REDACTED

FINAL INTERNAL AUDIT REPORT

CHIEF EXECUTIVE'S DIRECTORATE

Capital Strategy – Planning and Monitoring

Draft Issued to:	**Head of Corporate Finance and Accounting**
	Principal Accountant
Final Issued to:	**Director of Finance and S151**
	Head of Corporate Finance and Accounting
	Principal Accountant
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INTRODUCTION

1. This report sets out the results of our internal audit of Capital Strategy Planning and Monitoring. The audit was carried out as part of the work specified in the 2022-2023 Internal Audit Plan.
2. A Capital Strategy is an overarching document that sets the policy framework for developing, managing and monitoring the Council's capital investment. The Strategy should focus on the core principles that underpin the Council's capital programme and align with the priorities set out in the Council Plan and other key Council strategies.
3. A Capital Strategy aims to ensure the Council's investment in capital projects is sound and supports the delivery of its corporate objectives. The requirement to have an annual Capital Strategy approved by Council became mandatory in 2019/20 as part of the update to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
4. We would like to thank the Principal Accountant, the Head of Corporate Finance and Accounting and any other staff contacted during this review for their cooperation.

AUDIT SCOPE

5. The original scope of the audit was outlined in the terms of reference issued in September 2022.
6. The controls in place to mitigate the impact of the key risk areas were examined. The audit included an interview with the Principal Accountant, a review of relevant documentation, data analysis, and a review of related procedures and processes.
7. The following were considered to be the key risks to the process:
    - Where the process for producing the Council's capital programme is inadequate, there is a risk that the Programme will not sufficiently assist in achieving corporate objectives, resulting in criticism of the Council and public dissatisfaction;
    - Available financial resources are not used effectively, failing to obtain value for money; and
    - Where Capital projects result in high costs incurred by the Council, there is a risk that future savings may have to be made elsewhere.

AUDIT OPINION

8. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Reasonable Assurance	**(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)**

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
-	3	3

SUMMARY OF FINDINGS

9. Below are examples of controls noted to be in place and working effectively based on the audit testing conducted. In addition, where we have identified issues, we have also highlighted these below:

- We reviewed the Council's latest Capital Strategy 2022-26, approved by Full Council in February 2022 and confirmed that it includes information on the following:
    - *Capital Expenditure:* Plans and future scheme proposals are set out for consideration, detailing the background of each new proposed scheme and providing financial information on current schemes in the programme.
    - *Investments:* Details of investment and growth funds have been set out to help support the achievement of sustainable savings and income.

- *Treasury Management:* Reference to the Treasury Management Strategy is made throughout the Capital Strategy, specifically referencing the policy for borrowing and the investment of balances. It also directs readers to the standalone Treasury Strategy to read in conjunction with the Capital Strategy. We reviewed the latest Treasury Management Annual Investment Strategy 2022/23 & Quarter 3 Performance 2021/22 report, presented and approved by Council in February 2022 and confirmed that it reports and monitors the Council's prudential indicators.

Further, as set out in the appendices to the Capital Strategy report, information on variations to the programme with rationale, financing statement and investment funds are set out. However, we noted that the report is not designed and set out in the form of a corporate company document, as seen with the Treasury Management Strategy. Further, it does not contain sections that align with sector best practice, identified from inspecting common themes within Capital Strategies from other local authorities, and which would be useful to both Council and external stakeholders (*see issue 5 in the detailed findings section).*

- The CIPFA Prudential Code 2017 introduced the setting and revising of a Capital Strategy. This requirement became mandatory in 2019/20. The Prudential Code laid out the following requirements:
    - *Governance Procedure – 'the setting and revising of the capital strategy and prudential indicators will be done by the same body'.* We reviewed February & March Council minutes from 2019 to 2022. We confirmed that the setting and revising of the Capital Strategy and review and approval of prudential indicators are ratified by the Council. We also noted a clear governance structure for reviewing and approving the Capital Strategy and associated Programme (see below).
    - *Determining a Capital Strategy – 'the Capital Strategy should demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives'.* We noted a clear reference to the Council's overall priorities and objectives as part of the Corporate Strategy. Per the Capital Strategy, *"The primary concern is to ensure that capital investment provides value for money and matches the Council's overall priorities as set out in the Corporate Strategy"*. Further, *"The Council's Capital Programme is intended to maintain and improve the quality of life in the borough and help meet its overall priorities as set out in its Corporate Strategy (Making Bromley Even Better), and with a four-year plan, assists the longer-term planning for capital expenditure and the use of resources to finance it"*. However, the exact objectives and priorities the Capital Strategy will help deliver have not been explicitly set out (*see Issue no. 5 in the detailed findings section).*
    - *Prudence & Affordability – 'each local authority should ensure that all its capital, investment (and any borrowing) is prudent and sustainable'.* The Strategy sets out the capital available, current investments and proposed investments. We noted, via inspection of the Capital Financing statement and discussions with the Principal Accountant, that the Council is not borrowing funds to finance schemes as it is 'in a cash surplus position following capital receipts'. However, the Strategy acknowledges that surplus funds have been falling and estimates the value of surplus/deficit up to 2027-28, to the extent that it will have to start considering external borrowing. Further, the Capital Strategy references and links to the Treasury Management Strategy, which details capital expenditure, borrowing needs and affordability. The Council's capital expenditure plans are the key driver of treasury management

activity. The output of the capital expenditure plans is reflected in the prudential indicators, designed to assist members' overview and confirm capital expenditure plans.

- The 2022/23 Capital Programme was presented to the Executive on 9 February 2022 and subsequently to Full Council on 28 February 2022. The Capital Strategy report is produced from discussions between the Director of Finance, the Head of Finance Corporate and the Principal Accountant for Capital, Treasury and Insurance. The report is then scrutinised by the relevant portfolio Committee (Executive, Resources and Contracts) and then presented to the Executive for approval at their public meeting. Once approved, it is then presented at Full Council at their next meeting.
- The process followed for the submission of capital bids, as part of the annual capital bidding process, requires bids to be submitted using standardised bid forms:

  Each year, an internal memo is sent to all Chief Officers. This memo sets out the required information and deadlines and explicitly states the mechanism for submission; a standardised bid form and CR2 form. We obtained and reviewed the internal memo sent to Chief Officers on 5 October 2021 as part of the annual Capital Review Programme. The memo sets out the following:

  - Its purpose;
  - Why it's important to plan;
  - What is required to be submitted for a bid to be assessed,
  - Specific guidance on completing the bid and CR2 forms and
  - Respective deadlines.

  The memo also states that bids must demonstrate how the proposed schemes meet the objectives of the Council's various plans and strategies, such as its Corporate Strategy, Corporate Operating Principles, Portfolio/Service Plans and Asset Management Plan. A service area (e.g., Housing) will propose a scheme which delivers one or more of the priorities of the Council.

  We selected a sample of ten capital bids from the Capital Programme spanning from Q3 2020/21 to Q1 2022/23 to ascertain whether bids had been submitted using standardised forms and templates and whether the information documented was complete.

  Of the ten cases, only five could evidence a completed bid form, with all necessary information completed and documented. However, for these five samples, no associated CR2 forms were evidenced. This has been discussed further in the detailed findings section of the report *(see Issue 1 in the detailed findings section).*

- Through discussions with the Principal Accountant, we identified the following process followed for the assessment and approval of submitted bids:

- *Screening*: The Director of Finance, the Head of Finance Corporate and the Principal Accountant for Capital, Treasury and Insurance initially discuss and review affordability and assess whether all relevant details have been supplied. Viable bids then go through scrutiny.
- *Scrutiny*: Detailed scrutiny is undertaken by COE (Chief Officers Executive). The majority of scrutiny is not based on scorecards but on discussions (normally verbal) between elected Members who represent the community of the area they serve, supported by Officers who provide technical expertise. Bids will be assessed against the criteria outlined in the CR2 form. However, there will also be discussions of how well the bid fits with the Council's Corporate Strategy and whether a bid is 'likely to work in practice'.
- *Finance Committee and Policy Development Scrutiny (PDS):* Bids are then presented to an initial Finance Committee for assessment, specifically to assess whether funding has been considered and is available. Bids are put forward to the relevant PDS Committee for further scrutiny.
- *Executive Committee*: As a final stage, bids are put forward to the Executive via PDS, which will then either approve the bid (which will result in it being added to the Capital Programme), send the bid back for further work and development (after which it will be represented at a later meeting) or, refuse the bid.

From our sample of ten capital bids, we ascertained whether decision-making and/or the rationale had been documented at the 'screening' and 'scrutiny' stages above. In respect of this testing, evidence was provided to support that the bids, with the relevant information, are always subject to scrutiny at the relevant Committee before being accepted. There is sufficient assurance that bids are being appropriately scrutinised at an appropriate level before being accepted. However, the process to follow is not formally documented and outlined. This has been discussed further in the detailed findings section of the report (*see Issue 1 in the detailed findings section).*

We also found that in respect of the two above processes, there is no standing documented policy/procedure in place for the submission and assessment of capital bids outlining the key stages in the process, roles and responsibilities and decision-making authority (*see Issue 2 in the detailed findings section).*

- Amendments to the Capital Programme will follow the same process of initial capital bids, being put forward to the relevant PDS Committee for scrutiny and then to the Executive for approval/comment. We selected a sample of ten amendments made to schemes spanning from Q3 2020/21 to Q2 2021/22. We confirmed that in all ten cases, the Council's Executive reviewed and approved the proposed amendments.
- The Capital Programme indicates how it will be financed and sets out the available resources for the entire programme period, 2022-26. One of the appendices attached to the report is a Capital Financing statement that goes beyond 2025-26 to 2027-28. It sets out the estimated available financing resources. The report also outlines the required financing and financing available up to 2025-26, in line with the programme period.

  In generating aspects of the data contained within the Financing Statement, assumptions have been made to estimate the impact on financial resources in future years. From this data, the shortfall is also outlined and thus, where contributions may be needed from external sources or the Council's revenue budget. The report also details the value of internal reserves, noting expected fluctuations throughout the years and where gaps may arise.

Our review of the report and associated Capital Financing statement noted that any assumptions made had been outlined, making it clear to readers. However, in line with best practice, no sensitivity analysis has been performed on the assumptions and the impact this may have on financial resources (*see Issue 3 in the detailed findings section).*

- The Principal Accountant indicated that, as part of the bidding process, bidders are required to set out the financial considerations of the bid. This includes:
  - providing granular capital cost information year by year throughout the duration of the scheme;
  - setting out any potential external funding, such as government grants.

  Financing is agreed and scrutinised as part of the bid process and subsequent approval by the Executive. The CR2 form (also required) requires bidders to distinguish between capital and revenue costs. This information is recorded when the successful bid is added to the Capital Programme. The Principal Accountant informed us that obtaining capital grants would normally be the responsibility of the service making a bid that relies on one or more capital grants.

  From our previously selected sample of ten capital bids, we assessed whether the financing of bids had been set out and, where applicable, capital grants had been obtained. As mentioned above, of the ten samples selected, only five could evidence a completed bid form. As part of the completed forms, we confirmed that financing requirements were set out, broken down year by year. We also confirmed that analysis of any potential external financing was provided, such as any capital grants.

  We also reviewed the past four Capital Monitoring workbooks spanning from Q2 2021/22 to Q1 2022/23, used to compile the quarterly Capital Monitoring reports, and noted that each scheme is listed with a distinction between the external and internal funding assigned to each scheme.

- A Capital report is presented to the Executive for Q4, which is an outturn report and reconciles the latest approved capital budget with the actual spending to date. This includes variance analysis between estimated and actual spending, including granular detail on the methods of financing used during the year.

  We reviewed four quarterly monitoring reports, which comprise all 2021-22 FY reports. We noted that all contain clear and granular information on the capital budget, considering any current variations. Accompanying the monitoring reports are sources of financing to fund the programme each year. However, the periodic analysis of current spending for Q1-Q3 is not included in the quarterly reports (*see Issue 4 in the detailed findings section).*

- The Principal Accountant depicted the following process for reporting capital monitoring information, with scrutiny taking place before it reaches the Executive Committee:

- Each PDS Committee receives a report on capital projects within their area, which will normally have been pre-scrutinised by the relevant Senior Leadership Team. The Principal Accountant is responsible for compiling reports sent to the relevant PDS Committees.
- Additionally, the PDS Committee for Executive Resource & Contracts (ERC) scrutinises the whole Council report, which summarises the contents of the PDS reports, contextualises them and raises whole-programme issues. This report is then formally presented to the Executive for approval at their public meeting.
- These reports are quarterly for all Committees and the Executive. The Q3 report also includes the Capital Strategy and, as previously mentioned, the Q4 report details outturn position.

As part of the above process, we confirmed that the Principal Accountant holds 'capital monitoring' meetings attended by budget holders/managers, who are asked to:

- Review the Capital Monitoring workbook sent to them;
- Reporting on the progress of the schemes, and
- Highlight any errors or apparent discrepancies they notice.

This process assists in checking accuracy against the financial systems and against the knowledge of those involved in delivering the schemes. We obtained evidence of the covering email sent by the Principal Accountant to budget holders setting out the various actions required and by when. This is then further developed in any follow-up meetings arranged as needed. We then also obtained evidence of specific communication with individual budget holders and meetings held with the Culture & Regeneration and Traffic & Parking teams during Q1 2022/23 to confirm operating effectiveness.

- To assess the accuracy and completeness of the data reported in the quarterly monitoring reports, the Principal Accountant indicated that reconciliations are performed between the reports run from the financial systems containing source data and the data contained in the workbook used to compile the quarterly monitoring reports.

  We obtained and reviewed the last four quarterly monitoring workbooks from Q2 2021/22 to Q1 2022/23. We noted that for the past two quarters, Q1 2022/23 and Q4 2021/22, reconciliations were performed between the source data and data set out for the monitoring reports. However, no formal reconciliations are recorded in the Q2 and Q3 2021/22 workbooks (*see Issue 6 in the detailed findings section).*

  We also confirmed that as part of accuracy checks, the Head of Corporate Finance and Accounting would review and scrutinise the report prepared by the Principal Accountant before being circulated. We obtained email evidence of this scrutiny on the Q4 2021/22 and Q1 2022/23 reports, demonstrating the review performed.

- The Local Government Act 2003 requires local authorities to have regard to CIFPA's Prudential Code when determining how much money it can afford to borrow. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year:
  - Estimates of Capital Expenditure
  - Estimates of Capital Financing Requirement
  - Gross debt and the Capital Financing Requirement
  - Operational Boundary for External Debt
  - Authorised Limit for External Debt
  - The ratio of Financing Costs to Net Revenue Streams
  - Debt Limits

  For clarification, the Council is required by statute to agree and publish prudential indicators, primarily to confirm that the Council's capital expenditure plans are affordable and sustainable. Per the Treasury Management Strategy, we confirmed there are five indicators in place:
  - Capital Expenditure
  - Capital Financing Requirement
  - Minimum Revenue Provision
  - Core Funds and Expected Investment Balances
  - Affordability (Ratio of Financing Costs to Net Revenue Streams)

As stated earlier, via inspection of the Capital Financing statement and discussions with the Principal Accountant, the Council does not have any external debt. Thus, the debt indicators do not apply.

We reviewed the Treasury Management Strategy 2022-23 and the minutes for the Full Council meetings held in Q3 spanning from 2019 to 2022. We confirmed that in each instance, the Council agreed to the prudential indicators set out in the Treasury Management Strategy for the Programme's current and future years.

10. The findings of this report and an assessment of the risk associated with any control weaknesses identified are detailed in the Detailed Findings / Management Action Plan. Any management recommendations are prioritised in line with the criteria set within Appendix B.

APPENDIX A
DETAILED FINDINGS / MANAGEMENT ACTION PLAN

No.	Finding	Risk	Recommendation and Priority	Management Response	Agreed Timescale and Responsible Manager
1	Documenting of Bid/Scheme Information We selected a sample of ten capital scheme bids ranging from Q3 2020/21 to Q1 2022/23, and £0.1m to £14.6m in value. Our testing noted that of the ten bids selected: - Five could evidence a completed bid form, with all necessary information completed and documented. - The Principal Accountant informed us that for two of the ten samples, no formal bid was submitted, and the Executive ratified inclusion. We were also informed by management that schemes are often considered outside of the annual capital bidding process, so for some schemes, there will not be a bid document as such, only a preliminary Committee/Executive report asking for a scheme to be given an outline approval/progress to a further report to approve capital spend.	If a standardised bid process is not followed, there is a risk of inconsistencies, failure to compare and contrast bids effectively and, ultimately, poor decision making with regard to materially significant financial resources. This could lead to further adverse financial consequences. The potential consequences of this risk will become greater as the Council's resources	Management should: - Formalise its bid submission process and ensure all bids part of the annual capital bidding process are submitted using the current standardised bid form and CR2 form. This should be saved within a centralised file management system to ensure ease of access and maintenance of bid file history. - Document how a bid was assessed, outlining the factors considered in the discussions and document who was involved in assessing the bid and putting forward the proposal for approval. Where several discussions are held at several layers (and thus become difficult to document), management should at least ensure it records dates,	This should be looked at as part of the preparation for the next cycle of capital bids, that is, at the end of 2023. At this stage, the Principal Accountant should consider the system about to be used to see what can be done to improve record keeping and standardising the submissions process. Similarly, notes of the review process should be made during this round, with a view to improving templates and guidance for the following round.	December 2023 - Principal Accountant

	- Where a completed bid form had been evidenced, no associated CR2 form had been provided/evidenced. - No evidence was provided for the remaining three samples. For our sample of ten bids, no information/evidence was provided when assessing whether bids had been scored individually by a specific team/officer or assessed in line with a defined criteria. The rationale behind decision-making at the 'screening' and 'scrutiny' stages was not documented. The Principal Accountant informed us that 'decisions are often based on what best aligns with current values rather than on a scorecard system. The decision-making is represented either by a set of minutes or, in the case of some meetings, no minutes at all, often for confidentiality reasons'. So, a bid may be discussed at several layers and still not leave a detailed written record.	are increasingly stretched.	attendees, an overview of the discussion and any key decisions made during the meetings. This will allow management to maintain and evidence a file history at the assessment stage. **Priority 2**		
2	<u>Capital Bidding - Policies and Procedures</u> Through discussions with the Principal Accountant, we identified and reviewed the process for the origination and submission of capital bids and the subsequent assessment and approval of those bids.	Council staff are unaware or lack understanding of the capital bid process that is followed, including what they are responsible for	Management should compile standing policy and procedure document(s) which sets outs: - The end-to-end capital bid process from origination to	Policy and standard documents for the end-to-end process already exist; the issue is the various alternative routes to submission.	September 2023 - Principal Accountant

	While management informed us of the process, we found no documented policy/procedure that states the end-to-end process. Further, no guidance is provided on schemes considered outside the annual capital bidding process and the process to be followed. Therefore, there is no complete and up-to-date guidance for staff to refer to, outlining the key stages in the end-to-end process, such as how bids are to be submitted and assessed, roles and responsibilities, and decision-making authority. As noted earlier in this report, while we confirmed that an internal memo is sent to the Chief Officer that sets out what is required in respect of the submission of bids, this memo does not compensate for not having an approved and comprehensive bidding policy.	and how bids are assessed, leading to inconsistencies when handling and processing bids. This could result in poor decision making. Potential conflicts of interest are not identified and are unclear how to proceed with potential conflicts which could arise when processing, assessing and approving bids.	approval, split into distinct and logical sections - Roles and responsibilities - Decision-making authority - How bids are considered outside the annual capital bidding process - How to identify and handle any potential conflicts of interest - Any other relevant information about the process This should be approved by senior management and subsequently reviewed and updated at an appropriate frequency to ensure it reflects current practice. This should be circulated and made available to all relevant staff. **Priority 2**	However, it would be good practice for the Principal Accountant and his team to double check how and where this is recorded, update such guidance to incorporate the main "alternative routes" and get senior management approval.	
3	Sensitivity Analysis Our review of the four quarterly Capital Monitoring reports for 2021/22 FY noted that assumptions had been made as part of the Capital Financing statement, which sets out the different sources of finance available and the impact on these resources as a result of the current Capital Programme and the estimated value of future programmes.	The Council is unable to identify in advance and prepare for potential capital shortfalls due to potential adverse scenarios and therefore is unable to fund future capital	Management should perform sensitivity analysis of assumptions made within the Capital Financing statement and document within quarterly Monitoring reports, which reflects sector best practices.	We accept this comment as fair and as being potentially useful, except to add that, as all projects are ultimately proposed by experts, the process relies on those experts to perform such analysis as part of	December 2023 - Principal Accountant

	These assumptions include the following: o The annual value of new capital schemes; o Timing and value of capital receipts; o The current approved programme, and o Internal borrowing. While these assumptions have been explicitly stated within the Capital Financing statement, no sensitivity analysis has been performed. For example, an analysis of plausible scenarios that could occur, such as current programme costs increasing by 5% or capital receipts achieving 5% less than the estimated value, has not been performed. Therefore, the impact on financial resources has not been considered.	schemes due to insufficient funds in place and/or at the right time. As a result of the current uncertain economic environment, the Council is not prudent in making capital investment and financing decisions, which could lead to an unsustainable capital programme and failure to meet strategic objectives.	Management should identify plausible but adverse scenarios at appropriate intervals, e.g., 5%/10%/20% increase in costs/decrease in capital receipts and analyse the impact on financial resources, allowing to identify where shortfalls may occur and outline contingency actions should the scenario crystalise. **Priority 2**	preparing their detailed business case. Principal Accountant and team to develop a simple, re-usable Excel model that can flex budgets for options appraisals. This could then be either performed on submitted bids as part of a challenge and scrutiny process or requested from bidders as part of the bids process. Obviously, the success of any such strategy depends on the experts submitting their bids doing so with sufficient detail and rigour. Have typically already provided input.	
4	<u>Actual Spend Monitoring</u> We noted that the Q4 Monitoring Report is an outturn report as this is a report produced after the programme year is complete and documents the final budget approved for the year alongside actual spending.	A lack of oversight in identifying and analysing variations or potential future variations in spending. This could result in the	To provide further transparency, management should consider reporting figures on actual spending to date for the current year in each quarterly Capital Monitoring report presented to the Executive. As reflected in the	The Principal Accountant and team are minded to do this - indeed, this is already reported at sub-Executive level (PDS committees) but whether it happens or not will ultimately depend on	December 2023 - Principal Accountant

	However, no analysis of spend to date, split by scheme/portfolio in quarters one to three, is provided in the reports. Our review of the Q1, Q2 and Q3 Capital Monitoring report presented to the Executive for the FY 2021/22 noted that analysis of actual spending to date of the current Capital Programme is not included. While this information is included in the Capital Monitoring workbooks and reports to PDS Committees, which are used to compile the quarterly Monitoring reports to the Executive, this information is not included in the report to the Executive itself.	Executive's inability to challenge the cause for such variations.	reports to the PDS Committees, this data should be split by scheme/portfolio to allow the Executive to identify the spending to date and comparison to the budget. **Priority 3**	appetite from the target audience, i.e. Exec. Suggest putting summary figures into Q1 23/24 Exec report (the Q4 report is outturn and so already includes actuals) and seeing what response the inevitably longer report gets - perhaps an extra appendix.	
5	<u>Capital Strategy Report</u> We obtained and reviewed the latest Capital Strategy report 2022-26 and noted that the document is not in the form of a formal 'published' report as seen with the Council's Treasury Management Strategy. Although we confirmed that the key components of the Capital Strategy are reflected within, there is a lack of structure with no table of contents providing ease of navigation for readers. There are also no sections which include the following:	Committees and other readers of the Capital Strategy report cannot navigate and grasp the Capital Strategy in a convenient and timely manner which may impair decision-making ability at the Committee level. The Capital Strategy report presented to Committee and made available in	Management should review and update its Capital Strategy to reflect a 'published', easy to navigate and user-friendly report. A table of contents should be inserted, and sections within the report should be set out logically and incorporate the sections noted within the observation box. Management should review published Capital Strategy reports of other local Council bodies available in the public domain to gain an insight into how a Capital Strategy report can be compiled	This does not fit well with the format of the report as published, which is a 5-8 page narrative report with appendices, written to a standard format specified by Exec and Democratic Services. We will review the work of other authorities - one alternative would be to publish the key points, once approved, as part of a revamped “Capital Booklet”,	December 2023 - Principal Accountant

	- Formal Introduction: which gives residents, Councillors and other stakeholders an overview of why, where and how the Council intends to spend capital on providing services and meeting the Council's wider strategic aims; - Council Plan/Objectives: identify and explicitly set out what strategic objectives the strategy will help to deliver; - Governance Arrangements: setting out who does what and when; - Other Strategies relevant to Capital Strategy and how they feed in. - Where appropriate, thematic information relevant to the programme and investment to give readers context - Key Strategic Risks and Mitigation of the Capital Programme We also noted that some standalone appendices accompany the main Capital Strategy report, containing key information that makes it difficult to locate and navigate.	the public domain does not align with sector best practices and may result in stakeholders outside of the Council not being able to digest the information presented and associated reputational risk.	and the nature of sections included within the report. **Priority 3**	largely for internal consumption.	

6	Data Reconciliations To ascertain the completeness and accuracy of data reported within the quarterly Capital Monitoring reports, we obtained four quarterly Capital Monitoring workbooks (which are used to compile the reports) spanning from Q2 2021/22 to Q1 2022/23 to confirm whether reconciliations are being performed between source data and the data reported within the reports. We noted that for the past two quarters, Q1 2022/23 and Q4 2021/2022, reconciliations were performed between the source data obtained via reports from the financial system and the data set out for the monitoring reports. However, no reconciliations were performed in the Q2 and Q3 2021/2022 workbooks. The Principal Accountant informed us that while accuracy checks will have been made, they were not formally documented.	Incomplete and/or inaccurate data is compiled and reported to Committees, resulting in potential ineffective monitoring and decisions made.	Management should ensure and continue to perform automated reconciliations between data in the quarterly Capital Monitoring reports and source documentation to ensure the completeness and accuracy of the information being reported to Committees. **Priority 3**	As noted, this process has now begun. We will endeavour to continue and improve it. Ongoing process, constantly looking for improvements.	Implemented – Capital Accountant

APPENDIX B

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.