



Contents



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

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



Section	Page
Executive Summary	3
Use of formal auditor's powers	5
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	6
Financial sustainability	7
Governance	11
Improving economy, efficiency and effectiveness	17
COVID-19 arrangements	23
Opinion on the financial statements	27

Appendices

- A The responsibilities of the Council
- B Risks of significant weaknesses our procedures and findings
- C An explanatory note on recommendations

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

Executive summary



Value for money arrangements and key recommendations

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

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

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

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks or significant weaknesses identified	Appropriate arrangements in place, no recommendations raised.
Governance	No risks or significant weaknesses identified	Appropriate arrangements in place, one improvement recommendation raised.
Improving economy, efficiency and effectiveness	No risks or significant weaknesses identified	Appropriate arrangements in place, two improvement recommendations raised.



Financial sustainability

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

Despite this uncertainty, and the challenges posed by COVID-19, the Council has maintained a strong financial position. The MTFS framework is now fully embedded and aids the Council in remaining agile to change, this is currently balanced with no gaps identified in the medium term, although it does at present rely upon the use of a proportion of the Council's reserves in the later years, pending identification of savings and alternative income plans.

Overall, we are satisfied the Council has appropriate arrangements in place to plan for the future and ensure it manages risks to its financial sustainability...

Further details can be seen on pages 7 - 10 of this report.



Governance

Procedures in place for the identification of risk and monitoring are implemented in line with the strategic risk framework. This demonstrates an all encompassing approach to risk management from the ground up and provides elected members and the public with a clear view of the risk profile of the Council and how these are addressed.

The annual budget setting exercise is aligned to the medium term outlook and key stakeholders both internal and external to the organisation are involved in developing the solution. The consideration of risk, sensitivity and alternative scenarios are well evidenced to ensure informed decisions can be made.

Policy documents and guidance ensure members and officers are held to account for their conduct and the appropriate standards are followed.

Overall, we are satisfied the Council has appropriate arrangements in place to manage risks and provide ample scrutiny, oversight and governance of key decisions. We have identified some opportunities for improvement.

Further details can be seen on pages 11 - 16 of this report



Improving economy, efficiency and effectiveness

The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources across the areas of our review including performance monitoring, benchmarking, working with partners, procurement and commercial activity. The importance of this in ensuring the Council are a future fit organisation is a recurring theme which cascades from the Council Plan through to other key strategies and plan to create a cohesive and clear direction for the area. We have identified one opportunity for improvement.

Further details can be seen on pages 17-22 of this report.



Opinion on the financial statements

We have completed our audit of the Council's financial statements and issued an unqualified audit opinion following the Audit & Member Standards Committee meeting on 15 October 2021.

Our findings are set out in further detail on page xx.



Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

No statutory recommendations have been made as a result of our value for money assessment.

Public interest report

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

We have not been required to issue a public interest report in the period and there are no matters as a result of our value for money procedures undertaken that would lead us to conclude that a report in the public interest is necessary.

Application to the Court

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

We have not been required to make an application to the courts in respect of any item of account included in the financial statements for year ended 31 March 2021.

Advisory notice

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

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

We have not been required to issue an advisory notice in respect of any intended actions of the Council.

Judicial review

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

We have not applied to the courts for judicial review in relation to any matters noted in the period.

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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





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



We considered how the Council:

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

2021/22 Financial Outlook and Ongoing Financial Pressures

The Council is required to produce a rolling Medium Term Financial Strategy covering a period of five years. This is refreshed on an annual basis as part of the budget setting process, ensuring that the Council's ongoing financial strategy takes into account changes brought about by funding, policy, demand for services and one off events such as the Covid 19 pandemic.

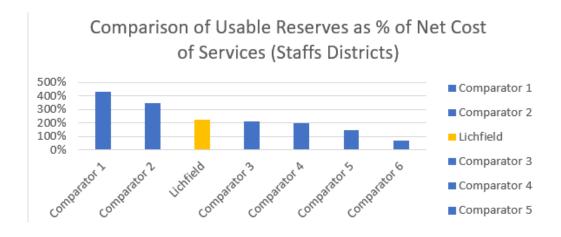
The 20/21 update (covering the period 2020 – 2025) was presented to Cabinet on 16 February 2021, and contained key information around the likely impact of the Local Government Finance Settlement 21/22 against a backdrop of the Council's in year financial position. Key information discussed in the update for members includes the setting of local taxation rates (such as Council Tax and non domestic rates), renewed abatement of the commencement of negative Revenue Support Gant funding in 21/22 and information on other grants and schemes such as use of the New Homes Bonus in ongoing revenue budgets, additional Covid 19 funding and continued government grant support in relation to loss of Sales, Fees and Charges income.

The update presented a balanced revenue budget through to the end of the 2024/25 financial year. Funding gaps start to appear from 22/23 onwards. Projections as at early 2021 were based on use of reserves to balance the budget with general reserves moving from £6,986k to £1,817k by the end of the period on this bases, suggesting a sufficiently robust reserves position as at 31 March 2021. According to discussions with senior management, plans are in place to

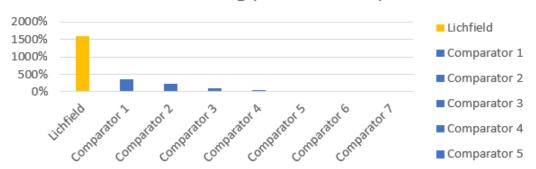
balance the budget for 22/23 also which will involve finding an additional £1m in savings. Plans currently being discussed are to increase the level of strategic investments in place with a view to increasing the return achieved (making an additional £5m of investments of this type would bring the Council in line with most comparator organisations and increase the return to around £300k per annum), generating additional income through increased charges in areas such as green waste disposal, car parkina and other similar fees and charges (advice from third party advisors is being sought in relation to this), creation of a vacancy allowance to generate additional savings (again with a view to increasing this to around 2% of the budget, the level seen at comparator organisations) and looking at efficiency savings through transformation projects in areas such as IT and Revenue and Benefits.

Resources and funding

The Council's primary mechanism for generating funding remains local taxation, which principally relates to Council Tax and Non Domestic Rates income. The Council is part of a "two tier" structure, with services such as social care being delivered at the County Council level and, as such, is not able to charge a social care levy (as is commonplace in some sector bodies). Cabinet approved a Council Tax resolution to increase the annual charge for a Band D property by 2.78% (or £5; the maximum available), however management have confirmed that there is a desire amongst members to limit future Council Tax growth to 1.5% in recognition of the ongoing cost of living pressures being experienced on a national scale. The Council will need to balance this policy carefully with the ability to generate



Comparison of usable reserves as % of Long Term Borrowing (Staffs Districts)



Income and savings from other sources although, as previously described, realistic plans are in place to manage funding gaps and ensure that the body is able to balance its budget without the use of reserves.

The position with regards to Non Domestic Rates was less clear as at the time of the budget setting exercise, with no new reliefs or grants having been announced and the government advising of the possibility of new Covid 19 related support schemes or even more radical reforms during 2021 but with little concrete information to work on. As such, the Council assumed a static level of retained rates income for 21/22, along with an overall static level of Core Spending Power year on year with the increase in Council Tax expected to offset falls in grants and support schemes. The budget and MTFS were approved on this basis in February 2021.

Current performance

The approved budget for 20/21 forecast a funding basis £721k increase in general fund, usable reserves – in practice, the Council achieved a £906k underspend. For 21/22, a £199k underspend (with the balance transferred to reserves to balance the budget) was approved. Latest projected performance (as at February 2022) suggests a small adverse variance of £25k against this, with reserves projected to increase by £174k, suggesting that a robust financial forecasting and budget monitoring process in place at the Council.

Reserves

The Council has a strong balance sheet and robust reserves of £32.7m as at 31 March 2021. Excluding £6.7m of capital reserves (relating to grants unapplied or capital receipts which will be released in line with the Council's capital strategy and terms of use of the related funds). The Council held earmarked reserves of £19.3m (an increase from £11m in the prior period, principally related to Covid 19 funding. However, the Council's "like for like" position net of the £11m increase would still place it in a favourable position in this analysis) and a healthy general fund balance of £6.7m. In line with its financial strategy, the Council divides its earmarked reserves between risk management balances designed to smooth over volatility in income or unexpected costs (the largest of this being the Covid 19 reserve, in which funding from various support schemes is held to offset expected volatility on the Collection Fund in relation to post pandemic changes to the local tax base) and project reserves which will be released in line with the Council's strategic goals over time.

A Council is deemed to be at risk if reserves dip below 5% of its net cost of services. Lichfield is not currently close to this level; Total usable reserves as at 31 March 2021 exceed net cost of services significantly. Excluding earmarked reserves, the Council still held more than 50% of its net cost of services as general fund balances. 21/22 is projected to outturn at a similar level. Per the Chief Financial Officer's opinion on level of reserves, the Council's strategy deemed a level of reserves of £1.6m to be a prudent minimum level. This is significantly above the 5% marker, indicative of an overall prudent approach to reserves management at the Authority. Per the charts on the previous slide, when compared to comparator District/Borough Councils within Staffordshire for which draft or audited financial data was available, in terms of usable reserves as a percentage of Net Cost of Services, Lichfield ranked third of seven, with a level of 228% against an average for the region of 230%. On a national scale, out of 163 comparator organisations for whom information was available, Lichfield ranked 87th (against an average at national level of 392%).

CIPFA's Financial Resilience Index for the 2020/21 financial year, gives a similarly positive message, with the authority rated as medium or lower risk on the majority of financial stress indicators (CIPFA's Reserves Sustainability Measure, an outlier here, attempts to measure

CIPFA Financial Resilience Index

Results Breakdown

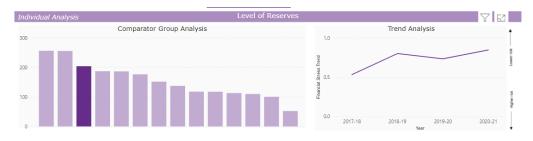
Indicators of Financial Stress
Higher Risk

Reserves Sustainability Measure
Level of Reserves
Change In Reserves
Interest Payable/ Net Revenue Expenditure
Gross External Debt
Fees & Charges to Service Expenditure Ratio
Council Tax Requirement / Net Revenue Expenditure
Growth Above Baseline

how long an individual authority's reserves will last – this shows a higher level of risk, although this is more indicative of the high level of uncertainty in the financial future of the sector currently, with plans put in place to replace use of reserves with other funding sources as the Council moves through its financial plan. Per our earlier review of the Council's Medium Term Financial Strategy, our view is that the Council has a robust level of reserves which are not anticipated to be depleted over the course of the MTFS. Furthermore, as shown below, CIPFA shows an overall upwards trend on level of reserves, which is set to continue in 21/22, reflective of the Council's overall prudent reserves policy – the Council is deemed to be moving towards the lower risk end of the spectrum and is one of the better performers in its comparator group, as shown below.

Levels of external borrowing

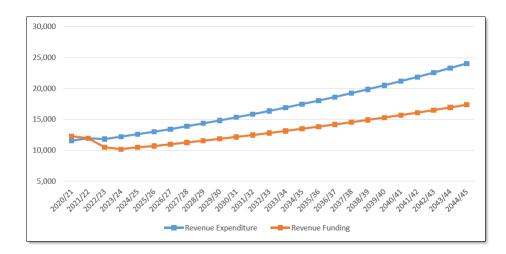
The Council has an overall low level of external borrowing, as shown by our analysis on the previous slide and in line with the CIPFA indicators below. The Council adopts a risk averse approach to borrowing, with the current level at a comfortably sustainable level (Lichfield currently showing a level of reserves of around 1500% of long term borrowing, compared to some comparator authorities who are close to a 1:1 basis). The Council does have plans to take on a larger level of borrowing in future; £5m in relation to a replacement leisure centre project. However, this level appears sustainable and the ongoing revenue costs (currently expected to be around £250k per year) do not represent a significant proportion of available revenue resources in a typical year.



Managing and Monitoring Risks to Financial Sustainability

The MTFS is produced on a "most likely" basis against a backdrop of unprecedented volatility meaning, in practice, it is difficult to forecast into the future with accuracy. As such it is important that the Council is able to monitor risks to the financial strategy in real time and respond proactively.

All organisations across the sector are currently facing up to a widening gap between expected revenue funding and expenditure, as visualised by the chart below (extracted from the Council's February 2021 MTFS document). In response to this, the Council makes assumptions around future levels of income, possible future legislative impacts and likely increases to expenditure. The Council generally operates on a prudent basis, with flat assumptions around income increases and assuming an element of pay freeze in 21/22 followed by 2% inflationary impact thereafter. This forms the Council's "central" scenario, upon which recommended revenue budgets are based. However, an element of sensitivity is built in to forecasting with both pessimistic and optimistic scenarios also included to reflect the downside and upside risks to the Council's central assumptions.



As at February 2021, the Council's spread of scenarios ranged from an upside positive variance of around £400k, to an adverse downside variance of around £1.2m. Our review of the Council's Performance Against the Financial Strategy document from early 2022 suggests that, whilst the overall level of funding transferred to reserves was below target, this was not by a material amount and the Council was overall still able to increase the level of its reserves at the end of 21/22 (subject to confirmation of financial data via external audit) which in turn gives a positive aspect on the Council's forecasting and budget management processes. Given recent events in early 2022 however, an acceleration of global instability will make the ability to budget for sensitivity and build in contingencies a key area of focus for future reviews.

Budgets are monitored at a departmental level and consolidated into quarterly reports on performance against financial strategy to Cabinet, in addition to the annual budget setting process and outturn reports. This has historically worked well from a financial prudence perspective, however in the current changing climate, as the Council shifts from being able to balance budgets without use of reserves to an environment where savings plans or increased commercialisation will be needed to bridge funding gaps, the Council will need to increase engagement both internally and with external stakeholders in the financial monitoring process.

From an internal standpoint, senior management report issues with silo working leading to challenges with individual budget holders seeing the wider financial picture which can result in lower than expected savings proposals at departmental level. The Council's longer term goal is to reimagine this silo based working culture and move from a series of vertical micro businesses to an integrated horizontal business, with governance overview concentrated in the centre with a more commissioning based relationship with departments.

From an external perspective, generating high levels of engagement with the budget setting process is typically challenging across the sector. Responses to the 21/22 budget setting process were significantly increased from 20/21 levels (and favourable when compared to comparator organisations) but still in the hundreds; as the Council begins to adopt a more entrepreneurial, commercial focussed approach, increased engagement will need to be sought in order to achieve a broad consensus for the overall strategic direction of the Council.

Conclusion

Overall we are satisfied that the Council has adequate arrangements in place to ensure financial sustainability in future.



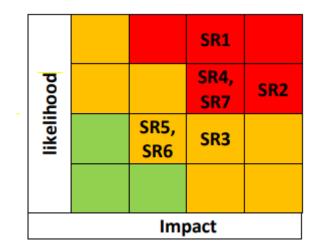
We considered how the Council:

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

Monitoring and assessing risk: Background

The Council's approach to risk is underpinned by its Risk Management policy, which is regularly reviewed and updated, most recently in November 2019. The policy calls for the organisation to assess and manage risk at three levels; Strategic, Operational and Project, with the overall aim being to support the Council's delivery of its objectives, from its strategic plan through to its services, projects and partnerships.

All risks are recorded in individual risk registers, which use a "4 by 4" matric approach to assessing likelihood and impact, the product of which calculation gives an overall risk rating which is then plotted on the matrix to arrive at a "Red, Amber, Green" ("RAG") Rating for each risk. An example of this, showing the Council's 7 Strategic Risks plotted on a matrix as at October 2021, is shown below:



A key element of this process is to determine a "Risk Appetite" for the organisation. This is defined by CIPFA as "the amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time." In the context of the matrix concept, organisations typically set a threshold risk score for identified risks, below which the current level or risk is deemed to be tolerable, above which specific actions are required to mitigate and reduce the level of risk. For Lichfield, this is represented by the red shaded area on the matrix, where high impact and high likelihood risks are plotted.

As is the case in all organisations, the Council will from time to time see risks move into the red area. The purpose or reporting on risk management regularly is to identify these risks or any emerging risks, set out actions to mitigate them and report on progress against these actions with a long term view to sufficiently reducing the level of risk to within an acceptable level.

Local context

Lichfield's Risk Management policy recognises that "risk taking is part of innovation and change and, as such, is to be encouraged, not avoided; it must however be carefully assessed, regularly monitored, and effectively managed". This is reflected in the Risk Appetite set for the Council, which gears unacceptable risk towards higher impact, higher likelihood risks with an additional weighting towards very likely but lower impact events. This is in line with expectations based on our wider understanding of the sector and adequately reflects the Council's pragmatic assertion that "there is Risk in all we do" but that risk must be effectively managed in order to support overall strategic aims.

On an ongoing basis, officers work to identify emerging risks and report on progress against mitigating existing risks. All risks are recorded in a register, including risk description, risk owner, risk scores (against the previously described matrix), risk factors/causes, potential effects/consequences and possible measures to mitigate the risk. On a periodic basis, officers are required to report on the overall direction of travel and activities taken to mitigate risks as required. Risks can also therefore be added to or removed from the various risk registers as required. There is an overall oversight function performed by senior management (with a view to taking ownership of the policy, collating and reporting information and championing the process) and members, in particular in the Audit & Member Standards Committee and Cabinet, with a view to providing effective review and challenge and overall strategic direction.

We have reviewed example reports to the Cabinet and Audit and Member Standards Committees and are satisfied that they are both sufficiently detailed and timely to support adequate Risk Management processes. We also note that the Corporate Risk Register (now referred to as the Strategic Risk Register from 2021) was and continues to be reported to the Audit & Member Standards Committee on a quarterly basis.

Internal Audit

To support the Risk Management and wider Governance functions, the Council employs an Internal Audit function. This service operates under a standard charter, as required by the Public Sector Internal Audit Standards, and provides risk management, internal audit, advice and investigatory services to the Council. They review and give assurance on the controls in place to manage the key risks facing the Council and perform wider scope "horizon scanning" to feed into discussions and considerations of emerging risks.

To do this, a programme of audits are devised which are discussed and agreed with Heads of Service and service level directors before the start of each financial year. The aim of each audit is to give an independent and objective opinion to managers on the adequacy of controls in place to manage risks within services. A report is issued for every audit which documents findings and incorporates an action plan which has been agreed with the relevant manager to address any weaknesses. Recommendations are made which are then tracked and followed up on with ongoing reporting also undertaken by the Internal Audit function with regards to direction of travel and completion of recommendations.

Internal Audit report to the Audit and member Standards Committee on the results of each audit and the progress with delivering the annual audit plan. Regular liaison meetings are also held with management to ensure that Internal Audit work continues to contribute appropriately to key risk areas across the Council.

The Internal Audit function has a number of Key performance Indicators (KPIs) against which is measures its own performance; these range from customer satisfaction surveys, to timeliness of reports and other relevant considerations. Recognising that, over the course of a 12 month period, plans will inevitably change and unforeseen events may arrive, Internal Audit has set a target of delivery of 90% of its plan on an annual basis. The 20/21 plan comprised 18 individual audits. Despite the impact of Covid 19, the overall delivery metric was achieved, with a score of 94%, although the pandemic did impact some other metrics (such as reporting timescales).

The overall opinion reached by Internal Audit is as follows:

On the basis of audit work competed, our opinion on the council's framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work. These matters have been discussed with management, to whom we have made recommendations. All of these have been, or are in the process of being addressed.

This is supported by individual opinions on each audit, with levels of assurance ranging from significant (sound system of internal control), reasonable (basically sound system with some weaknesses), limited (weaknesses in system of internal control and/or moderate noncompliance) and no assurance (significant weaknesses).

Per the function's annual report, of 18 reports issued, 13 achieved a "substantial" assurance rating, 4 were rated as "reasonable" and only one rated as "limited" with none receiving a "no assurance" opinion. Furthermore, Internal Audit gave a rating of "reasonable" assurance against its follow up of actions raised and reported the following summary in relation to direction of travel;

Action	Total	Actions	Total	Total	Total	%
Priority	Open	Raised	Overall	Closed	Open	Implemented
Rating	Actions	Since		out at	at 31	31 March
	at Jan	Jan		31	March	2021
	2020	2020		March	2021	(Dec 2020
				2021		comparison)
High	24	16	40	30	10	75% <i>(53%)</i>
Medium	206	102	308	241	67	78% (76%)
Low	-*	47	47	29	18	62% (60%)

We note that officers have implemented 75% of high priority recommendations and 78% of medium actions. This assessment is supported by a mandated follow up and review of evidence on each implementation of high priority recommendations and on a sample basis of lower level items. Given the restrictions associated with the pandemic and remote working, a level of incomplete recommendations is to be expected and overall the direction of travel is positive.

Budget Setting Process

The budget setting process is driven internally by the Chief Financial Officer, who communicates the process and timelines accordingly. Individual budget holders are asked to feed into the exercise by considering revenue cost and demand pressures in their respective service lines as well as potential capital costs. Officers are also asked to consider issues such as time limited costs, one off costs and possible savings, supported by narrative and considerations of relevant assumptions.

The budget is then compiled by Finance staff and presented to relevant finance committees and Audit and member Standards for scrutiny and challenge before being presented for debate and ratification at Overview & Scrutiny Committee. The budget documents presented also contain central, optimistic and pessimistic scenarios with a range of the impact of changes in assumptions on outturn and levels of reserves (as described within our financial sustainability section). The MTFS is also refreshed on an annual basis as part of the budget setting process, with the relevant governance bodies also presented with options and sensitivity analyses to support their decision making processes. Furthermore, on a quarterly basis management present a document detailing process against the Financial Strategy to Cabinet, which contains variance analysis against forecast as well as information on agreed changes to the budget and impact on strategic direction.

In addition to the levels of scrutiny applied within the Council, there is also an online questionnaire provided for officers to comment at any stage of the process and a public consultation is undertaken also to attempt to engage with and draw in commentary from a wider range of stakeholders.

Anti Fraud, Bribery & Corruption

The Council has a counter fraud, bribery and corruption framework which is underpinned by a commitment to "maintaining an ethical culture which does not and will not tolerate any form of fraud and corruption" and seeks to "reduce the risk of fraud to an absolute minimum" in order to support the organisation's overall strategic aims.

There is a standing Counter Fraud and Corruption policy which outlines this framework as well as the approach to managing the associated risks across the organisation.

The policy sets out the expectation that "individuals and organisations (e.g. partners, suppliers/contractors and service users) which it comes into contact with, will act towards the Council with integrity and without actions involving fraud or corruption. The Council will in turn endeavour to ensure that all of its dealings will be on the same basis."

The key pillars to support this policy are deemed to be Culture, Prevention (at Staff, Members and Systems levels) and Detection and Investigation (led by the Council's Internal Audit Manager, with an expectation that service managers and members will remain alert and feed information into the Audit function). The policy sets out the processes by which the Council will seek to identify, investigate and, where necessary, seek redress to fraud.

This is also supported by a Whistleblowing policy (designed to encourage a culture of openness and integrity and support staff or members who have concerns), Codes of Conducts for Members and Staff along with relevant training programmes to communicate expectations to new entrants and refresh for existing members and staff and advertisement of third party reporting systems such as the Council's Report It service or the National Benefit Fraud line.

A Gifts and Hospitality policy is also in place and members and staff are expected to record business interests or receipt of gifts and hospitality in the relevant register as well as declaring any relevant interests ahead of committee meetings, with a focus on a policy of "if in doubt, declare".

Periodic updates to the Counter Fraud policy and reporting against progress or relevant findings and activity are carried out by the Audit Manager to the Audit and Member Standards Committee and considerations of the risk of fraud to the Council are included as part of the annual External Audit risk assessment via completion of the "Informing the Risk Assessment Document" as part of audit planning. The Council also benefits from the services of its Monitoring Officer with, amongst other duties, a remit to ensure that the overall operations of the Council are compliant with relevant standards, including from a legal standpoint where relevant.

Leadership & Committee effectiveness, informed decision making

All reports presented by the Council set out an author (individual responsible for preparing the detail) and, where relevant, local ward members (i.e. members with overall responsibility). An issue arose during the 2020/21 financial year in relation to a planning issue whereby legislation in relation to required public consultations was not followed prior to approval of an application. This led to a cease in a land disposal involving Public Open Space and a small cost of around £100k to the Council and a rethink of the Council's strategy in relation to development of brownfield or other smaller sites for housing. An internal investigation into the issue noted that the problem stemmed from a report issued to Cabinet which did not contain complete information, including a consideration of the legal aspects of the land disposal issue identified.

Consequently the Council amended its policy to ensure that all such reports presented to Council or Cabinet meetings need to now feed through the Monitoring and Section 151 officers for review prior to presentation. During the 2021/22 period a similar issue arose whereby a decision was taken to appeal a Secretary of State decision in relation to planning. However, upon review by Legal Services it was determined that the likelihood of success was lower than first thought and the appeal could lead to significant costs for the Council. Whilst overall there seems to be a positive direction of travel in terms of effective subject matter expert review preventing decisions incurring a financial loss for the Council, discussions with management suggest that there is still some work to be done in terms of ensuring that overall scheme of delegation and levels of responsibility, as well as what is possible under the terms of the Constitution and relevant legislation are widely understood across the Council. There are also plans in place to ensure that decision making flows through a more central process as opposed to silo working as part of the redesign and rethink of culture necessitated by post pandemic working conditions. Overall, consideration should be given to ensuring that appropriate information and inputs are sought prior to decision making processes being undertaken and supporting documents such as the Constitution are engaged with and are designed as a bespoke product for the Council.

As referred to previously, there is evidence of stakeholder engagement feeding into decision making with decisions such as the review of the level of subsidy provided to the Garrick Theatre evidence of the implementation of the Council's "You Said, We Did" program. Other concerns raised following feedback to this included concerns around the level of expenditure on private sector housing. The response to this is more challenging for the Council, as demand for affordable housing in the area is high and this must be balanced with concerns around what some electors see as undue levels of support for property owners from the Local Authority and concerns around increased development of the area. The requirement to balance this need for affordable housing with a sustainable development plan which also recognises the need to protect the area's prized green spaces and overall level of built environment will be a key challenge for the Council going forward.

Attendance at Audit and Member Standards Committee demonstrates that members provide sufficient challenge and scrutiny of officers. Overall, members bring a balance of different experiences and backgrounds and also have access to a range of training materials as part of the learning and development process. In particular, there is a high level of subject matter knowledge, challenge and engagement around financial management and reporting.

In line with CIPFA guidance to identify best practice and areas for improvement, the Audit and Member Standards Committee also prepares an annual report which summarises the work it has undertaken and its contribution to the governance framework in the period, in conjunction with officers, internal and external audit.

Conclusion

Overall, we are satisfied that the Council has suitable Governance arrangements in place to ensure sufficient value for money is achieved. We have made a recommendation for improvement which is detailed overleaf.



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Auditor's Annual Report 30 November 2021 15

Improvement recommendations



1	Recommendation	The Council should ensure that sufficient senior leadership oversight is in place over reports presented for the purpose of decision making to ensure that appropriate information is included and courses of action proposed are in line with legislation and policy. The Council should also consider further tailoring to its Constitution to ensure processes and policies are more closely matched to the Council's operations.
	Why/impact	Silo working and the related risk of lack of joined up thinking and oversight from an organisation wide perspective can lead to issues such as those referred to within our report, exposing the Council to reputational and financial risks.
	Auditor judgement	As part of the organisational change programme being undertaken under the "being a Better Council" banner, the Council will need to ensure that senior leadership have full visibility or decisions being taken and relevant subject matter experts are able to brief on the process.
	Summary findings	See page 14
	Management comment	Leadership team will continue to review all reports and decisions made and include relevant input from Section 151 and Monitoring Officer. The report template will continue to require a comment in relation to these recommendations to evidence compliance.



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



We considered how the Council:

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

Performance Monitoring and Benchmarking

Strategic Plan, Delivery Plan and Corporate Indicators

Alongside its budget setting and monitoring process, the Council sets a Strategic Plan on a quadrennial basis, which aims to "help us focus on what is important locally and to direct our resources and budget where they will have the most benefit." Based on consultations with staff, members and the public, the Plan is split into for strategic themes;

- Be A Good Council
- Developing Prosperity
- Shaping Place
- Enabling People

The Council's budget and financial reporting is then mapped to these four strategic objective categories, reflected in both its ongoing budget monitoring and reporting and within the financial statements.

These strategic themes are then further subdivided by strategic outcomes and key projects, which are summarised within the Delivery Plan. Each project is given a title, a reference number, start and due dates and narrative updates are provided periodically as the Delivery Plan is reviewed.

The Delivery Plan is further underpinned by Corporate Indicators; these are effectively key performance indicators (KPIs) which the Council will use as metrics to judge performance against its Delivery Plan. We note that a new set of Corporate Indicators was approved in June 2020, to

underpin the 2020 – 2024 Strategic Plan. The council's website also states that formal reporting against these indicators is undertaken on a quarterly basis, with highlights and variances reported biannually via the Money matters reports in February and September to Cabinet.

However, the Corporate Indicators section of the Council's public facing website points to a document outlining performance as at year end 2018/19 and there is limited detail on performance against corporate indicators within the Money Matters reports referred to. The Council should look to improve the frequency and clarity of its public facing reporting against its Corporate Indicators in order to enhance public interaction and understanding of progress against the plan.

This view was also reflected by the outcome of the Council's Corporate Peer Review, undertaken by the Local Government Association in November 2021, which also concluded as one of its key recommendations that the Council should "develop clear outcomes for the strategic plan for the remainder of the plan's period" and "identify resources and processes with programme management arrangements to produce a golden thread from the strategic intent to the delivery plans".

Benchmarking and understanding areas for improvement

It is clear from our review of the Council's arrangements that the organisation is proactive in reviewing its performance against peers with a view to understanding performance and driving improvements. In January 2021, local residents were polled as follows:

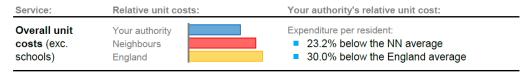
Measure	2021 Results
Overall satisfaction	60% of respondents stated they were either very (9%) or fairly (51%) satisfied with our performance
Keeping residents informed	54% of respondents indicated they felt very (8%) or fairly (46%) well informed about our services
Value for money	34% of respondents agreed the council provides value for money (4% strongly agreed / 30% tend to agree)
Trust in the council	62% of respondents expressed either a great deal (7%) or fair amount (55%) of trust in us

In response to the outcome of this poll, and in recognition of emerging budget gaps from 22/23 inwards, the Council determined that an organisational change was required and developed its "Being a Better Council" strategy to set out related aims and timelines. The plan set out the Council's ambition to become more:

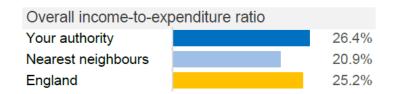
- Resident Centric
- Commercially Minded
- Data Driven
- Performance Driven

To support this transition, reports were commissioned from a third party provider (LG Futures) to benchmark the Council's expenditure and income (using 2020/21 data) against statistical "near neighbours" (groups set out as part CIPFA's financial resilience index process to "identify councils with similar economic and social characteristics") with a view to providing a "like for like" comparison. The reports consider "Unit Cost" (determined by dividing regionally adjusted expenditure against key areas by relevant cost drivers such as number of local residents, social care clients or weighted road length) and sales, fees and charges income expressed as a percentage or total expenditure, both at a gross level and against individual service lines.

On the expenditure side, the reports showed that the Council ranked 16th within its comparator group of 16 in terms of overall unit cost. The report reviews performance against areas as follows: Highways and Transport, Housing, Cultural & related, Environmental & regularity, Planning & Development and Central Services. It notes that the Council spends less than the Near neighbour and England averages in all areas except for Cultural & related, where it is 59.5% above its comparator group average and 6.9% above the national level, with the overall picture as below:



On the income side, the Council's ratio of sales, fees and charges income to expenditure ration was above peer group and national averages:



On an individual service area level, the analysis showed that areas with a lower ratio included Cultrual & Related, Housing and Environment whilst Highways and Transport showed a ratio of above 200%, well above the England and peer group averages. The Council was also above national and peer group averages in relation to Planning costs.

The focus on Cultural and Environmental areas is consistent with the overall view from members that the city's role as a cultural hub with a high standard of living environment is a key part of its offering. Respondents to the residents survey overall appeared to feel that satisfied or very satisfied with the Council's performance which seems to reflect an overall consensus with the Council's approach. However, a majority of respondents also felt that the Council did not offer value for money. Whilst it is difficult to assess how much of this is driven by the overall national picture of rising Council Tax whilst overall central funding declines and cuts are made and the possibility of a smaller sample size leading to a skewed picture, respondents to other budget consultations have also expressed concerns around specific issues such as the level of funding applied to the Garrick Theatre subsidy and the level of expenditure on private sector housing, both of which appear to be reflected in the findings of LG Futures' analysis.

Overall, this appears to suggest some discord in the overall strategic vision for the Council, with perhaps a requirement to rebalance expenditure to better match resident needs. This is mirrored by the findings of the Corporate Peer Review, which stated that "the peer team heard that there was no single view of the council's vision shared across the organisation or by partners and communities" and recommended, as previously mentioned, that the Council consider revisiting its strategic planning to ensure a consistent approach.

The peer team also noted that the Council "is now in a period of transition. The most recent focus of the council had been on managing budgets and controlling costs, and it has done this very successfully" but that "LDC should also have the confidence to use its finances to support the delivery of its priorities." This chimes with discussions the audit team held with senior leadership, who described how the Council has successfully "salami sliced" from services to create a reserve but that there was an increasing feeling of a possible circular movement of that reserve being used to finance future budget gaps.

It is clear that the Council has a wealth of comparative financial data to support its decision making going forward and has been prudent in developing a strong financial reserve. The key challenge going forward is to better define how that robust financial position can best be used to actively support its strategic objectives.

Partnership working

The Corporate Peer Review also noted that the Council has strong working relationships with partner organisations both inside and outside of the local government sphere in the local area, with a perception that the Council is an organisation "to do business with". The Council has worked closely and successfully with partners in the Housing and Voluntary sectors throughout the Covid 19 crisis and has successfully established and run the Joint Waste Services Joint Committee with partners at Tamworth Borough Council; as discussed in the Covid 19 section of this report, Joint Waste Services saw a high level of performance against national comparators in terms of continuing to deliver services throughout the pandemic.

One area where peer reviewers felt that the Council's performance in relation to partnership working was less strong was in relation to "place shaping". This is reflected in concerns around planning issues (as referred to in the Governance section of the report) and an overall sense that the longer term strategic direction of the Authority is unclear (as referred to in the previous section). The Council should follow up on the recommendations made by the peer reviewers and look to develop a clear strategic vision which is embedded throughout the organisations. The recent work performed as part of the Building a Better Council review will represent a large element of this. However, working closely with partner organisations and stakeholders to develop a vision of what the community sees as the future and working closely to implement this will be a key area of development for future success.

Procurement

On a quadrennial basis, the Council sets out an updated procurement strategy. The latest one, approved December 2020, covers the period 2020 – 2024 and is aligned to the Council's Strategic Plan, with an overall aim to "deliver the council's strategic objectives and best value through a straightforward, professional and focussed approach to procurement."

In addition to its link to the Council's Strategic Plan key areas, the strategy also links back to its core values, to put customers first, improve and innovate and have respect for everyone, ensuring that the strategy overall takes into accounts sustainability and social value whilst having a core focus on delivering best value for stakeholders.

The Council uses a number of regulated portals for procurement of services in relation to high value contracts. Opportunities required to be advertised according to the EU procurement directive are advertised in the Official Journal of the European Union. The Council are currently assessing post Brexit procurement implications.

The procedures followed for tendering in general depend upon the value of the services and range from obtaining one oral quote confirmed in writing to three written quotes to fully compliant procurement process for high value contracts.

The standard purchase order terms and conditions cover legal and regulatory matters and apply to all purchase orders and must be accepted by the tenderer.

Contract Standing Orders set out clearly the process managers should follow when procuring/renewing contracts. Where managers wish to vary from these an exception notice is required, for which there is also a clearly documented process and guidance notes.

The Council has a contract management framework in place that sets out the Council's priorities for and approach to good and effective contract management. This sets out the arrangements Services/managers are expected to follow.

The strategy adopted initially in December 2020 drew some concerns from initial Internal Audit reviews, which rated this area as "limited assurance" principally as a result of a lack of clear KPIs and some concerns around the transparency code. However, from discussions with management and Internal Audit we note that progress has been made in this area since the initial strategy being set out, with an updated policy document as at September 2021 setting out additional KPIs and a follow up by Internal Audit in 21/22 looking like an improved assurance rating, representing a positive direction of travel in this area.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified two improvement recommendations which are set out overleaf.

Improvement recommendations



Improving economy, efficiency and effectiveness

2 Recommendation The Council should increase visibility of reporting against Corporate Indicators of information on its public facing website is up to date.		The Council should increase visibility of reporting against Corporate Indicators and ensure that information on its public facing website is up to date.
	Why/impact	Feedback from peer reviews and evidence noted from external audit work notes an overall lack of clarity and consensus around the Council's strategic vision. Clear, visible reporting against this will enable increased stakeholder engagement and increased consensus building.
	Auditor judgement	As above, increasing visibility of corporate indicators and increasing the level of real time reporting against them which is publicly available will allow stakeholders on both public and Council sides to better engage with the plan and contribute to its development, enabling establishment of a clearer "golden thread" between strategic vision and operational plans.
	Summary findings	See page 17
	Management comment	Corporate indicators will be available via live webpage linked directly to our performance management system



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

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Improvement recommendations



Improving economy, efficiency and effectiveness

3	Recommendation	The Council should ensure that all recommendations from the Corporate Peer Review process are followed up on and progress against these reported.
	Why/impact	The review process delivered a number of recommendations based on a deep dive into operations at the Council – implementation of these represents an opportunity for improvement.
	Auditor judgement	The peer review is performed by a range of sector professionals from comparator organisations with a strong understanding of local government and a high level of insight. From our review of the work performed by the Council's peers, we believe that these are high quality recommendations which will add value to the Council and its stakeholders.
	Summary findings	See pages 19
	Management comment	The Corporate Peer Challenge action plan has been approved by Cabinet and is a workstream in the Being a Better Council Programme to track progress and ensure delivery.



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

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COVID-19 arrangements



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

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

Background

Following the implementation of lockdown measures by central government on a national scale in March 2020 and the development of various coronavirus support schemes to respond to the crisis, the Council developed its own coronavirus recovery plan in May 2020.

This focussed on four main areas:

- Maintaining key services
- Helping those in need;
- Supporting our businesses
- Keeping you informed;

Key areas to draw out from the plan are as follows:

Remote working; this has been a core element of the pandemic response of all affected entities, with the Council being no exception. Transition to remote working for staff for whom this was possible was managed quickly and smoothly. Key governance functions, such as budget setting, financial monitoring and scrutiny of reports and processes such as preparation of accounts and administration of grants and benefits continued unabated. Legislation was amended to ensure that key committees and decision making could take place remotely.

As a result of the increase in remote working, a renewed focus on IT security was put in place. Whilst this was broadly successful, some instances of non compliance with training in areas such as multi factorial authorisation and other security measures were noted. As remote working becomes bedded in as part of the Council's strategy going forward to ensure improved work life balance and staff retention as well as supporting the Council's strategic aims around rationalisation of real estate and efficiencies, the Council should ensure that engagement with training and security protocols is monitored closely with consideration given to the most appropriate methods of enforcement.

Where staff were not able to work from home, the Council did not report high levels of absence or disruption to services. Whilst remote working may not have been possible for all staff, departments were able to be more flexible as required. A January 2021 review of delivery against the plan reported that a "flash audit on staff health and wellbeing showed substantial assurance regarding the support we have given to staff and that they have coped well with the rapid change in working practices since March. Good practice was noted in adapting to policies to cope with absences and caring responsibilities, availability of support, regular communications, surveys and wellbeing activities."

Another notable success was in relation to the performance of the Council's Joint Waste Services arrangement with Tamworth Borough Council, with JWS being one of fewer than 10% of Collection Authorities able to continue to provide a full collection service during the crisis.

Helping those in need: In line with other organisations in the sector, the Council was required to accommodate all rough sleepers willing to accept assistance and was able to do so effectively. The Council has also administered support grants of £500 to over 100 people to mitigate the effects of isolation requirements on self employed or other individuals suffering financial impacts of the requirement to self isolate. The Council's Revenues and benefits team also coped well with a significant increase in Housing Benefit claimants and housing staff continued to work closely with the voluntary sector to identify community needs at a time of increased pressure on services.

Supporting our businesses: administering the numerous support schemes put in place by central government during the crisis was a key element of the activities of bodies across the sector, with Lichfield being no exception. These schemes included direct discretionary business support grants as well as acting as agent for central government with regards to programs in relation to Business Rates.

COVID-19 arrangements

Consideration of the accounting treatment of these new and sometimes complex arrangements as well as an overall assessment of the control environment in place to prevent fraud formed part of the external audit program in 2020/21 and, as reported in our ISA 260 Audit Findings Report, we noted no major issues with the Council's response.

Grants administered included £11,455,000 to 1193 businesses for the Small Business Grant Scheme (up to £10k per claim), £7,120,000 to 385 businesses in Retail, Hospitality and Leisure Scheme (up to £25k) and £951,000 to 105 local businesses for the Discretionary Grant Scheme. In addition to positive findings arising from external audit, no key issues were raised as part of the Internal Audit programme or the Audit Manager's work around fraud.

Keeping you informed: the Council's Communications team stepped up its program of communications via social media and other digital media as well as supporting the rollout of physical media such as leaflets, floor and window stickers for shops and business, roadside and park banners and billboards.

Financial Sustainability

Despite the significant effect of the pandemic, which took hold during the typical budget setting process period for the Council, the body was able to appropriately flex and manage its budget to respond to changing requirements and funding sources as a result of the pandemic. The Council has a strong balance sheet, with high levels of reserves and available current assets which supported service delivery and overall business continuity. The Council has also been able to increase its level of reserves in 20/21 and seems on course to do so in 21/22, with a Covid 19 reserve having been established in line with government funding provided to smooth out the effects of volatility on an ongoing basis.

Governance

Local authorities were permitted to hold virtual meetings from 4 April 2020, when regulations came into force. These are the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (SI 2020/392), made under section 78 of the Coronavirus Act 2020.

These regulations applied to all local authorities in England and Wales, including parish, town, and community councils. They specify that a 'meeting' of a local authority can lawfully take place online, with members 'in remote attendance' who can hear and be heard by, and if possible see and be seen by, other members. Therefore, from April onwards the Council held all meetings virtually and these were streamed live and recorded for later consumption. It should be noted that while these arrangements were put in place, a small number of meetings were cancelled however this is not outside of our expectation and is consistent with other local authorities.

As section 78 of the Coronavirus Act 2020 only permitted regulations to apply to council meetings that take place before 7 May 2021, from this point onwards the Council returned to meetings in person in order to effect the governance regime in place.

In line with peers and other organisations across the UK, the finance team moved to virtual platforms such as Microsoft Teams which replaced normal processes undertaken in the preparation of the financial statements i.e. meetings to discuss technical issues or accounts presentation.

Discussions with key management personnel and experiences from our work undertaken in relation to the financial statements opinion have established that officers have full access to systems remotely and therefore there are no limitations or implications on the system of internal control as a result of the pandemic. This is supported by our walkthrough testing of the controls in place over operating expenditure in particular which we have concluded are designed effectively.

Internal Audit supported with controls advice during the response phase and carried out work in relation to remote working and other pandemic related activities, with positive outcomes for these reports contributing to a positive overall Internal Audit opinion on the system and operation of internal controls during the year.

COVID-19 arrangements

Improving Economy, Effectiveness and Efficiency

The Council website includes a comprehensive and easily accessible suite of information in regard to the coronavirus which is available to service users. This provides useful guidance on key areas such as keeping yourself and others safe and physical mental health, support for employers and extremely vulnerable residents. The importance of this information should not be down played in the overall response to the pandemic and ability to provide the wider community with the tools they require to obtain support and combat ill health, thus reducing pressure on services.

As noted in the body of the report, the Council have embraced the use of digital and technology to transform the way in which officers work and members provide oversight and scrutiny. The flexible working arrangements adopted during the pandemic will be taken forward and are evolving into a hybrid of remote working and on site work to aid in collaboration. There is also scope to build on the success of services which have been provided on-line with minimal impact on quality.

The Council website also contains a prominently displayed Coviid 19 recovery plan, progress against which is reported on to Overview and Scrutiny Committee and above.

Conclusion

Our review has not identified any significant weaknesses in the Council's VFM arrangements for responding to the Covid-19 pandemic.



Improvement recommendations



4	Recommendation	The Council should review the way in which it enforces compliance with online training and take steps to increase take up of annual performance reviews.
	Why/impact	As remote working becomes embedded within the Council, regular check ins and performance reviews and compliance with training modules as opposed to in workplace learning will become crucial to the successful implementation of cultural changes and security protocols.
	Auditor judgement	As the Council works to become a more flexible, data and performance driven organisation, obtaining accurate information from performance check ins and using those as a springboard to embed cultural change will be a key opportunity for the Council to ensure the success of its strategic vision. Compliance with security measures such as multi factorial authorisation is a key element of remote working and will reduce the Council's level of risk as staff continue to work in more widespread physical locations.
	Summary findings	See page 23
	Management comment	Those failing to complete relevant mandatory online training will be subject to escalated reporting and removal from key systems. Similarly those failing to undertake annual performance reviews will be subject to performance management processes.



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

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 15 October 2021

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report and Annual Governance Statement.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Member Standards Committee on 22 September 2021.

Whole of Government Accounts

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

Due to IT delays at the centre, this work is yet to be undertaken for 2020/21.

Preparation of the accounts

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

Issues arising from the accounts:

There were no significant issues arising from preparation of the financial statements – the Council prepared a highquality set of accounts appropriately supported by a good standard of working papers.

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

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



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

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

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

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

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

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

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

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



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

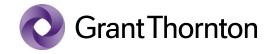
As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed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

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability	Review of medium term financial planning and related budget documents; Review of 20/21 financial outturn; Interviews undertaken with Section 151 Officer; Consideration of findings from external audit	No key issues to report. The Council appears to be in a robust financial position with strong process in place to plan and forecast	Appropriate arrangements in place, no recommendations raised.
Governance	Documents review in relation to Council committee structure; Minute and Internal Audit reviews; Interviews with key stakeholders	No key issues to report – however, opportunities for improvement were identified in relation to provision of key information for decision making purposes.	Appropriate arrangements in place, one improvement recommendation raised.
Improving economy, efficiency and effectiveness	Review of external benchmarking documents; Review of procurement strategy; Consideration of external reviews; Interviews with key stakeholders	Overall we are satisfied that appropriate arrangements are in place, two improvement level recommendations were raised.	Appropriate arrangements in place, two improvement recommendations raised.
COVID-19	Review of reporting against Covid 19 recovery plan; Interviews with key stakeholders; Consideration of observations arising from external audit work.	No key issues to report – one improvement recommendation identified.	Appropriate arrangements in place, one improvement recommendation raised.

Appendix C - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pp 16, 21 22, 26



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