Governance and Audit Scrutiny Committee of 12th January 2023.
- Accounting for Infrastructure Assets 2020/21 progress: The External Auditor has provided additional commentary to explain the former common approach to accounting for infrastructure assets and subsequent changes which may have resulted in an overstatement of gross book value and accumulated depreciation in the notes to the balance sheet and net book value if infrastructure is replaced more frequently than useful economic lives suggest. The issue has been raised nationally and is not yet resolved, and the External Auditor will provide a verbal update to the Governance and Audit Scrutiny Committee on 3rd November 2022.

3.3 Corporate Objectives

- 3.3.1 By ensuring compliance with legislation and best practice in investigations, the recommendations set out in this report will help the Council to deliver its Corporate Objectives of:

- Being a high performing organisation that delivers excellent and value for money services.
- Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

4. Options

4.1 To note the External Audit Update Report 2019/20, 2020/21 and 2021/22.

5. Financial Implications

There are no financial implications arising from the recommendations set out in this report.

6. Legal Implications

There are no specific legal implications arising from this report.

7. Other Implications

There are no other implications arising from this report.

8. Equality and Diversity Implications

8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not;
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

8.3 The proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

9. List of Appendices

BDO Audit Progress Report October 2022.

10. Background Papers

None.



Braintree District Council

Audit Progress Report: October 2022

Report to the Governance and Audit Scrutiny Committee

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Welcome

Executive Summary

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This progress report summarises

- Progress in connection with the financial statements audits for 2019/20 and 2020/21, along with the plan for completion and the wider audit landscape
- Considerations with respect to the timing of 2021/22 planning
- Status of the current Housing Benefit Assurance Process agreed upon procedures for the year 2020/21
- Contextual background to the Accounting for Infrastructure Assets matter, and the impact of this on the financial statements audits

We look forward to discussing these matters with you at the Governance and Audit Scrutiny Committee meeting on 3 November 2022, and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Aphrodite Lefevre, Director
For and on behalf of **BDO LLP**, Appointed Auditor

24 October 2022

The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (April 2020). This report has been prepared solely for the use of the Council and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.



Aphrodite Lefevre
Director

► t: +44(0)1603 756 909
m: +44(0)7715 487 411
e: aphrodite.lefevre@bdo.co.uk



Sebastian Evans
Manager

► t: +44 (0)20 7468 5888
m: +44 (0)7385 466 295
e: sebastain.evans@bdo.co.uk

2019/20 update

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The results of the 2019/20 audit were reported to the October 2021 Governance and Audit Scrutiny Committee, at which point in time the audit was substantively complete, subject to completion of Engagement Director and internal quality reviews.

These reviews, and the response to follow up queries arising from these, subsequently followed in early 2022. However, during this same period a national financial reporting issue relating to accounting for infrastructure assets (described in detail further down in this report) has put the conclusion of a large number of local authority audits, including that of Braintree District Council, on hold pending the resolution of the issue. The matter was reported to this Committee in April 2022, but at a national level the matter has not yet been resolved.

While resolution of this matter is a prerequisite to being able to conclude on the 2019/20 audit (and by extension 2020/21), and is likely to engender changes to the financial statements (albeit not necessarily to the valuation of the underlying assets) it is not anticipated that the resolution of this matter will result in significant changes to our overall audit findings themselves. Therefore, it is not expected that a revised audit completion report will need to be distributed prior to the point of signing.

The clearance of this and the response to the points raised in the aforementioned internal quality review, is underway and is being concluded to a timescale commensurate with the likely timetable for the resolution of the infrastructure assets matter. Once a timescale for this is confirmed, we will agree a pathway to completion with management.





2020/21 update

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Progress

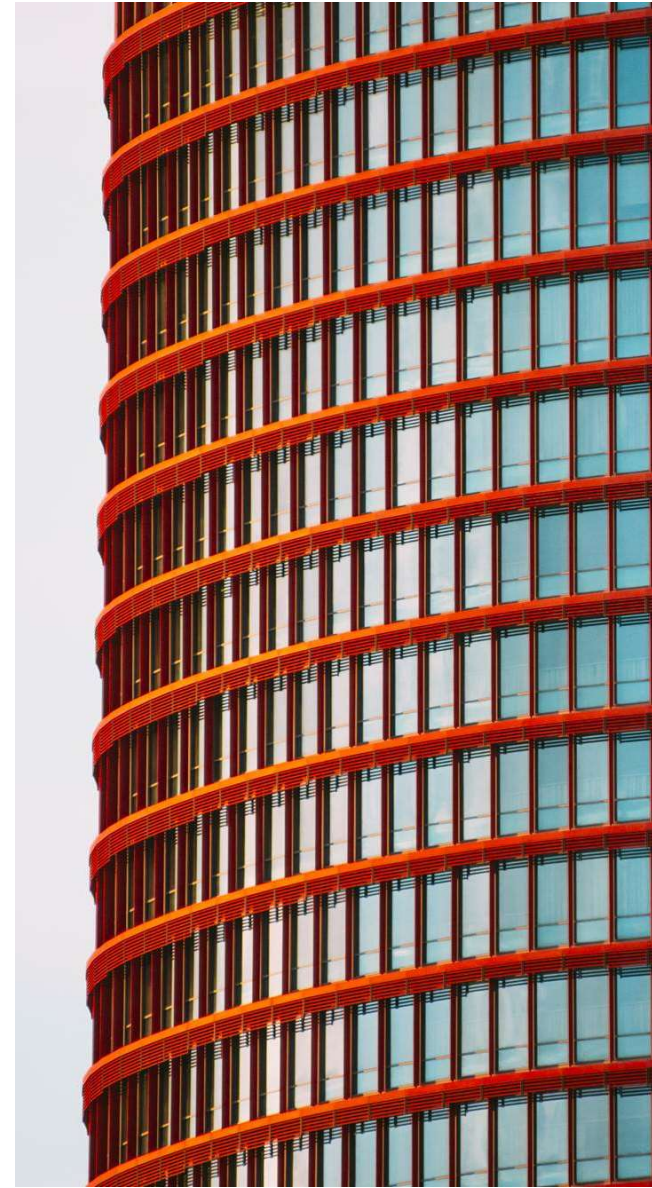
The 2020/21 audit is close to the stage at which our conclusions can be reported. However, at the time of drafting this report there are outstanding areas of testing which are currently being brought to their conclusion.

These outstanding areas primarily relate to Property, Plant and Equipment, and expenditure cut-off testing, both of which correspond to Significant Risks identified in our audit plan presented in October 2021. In the case of the former, the presence of a new external valuer, with resultant changes to the methodology applied, has required a greater extent of testing over assumptions and inputs than would typically occur in years where the external valuer remained the same, or where a full revaluation had not occurred.

While our work to date has not identified any concerns over the methodology adopted or the inputs used, this change has resulted in a significantly larger amount of sample testing than would normally be the case, particularly having regard to the value of the Council's PPE and Investment properties (£153m) as compared to materiality for the audit (£1.5m), and the increase in this valuation as compared to 2019/20 (£125m).

Notwithstanding these specific areas, the completion of the audit has taken longer than expected. Due to the resignation of key members of the audit team in April 2022, and the hiatus in the audit engendered by the completion of NHS audits between then and July, which are subject to deadlines set by the Department of Health and Social Care, our audit has taken longer than expected. We have worked with the Council's finance team to make good progress in a number of areas of the audit, but are not yet at a stage to provide an audit completion report.

To date our work has not identified any material misstatements or significant control deficiencies. A number of disclosure adjustments have been agreed with management and will be reported as part of our audit completion report. Our Value for Money work has not identified any significant weaknesses in the Council's arrangements.





2020/21 update (continued)

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The fieldwork is close to completion and the senior review process well underway, with the response to queries arising from this taking place alongside the completion of the remaining parts of the audit.

Pending completion of these matters, we will be aiming to report our final audit findings later in the calendar year, presenting our final findings ahead of the Governance and Audit Scrutiny Committee meeting on 12 January 2023.

The current audit landscape

Auditing and accounting standards are evolving, and at the same time, regulation and market reform are increasing the expectations of both what auditors do and how we document it. This trend is expected to accelerate when the auditing regulator transitions to the Auditing, Reporting and Governance Authority (ARGA). While the impact of these changes is positively enhancing audit quality, it is leading to additional audit hours being incurred on all audits.

At the same time, recruitment and retention of staff with suitable public sector experience has become increasingly challenging on a national level. Added to this the increased scope of audit work, increased complexity in public sector accounts and extensive regulatory requirements have continued to add to this pressure sector wide.

It has been widely recognised that the audit sector, and public sector audit specifically, requires reform to enable it to remain sustainable. The Redmond review specifically focuses on recommendations to help achieve this in the longer term.

Further evidence of the scale of increases in wider public sector fees, reflective of the increased scope of the work, were highlighted by the announcement of the Local Government audit framework results. The publication cited an expected increase in fees of 150% for 2023/24 as compared to the previous scale fees. See **Press release: PSAA Announcement of Procurement Outcome - PSAA.*** While this applies to audit appointments from 2023/24 onwards, it is clear that a significant upward trend in the scope and scale of work has been recognised.

<https://www.psa.co.uk/2022/10/press-release-psaa-announcement-of-procurement-outcome/>



2021/22 planning

Timing of audit work and reporting

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We are not currently in a position to confirm the expected timings for 2021/22. Across our portfolio of local authority audits, we have made a strategic decision to focus on the completion of outstanding 2019/20 and 2020/21 audits prior to starting or further progressing 2021/22, unless the nature of the work specifically warrants a more urgent need for this, such as situations where we provide pension fund assurance letters to external parties.

We will communicate and agree a suitable audit timetable with Council officers and share that with the Governance and Audit Scrutiny committee at the earliest opportunity.



Housing Benefit Assurance Process

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We perform 'Agreed upon Procedures' in respect of the Council's Housing Benefit Subsidy claim form in line with the Housing Benefit Assurance process. The work for 2020/21 is currently in progress, and is comprised primarily of the following testing:

- Re-performance of the Council's initial testing over rent rebate (tenants of non-HRA properties) expenditure and rent allowances expenditure
- Re-performance of the Council's additional testing (40+ and 100%) over five issues noted in 2019/20 or prior years
- Re-performance of the Council's additional testing (40+ and 100%) over four issues noted arising in 2020/21 initial testing

The work for 2020/21 is currently in progress, and is anticipated to be completed ahead of the agreed submission deadline of 31 December 2022, with the results of the work formally reported to the Governance and Audit Scrutiny Committee meeting of 12 January 2023.





Accounting for Infrastructure Assets

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Background

Historically it has been generally accepted public sector practice for authorities to not write out the value of replaced highways infrastructure components and/or those components which are fully depreciated from the balance sheet. This practice has recently been highlighted as contrary to the Code requirement that the carrying amount of replaced components be written out of the Balance Sheet. There are various reasons for the historic practice being adopted including; asset registers not recording infrastructure assets with sufficient level of detail to identify individual infrastructure assets or changes to them and processes which drive infrastructure spend (eg condition surveys) not recording historical information relating to previous spend.

Braintree District Council adopts this common approach to accounting for infrastructure assets. At 31 March 2020 the Council had infrastructure assets in its balance sheet with a net book value of £2.744 million, which is material. The balance as at 31 March 2021 is similarly material at £2.735 million.

Over time, this common approach is likely to have resulted in a material overstatement of gross book value and accumulated depreciation in the notes to the balance sheet and net book value may

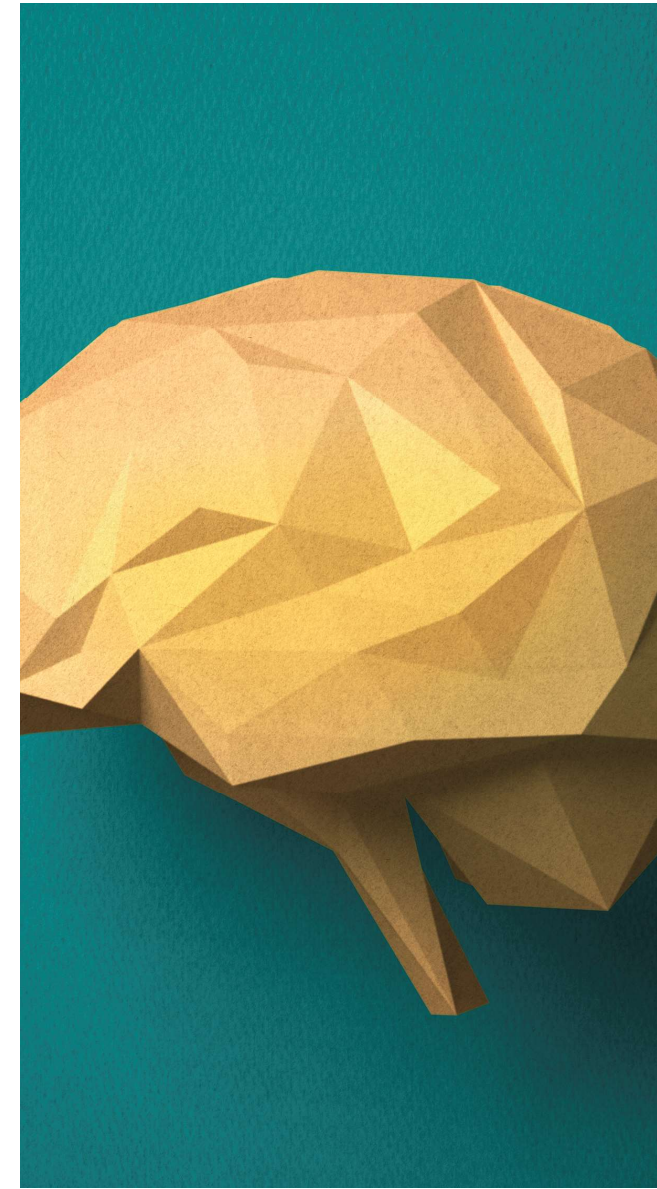
be materially overstated if infrastructure is being replaced more frequently than useful economic lives suggest.

This issue has been raised nationally with the NAO, CIPFA and all public sector audit suppliers and a task and finish group has been set up by those stakeholders to review the options for addressing this non-compliance. Several meetings have been held and CIPFA ran a consultation process to consider options including (but not limited to):

- Override of certain provisions within the Code and its guidance relating to the accounting for infrastructure assets
- Methods for obtaining missing data/records such that the extent of any misstatement can be reasonably quantified
- Modification of the audit opinion

Current status

This matter is not yet resolved but our understanding of the latest position is detailed overleaf.





Accounting for Infrastructure Assets

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In respect of the gross book value and accumulated depreciation disclosures, we are anticipating that there will be an override of the existing Code requirement to disclose these amounts in the Statement of Accounts that will simply remove the requirement to do so. This is in the process of being agreed with CIPFA/LASAAC and the Financial Reporting and Advisory Board (FRAB). We understand that there is a FRAB session scheduled later this month to consider the proposed Code changes.

Once agreement has been reached, we understand that the wording of the Code override will be issued as an amendment to the Code, to apply retrospectively back to when IFRS was first introduced in 2010/11 and will be extant until at least 2024/25.

On the matter of the material accuracy of the net carrying value of infrastructure assets, it is anticipated that a direction will be made, by way of a Statutory Instrument, that seeks a way forward on this issue which aims to limit instances of qualification of the accounts.

We have not seen the proposed final wording for this Statutory Instrument (which is being drafted by DLUHC and CIPFA/LASAAC) but we expect it will be designed to be retrospective to avoid a rolling qualification on infrastructure asset balances. The Statutory Instrument will need to be approved by Parliament and

there is presently no definitive timeline on when this might happen, but we know that once it is laid before Parliament it will take 21 days for it to clear that process.

Application to Braintree District Council

The audit for the year ended 31 March 2020 was still open as at the time of this matter coming to light. The delays noted to the resolution of this matter at a national level have similarly delayed being able to conclude on this at an audited body specific level. We have however been able to perform a degree of substantive testing in support of the Council's infrastructure balances, to the extent that records were available at a suitably disaggregated level for a subset (but not all) of the Council's infrastructure assets, and this work will likely reduce the time needed to conclude the audit once the statutory instrument is effected.

This remains a live issue, with a number of key meetings in relation to this taking place in late October. A verbal update on further developments, and the likely implications on the audits, will be provided to the Governance and Audit Scrutiny Committee on 3rd November.



For more information:

Aphrodite Lefevre

e: aphrodite.lefevre@bdo.co.uk

m: +44(0)7715 487 411

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Report Title: Internal Audit Update, Including Progress Against Internal Audit Plan 2022/23	
Report to: Governance and Audit Scrutiny Committee	
Date: 3 rd November 2022	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Angela Mitchell	
Enquiries to: Angela Mitchell, Audit Insurance & Fraud Manager, (angmi@braintree.gov.uk)	

1. Purpose of the Report

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance and Audit Scrutiny Committee, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.
- 1.2 The 2022/23 Internal Audit Plan was approved by the Governance and Audit Scrutiny Committee on 21st July 2022. This report provides Members with an update on the Internal Audit activity, and progress and performance against planned work and any other matters affecting the provision of the Internal Audit Service. This is in accordance with the Governance and Audit Scrutiny Committee role and the requirements of the PSIAS.
- 1.3 The report also provides an update on Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) applications made by the Authority

2. Recommendations

- 2.1 Members note the progress and performance against the 2022/23 Internal Audit Plan.

3. Summary of Issues

3.1 Progress against the 2022/23 Internal Audit Plans

- 3.1.1 Progress against the 2022/23 Internal Audit Plan is detailed in **Appendix 1**.
- 3.1.2. The following audits have been completed since the last progress report to the Committee (21st April 2022). **Appendix 2** provides a summary of the outcomes of these audits:
 - Council Tax – **Full Assurance**
 - Fraud Risks (NDR / Council Tax) – **Full Assurance**
 - Leisure Provision Contract – **Full Assurance**

- Authorised Signatories – **Significant Assurance**
- Mobile Device Management – **Full Assurance**
- Plant and Vehicle Workshop – **Significant Assurance**
- Climate Change – **Full Assurance**

3.1.3 The April 2022 report noted that the Council’s risk management arrangements had been reviewed and a revised policy & strategy had been drafted for consideration by Corporate Management, and this will be reported to a future meeting of this Committee.

3.1.4 The proportion of planned work completed was affected by the following factors:

- A significant proportion of the Audit Manager’s time is spent on Insurance work, and some time also spent on Fraud work. The insurance service completed work for the 2022 Insurance Renewal, has dealt with additions to cover requirements and responded to insurance and risk related enquiries, and is also managing a high claims caseload
- The Auditor (Career Grade) is approaching achievement of his Chartered Internal Auditor qualification but has resigned having been recruited by an external organisation, he will leave the Council in November 2022.
- The Audit Manager is working with the Head of Finance on a revised Risk Management Policy & Strategy
- The Audit Manager is reviewing Fraud related policies
- Additional ad hoc advice and consultancy services have been provided in the areas summarised in Appendix 1.

3.1.4 The Internal Audit Plan is prioritised, and Audits are assigned based on their relative priority with consideration to Auditor experience and auditee preferred timescales but is also flexible to respond to changing corporate needs. Progress of and any changes to planned work is reported to the Committee.

3.2 **Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) Applications**

3.2.1 There were no RIPA / IPA applications in 2022/23 or to the date of producing this report.

3.3 **Corporate Objectives**

3.5.1 The recommendations set out in this report will help the Council to deliver the following Corporate Objectives:

- The 2022/23 Internal Audit Plan includes work across all Corporate Objectives:
 - A sustainable environment and a great place to live, work and play;
 - A well connected and growing district with high quality homes and infrastructure;

- A prosperous district that attracts business growth and provides high quality employment opportunities;
- Residents live well in healthy and resilient communities where residents feel supported;
- A high performing organisation that delivers excellent and value for money services;
- Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

4. Options

This report invites Members of the Governance and Audit Scrutiny Committee to receive and note the progress against the 2022/23 Internal Audit Plan, additional work performed, and any other matters affecting the Internal Audit service.

5. Financial Implications

There are no financial implications arising from the recommendations set out in this report

6. Legal Implications

There are no specific legal implications arising from this report

7. Other Implications

There are no other implications arising from this report.

8. Equality and Diversity Implications

8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

8.3 The proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

9. List of Appendices

Appendix 1 – Progress Against the 2022/23 Internal Audit Plan

Appendix 2 - Outcome Of Audits Completed Since The Previous Report To Governance Committee (21st July 2022)

10. Background Papers

None.

APPENDIX 1 - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN – as of 13 October 2022

This Appendix summarises the work completed in respect of the 2022/23 Internal Audit Plan (approved by the Governance and Audit Scrutiny Committee on 21st July 2022).

	Audit	Priority	Current Status	Date Report to Governance & Audit Scrutiny
2022/23 Internal Audit Plan – All Audits				
1	Core Financial Systems – Back to Basic Reviews <ul style="list-style-type: none"> • Council Tax • Local Council Tax Support • Investments 	1	<ul style="list-style-type: none"> • Completed • • 	27 th October 2022
2	Payroll Shared Service	1	In progress	
3	Budget Monitoring	1		
4	Fraud Risks (NDR/Council Tax/Payments)	1	NDR/CT - Completed	27 th October 2022
5	North Essex Parking Partnership	2		
6	Energy Rebate	2		
7	Town Hall income	2	Completed	21 st July 2022
8	Money Laundering	2		
9	Business Support Grants / External Funding Assurance	1	Ongoing as need arises. Internal Audit Annual Report 2021/22 (to GASC July 2022) identified grants reviewed.	
10	Shared Prosperity Funding	1		
11	Leisure Provision Contract	1	Completed	27 th October 2022
12	Planning, including Time Extensions, Pre-Application & Notices	2	In progress	
13	Section 106 agreements	2	Completed	21 st July 2022
14	Community Safety and Safeguarding Partnerships	1	In progress (nearing completion)	
15	Cost of Living Crisis	1		
16	Constitution (Financial Procedure Rules, Contract Procedure Rules, Procurement Rules)	1		
17	Authorised Signatories	1	Completed - awaiting management response	27 th October 2022
18	Business Planning	2		
19	Plant & Vehicle Workshop	2	Completed	27 th October 2022
20	Agency Supply Contract	2		
21	Facilities Contracts	2		
22	Employee Engagement	2	In progress	
23	Policy Management	3		
24	Accuracy of Housing Application Processing	2		
25	Asset Management and Service Charges	1		
26	The Plaza (Horizon 120)	1		
27	Land and Property Inspections	2		

28	Risk Management	1		
29	Suppliers / Contractor Resilience	1		
30	Mobile Device Management	1	Completed	27 th October 2022
31	CCTV GDPR Compliance	1	In progress	
32	Cyber Security	1		
33	Culture & Ethics	2	In progress	
34	Performance Management	3		
35	Major Projects – general, including PPAT	1	In progress	
36	Major Project – in depth review	1		
37	Strategic Investment	2		
38	Climate Change	1	Completed	27 th October 2022
39	Energy Performance	2		
40	Office for Local Government	1		
41	Health and Safety	1	Ongoing attendance at corporate meetings as source of assurance	
42	Cyber Security	1	Ongoing attendance at corporate meetings as source of assurance	
43	Annual Governance Statement	1		
44	Follow Up Reviews <ul style="list-style-type: none"> • Contract Management (2019/20) • Manor Street (2019/20) • Housing Application Document Verification (2019/20) • Contract Management – Major Contracts (2020/21) • Managers Self Service (2021/22) • Project Realisation of Benefits (2021/22) 	2	<ul style="list-style-type: none"> • Completed • • In progress • In progress • In progress • In progress 	27 th October 2022

APPENDIX 3 – OUTCOME OF AUDITS COMPLETED SINCE THE PREVIOUS REPORT TO GOVERNANCE COMMITTEE (21st April 2022)

Recommendations reflect only High and Medium priority matters raised:

Audit	Overview of Scope	Summary of Findings	High / Medium Priority Recommendation(s)	Priority	Agreed / Responsible Officer / Action Date
Council Tax Full Assurance	<ul style="list-style-type: none"> • Database of taxable properties and liable persons is up to date • Bills correctly calculated and issued in timely manner • Refunds and write-offs correctly processed and authorised • Effective accounting and reconciliation processes • Performance management and reporting in place 	<p>Areas of good practice</p> <ul style="list-style-type: none"> • Accurate and up to date database of taxable properties and liable persons, updated twice weekly with Valuation Office data. A full comparison of BDC and VO data is completed three times a year • Annual bills are issued prior to the new financial year and other bills are calculated based on input liability information • Refunds are appropriately authorised with segregation of duties in place, and correctly processed • Reconciliations are completed and discrepancies resolved • Performance is tracked and reported 	<p>There were no recommendations arising from this review</p>	<p>N/A</p>	<p>N/A</p>
Fraud Risks – NDR / Council Tax Full Assurance	<ul style="list-style-type: none"> • Documents supporting account amendment • Review of Single Person Discount claims • CT discounts are based on evidence of eligibility • New Business Rate premises are identified and billed 	<p>Areas of good practice</p> <ul style="list-style-type: none"> • Customers receive notification of changed bank details, additional confirmation is sought from NDR customers • The Council participates in the National Fraud Initiative Data Matching, and other matching services including for Single Person Discounts • Discount applications require an application form and relevant documentary evidence, any claim suspected to be fraudulent is reviewed 	<p>There were no recommendations arising from this review</p>	<p>N/A</p>	<p>N/A</p>

	<ul style="list-style-type: none"> • Bank account changes require authorisation • Checks are conducted to identify fraudulent applications for business rate grants, exemptions and reliefs • Documentary evidence of insolvency is required before closing accounts 	<ul style="list-style-type: none"> • Various processes are followed to identify new business rate premises • Supporting evidence is reviewed prior to authorisation of write offs 			
Leisure Provision Contract Full Assurance	<ul style="list-style-type: none"> • Challenge of business plan and contractual performance targets • Monitoring of performance against targets • Ensure accurate and up to date information is used in decision making 	<p>Areas of good practice</p> <ul style="list-style-type: none"> • The Leisure contract outlines contract management arrangements, including quarterly meetings. Some contract variations are expected, including to targets to make them more relevant and aligned to BDC Strategic objectives • Performance data is supplied and recorded, and participation levels are reported to Cabinet • Information provided to support decision making appears to be up to date and accurate, additional specific information is provided where appropriate 	There were no recommendations arising from this review	N/A	N/A
Authorised Signatories Significant Assurance	<ul style="list-style-type: none"> • Governance and oversight arrangements • Authorisations are up to date and consistent with Council policies • Relevant department / software has access to up to date authorised signatory information 	<p>Areas of good practice</p> <ul style="list-style-type: none"> • There is a process and central records in place for authorised signatories • Only a limited number of authorised signatories have a limit exceeding £100,000, and are for appropriate posts 	<p>Introduce documented policy for authorised signatories</p> <p>Agree approval levels for credit notes and update constitution and/or authorised signatory levels accordingly</p>	<p>Medium</p> <p>Medium</p>	<p>Agreed: Yes, Senior Auditor Action date: October 2022</p> <p>Agreed: Yes Heads of Finance and Governance</p>

			<i>There were additional low priority recommendations relating to development of the authorised signatory form, review of existing authorisations, and method of sharing the authorised signatory list with relevant departments</i>		Action date: TBA <i>All agreed and either implemented immediately or scheduled for completion October 2022</i>
Mobile Device Management Full Assurance	<ul style="list-style-type: none"> • Existence of policies for use of mobile devices • User awareness of policies • Application of authentication and transmission protocols • Verification checks between invoices, inventory, and contracts 	<p>Areas of good practice</p> <ul style="list-style-type: none"> • The Council has policies for the use of mobile devices, these are available via the IT Freshservice pages • All users of mobile devices and Bring Your Own Device (BYOD) must sign up to the IT Security policy and other incorporate codes of practice • There are built in authentication and transmission protocols which run at all times • Invoices are verified to devices and data usage before being processed • ICT maintain records of IT inventory including all hardware and software 	There were no recommendations arising from this review	N/A	N/A
Plant and Vehicle Workshop Significant Assurance	<ul style="list-style-type: none"> • Maintenance, update and checks of inventory and stock records • Maintenance of performance statistics • Compliance with DVSA requirements 	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • Records of vehicle maintenance and defects are updated on the Fleetcheck system from hard copy records • The Council's Transport Team has made many improvements to its service, thus the latest DVSA assessment identified just three 	<p>There were no high or medium priority recommendations arising from this review.</p> <p><i>There were low priority recommendations relating to maintenance</i></p>		<i>Actions agreed and either implemented</i>

		recommendations (none of which were categorised as essential)	<i>of Vehicle Workshop stock records, computerisation of Plant workshop stock records, and updating Fleetcheck records with repair details for the minority of cases not currently recorded</i>		<i>immediately or scheduled for October 2022</i>
Climate Change Full Assurance	<ul style="list-style-type: none"> • Climate change action plan targets reflect assessed risks, consider both mitigation and adaptation activity, and are SMART • Clear responsibility is assigned for completion of actions / targets • Effective performance management against the action plan is in place and progress is clear • Actions marked complete are supported by evidence of completion 	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • A Climate Change Project Manager is employed to oversee and coordinate delivery of cross sector projects • Projects are managed via the corporate performance management system • Performance will be reviewed regularly by the Climate Change Delivery Board, and Performance reports will be presented to the Climate Change Member Working Group and annually to Cabinet • Climate Change performance indicators are generally SMART, have a named responsible person, and are relevant to climate change risks identified in the strategic risk register • Responsibility is allocated (or due to be allocated) for all climate change actions • Climate change actions appear to be achievable, relevant and timebound • Climate change action plan includes both mitigation and adaptation actions • A Project closure document is being introduced to assist in confirmation of project completion, identification of outcomes, and lessons learnt 	There were no recommendations arising from this review	N/A	N/A

Follow Up Reviews - Update:

2019/20 – Contract Management (Significant Assurance)

- There was 1 high priority and 3 medium priority recommendations, **all now completed**

2019/20 – Manor Street (Limited Assurance)

There were 11 high priority, 2 medium priority and 1 low priority recommendations – *Update October 2022: formal audit follow up review is planned for 2022/23 (Governance and Audit Scrutiny Members were provided with an update from the Corporate Director in July 2021)*

2019/20 – Housing Application Document Verification (Limited Assurance)

There were 3 high priority recommendations relating to the checking of original documents, certifying copies, and procedures to clarify mechanism for reporting false documents - *Update October 2022: The service is actively working with other Local Authorities and Gateway to Homechoice to implement an additional solution to supplement existing verification processes.*

2020/21 - Contract Management – Major Contracts (Limited Assurance)

Actions to improve completion of appropriate documentation, and completeness of records, were agreed, and processes including the introduction of a Programme and Project Assurance Team (PPAT) were put in place. *Update October 2022 – an audit of Major Projects (general, including the PPAT team) is currently in progress*

2021/22 - Managers Self Service (Limited Assurance)

We previously advised that management responses to the recommendations in this report were pending, these have now been received as follows, and a further review on implementation will be conducted:

The report contained 2 high priority recommendations relating to:

- Approval processes for ensuring checks are conducted on overtime and expenses claimed and associated additional training for managers (Agreed, HR Manager and Payroll Manager, Action date September 2022)
- Payroll checks to ensure manual payments are reversed the following month to ensure no overpayment is made (Implemented by Payroll Manager July 2022)

And 3 medium priority recommendations relating to:

- agreement of a repayment plan (Agreed, Payroll Manager, Action date September 2022)

- to limit mileage claims to no more than 2 months (Agreed, Payroll Manager, Action date September 2022)
- to seek enhancement to the system to show claim approval history (Agreed, HR Manager, Action date September 2022)

2021/22 - Project Realisation of Benefits - *(provisional outcome - Limited Assurance)*

The findings of this review were reported to the Governance and Audit Scrutiny Committee on 21st April 2022. The review noted that post implementation reviews were not consistently conducted and the expected measurable outcomes and benefits from projects were often unclear and/or not demonstrated on the Council’s Performance Management system. Also corporate project management processes did not reflect current oversight arrangements. At the time of this report, management responses to the recommendations were pending.

Update July 2022 – Management responses to the recommendations remain pending, a follow up of this review is included in the 2022/23 Internal Audit Plan

Update October 2022 – Management responses remain pending. A follow up review by Internal Audit staff is currently in progress

Key:

For the scope of objectives subject to review during the audit:

<i>Full Assurance</i>	<i>Internal controls meet acceptable standards and are consistently applied.</i>
<i>Significant Assurance</i>	<i>Reasonable, but not absolute, assurance that adequate risk management and controls are in place.</i>
	<i>Significant assurance that the internal control framework meets minimum acceptable standards.</i>
	<i>Some weaknesses or inconsistent application in control means some risks are not adequately mitigated.</i>
<i>Limited Assurance</i>	<i>Internal control framework does not meet minimum acceptable standard.</i>
	<i>Weaknesses or inconsistent application of controls means some risks are not mitigated and require significant improvement</i>
<i>No Assurance</i>	<i>The internal control framework does not meet the minimum acceptable standards and no assurance can be given</i>

Report Title: To Update the Regulation of Investigatory Powers Act 2000 (RIPA) & Investigatory Powers Act 2016 (IPA) Policy for Change in Roles	
Report to: Governance and Audit Scrutiny Committee	
Date: 3 rd November 2022	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Angela Mitchell	
Enquiries to: Angela Mitchell, Audit, Insurance and Fraud Manager (angmi@braintree.gov.uk)	

1. Purpose of the Report

- 1.1 The Governance and Audit Scrutiny Committee functions include monitoring the Council's counter fraud and corruption arrangements: The Regulation of Investigatory Powers Act (RIPA) is the legislation governing covert surveillance techniques used in investigations, and the Investigatory Powers Act (IPA) makes provisions relating to the acquisition of communications data.
- 1.2 This report informs the Committee of personnel changes for roles identified in the RIPA and IPA policy.

2. Recommendations

- 2.1 Members are requested to approve the personnel changes for roles identified in the RIPA and IPA Policy.

3. Summary of Issues

- 3.1 RIPA is the law governing the use of covert techniques by public authorities. If the Council needs to use covert techniques to obtain private information about a person subject to investigation, the law requires that we seek only necessary information and do this in a manner which is proportionate and compatible with human rights. An application to conduct covert surveillance is subject to both internal approval routes, and to judicial approval.
- 3.2 IPA makes further provisions relating to the acquisition of communications data (the 'who', 'when', 'where' and 'how' of a communication, but not the content (i.e., What was said or written). The Act also makes provision for the interception of communications which Local Authorities are not permitted to do. IPA applications are submitted to the National Anti-Fraud Network for review before being passed to the Office for Communications Data Authorisations for approval.
- 3.3 This policy has been revised to reflect the current list of Officers involved in the authorisation and oversight of RIPA and IPA activity, otherwise the content of the policy is as approved by the Corporate Governance Group in July 2020. The roles identified in the policy and the role holders are:

Role	Former Role Holder	Changed To
Senior Responsible Officer	Chris Fleetham	Suzanne Bennett
RIPA Coordinating Officer	Angela Mitchell	<i>No change</i>
Authorising Officers: - Chief Executive - Corporate Director - Corporate Director - Head of Environment Services - Head of Operations - Audit Insurance & Fraud Manager	- Andy Wright - Chris Fleetham - Cherie Root - Lee Crabb - Paul Partridge - Angela Mitchell	- Dan Gascoyne - Suzanne Bennett - <i>No change</i> - Josie Falco - <i>No change</i> - <i>No change</i>
Directed Surveillance	Authorising Officer	<i>No change</i>
Covert Human Intelligence Source (adult)	Authorising Officer	<i>No change</i>
Covert Human Intelligence Source (child / vulnerable person)	Head of Paid Service (Deputy – Corporate Director)	HoPS Dan Gascoyne <i>Deputy - no change</i>
Surveillance Involving Confidential Information	Head of Paid Service (Deputy – Corporate Director)	HoPS Dan Gascoyne <i>Deputy - no change</i>

3.4 Braintree District Council has not made any applications for RIPA or IPA since 2012.

3.5 Corporate Objectives

3.5.1 By ensuring compliance with legislation and best practice in investigations, the recommendations set out in this report will help the Council to deliver its Corporate Objectives of:

- Being a high performing organisation that delivers excellent and value for money services.
- Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

4. Options

This report invites Members of the Governance and Audit Scrutiny Committee to approve the revision to Officer roles in the RIPA and IPA Policy to update current role holders.

5. Financial Implications

There are no financial implications arising from the recommendations set out in this report.

6. Legal Implications

There are no specific legal implications arising from this report.

7. Other Implications

There are no other implications arising from this report.

8. Equality and Diversity Implications

8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

8.3 The proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

9. List of Appendices

None.

10. Background Papers

None.

Report Title: To receive the Treasury Management Mid-Year Report for 2022/23	
Report to: Governance and Audit Scrutiny Committee	
Date: 3rd November 2022	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Mark Jarvis, Financial Services Manager	
Enquiries to: Mark Jarvis, Financial Services Manager mark.jarvis@braintree.gov.uk	

1. Purpose of the Report

- 1.1 The Council has adopted the Code of Practice for Treasury Management in Public Services published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which requires the Council to receive at least one mid-year report on its treasury management activities.
- 1.2 The mid-year report is to be considered by the Governance and Audit Scrutiny Committee prior to its submission to Full Council.

2. Recommendations

- 2.1 To consider the Treasury Management Mid-Year Report for 2022/23 and recommend its submission to Full Council.

3. Summary of Issues

- 3.1 The Treasury Management Strategy for 2022/23 was approved by Full Council at its meeting held on 21st February 2022. The mid-year report for 2022/23 is attached to this report as an **Appendix**.
- 3.2 The recommendation set out in this report will help the Council to demonstrate that it is achieving its corporate objectives of being a high performing organisation that delivers excellent and value for money services; and is delivering better outcomes for residents and businesses and reducing costs to taxpayers. Details of how the Council's treasury management activities contribute towards these objectives are set out in the mid-year report.

4. Options

- 4.1 The Committee may suggest changes to the mid-year report and/ or provide comments which the Cabinet Member for Finance and Corporate Transformation can consider when presenting the final report to Full Council.

5. Next Steps

- 5.1 The final mid-year report will be submitted to Full Council at its meeting on 12th December 2022.

6. Financial Implications

- 6.1 There are no new financial implications arising from this report. The budgetary impact from the Council's treasury management activities is reported in the Council's Quarterly Performance Report.

7. Legal Implications

- 7.1 The Council's treasury management activities are subject to regulation by the CIPFA Code. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

8. Other Implications

- 8.1 There are no other implications arising from this report.

9. Equality and Diversity Implications

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 9.3 This report will not have a disproportionately adverse impact on any people with a particular characteristic.

10. List of Appendices

Treasury Management Mid-Year Report 2022/23.

11. Background Papers

None.

1. Introduction

- 1.1 The Authority's treasury management strategy for 2022/23 was approved by Full Council as part of the overall budget at the meeting on 21st February 2022. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

2. External Context

Economic Background

- 2.1 The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.
- 2.2 UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. RPI registered 12.3% in both July and August. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the UK government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024.
- 2.3 The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. The September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The MPC noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.
- 2.4 On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets

reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.

Financial Markets

- 2.5 Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.
- 2.6 Due to pressure on pension funds, the Bank of England announced a direct intervention in the gilt market to increase liquidity and reduce yields.
- 2.7 Over the period the 5-year UK benchmark gilt yield rose from 1.41% to 4.40%, the 10-year gilt yield rose from 1.61% to 4.15%, the 20-year yield from 1.82% to 4.13% and the 50-year yield from 1.56% to 3.25%.
- 2.8 The Sterling Overnight Rate (SONIA) averaged 1.22% over the quarter.

Credit Review

- 2.9 Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days. These recommendations were unchanged at the end of the period.
- 2.10 Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

3. Local Context

- 3.1 On 31st March 2022, the Authority had cash and investments totalling over £56m and borrowing of £6m.

- 3.2 With low official interest rates for the first half of the financial year, the strategy adopted was to keep borrowing and investments below their underlying levels in order to reduce risk, resulting in a Capital Financing Requirement (CFR) of £26m with £6m in long term borrowing.
- 3.3 The treasury management position on 30th September 2022 and the change over the six months is summarised below:

	31.3.22	Movement	30.09.22
	£m	£m	£m
Borrowing	6.00	-	6.00
Pooled Funds ¹	19.00	-	19.00
Short-term investments ¹	37.00	9.00	46.00
Cash	0.04	1.13	1.17
Cash and Investments	56.04	10.13	66.17
Net Cash and Investments	50.04	10.13	60.17

¹ Excludes unrealised change in market values

4. Borrowing

4.1 Revised Public Works Loan Board (PWLB) Guidance

- 4.1.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.

4.2 Existing Borrowing

- 4.2.1 At the start of the year, the Council held two LOBOs (Lender's Option Borrower's Option) loans with Commerzbank amounting to £6m. These carried an average interest rate of 4.7%. In conjunction with the Council's treasury advisors Arlingclose, the Council undertook due diligence over the possibility of refinancing these loans.
- 4.2.2 LOBOs give the lender the option to propose an increase in the interest rate at set dates, following which the Authority would either have to accept the new rate or repay the loan at short notice. It would be unlikely that favourable terms on replacement borrowing would be achieved by the Authority in the event the lender exercised their option.
- 4.2.3 In May 2022, the decision was undertaken to prematurely repay the LOBOs and replace the borrowing with PWLB debt. The outcome was a replacement loan of £6m from the PWLB at 2.59% and a £1.4m premium paid to the bank funded by existing cash resources. Given the high interest rate on the LOBOs compared to rates at that time, cumulative savings of £890k are expected to be achieved over the next 20 years. This saving will be included as part of next year's budget proposals.

5. Treasury Investment Activity

- 5.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. For the period April to September, the Authority's investment balances averaged £55.8m with the highest amount held being £72.1m. The change in investment position over the period is shown in the table below:

	31 Mar 22 £m	Movement Apr-Sept £m	30 Sept 22 £m
Pooled Funds			
Equity funds	13.00	-	13.00
Diversified funds	3.00	-	3.00
Property fund	3.00	-	3.00
Sub-total	19.00	-	19.00
Short-term investments			
Debt Management Office	13.00	3.00	16.00
Short Term Investments	-	6.00	6.00
Money Market Funds (low volatility)	20.00	-	20.00
Money Market Fund (variable)	4.00	-	4.00
Sub-total	37.00	9.00	46.00
Lloyds Bank	0.04	1.13	1.17
Total	56.04	10.13	66.17

- 5.2 Investment balances typically peak around September before reducing over the remaining six-months. Balances have been elevated again during the first half-year from government funding for grants and reliefs to council tax and business ratepayers. The post-payment reconciliation of these funds, along with the current expected spend on the capital programme of circa £12m in the year, means that cash balances are expected to reduce significantly towards the end of the current financial year. This may result in the requirement for short-term debt financing of existing internal borrowing.
- 5.3 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 5.4 The increases in Bank Rate over the period under review, and with the prospect of more increases to come, short-dated cash rates, which had ranged between 0.7% - 1.5% at the end of March, rose by around 1.5% for overnight/7-day maturities and by nearly 3.5% for 9-12 month maturities.
- 5.5 The amount of interest earned on short-term investments in the period April to September is £275k, which is an annualised return of 1.14%.

- 5.6 The Authority has £19m invested in externally managed strategic pooled funds comprising: equity funds, multi-asset funds, and a property fund. Investments in these funds are made where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. The full-year budget for income from pooled funds is £786k. At the end of September, the funds had generated income of £430k, which represented an annualised return of 4.51%. This figure is based on the actual dividends received or declared in the year; however, two funds were yet to confirm their September quarterly dividend.
- 5.7 The April-September period was a difficult environment for bonds engendered by global central banks' determination to bring high and persistent inflation under control through increases in policy rates and strong rhetoric. The sell-off in gilts, other sovereign bonds, and corporate bonds with a rise in gilt/bond yields (i.e. a fall in price) was reflected in the Authority's bond and multi-asset income funds.
- 5.8 Significant financial market volatility and uncertainty remain due to stagflation fears, little sight of the war in Ukraine ending soon and ongoing supply chain issues, a lingering problem over the past 30 months, yet to be fully resolved.
- 5.9 The Authority's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.
- 5.10 Given current market sentiment, the total valuation of these funds at the end of September was £19.8m representing an unrealised gain of £0.8m, and a reduction on the value at the start of the year of £2.2m.
- 5.11 Pooled funds have no defined maturity date, but are available for withdrawal after a notice period, therefore, their performance and continued suitability in meeting the Authority's investment objectives are regularly reviewed.
- 5.12 The progression of risk and return metrics for the Authority's investments are shown in the following extracts from quarterly investment benchmarking:

Period end	Credit Rating ¹	Bail-in exposure ¹	WAM ¹ (days)	Pooled funds volatility	Income return %	Total return ² %
31.03.22	AA-	62%	9	8.21%	1.83%	4.94%
30.06.22	AA-	53%	16	8.88%	2.03%	2.04%
Similar LAs	AA-	64%	45	3.76%	1.63%	1.38%
All clients	AA-	64%	16	5.10%	1.38%	1.76%

Source: Arlingclose quarterly benchmarking

¹ Relates to internally managed investments

² Income plus change in market value of pooled funds

6. Compliance

6.1 All treasury management activities undertaken during the first half year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy, and specifically:

- Borrowing remained within the Operational and Authorised Boundary approved by Full Council of £30m and £50m, respectively;
- Investments were made primarily in compliance of aggregate and counterparty limits. Investments were made with approved banks, Money Market Funds (MMFs), and the Debt Management Office.
- Day-to-day banking activities was via Lloyds Bank as the Council's banking services provider.

7. Other Developments

7.1 The Department for Levelling Up Housing and Communities issued a consultation paper on the future of statutory overrides in relation to market movements on pooled funds. This override was introduced temporarily in 2018 to mitigate the effects of changes in local authority accounting requirements and removed the need to consider market fluctuations when setting budgets and council tax.

7.2 The sharp fall in values experienced at the outbreak of Covid as well as recent market volatility demonstrates that markets can be unpredictable, but also can prove to be resilient as values tend to recover.

7.3 As part of this consultation, the Government are considering three options as the current legislation expires at the end of March 2023:

- Allow the statutory override to elapse.
- Extend the statutory override on a time-limited basis
- Make the statutory override permanent

7.4 Responses to this latest consultation were requested to be submitted by no later than 7th October. The Cabinet Member for Finance and Corporate Transformation agreed a response submitted on behalf of the Council which supported the statutory override being made permanent.

8. Outlook for the remainder of 2022/23

8.1 Arlingclose expects Bank Rate to rise further during 2022/23 to reach 5% by the end of the year. The MPC is particularly concerned about the demand implications of fiscal loosening, the tight labour market, sterling weakness and the willingness of firms to raise prices and wages.

8.2 The MPC may therefore raise Bank Rate more quickly and to a higher level to dampen aggregate demand and reduce the risk of sustained higher inflation. Arlingclose now expects Bank Rate to peak at 5.0%, with 200bps of increases this calendar year.

- 8.3 This action by the MPC will slow the economy, necessitating cuts in Bank Rate later in 2024. Gilt yields will face further upward pressure in the short term due to lower confidence in UK fiscal policy, higher inflation expectations and asset sales by the BoE. Given the recent sharp rises in gilt yields, the risks are now broadly balanced to either side. Over the longer term, gilt yields are forecast to fall slightly over the forecast period.
- 8.4 Monetary policymakers have been accused of being behind the curve having only raised rates by 50bps in September. This was before the “Mini-Budget”, poorly received by the markets, triggered a rout in gilts with a huge spike in yields and a further fall in sterling. In a shift from recent trends, the focus now is perceived to be on supporting sterling whilst also focusing on subduing high inflation.
- 8.5 Uncertainty on the path of interest rates has increased dramatically due to the possible risk from unknowns politically and economically.
- 8.6 The government's approach to energy price caps, combined with international energy markets priced in dollars, presents a fiscal mismatch that has contributed to significant decline in sterling and sharp rises in gilt yields which will feed through to consumers' loans and mortgages and business funding costs.
- 8.7 UK government policy has mitigated some of the expected rise in energy inflation for households and businesses flattening the peak for CPI, whilst extending the duration of elevated CPI. Continued currency weakness could add inflationary pressure.
- 8.8 The UK economy already appears to be in recession, with business activity and household spending falling.
- 8.9 Global bond yields have jumped as investors focus on higher and stickier US policy rates. The rise in UK government bond yields has been sharper, due to both an apparent decline in investor confidence and a rise in interest rate expectations, following the UK government's shift to borrow to loosen fiscal policy. Gilt yields will remain higher unless the government's plans are perceived to be fiscally responsible.

Report Title: Governance and Audit Scrutiny Committee Self-Assessment	
Report to: Governance and Audit Scrutiny Committee	
Date: 3 rd November 2022	For: Recommendation
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Councillor Justin Wrench, Chairman of the Governance and Audit Scrutiny Committee	
Enquiries to: Angela Mitchell, Audit Insurance and Fraud Manager, (angmi@braintree.gov.uk)	

1. Purpose of the Report

- 1.1 The Terms of Reference for the Governance and Audit Scrutiny Committee require the Committee:

To report to the Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose; and

To publish an annual report on the work of the Committee.

- 1.2 This report provides the Committee with an opportunity to consider its work and performance in accordance with the Committee Terms of Reference.

2. Recommendations

- 2.1 Members are invited to review the Committee's Draft 2021/22 Annual Report to determine any changes required prior to submission to Full Council.

3. Summary of Issues

- 3.1 The purpose of an Audit Committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit, it makes an important contribution to ensuring that effective management arrangements are in place.

- 3.2 The Governance and Audit Scrutiny Committee performs the functions of an Audit Committee, and as such is a key component of the Council's governance framework, providing independent and high-level resource to support good governance and strong public financial management.

- 3.3 The *CIPFA Audit Committees – Practical Guidance for Local Authorities and Police 2018* identifies the importance of holding Audit Committees to account

on the extent to which it has fulfilled its purpose, and recommends the preparation of an annual report by the Committee as a helpful way to address key areas of accountability, including whether the Committee has:

- Fulfilled its agreed terms of reference
- Adopted recommended practice
- Ensured development needs of committee members have been assessed and whether committee members are accessing briefing or training opportunities
- Assessed its own effectiveness and / or considered conclusions and actions from that review
- Assessed its impact on the improvement of governance, risk and control within the authority

3.4 This report summarises the work undertaken by the Governance and Audit Scrutiny Committee in the year to September 2022.

3.5 The Governance and Audit Scrutiny Committee's role in the provision of assurance on governance, internal control and risk management arrangements is key to delivery of all Council priorities and Corporate Objectives:

- A sustainable environment and a great place to live, work and play;
- A well connected and growing district with high quality homes and infrastructure;
- A prosperous district that attracts business growth and provides high quality employment opportunities;
- Residents live well in healthy and resilient communities where residents feel supported;
- A high performing organisation that delivers excellent and value for money services;
- Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

4. Options

4.1 This report invites Members of the Governance and Audit Scrutiny Committee to consider and make changes to the Governance and Audit Scrutiny Committee Self-Assessment prior to it being presented to Council.

5. Next Steps

5.1 The final self-assessment report will be presented to Full Council at its meeting on 12th December 2022.

6. Financial Implications

- 6.1 There are no financial implications arising from the recommendations set out in this report.

7. Legal Implications

- 7.1 The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015). Various guidance also emphasises the importance of the Audit Committee, including:

- Delivering Good Governance in Local Government: Framework (CIPFA / Solace, 2016)
- The Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)

- 7.2 This report is required under the approved Terms of Reference for the Governance and Audit Scrutiny Committee.

8. Other Implications

- 8.1 There are no other implications arising out of this report at this time.

9. Equality and Diversity Implications

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

- 9.3 The Equality Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

10. List of Appendices

12.1 Appendix 1 – Governance and Audit Scrutiny Committee Annual Report 2021/22.

13. Background Papers

13.1 None.

GOVERNANCE AND AUDIT SCRUTINY COMMITTEE

ANNUAL REPORT 2021/22 (to September 2022)

**INTRODUCTION FROM THE CHAIR OF THE GOVERNANCE AND AUDIT
SCRUTINY COMMITTEE**

This Annual Report of the Governance and Audit Scrutiny Committee summarises the Committee's work and achievements relating to its Audit role for 2021/22 (and to September 2022). It is intended to:

- Reassure the Council and other stakeholders that the Committee is undertaking its responsibilities properly and in a way which allows it to exercise effective oversight; and
- Demonstrate to the District's residents and other stakeholders the importance that the Council places on good governance, openness, and probity in public life. The report sets out the contribution the Committee makes to achieving those aims. The Committee's meetings are open to the public and its reports are available on the Council's website

To provide ongoing assurance over the Council's internal controls and systems, the Committee meetings in 2021/22 were attended by the Corporate Director of Resources, the Head of Finance, the Audit Insurance & Fraud Manager, the Financial Services Manager, and Committee Services, as well as representatives from BDO, the Council's External Auditor. Other Council officers attend the Committee meetings as required.

Operating effectively, the work of the Governance and Audit Scrutiny Committee will enhance corporate awareness of the need for internal control and implementation of agreed audit recommendations, increase public confidence in the objectivity and fairness of financial and other reporting, reinforce the importance and independence of internal and external audit and other similar review processes, and provide additional assurance through its processes of independent and objective review.

I would like to express my thanks to those Officers and Members who have supported the work of this Committee by presenting, discussing, and challenging reports, and engaging in training and improvement activity to develop the knowledge and skills needed for this key area of the Council's arrangements for effective governance.

1. Introduction

- 1.1. Both Central Government and CIPFA (Chartered Institute of Public Finance Accountants) promote the view that certain governance related functions are best delivered by an Audit Committee. The Governance and Audit Scrutiny Committee (GASC) performs both the role of Audit Committee, and a Standards role, and as such is a key component of the Council's Corporate Governance framework providing an independent and high-level focus on the audit, assurance and reporting arrangements which underpin good governance and financial standards, thus adding value to the authority's governance arrangements. The Committee functions include:
- i) **Audit:** - To provide assurance to Members and the public that there are adequate controls to mitigate risks and that the Authority has effective governance arrangements. The Committee oversees the Council's internal audit function and risk management arrangements, receives and approve external audit reports, scrutinises the Statement of Accounts, and makes reports and recommendations to the Cabinet, Committees, and the Council on the adequacy of corporate governance and risk management arrangements and the associated control environment.
 - ii) **Standards:** To deal with a range of matters including relating to Councillor conduct, and provision of advice and guidance to the Council, Cabinet and individual Councillors on the application and review of the Constitution.
- 1.2. The CIPFA Publication '*Audit Committees: Practical Guidance for Local Authorities (2018)*' (CIPFA Guidance) identifies the audit committee role in relation to standards is to satisfy itself that there are appropriate arrangements in place for promoting and maintaining high standards of conduct, particularly in support of the Annual Governance Statement (AGS). Where the audit committee takes on the role of the standards committee, there should be clear distinction between the two roles and responsibilities in the terms of reference and meeting agendas.
- 1.3. The purpose of an Audit Committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit, it makes an important contribution to ensuring that effective management arrangements are in place.

1.4. The CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 outlines the following core functions of an audit committee, enabling such a committee to provide oversight of a range of core governance and accountability arrangements, respond to recommendations of assurance providers and help to maintain robust arrangements:

- Maintenance of governance, risk and control arrangements
 - Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance
 - Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk related issues, for both the body and its collaborative arrangements
 - Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption
- Financial and governance reporting
 - Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
 - Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them
- Establishing appropriate and effective arrangements for audit and assurance
 - Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities
 - In relation to the authority's internal audit functions:
 - Oversee its independence, objectivity, performance, and conformance to professional standards
 - Support effective arrangements for internal audit
 - Promote the effective use of internal audit within the assurance framework
 - consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit
 - contribute to the operation of effective external audit arrangements, supporting the independence of auditors and promoting audit quality

- support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review, and accountability
- 1.5 The effectiveness of arrangements for the GASC has been assessed against the best practice for Audit Committees contained in the CIPFA Guidance.

2. Matters Considered

- 2.1 **Constitution of the Committee:** CIPFA's *Position Statement: Audit Committees in Local Authorities and Police* recommends that in local authorities the committee should:
- **Be directly accountable to the authority's governing body**
 - Committee Terms of reference confirm the committee reports to Council on findings, conclusions and recommendations on the adequacy and effectiveness of governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit arrangements, and also on the Committee's performance in relation to the terms of reference and the effectiveness of the committee in meetings its purpose
 - **be independent of both the executive and scrutiny functions**
 - The Committee role includes both Audit and Scrutiny functions, but receives separate reports for work relating to these different functions
 - **Have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups**
 - The Committee will access and engage with other committees/functions as appropriate and in accordance with the committee scope of work
 - **Have rights to request reports and seek assurances from relevant officers**
 - The Committee requests such reports and assurances as appropriate, for example the Committee received an update on a major project in 2021
 - **Be of an appropriate size to operate as a cadre of experienced, trained committee members (Large committees should be avoided)**
 - Nine Members are appointed to the Governance and Audit Scrutiny Committee, in accordance with the political balance rules specified by the Local Government and Housing Act 1989
 - **The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation**
 - The Committee does **not** currently co-opt any independent members

2.2 **Work of the Committee:** The Committee undertakes a wide range of activities and works closely with internal and external auditors to achieve its aims and objectives. The Committee monitors, challenges and provides assurance on matters relating to internal and external audit, financial reporting, risk management, corporate governance and compliance issues. The work undertaken and reports considered by the Committee allow it to:

- Provide independent assurance on the adequacy of the governance, risk management framework and associated control environment;
- Provide independent review of the Council’s financial and non-financial performance to the extent that it affects the Council’s exposure to risk and weakens the control environment; and
- Oversee the statutory financial reporting process

2.2.1 Appendix 1 summarised the scope of GASC work and responsibilities (as stated in the committee Terms of Reference), and commentary on the extent to which this work has been completed by the committee. **The following areas will require additional work or consideration** (see Appendix 1 for further detail):

- The Risk Management Strategy has not been subject to recent review by the Committee, but is currently being updated by management prior to presentation to GASC
- The Counter Fraud Strategy is pending review and update by management
- The committee reviews the External Auditor reports and Annual Audit Letter, some reports have been delayed and the committee and Officers are working with the External Auditor to progress completion of External Audit work
- Reporting on findings, conclusions and recommendations relating to committee work, and arrangements for bringing any concerns arising from financial statements to the attention of Council, will be determined by the Chair of GASC in conjunction with the Head of Governance and S151 Officer

2.2.2 The following table summarises the **significant matters considered by the Committee** during 2021/22. Annual Committee appointments were made by Council at the AGM held 19th April 2021 and updated for 2022/23 by Council at the AGM held on 25th April 2022.

Meetings Held ➡	2021			2022				
	Apr	Jul	Oct	Jan	Apr (1)	Apr (2)	May	Jul
Reports Presented ↓								
Constitution								
Annual Constitution Review	✓				✓			
Planning Committee Members Forum							✓	
Governance Matters								
Code of Corporate Governance and Annual Governance Statement 2020/21		✓						
Annual Governance Statement 2021/22								✓

External Audit (EA) and Financial Reporting								
Statement of Accounts and EA Audit Completion Report 2019/20			✓					
External Audit Plan 2020/21			✓					
Key Financial Indicators		✓	✓	✓		✓		✓
Treasury Management Report		✓	✓					✓
Treasury management Strategy				✓				
Outcome of HB Subsidy work		✓						
Process for Appointment of External Auditors 2023/23 to 2027/28				✓				
EA Verbal update						✓		
Internal Audit (IA)								
IA Service Annual Report 2020/21		✓						✓
IA Plan 2021/22		✓						
IA Plan 2022/23								✓
IA Charter		✓				✓		
Progress Against IA Plans		✓	✓	✓		✓		✓
Action Plan Progress Report (Manor Street)		✓						
Risk management								
Review of Strategic Risk Register		✓						✓
Standards								
Monitoring Officer Annual Report			✓					
Fraud								
Fraud update						✓		

2.2.3 Differentiating Between Audit and Scrutiny Functions of the Governance and Audit Scrutiny Committee: The above table demonstrates that Committee work relating to the Constitution was heard at meetings convened specifically for that purpose. The Monitoring Officer Annual report, whilst considered alongside Audit related committee business, is a separate report.

2.3 Committee Membership and Attendance:

	2021			2022			
	Apr	Jul	Oct	Jan	Apr (2)	May	Jul
Cllr R Van Dulken (former Chair)	✓	✓	✓	N/A	N/A	N/A	N/A
Cllr H Johnson (former Vice)	✓	✓	✓	✓	✓	N/A	N/A
Cllr P Euesden (Vice from May 2022)	✓	✓		✓	✓	✓	✓
Cllr D Hume	✓		✓				
Cllr D Mann	✓	✓	✓	✓	✓	✓	✓
Cllr Miss V Santomauro	✓		✓				
Cllr D Wallace	✓	N/A	N/A	N/A	N/A	N/A	N/A
Cllr T Walsh				✓			✓
Cllr Mrs L Walters	✓	✓		✓			
Cllr D White (NB report to Council Oct 2022 for dispensation from attending meetings due to ill health)	N/A	✓	✓				
Cllr J Wrench (Chair)	N/A	N/A	N/A	✓	✓		✓

Cllr S Rehman	N/A	N/A	N/A	N/A	N/A	✓	
Officers & External Audit Representatives:							
Kim Cole, Head of Governance / MO	✓	✓		✓	✓		
Emma Wisbey, Governance & Members Mgr	✓		✓			✓	
Jessica Mann, Governance & Members Officer	✓	✓	✓	✓	✓	✓	✓
Corrine Foster, Governance & Members Off.		✓					
Chloe Waight, Governance Business Officer	✓						
Chris Fleetham, former Corporate Director		✓	✓		N/A	N/A	N/A
Suzanne Bennett, Corporate Director	N/A	N/A	N/A	N/A	N/A		✓
Trevor Wilson, former Head of Finance		✓	N/A	N/A	N/A	N/A	N/A
Angie Mitchell, Audit Insurance & Fraud Manager		✓	✓	✓	✓		✓
Phil Myers, Head of Finance / former Financial Services Manager		✓	✓	✓	✓		✓
Mark Jarvis, Financial Services Manager	N/A	N/A	N/A	N/A			✓
Dominic Collins, Corporate Director		✓					
Emma Goodings, Head of Planning & Economic Growth						✓	
Christopher Paggi, Planning Development Manager						✓	
Steve Bladen (BDO – External Audit)		✓	✓		✓		

2.4 **Committee Training:** In February 2022, the Governance and Audit Scrutiny Committee Members were joined by Members from Chelmsford City Council and Tendring District Council for *Effective Audit Committees* training which gave an overview and update on the functions and purpose of an audit committee including legal requirements, explained good governance and gave examples of poor practice, provided a comparison between the differing roles of an Audit Committee and a Scrutiny Committee, explained assurance types and sources, gave an overview of the Annual Governance Statement, explained the role of internal audit and its contribution to the work of the committee, explained the Committee role in risk management, summarised the role of External Audit and financial reporting arrangements, and offered thoughts on making the Audit Committee effective

2.5 **Regional Audit Committee Chairs Forum** – In December 2021 the LGA agreed with central government to establish a forum in each region, to bring chairs together to share information, insights and ideas as part of an enhanced package of support for audit.

- The inaugural meeting in March was attended by Cllr Wrench and Angie Mitchell;
- Information and slides from the second meeting (August 2022) were circulated to Cllrs Wrench and Euesden (and to officers Suzanne Bennet, Phil Myers and Angie Mitchell);

- Cllr Wrench is intending to join the third meeting, scheduled to take place in November.

APPENDIX 1 – Summary of Work Performed in Accordance with Governance & Audit Scrutiny Committee Terms of Reference

Governance, Risk and Control	
Review Council's Corporate Governance arrangements, and the Annual Governance Statement	Reports in July 2021 and July 2022
Consider Value for Money arrangements	Formal Value for Money opinion from External Auditor included in the Use of Resources opinion, the last report was provided October 2021
Consider the framework of assurance to ensure is adequately addresses Council risks and priorities	Various reports, and oversight of audit planning process to ensure scope of internal audit allows for provision of relevant assurance
Monitor development and operation of risk management, and endorse the annual Risk Management Strategy	Risk Register reviewed in July 2021 and July 2022 Risk Management Policy & Strategy has not been subject to recent review by the Committee, but is currently being updated by management prior to presentation to GASC
Consider reports on effectiveness of internal control environment and monitor implementation of agreed actions	Internal Audit reports on outcomes of audits and implementation of recommendations reviewed in 2021 (July and October), and 2022 (January, April and July)
Review the assessment of fraud risks and potential harm to the Council from fraud and corruption Monitor the Counter Fraud Strategy, actions and responses	Fraud update report considered April 2022 Counter Fraud Strategy is pending review and update by management
Review governance arrangements for significant partnerships or collaborations	Review of significant partnerships is included the Audit plans and audit outcomes report to Committee
Internal Audit	
Approve the IA charter	July 2021 and April 2022
Approve the risk based internal audit plan, IA resource requirements, and approach to sources of assurance	July 2021 and July 2022
Approve significant interim changes to the risk based internal audit plan or resources	Plan progress reviewed in 2021 (July and October), and 2022 (January, April, and July), no significant changes
Enquire of management and Internal Audit Manager of any inappropriate scope or resource limitations	Included in Internal Audit annual report, considered in July 2021 and July 2022
Consider any impairments to independence or objectivity arising from additional (non-Audit) roles or responsibilities of the Audit Manager, and review associated safeguards	Identified in Audit Charter presented to Committee July 2021 and April 2022
Consider reports from Audit Manager on IA performance, key findings from audit work, issues of concern, results of Quality Assurance & Improvement Programme,	Summarised in the Internal Audit Annual report (July 2021 and July 2022), and also an update on progress of the External Quality Assessment action plan was reviewed as part of the IA Progress update in April 2022

conformance to Public Sector IA Standards, and areas to include in the AGS	
Consider the Audit Manager Annual Report	July 2021 and July 2022
Consider summaries of internal audit findings, including where Audit Manager concluded an unacceptable level of risk	IA Progress Reports in 2021 (July and October), and 2022 (January, April and July) included assurance level for audits, and outcome of follow up work in respect of 'Limited Assurance' reviews
Contribute to the Quality Assurance and Improvement Programme, in particular the External Quality Assessment (EQA)	Committee involvement in last EQA 2017/18. Next EQA scheduled for 2022/23, GASC will participate in this review
Consider report on IA effectiveness to support the Annual Governance Statement	IA Annual Opinion July 2021 and July 2022
Provide Audit Manager free and unfettered access to the GASC Chair and opportunity for private meeting with Committee	Audit Manager able to access GASC Chair directly, has not had cause for private meeting but GASC would support any such request
External Audit	
Support external audit independence through consideration of external auditor annual assessment of independence and review of any issues raised by PSAA (or Council's Auditor panel if opted out of PSAA)	The External Audit Plan provides details of external auditor independence (2020/21 Plan was considered by GASC in October 2021). The Committee also considered a report (in January 2022) on the appointment of external auditors from 2023/24 to 2027/28, this report explained issues affecting the local audit provision and the resulting delays in the provision of audit opinions
Consider external auditor annual letter and reports	External Auditor reports are reviewed by GASC, however EA reporting in the last year has been limited. GASC and Officers are working with the External Auditor to progress completion of External Audit work
Comment on scope and depth of external audit work, ensure it gives value for money	The External Audit Plan for 2020/21 work was considered by GASC in October 2021, this plan summarised the scope of work (as required by the Code of Audit Practice) and the fee for the work (in line with the fee scales published by Public Sector Auditor Appointments (PSAA)).
Commission work from internal and external audit	GASC review internal audit plans and challenge the scope as appropriate, the 2021/22 IA Plan was approved by GASC in July 2021, and the 2022/23 IA Plan was approved by GASC in July 2022 The Council appoints the external auditor via PSAA, and commissions Housing Benefit Subsidy Certification work from the External Auditor.
Advise on effectiveness of relationships between external and internal audit and other inspection agencies	GASC has general oversight of both Internal and External audit plans / scope of work, and reports. Internal Audit cooperates and shares reports with the External Auditor. The External Auditor operates in accordance with the requirements of the NAO Code of Audit Practice which requires auditors to consider how best to obtain assurance... working effectively with other auditors where appropriate
Financial Reporting	

Review annual Statement of Accounts, considering whether accounting policies have been followed and any concerns arising from financial statements to bring to the attention of Council	Statements of Accounts and the External Auditor Completion Report (which draws attention to any issues) are reviewed by GASC (last was 2019/20 accounts to GASC in October 2021). Arrangements for bringing any concerns arising from financial statements to the attention of Council, will be determined by the Chair of GASC in conjunction with the Head of Governance and S151 Officer
Consider external auditor report on issues arising from the audit of the accounts	External Auditor reports are reviewed by GASC, however EA reporting in the last year has been limited. GASC and Officers are working with the External Auditor to progress completion of External Audit work
Accountability Arrangements	
Report to Council on findings, conclusions and recommendations concerning adequacy and effectiveness of governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions	Aspects of GASC business are reported to Council and to the assigned the Portfolio holder, and the Annual Governance Statement is signed by the Leader. Otherwise, these aspects are not formally and regularly reported to Council. The GASC Chair will review the Committee Terms of Reference and required actions with the Head of Governance and S151 Officer
Report to Council on the committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose	Report to be agreed by Governance and Audit Scrutiny Committee in October 2022
Publish an annual report on the work of the committee	Report to be agreed by Governance and Audit Scrutiny Committee in October 2022