

ANNEX B

EXTERNAL AUDIT RECOMMENDATIONS FROM AUDITOR'S ANNUAL REPORT 2021/22 – 1st AUGUST 2023

FOCUS IS “SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES”

RECOMMENDATION	AUGUST MANAGEMENT COMMENT & <i>UPDATE</i>	Accountable Officer	Compliance Date
<p>1. We recommend the Council conducts a review its Recovery Investment Strategy to include:</p> <ul style="list-style-type: none"> • An assessment of the impact of the strategy to date, including an assessment of projected income from capital investments made. • A review of the strategy against the current economic landscape and outlook. • An evaluation of the strategies role and need in supporting the financial sustainability of the Council. 	<p>Although the Council has reviewed multiple business cases, there has been a lack of suitable projects to invest in mainly due to the tightening of restrictions by Public Works Loan Board and the sharp rise in interest rates. The investment strategy still provides a framework to evaluate potential business cases, but the amount estimated to be invested and therefore the positive benefit to the MTFS has been revised every year with the reduction explained at length in the budget papers due to the restrictions highlighted above.</p> <p><i>Update</i></p> <p><i>A review of investment properties is currently being conducted which will cover an assessment of current performance.</i></p> <p><i>The Medium-Term Financial Strategy is being updated as part of the 24/25 Budget Setting process to ensure that estimates and assumptions with regards to this strategy are prudent, and in line with the economic outlook.</i></p>	<p>Chief Finance Officer</p>	<p>31/03/24</p>
<p>2. We recommend the Council introduces wider financial scenario planning within its MTFS and to include such information in annual budget setting reports.</p>	<p>In the 2023/24 budget papers we showed two versions of the MTFS. One with the proposed growth items under review and one without, allowing members to see the impact of decisions made on those items.</p> <p><i>Update</i></p>	<p>Chief Finance Officer</p>	<p>29/02/24</p>

	<i>It is anticipated that the MTFS for 2024/25 will include scenarios around key uncertainties including business rates reset and changes to New Homes Bonus funding.</i>		
<p>3. We recommend the Council develops and agrees the following:</p> <ul style="list-style-type: none"> • A Publica Workforce Strategy, and aligned Council Workforce Strategy, that supports the delivery of the Council's corporate priorities and MTFS. • An Asset Management Strategy that is aligned to the Council's new corporate plan 2023 to 2027 and Climate Change Strategy 2021-2025 that supports the Council in the delivery of the objective through the management of physical assets in line with the Council's MTFS. 	<p>Management will consider this. The Corporate Plan is still under development. Revised Council Priorities were still being agreed at the point that the 2023/24 budget was being set. We would expect any additional resource requirements raised by the new Corporate Plan to be considered as part of the 2024/25 budget setting process to ensure that they could be accommodated within our funding envelope and if not, that appropriate steps to reduce other expenditure was taken.</p> <p><i>Update</i></p> <p><i>A review of Public has been completed by Human Engine and options are being taken to Executive and Councils in the four shareholder Councils of Publica.</i></p> <p><i>The Council has put in place a Transformation Group which includes improved asset management planning on its' forward plan of potential projects. Further consideration also as part of 24/25 budget proposals (re invest to save plans).</i></p>	Chief Executive Officer	Nov/ Dec 2024
<p>4. We recommend the Council enhances its treasury management activities by:</p> <ul style="list-style-type: none"> • The adoption of a treasury management indicator in relation to the Council exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a defined period, without the need for additional borrowing. 	<p>Work is ongoing to strengthen cashflow forecasting and much improvements has been made. Management will consider the above recommendation.</p> <p><i>Update</i></p> <p><i>The Treasury Management Outturn Report for 22/23 has recently been reported, as has the 23/24 Quarter 1 update position. The half year report is on the agenda for this meeting. All three reporting full compliance against the Strategy. Cash</i></p>	Chief Finance Officer	Ongoing

<ul style="list-style-type: none"> The publication of the Council's performance, against all agreed treasury management indicators, within the annual Treasury Outturn Report submitted to the Finance and Management Overview and Scrutiny Committee. 	<p><i>monitoring has been tightened. The Council has no external borrowing.</i></p>		
<p>5. We recommend for the Council to agree and adopt a Code of Conduct for Council employees as this is a key document supporting the Council's approach to and controls in the prevention and detection of fraud.</p>	<p>This is currently being reviewed with a view to creating a Council specific code of conduct.</p> <p>Update</p> <p>On 27/09/23 Council agreed that once approved the WODC Officer Code of Conduct, which is currently going through the consultation process will be added to the Constitution.</p>	<p>Monitoring Officer</p>	<p>31/03/24</p>
<p>6. We recommend the Council enhances the budget setting process by:</p> <ol style="list-style-type: none"> The identification and assessment of discretionary and statutory expenditure. Provide committees charged with oversight with draft Capital, Investment and Treasury Management Strategies, ahead of the full Council annual budget setting meeting. 	<p>Work is being done not only to review statutory and discretionary spend but also to review whether statutory expenditure is at the appropriate level. Budget papers go through multiple iterations and for the 2023/24 budget, the final versions to Council were the 8th set of published papers. While the actual strategy papers were not published ahead of time, all previous iterations highlighted the risks and issues dealt with in the formal strategy papers and the Council's response to them. The current timing of the scrutiny committees means that they do not always fall in the window between the information being available to draft the strategy papers and the budget being set. FMOS meets in extra sessions to allow it to review the budget twice ahead of the final budget meeting at Council. This recommendation will be considered by management along with the revision of scrutiny timings.</p> <p>Update</p> <p><i>A Transformation Group has been established to act as a subset of Informal Executive helping to steer the Council's response to</i></p>	<p>Chief Finance Officer</p>	<p>29/02/2024</p>

	<i>the challenging financial situation, guide the preparation of a sustainable MTFs consistent with the Council Plan, and oversee the delivery of the Council's work programme in terms of service transformation, investment and revenue generation. The identification and consideration of non-statutory / discretionary spend will be considered as part of this (and is included in its terms of reference).</i>		
<p>7. We recommend the Council's budget monitoring process is enhanced further by:</p> <p>1. The optimisation of the finance system to remove the need for forecasting to be recoded outside of the core finance system. We also recommend, as part of the system optimisation, collaborative planning is also considered, allowing budget holders to have greater system access.</p> <p>2. Additional oversight of the Council's investment and treasury management activities by the introduction of mid-year monitoring reports to the Finance and Management Overview Scrutiny Committee.</p>	<p>The Council disagrees with first part of recommendation. Budget holders have read access to the system but tend not to use it. We do not currently forecast at line level which is what would be required in order to enter a forecast into the system and do not have the capacity to do so. We are adding additional resources, but it will be used on focused business partnering. Forecasting is used to identify targeted interventions which will be support by the additional resource, and not used to reforest everything. The Council agrees with the second part of the recommendation.</p> <p><i>Update</i></p> <p>The Incoming permanent S151 Officer will be tasked with reviewing the Council's financial management arrangements. Quarterly Treasury Management Reporting is now in place.</p>	Chief Finance Officer	31/03/24
<p>8. We recommend that the Council strengthens its finance capacity to enable it to commit sufficient time to all aspects of internal and external financial reporting.</p>	<p>Agreed. Additional resource has been scoped and is in the process of being agreed.</p> <p><i>Update</i></p> <p><i>Recruitment of a senior accountant is currently in progress and the closing date for applications is 13th November 2023</i></p>	Chief Finance Officer	31/12/2024
<p>9. We recommend the Council reviews its Oversight and Scrutiny</p>	<p>Agreed. This is currently the subject of a paper suggesting a revision of committee structure.</p>	Monitoring Officer	31/03/24

<p>requirements to reassure itself that its governance arrangements are robust, as part of this review the Council should review Part 3 of the Council's constitution to ensure the Council's Oversight and Scrutiny Committees have clearly defined roles and areas of focus.</p>	<p><i>Update</i></p> <p><i>On 27/09/23 Council approved the collapsing of three O&S Committees into one O&S Committee with the first monthly meeting scheduled for 08/11/23. A draft work plan is currently being produced with input from the Chair Elect and the Independent Remuneration Panel is being asked to consider whether they would recommend a SRA be paid to the Vice Chair and if so the amount.</i></p>		
<p>10. We recommend the Council conducts a self-assessment exercise in line with CIPFA guidance which will support the Audit and Governance Committee to evaluate and define its scope, functions and impact and also identify areas for training and improvement. This output of the self assessment exercise will also support the Council to identify the most suitable governance arrangements for treasury management activities.</p>	<p>Management will consider this.</p> <p><i>Update</i></p> <p><i>The A&G Committee Work Plan for 23/11/23 contains an item on the CIPFA Self-Assessment Toolkit with a Member Survey Results and Evaluation Report on the Work Plan for 19/03/24</i></p>	<p>Chief Finance Officer/Monitoring Officer</p>	<p>31/03/24</p>
<p>11. We recommend that the Council submits a combined summary of code of conduct complaints for the financial years 2021/22 and 2022/23 to the Audit and Governance Committee by the end of 2023 and thereafter provides the Audit and Governance Committee with an annual report on code of conduct complaints in adherence with the Council's constitution.</p>	<p>The Council's Monitoring Officer is considering this recommendation.</p> <p><i>Update</i></p> <p><i>Report presented to Audit & Governance Committee 28/09/23</i></p>	<p>Monitoring Officer</p>	<p>30/09/23</p>

<p>12. We recommend the Council undertakes a review of the performance data provided within the quarterly service dashboards to strengthen service performance reporting and oversight. The review should ensure the quarterly service dashboards include:</p> <ul style="list-style-type: none"> • Service performance measures that are linked to corporate objectives. • Agreed targets, where relevant. • An explanation of sources of the data. • Defined performance indicators. • Simplified data graphs. • Benchmarking data to assist the Council appraise its performance and value for money. 	<p>The Council's performance management reporting was refreshed in 2022 from a lengthy report to a revised set of dashboards created in collaboration with service leads and Executive members. The dashboards are not directly linked to the corporate objectives because they are focused on key areas of service delivery to give management reassurance that service area are performing appropriately with the narrative in each dashboard giving the service the opportunity to explain results or raise concerns. These services may not have been identified as priority areas, which often have specific projects underway and reported through that channel but are the core services delivered by the Council and therefore need to be robust. Indicators are reviewed periodically to ensure they are appropriate.</p> <p><i>Update</i></p> <p><i>On 13/09/23 the Executive requested Officers to review the PI data set to better reflect the emerging priorities and actions in the revised Council Plan. On the Executive Forward Plan for 15/11/23 a report on the proposed performance framework to be adopted based on a Narrative/Key Actions/KPI Assessment format, will be considered to guide the Council to consistently delivering high quality services, engaging citizens and ensuring accountability, transparency and continuous improvement across the Council operations.</i></p>	<p>Chief Executive Officer</p>	<p>31/03/24</p>
<p>13. We recommend the Council and Publica discuss and jointly review the existing partnership agreements in order to:</p> <ul style="list-style-type: none"> • Clarify the hierarchy and responsibility of decision making. 	<p>Agreed.</p> <p><i>Update</i></p> <p><i>A review of Public has been completed by Human Engine and options are being taken to Executive and Councils in the four shareholder Councils of Publica.</i></p>	<p>Chief Executive Officer</p>	<p>31/03/24</p>

<ul style="list-style-type: none"> • More clearly define the service delivery requirements and expectations. 			
<p>14. We recommend the Council reviews its contract procedure rules to ensure they fully align with the Council's procurement and contract management process.</p>	<p>The Council's Monitoring Officer and Head of Procurement are considering this recommendation.</p> <p><i>Update</i></p> <p><i>On 13/09/23 Executive approved a revised Procurement & Contract Management Strategy and delegated authority to the MO to update the Contract Rules which has been actioned in October 2023 (Minute No 85 refers)</i></p>	<p>Monitoring Officer</p>	<p>31/10/23</p>

Key to officers:

Accountable officer (AO)

CEO - Chief Executive: Giles Hughes

CFO - Chief Finance (S.151) Officer: Madhu Richards

MO - Monitoring Officer: Andrea McCaskie