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3 November 2020

Dear Sir/Madam

AUDIT AND MEMBER STANDARDS COMMITTEE

In light of the current Covid-19 pandemic and government advice on social distancing a meeting of the Audit and Member Standards Committee has been arranged to take place on **THURSDAY, 12TH NOVEMBER, 2020 at 6.00 PM** and will be held as a virtual meeting and streamed on-line (further information is available on our website).

Yours faithfully

A handwritten signature in black ink, appearing to read 'Christie Tims', is written over a light grey circular stamp.

Christie Tims
Head of Governance and Performance

To: **Members of Audit and Member Standards Committee**

Councillors Greatorex (Chairman), Ho (Vice-Chair), Checkland, Grange, A Little, Norman, Robertson, Spruce and White



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AUDIT AND MEMBER STANDARDS COMMITTEE

22 JULY 2020

PRESENT:

Councillors Greatorex (Chairman), Ho (Vice-Chair), Checkland, Grange, A Little, Norman, Robertson, Spruce and White

Observer: Councillor Strachan, Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits

Officers in Attendance: Miss W Johnson, Ms Rebecca Neill, Mr Anthony Thomas and Ms Christie Tims

Also Present: Mr John Gregory (Grant Thornton UK LLP) (External Auditor) and Ms Laurelin Griffiths (Grant Thornton UK LLP) (External Auditor)

INTRODUCTION:

The Chairman welcomed everyone to the first Audit & Member Standards Committee Meeting to be held online and streamed live.

1 APOLOGIES FOR ABSENCE

There were no apologies for absence.

2 DECLARATIONS OF INTEREST

Councillors Greatorex, A Little and White all declared a personal interest in any discussion relating to Staffordshire County Council's Pension Plan actuarial valuation timetable as they are also Members of that Authority.

3 MINUTES OF THE PREVIOUS MEETING

The Minutes of the Meeting held on 5 February 2020, as printed and previously circulated, were taken as read and approved as a correct record.

4 ANNUAL TREASURY MANAGEMENT REPORT

Mr Anthony Thomas (Head of Finance and Procurement) delivered a Presentation on the Annual Treasury Management Report and explained to the committee the reasons why the report is prepared:-

- The Constitution assigns responsibility for scrutiny of treasury management to this committee;
- Treasury management includes capital expenditure, funding, borrowing, investments and prudential indicators;
- There are three cyclical treasury management reports:-

- (1) Treasury Management Strategy – what we plan to do.
- (2) Mid-Year Treasury Management Report – how we are doing.
- (3) Annual Treasury Management Report – what we did.

Mr Thomas talked through the key points of the report focussing on:-

- Capital Expenditure – an underspend of £13.4m (85% of the approved budget) with the most significant item of £10.5m being due to no investment in property due to a PWLB consultation on debt for yield schemes and subsequent CIPFA advice to Chief Financial Officers.
- Balance Sheet – the impact on the balance sheet of the year end pension valuation of the long-term liability provided by the Pension Fund Actuary, £12.2m lower than budget and £10m lower than last year's valuation. This was due to changes in financial and demographics used by the Actuary in the valuation.
- Strategic Investments – as at 31 March 2020 the Council had invested £6m in property and diversified income funds with their valuation being £5.5m as at 31 March 2020 and £5.6m as at 10 July 2020. In June 2020 in line with the strategy and to take account of lower asset prices, the Council had invested a further £2m in a diversified income fund.
- Prudential Indicators – the Council was compliant with all indicators for 2019/20.

In terms of Covid-19 and treasury management, further information was provided:

- A report to Cabinet on 7 July 2020 had projected the financial impact for the Council (after grant) could range from £1.3m to £4.5m.
- In terms of managing the risk, the Council had £7m in confirmed general reserves, financial stress testing had been undertaken, enhanced financial monitoring of income streams was taking place, a further £0.14m of government grant had been received, a sales, fee and charges income loss sharing agreement had been announced and there was also going to be the ability to spread council tax and business rates collection fund losses over three years rather than one.
- The Council had not undertaken investment in property funded by borrowing and therefore was not exposed to additional financial risk.
- In terms of the risk of investments not being repaid, the Council's approach had always been to diversify investments to manage risk, no new investments were undertaken without firstly obtaining Arlingclose advice and there were no known problems with the Local Authorities where the Council had investments.

A query relating to the decision taken 3 years ago to borrow up to £45m was raised and it was asked if the Council had any plans to cancel this agreement. Mr Thomas said at this point a decision had not been made on the plans for the approved budget of £45m. He said the PWLB consultation was focussed on debt for yield schemes and from the Council's perspective this was high risk because the property investment strategy was overly commercial, however, it does not preclude borrowing from the PWLB to fund place-shaping or housing investment.

It was asked if an assurance could be given that this decision would be coming to the Strategic O&S committee as well as this committee before any changes are made. Mr Thomas said the £45m budget was part of the MTFs approved by Council on 18 February 2020 and in line with the budget framework, only Council can therefore approve changes to this budget. Therefore, the options for this budget would form part of the development of the MTFs that will be scrutinised by both the Strategic O&S committee and this committee prior to ultimate approval by Council. Councillor Strachan, Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits, advised on the specific point that the Treasury's move, and, the subsequent advice from CIPFA was to address concerns around an emergent bubble in asset prices using easily accessible government funds to buy property but if the bubble was to burst this then becomes a large risk factor. Councillor Strachan said if we were to borrow to invest in building/housing we were still able to invest in these types of projects but he absolutely undertook that this would be part of the over-arching MTFs and assured all the committee members that any decision would go through the correct governance channels and this would be a Cabinet discussion in the future.

The Balance Sheet investments having increased £11.1m higher than the working capital and reserves was questioned and Mr Thomas explained that the level of working capital had increased with lower debtors in part due to the corporate debt team and higher creditor amounts including the surplus made on the collection fund that will be paid over in 2020/21. Usable reserves had also increased due to a variety of reasons such as lower capital and revenue spend in the year. He said these were likely to increase significantly this year to manage timing differences between the receipt and spend of grants to offset the impact of the pandemic.

In relation to the service investments particularly, the ICT Cloud one, it was queried that there was a variance of £39,000 costs more than was budgeted. It had been noted that it said it was a project change and Mr Thomas was asked to explain more.

Mr Thomas said that when this project was approved an approach based on a particular partner was envisaged, however, an alternative approach with an alternative partner had now been approved and, therefore, we are not going to generate the savings we had predicted and he confirmed it would be a budget pressure moving forward, Mr Thomas said it would be a key issue.

The Property Fund book value was discussed and it was asked how much of that was exposed to retail - were the reserves not covering the book loss? Mr Thomas was asked which direction this would take and he said the Council was not exposed to the level of some property funds as we were a low risk organisation who are in it for the longer term therefore less volatility. He said the CCLA do not invest in high street retail – they mainly invest in industrial/distribution as they believe it is not exposed to the level of some property funds. Moving forward Mr Thomas said it was a good question. One of the reasons for setting up the reserves in the first place was to manage the volatility. In addition, there is also a statutory override in place until 31 March 2023 that means any reductions in value do not have to be charged to revenue and Mr Thomas said he had already raised this point in Government Returns that this will need to be extended given the impact of the pandemic on investment values.

It was noted that looking at the numbers and figures in Appendix A, a great deal of capital projects had slipped back, investment in the property company especially, it was asked if there was a real chance that this may slip in to 2021/22 and how long we could allow the investment in the property company to slip back before it had an impact on the MTFS.

Mr Thomas said the investments in the property company consist of 2 elements: an equity investment of £225,000 that we undertook in May; and a £675,000 loan for up to 5 years. He said we have only built income from the loan into the approved MTFS i.e. £4,000 in 2020/21 and increasing to £22,000 in 2023/24. At this stage, no income from dividends from the company had been included in the MTFS. In terms of the investment in property budget, the MTFS assumes a contribution of £87,000 in 2020/21 increasing to £658,000 in 2023/24 and therefore if investment does not take place or result in income, then the funding gap will increase.

- RESOLVED:-** (1) The Report was reviewed and noted;
(2) The actual 2019/20 prudential indicators contained within the report were reviewed and noted.

5 RISK MANAGEMENT UPDATE

Ms Rebecca Neill (Internal Audit Manager) presented the Risk Management Update report which provided the Committee with their routine risk management update. She summarised the key points and reminded all that at the previous committee meeting it had been agreed to review the risk register to align it with the new strategic plan and also to incorporate the 3 lines of assurance model. She said this work had now been completed and was detailed at Appendix 1 of the report. She said that Covid-19 has had a significant impact on the Council's

risk management and this was reflected in the New Strategic Risk Register. She explained that the table at 3.6 illustrated the linkages between what were the previous corporate risks and what are the new strategic risks going forward.

Ms Neill said that following the leadership team's risk management workshop, 7 strategic risks had been identified and they are reflected at section 3.7 of the report. She said there were 2 risks currently outside of appetite at the moment – SR1 (non-achievement of the Council's key priorities due to availability of finance) and SR2 (resilience of teams to effectively respond to a further disruption to services). The Chairman stated with regards to SR2 that considering what has happened in terms of the pandemic, he personally thinks the District Council has responded well and although it is a negative report, in terms of that risk, how much worse could it get?

Ms Neill said that there was a feeling of fatigue amongst managers and the leadership team, who have had to deal with the Council's response to Covid-19. With this risk, it was felt that if there was to be a multi-layer disruption, for example, a second wave coupled with flooding or seasonal flu pressures and Brexit then this may strain the Council's resilience and response.

Councillor Grange stated that the way that the register was now presented was better and the 3 lines of assurance model was welcomed. However, she stated that some of the risks as described were not necessarily of a strategic nature i.e. SR1 – non-achievement of key priorities due to the availability of finance - she felt that there are other reasons that could result in non-delivery and SR2 picks up on this a little. She asked if broadening out these risks and making them less specific for the future could be considered. Also, she stated in terms of SR6 – failure to innovate and take the learning from the Covid-19 situation could be broadened to include any situation, not just Covid-19. This was noted.

The Committee asked in terms of SR1 and SR2 that these needed to be actively managed and the committee asked whether it was possible to get a high level brief on what was being done to manage these risks. Ms Neill explained that the actions were detailed within the actions column on Appendix 1. Mr Thomas, as risk owner of SR1, stated that Local Governments have been subject to significant financial planning uncertainty with the spending review, the move to 75% business rates retention, the fair funding review and the review of the new homes bonus and this had been exacerbated by the Covid-19 pandemic. Mr Thomas advised that all of these reviews had now been delayed by a further year until 1 April 2022 and a one year settlement was therefore being implemented for 2021/22. He said at the current time the impact that the Covid-19 pandemic has on the Council's financial position is very uncertain with the report to Cabinet on 7 July 2020 indicating a range of between £1.281m and £4.541m. However, since the report, the government has provided additional funding to the Council of £140,417, introduced an income "quarantee" sharing sales, fees and charges losses and enabled business rate and council tax collection fund deficits to be spread over 3 years rather than one.

Mr Thomas said as part of the development of the MTFs, we have commenced earlier than normal with an enhanced service and financial planning process where we have encouraged Heads of Service to consider the impact of ongoing funding reductions of c10% together with options for mitigating the impact.

RESOLVED: The Committee noted the risk management update and received assurance on actions taking place to manage the Council's most significant risks.

6 INFORMING THE AUDIT RISK ASSESSMENT - LDC

Mr John Gregory from Grant Thornton presented a report - Informing the Audit Risk Assessment Lichfield District Council 2019/20 which was a series of questions on particular areas e.g. arrangements re: fraud/laws and regulations/going concern/related parties/accounting estimates and the responses received from the Council's management

which is done annually. Mr Gregory said this had actually been written for the previous meeting which had had to be cancelled because of the pandemic so was really retrospective but the committee was asked to consider and comment.

No comments were received.

RESOLVED:- The Committee noted the Informing the Audit Risk Assessment report for Lichfield District Council 2019/20.

7 AUDIT PLAN FOR LICHFIELD DISTRICT COUNCIL 2019/20 & ADDENDUM

Mr John Gregory from Grant Thornton presented the External Audit Plan for the year ending 31 March 2020 which provided an overview of the planned scope and timing of the statutory audit of Lichfield District Council for those charged with governance. Members' attention was specifically drawn to the addendum which reflected the unprecedented global response to the Covid-19 pandemic. Mr Gregory highlighted the 3 significant risk areas and referred to the additional risk of Covid-19 in the addendum which had been prepared once the seriousness of Covid-19 had been realised.

In the Audit Plan the implementation of IRFS16 was discussed and Mr Gregory stated that this had now actually been deferred for a year so it was no longer a risk for us as specified in the Audit Plan.

Mr Gregory referred to the materiality page, which was in line with Grant Thornton's normal approach, a 2% benchmark is used for those authorities they consider to be well-run. He referred to the value for money page which says that risk assessment remains in progress as over taken by events and the impact of Covid-19 on the financial situation – so this may be labelled differently as "impact of Covid-19" moving forward.

Mr Gregory explained that the addendum showed the additional significant risk re: Covid-19 and he explained that this was initiated back in March because it was not known what impact Covid-19 would have on Lichfield District Council in producing the accounts nor Grant Thornton's ability to audit the accounts i.e. no one knew how much sickness would be incurred or how remote working would work and what the actual impact of Covid-19 would be on the accounts. Mr Gregory referred to the impact valuations of land and buildings for example – valuations done on a market basis which took a hit towards the end of the year. It is then an additional significant risk for a number of reasons.

It was questioned what arrangements had been put in place bearing in mind this year is going to be even harder to make sure the pension valuation would not be revised and updated very late in the day like last year. Also, it was noted that it seemed likely that the valuation would be significant different. Mr Gregory said there were 2 aspects to this, it was partly about the timing of when the actuaries do their assessment and whether they do a second review and also the timing of the assurance work done for us by the auditors of the Staffordshire Pension Fund. He said that McCloud was the main issue last year and also the difference between the estimated asset values and the actuals a couple of months later. He said he was hoping McCloud would not be an issue this year but said there is a potential "fly in the ointment" in that the government is now consulting on the actual remedy. The fact that asset values become so volatile at year end is causing problems and means that the accounts will need to reflect the actual asset values as opposed to ones estimated 3 months in advance. He said in terms of getting the assurance of the auditors at Staffordshire Pension Fund, Grant Thornton had been in touch for that assurance but the County Fund Managers have said the delivery of the assurance is not going to be early – September is the expected date as it is dangerous to give assurance on the pension fund before that time.

Mr Thomas said that the big issue last year for Staffordshire was that the investment returns were different at the end of the financial year compared to the date the valuation took place

which was an estimated value (in December). In that period there was a material difference in the return so the valuation changed. He said it was being managed now by delaying the valuation report to take this into account. He said the Staffordshire County Council Auditors, EY, had advised him they hoped to have this done by the end of August which would mean September/October we could finalise our accounts and approve but we were currently in the lap of the Staffordshire Pension Fund and Auditors unfortunately.

Mr Gregory said it was a complicating factor where pension funds have significant property assets the valuers will be valuing them with a material uncertainty and we may need to consider whether there is a material uncertainty as to asset values in the accounts as well – this will need to be dealt with going forward.

The Chairman agreed that McCloud was and is a real issue – equalisation of member benefits is the issue to be valued and recipients have been given 2 options. There has been no ruling from judges yet, which would affect how this valuation is going to go and so it was so very difficult for the County Treasurers/Local Authorities & Staffordshire Pension Fund and their Auditors.

A query was received on the statement in relation to the housing benefit fee about self-interest. Confirmation was sought that there was no issue there for Lichfield District Council because of the small nature of the fee. Mr Gregory responded and said self-interest is one of the 6 threats identified in the Auditor's Ethical Standards and is one of the ways you can judge whether an auditor is likely to be independent. He explained the circumstances in which self-interest could be a problem – for example, if non-audit service fees were much higher than the basic audit fee. Mr Thomas reminded the committee that they had gone through the options available for this specific audit previously and agreed and took the decision that to have the same auditor covering housing benefit work as well as the main audit as this would be less problematic and saved costs.

RESOLVED:- The Committee noted the External Audit Plan for Lichfield District Council 2019/20 & Addendum for year ending 31 March 2020.

8 ANNUAL AUDIT FEE LETTER

A letter setting out a variation to the external audit fee for 2019/20 was presented by Mr Gregory of Grant Thornton. He referred to the fact that the letter had been written in January and had already been discussed with Mr Thomas but he explained the reasons for the increase over and above the fees original prescribed. Mr Gregory referred to the additional fees which had been charged in previous years for the McCloud case and additional work around PPE. He advised that there had been a lot of feedback received from Local Authorities regarding the additional fees and requests had been made that these should be agreed up front this year and, so, following discussions with PSAA (who is their fee setting body) they had done so.

In summary, the costs have gone up because of the increased depth of external audit work now involved around pensions and PPE, following FRC feedback. There was also a change in how the FRC determines what is an acceptable standard for an audit. It used to be that it would only fail an audit at the initial stage but now it can be considered to be a fail at either of the 2 lower stages. The FRC can apply sanctions to the auditors, if they see fit, and understandably this has made them more cautious and focussed.

Mr Thomas advised the committee that he had already agreed the fee to enable Grant Thornton to achieve the financial reporting standards expected accepting that the environment has changed for all external auditors.

There was just one query received regarding the justification for the fee increase relating to the IRFS16 standard now this had been delayed and it was asked if this would show as a saving of £1500 on the balance sheet in these new circumstances. Mr Gregory said there was no plan to do so at the moment as Grant Thornton were waiting to see what the impacts of Covid-19 were rather than withdrawing the £1500 - it was expected that this £1500 would probably be transferred to the Covid-19 related additional work instead. However, this was noted.

RESOLVED:- The Committee noted the Annual Audit Fee Letter 2019/20 for Lichfield District Council.

9 WORK PROGRAMME

The Work Programme for the Audit & Member Standards Committee 2020/21 was discussed. The Chairman explained that the additional list of reports at the end of the Work Programme had already been pre-circulated to all members of the committee from the individual officers and published in a supplementary agenda as those reports were for noting and endorsement only.

Members acknowledged receipt of the additional reports and it was appreciated and useful as any queries or questions were dealt with on receipt direct with the Officer/Author of the report. Congratulations were passed on to all Officers involved in the pre-circulation.

Item 1 – Chair of the Audit Committee’s Annual Report to Council – Noted and Endorsed

Item 2 – Annual Report for Internal Audit (including year-end progress report) – Noted and Endorsed

Item 3 – Internal Audit Plan, Charter & Protocol 2020/21 – Noted and Endorsed

Item 4 – Quality Assurance and Improvement Programme/Public Sector Internal Audit Standards – Noted and Endorsed

Item 5 – RIPA Reports Policy & Monitoring – Noted and Endorsed

Item 6 – Annual Governance Statement – Noted and Endorsed

The Chairman asked for any additions/alterations to the Work Programme to be forwarded to him and stated that there may be a need for an additional meeting late September time to accept the Statement of Accounts and this was agreed.

Mr Thomas stated that the pension fund was the key issue on the timing of the accounts and it looked like the earliest we could approve the accounts would be late September and the latest would be November. He noted that there was already a scheduled Audit & Member Standards meeting set for 12 November but because of there being a lot of agenda items for that meeting on the Work Programme, it may be beneficial to hold an additional meeting for the signing of the Statement of Accounts and it would be an opportunity to move some items forward. This will be reviewed and communicated to all members of the committee.

(The Meeting closed at 7.10 pm)

CHAIRMAN

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AUDIT AND MEMBER STANDARDS COMMITTEE

7 OCTOBER 2020

PRESENT:

Councillors Greatorex (Chairman), Ho (Vice-Chair), Checkland, Grange, A Little, Norman, Robertson and Spruce

Observer: Councillor Strachan, Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits

Officers in Attendance: Miss W Johnson, Mr A Thomas and Ms J Irving

Also Present: Mr John Gregory (Grant Thornton UK LLP) (External Auditor) and Ms Laurelin Griffiths (Grant Thornton UK LLP) (External Auditor)

10 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor White.

11 DECLARATIONS OF INTEREST

Councillors Greatorex and A Little both declared personal interests in any discussion relating to the Staffordshire County Council's Pension Plan contributions as they were both members of Staffordshire County Council's Pension Committee.

12 STATEMENT OF ACCOUNTS 2019/20

Members considered the Statement of Accounts Report and Mr Thomas delivered a short presentation highlighting the financial impact of Covid-19 in 2019/20 and beyond, as there were a number of references to Covid-19 in the Annual Governance Statement and the Statement of Accounts. He said the impact beyond 2019/20 was going to be much greater as a lot of government support had been provided for the year 2020/21 but, at present, there was no announcement of such support in the future. However, Mr Thomas said he felt there were reasons for LDC to be optimistic about future funding and he explained why, even though there were new challenges arising every day.

Mr Thomas paid credit to his team in producing the completed accounts in time to a very high standard during such a challenging time. He explained that some of his staff had actually been deployed to help other services to support the community during the pandemic and congratulated his team on delivering the accounts in such a challenging time.

Questions were asked and answered by Mr Thomas.

The MTFs projections and, based on the current projections, the use of reserves to balance the budget until 2023/24, were discussed. Mr Thomas said he remains positive because the level of revenue reserves gave us an opportunity to look at options in a sustainable way. He said other councils have higher risk levels and if the government do not offer ongoing support and there is not a new supportive funding regime announced a lot of councils are going to face problems. Mr Thomas said we have built budget costs into the projections for hardship and discretionary housing payments as they could exceed the amount the government has provided to us.

The post-balance sheet event notes were queried and Mr Thomas explained that the External Auditors had suggested this addition as it would give readers a flavour of some of the things that have happened between 31 March to the date of publishing our accounts. It was noted the accounts make reference to an asset category called surplus assets and the footnote refers to examples being the former garage, former police station, former retail units and, the site of two houses. Clearly these do not exist anymore; a request for the footnote to be updated was received to refer to the land rather than the buildings and Mr Thomas accepted this and said it would be corrected.

The Related Parties note was queried with respect to PSP Lichfield LLP and the new Dev Co and Mr Thomas said he had taken the view that materiality came in to this; PSP is an active partnership even though there is nothing going through it at the moment and it is not far off being dormant. Mr Thomas said this council-owned company was set up before the year end but the equity investment of £225,000 was made in May 2020. He felt it was not material enough for 2019/20 accounts but agreed to look at it again as it's a judgement call. Mr Thomas said we will have to look at this each year and if material transactions have been made we would have to consider preparing group accounts.

The Annual Governance Statement was considered and it was noted that there had been an increase in complaints from adults from 7 to 15. The reasons for this increase, as well as the increase to the Ombudsman, was requested and Mr Thomas agreed to check and report back to the committee via email.

Member training was discussed and although it was vital for members to attend these events, the metric used to illustrate the increase in member training events was questioned. It was agreed that the value of the current member training statistics would be discussed further with the Head of Governance and Performance.

- RESOLVED:-**
- (1) The Committee noted the External Auditor's Findings Report at Agenda item no. 4;
 - (2) The Committee approved the Letter of Representation at Appendix A;
 - (3) The Committee approved the Council's Statement of Accounts for 2019/.20 at Appendix B;
 - (4) The Committee approves the delegation of authority to the Chairman of the Audit & Member Standards Committee to sign the accounts once we have received assurance from Staffordshire County Council's External Auditors in relation to the Staffordshire Pension Fund.
 - (5) The committee thanked the very efficient finance department for the excellent quality of accounts and AT and his team were congratulated.

13 AUDIT FINDINGS REPORT FOR LICHFIELD DISTRICT COUNCIL 2019/20

Mr John Gregory (External Auditors) presented the Audit Findings for Lichfield District Council year ended 31 March 2020 and detailed the key findings and other matters arising from the statutory audit in the preparation of the Council's financial statements. He reflected on the technical content and the headlines on Covid-19 and said he felt things had been managed very well at Lichfield in terms of the pandemic not getting in the way with the preparation, audit process or the Statement of Accounts. Mr Gregory said the External Audit process had taken longer because of the change to remote working but they had done the vast majority of the work now and things had moved on since the written report. He stated some things that were

recorded as outstanding were, in fact, no longer outstanding and explained. He said Grant Thornton were proposing an unqualified opinion, just drawing the reader's attention to the material uncertainty that our own valuer had put on the Plant and Equipment valuation, which is disclosed in the financial statements.

Mr Gregory said the value for money arrangement conclusion had taken on a risk based approach and did not identify any risks because of the level of reserves Lichfield District Council had. Even adding in the significant risk of Covid-19 and revisiting the risks, their conclusion was the same – Lichfield District Council is sufficiently far away from going concern issues and in a much stronger position than many authorities.

Mr Gregory highlighted that Appendix B had the final fee to be confirmed and he said that although there were no particular issues, all of the audits had taken longer than hoped because of Covid-19 and agile working. Currently Grant Thornton, as a firm, were thinking through what they were going to do about this additional time and they had been talking to PSAA, their appointing body, about their attitude to seeking fees and/or getting funding from CLG direct to help with this but it would be a future discussion when things are clearer.

Mr Gregory concluded that once they get the necessary information from the County Council Auditors of the Staffordshire Pension fund they would be able to move to an opinion and he stated that Lichfield District Council are ahead of many other authorities. He said this had been because of the good work and responsiveness of staff in the Finance team to the External Audit team and passed on his personal thanks.

Questions were asked and answered by Mr Gregory in relation to the risk assessment process and the new process to be implemented next year. The pension unadjusted amount was queried and Mr Gregory said the firm's agreed line on this has actually changed as of that day - they no longer think that the supporting evidence is strong enough for this to constitute an adjusting post-balance sheet event so they would not be asking us to change it any way anymore.

It was noted that because IRFS16 was delayed there was a £1500 credit to the planned audit fee.

Ms Griffiths said, from a personal point of view, she felt the External Auditing had been incredibly difficult this year because of Covid-19 and remote working and in comparison to others it had been an incredibly smooth process at Lichfield and she would like to record a thank you to Mr Thomas and all in the finance team involved.

All members of the committee agreed that this External Auditor's report was an excellent judgement of Mr Thomas and his team and everyone expressed their thanks before the report was gratefully received.

(The Meeting closed at 6.51 pm)

CHAIRMAN

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Mid-Year Treasury Management Report

Cabinet Member for Finance, Procurement, Customer Services
and Revenues & Benefits

Date:	12 November 2020
Agenda Item:	4
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	YES
Local Ward Members	Full Council



**AUDIT AND MEMBER
STANDARDS
COMMITTEE**

1. Executive Summary

- 1.1 The report covers the projected mid-year (30 September 2020) Treasury Management performance in 2020/21.
- 1.2 Capital expenditure is projected to be **£7,956,000** and this is **£11,000** higher than the Approved Revised Budget of **£7,945,000**. This is due to a re-profiling of planned vehicle purchases.
- 1.3 There is projected to be **(£207,000)** capital receipts received in 2020/21 compared to the Approved Budget of **(£116,000)**.
- 1.4 The funding of the Capital Programme in 2020/21 reflects the projected expenditure of **£7,956,000**.
- 1.5 The Balance Sheet projections indicate investment balances at the 31 March 2021 will be **£25,875,000** and these are **£9,106,000** higher than the Original Budget of **£16,769,000¹**. This is mainly due to the approval by Council to cancel the Investment in Property project meaning new internal borrowing will not be needed and this will therefore result in higher investment balances.
- 1.6 The Council was required to approve a new Investment Strategy Report for 2020/21 to comply with the requirements of statutory guidance issued by the Government in January 2018. This report focuses on Treasury Management investments as well as how the authority invests its money to support local services and earns investment income from commercial investments. Monitoring information on Service and Commercial investments is provided in this mid-year report.
- 1.7 The Council's treasury investments achieved a risk status of **AA-** (excluding the four long-dated pooled funds) that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.
- 1.8 The report confirms the Council was compliant with all Treasury Limits and Prudential Indicators for 2020/21.

2. Recommendations

- 2.1 To review the report and issues raised within.
- 2.2 To review the Prudential Indicators contained within the report.
- 2.3 To review and recommend to Council for approval the updated Treasury Management Practices shown at **APPENDIX D**.

¹ This figure includes the Financial Instruments Reserve figure of £68,000

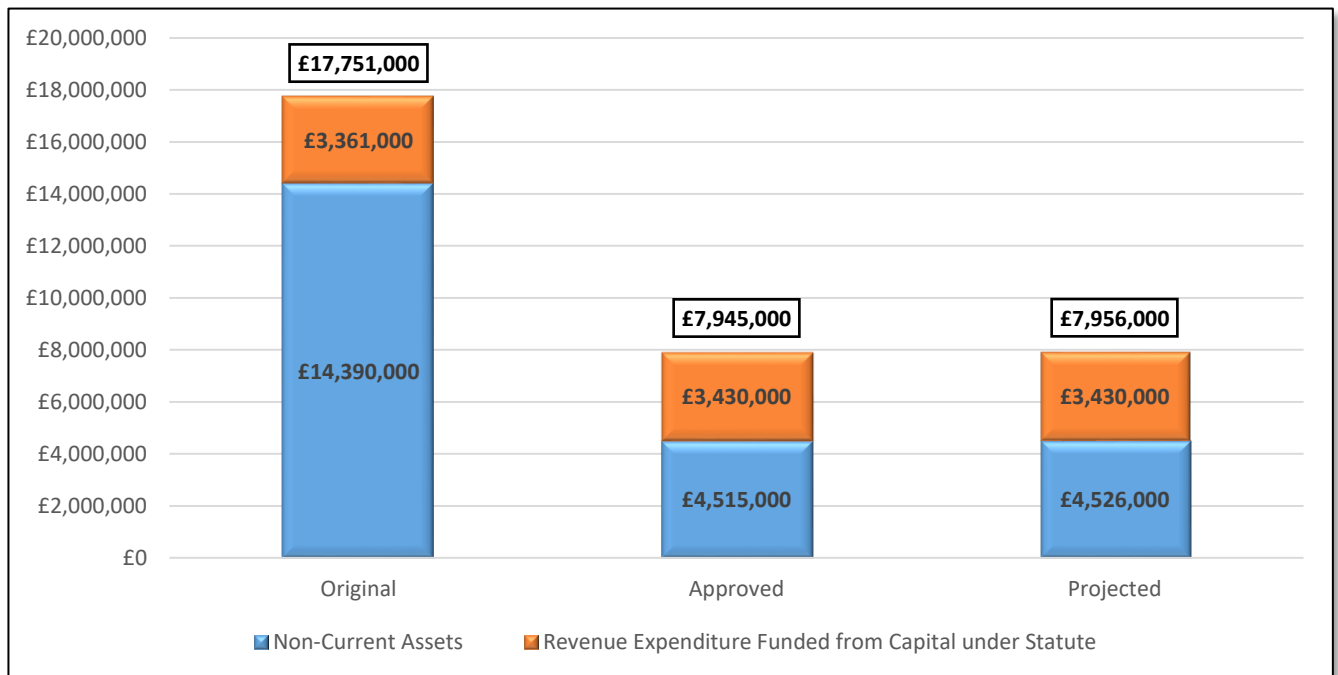
3. Background

The Capital Programme and Treasury Management

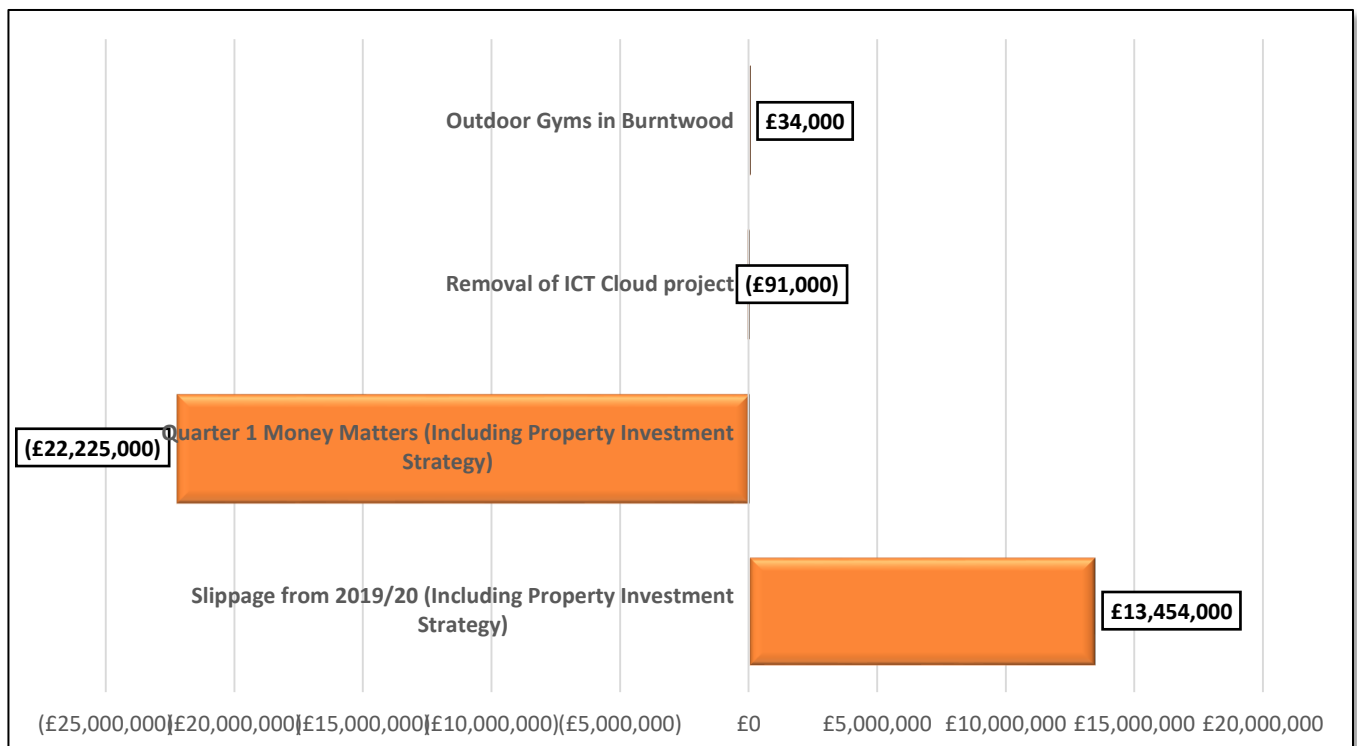
- 3.1. This Mid-Year Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2020/21 and the projected Prudential Indicators for 2020/21.
- 3.2. Treasury Management is defined as: *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 3.3. Overall responsibility for Treasury Management remains with the Council. No Treasury Management activity is without risk; the effective identification and management of risk are integral to our Treasury Management objectives.
- 3.4. Our Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annual Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year.
- 3.5. We report quarterly to the Cabinet on Treasury activity and this report to Audit and Member Standards will provide more information on capital financing, Balance Sheet projections and Prudential Indicators.
- 3.6. This report is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code and
 - a) presents details of capital spend, capital financing, borrowing and investment transactions;
 - b) reports on the risk implications of Treasury decisions and transactions;
 - c) gives details of the mid-year position on Treasury Management transactions in 2020/21;
 - d) confirms compliance with Treasury limits and Prudential Indicators
- 3.7. The performance of the Treasury Management function should be measured against the hierarchy of investment objectives of **Security** (the safe return of our monies), **Liquidity** (making sure we have sufficient money to pay for our services) and **Yield** (the return on our investments).
- 3.30. In addition, external borrowing is considered against the objectives of it being **affordable** (the impact on the budget and Council Tax), **prudent** and **sustainable** (over the whole life).

3.9. The Capital Programme

3.10. A summary of the Capital Programme performance showing the Original Budget, Approved Budget (taking account of decisions approved by Council on 13 October 2020 in relation to Investment in Property Budgets and the ICT Cloud) and the Projected Actual for 2020/21 is shown in detail at **APPENDIX A** and in the chart below:



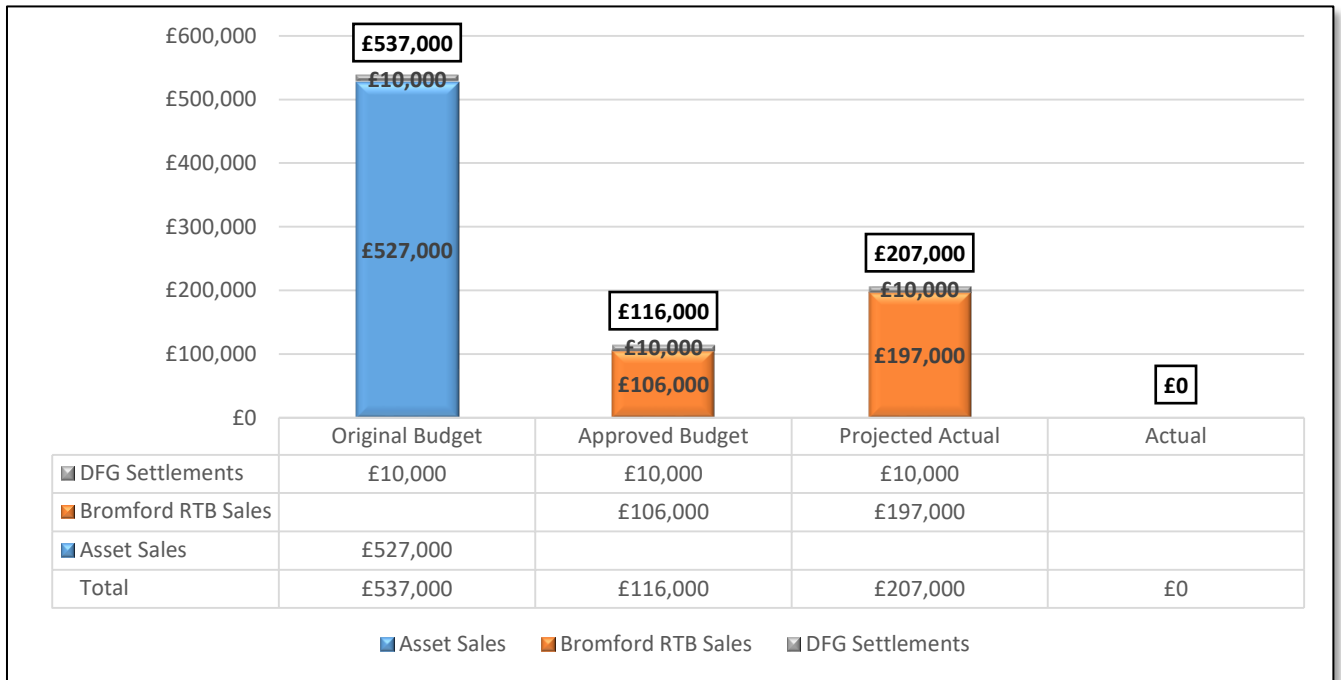
3.11. The reasons for the budgetary decrease mainly related to the Investment in Property project of **(£9,806,000)** from the Original Budget of **£17,751,000** to the Approved Budget of **£7,945,000** are shown below:



3.12. Capital expenditure is projected to be **£7,956,000** and this is **£11,000** higher than the Approved Revised Budget of **£7,945,000** and this projected variance is related to re-phasing of the plan for vehicle replacements.

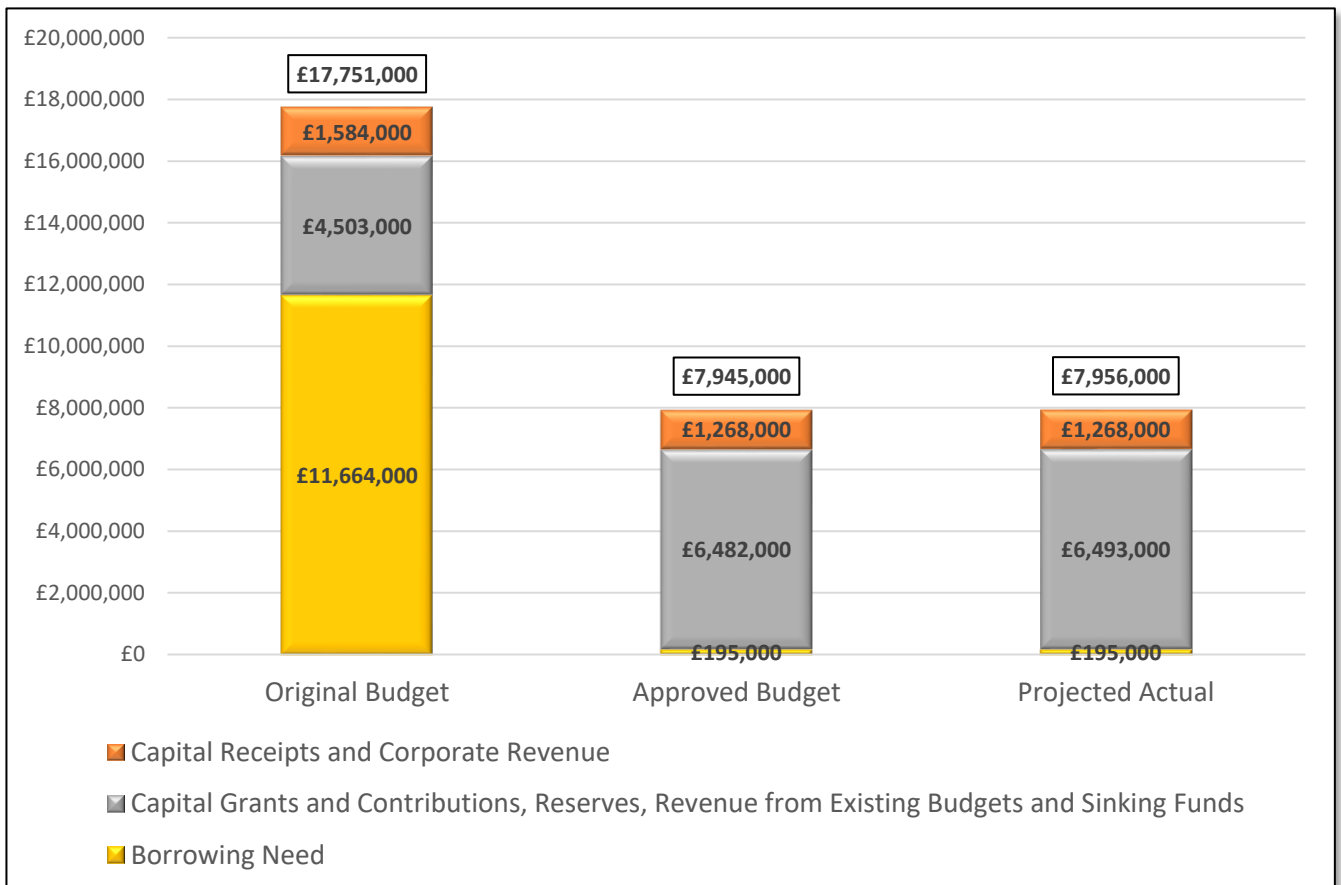
Capital Receipts

3.13. The Original Budget (asset sales relate to Land at Netherstowe and Leyfields), Approved Budget, and projected capital receipts received in the first six months are shown below:



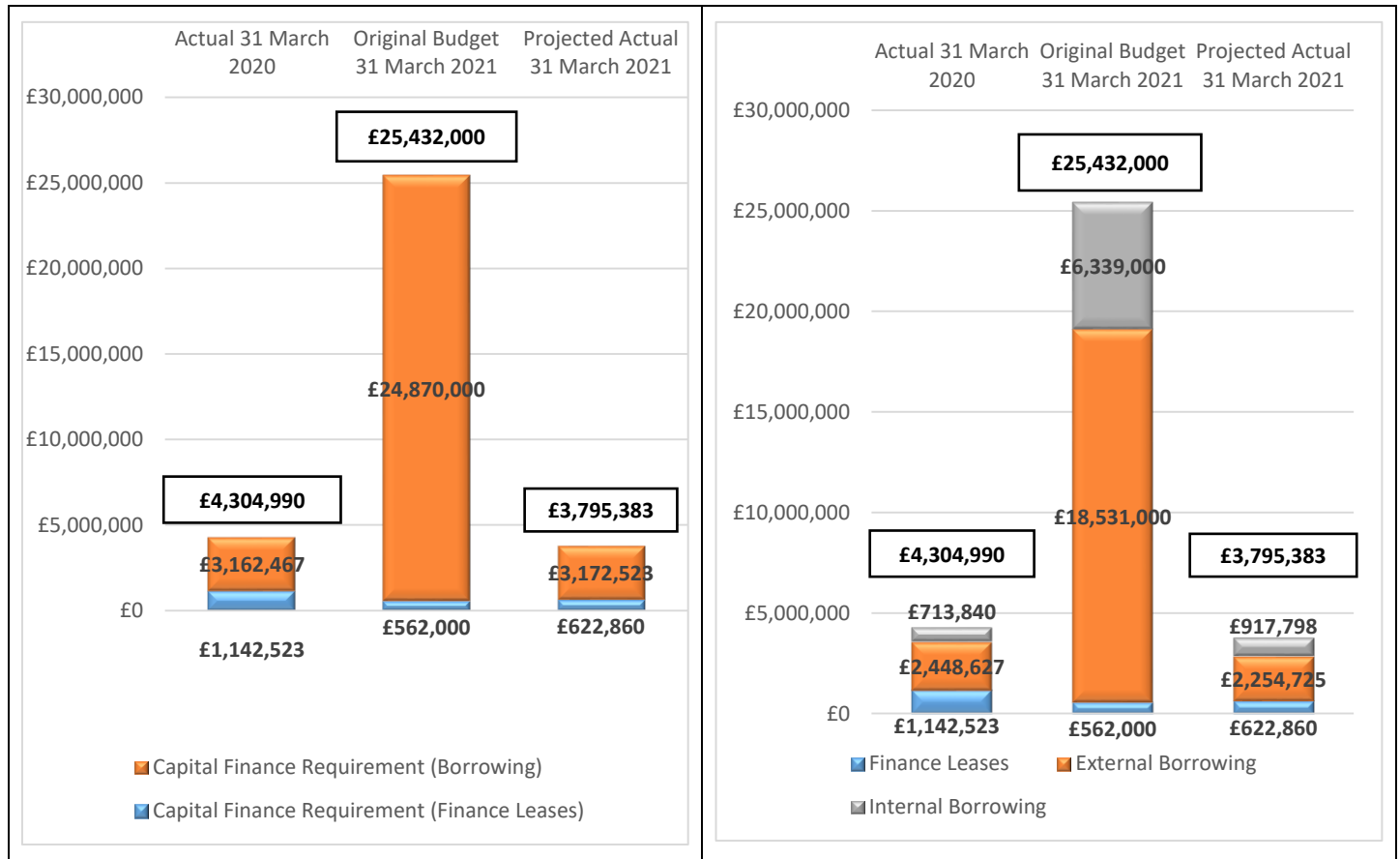
The Funding of the Capital Programme

3.14. The Original Budget, Approved Budget (the Approved Budget takes account of decisions approved by Council on 13 October 2020) and actual sources of funding for the Capital Programme are shown in detail at **APPENDIX A** and below:



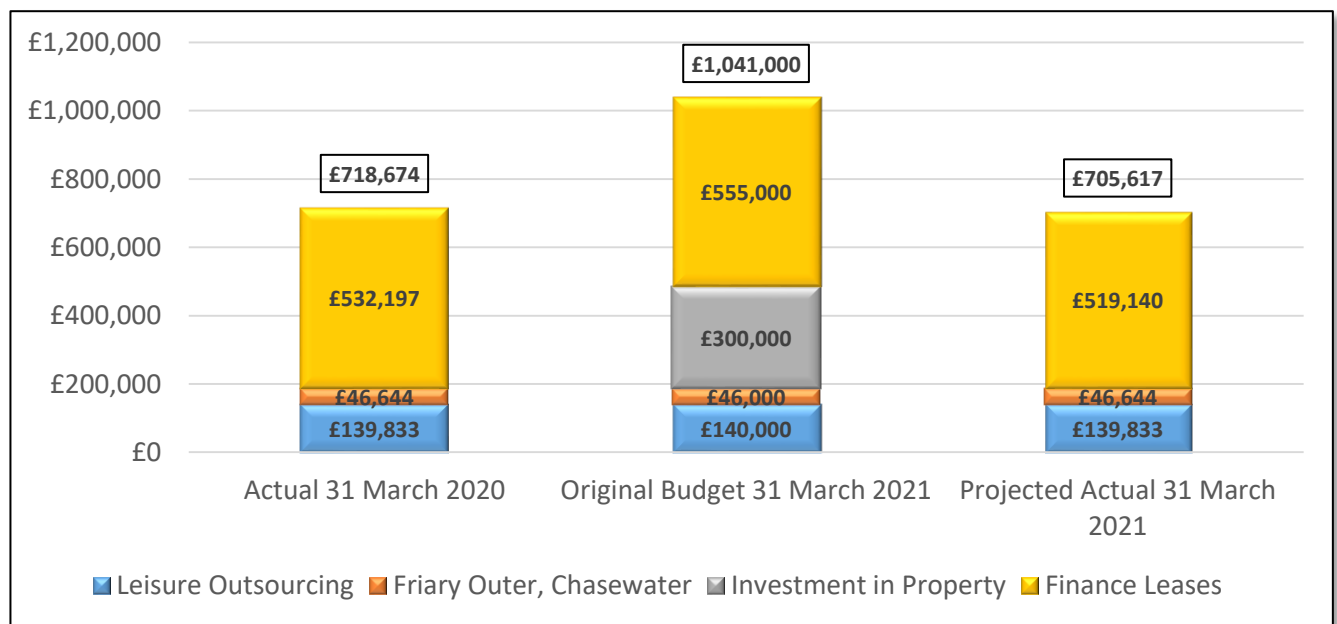
The Capital Financing Requirement (Borrowing Need) and its Financing

3.15. The actual for 2019/20, Original Budget and Projected Actual for 2020/21 of the Borrowing Need together with its financing (taking accounts of decisions approved by Council on 13 October 2020 related to the Investment in Property Project) is shown below:



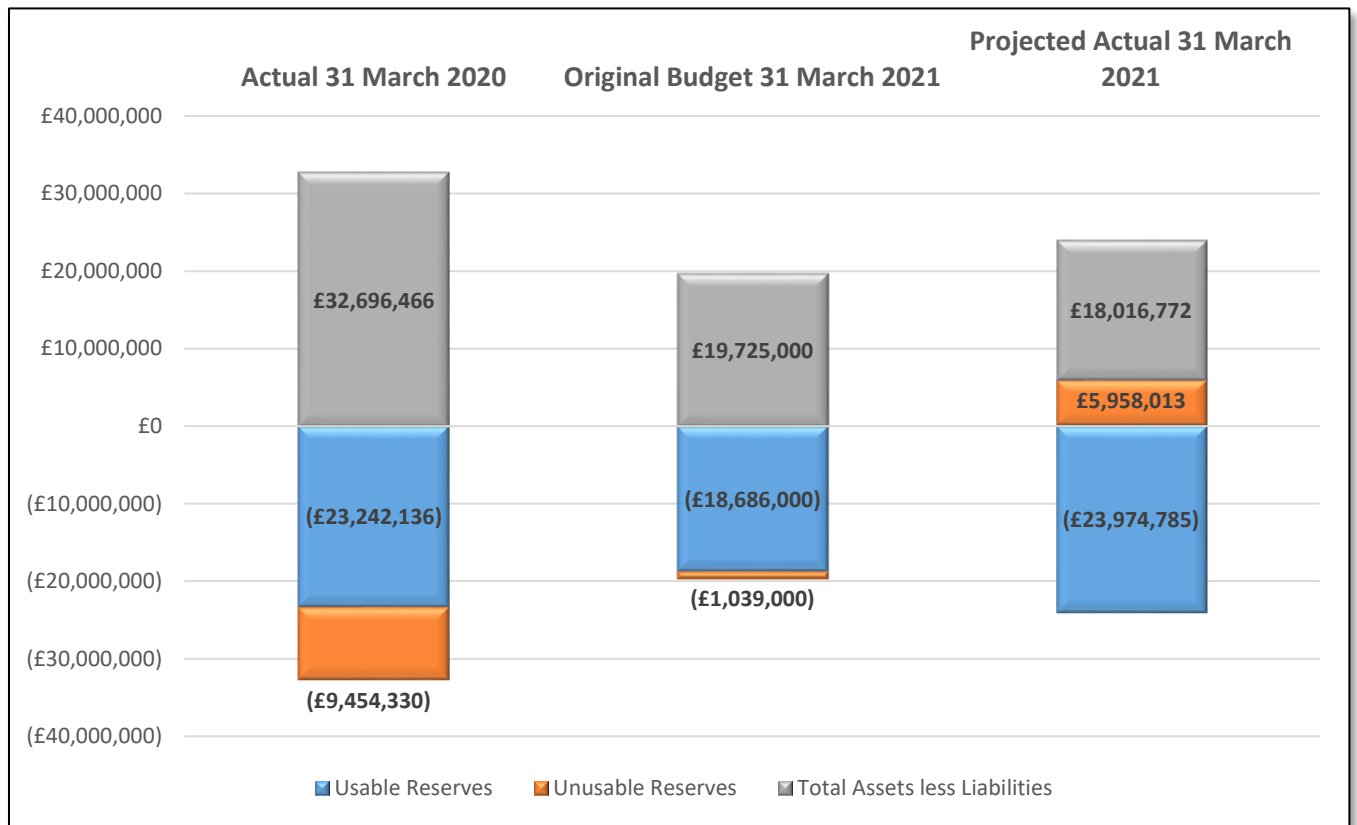
Minimum Revenue Provision in 2020/21

3.16. The Minimum Revenue Provision charged to revenue in 2019/20, the Original Budget for 2020/21 and the projected actual in 2020/21 (taking account of decisions approved by Council on 13 October 2020 related to the Investment in Property project) is shown below:



The Balance Sheet

3.17. The Balance Sheet Projections for 2020/21 compared to the Original Budget are shown in detail at **APPENDIX B** and in summary below:



3.18. The main reasons for the variances between the budgeted and projected Balance Sheet for 2020/21 are:

Total Assets Less Liabilities – lower than the budget by (£1,708,000) (9%)

- Higher investments of **£9,175,000** due to no internal borrowing as a result of the Investment in Property not proceeding.
- Reduction in Investment Property of **(£22,792,000)** and Borrowing of **£16,276,000** due to the Investment in Property capital project not proceeding.
- Working Capital increased by **(£4,052,000)**. This projection reflects the higher than budgeted level in 2019/20 plus a projected increase in debtors to reflect partner's share of the projected Collection fund deficit in 2020/21 due to COVID-19.

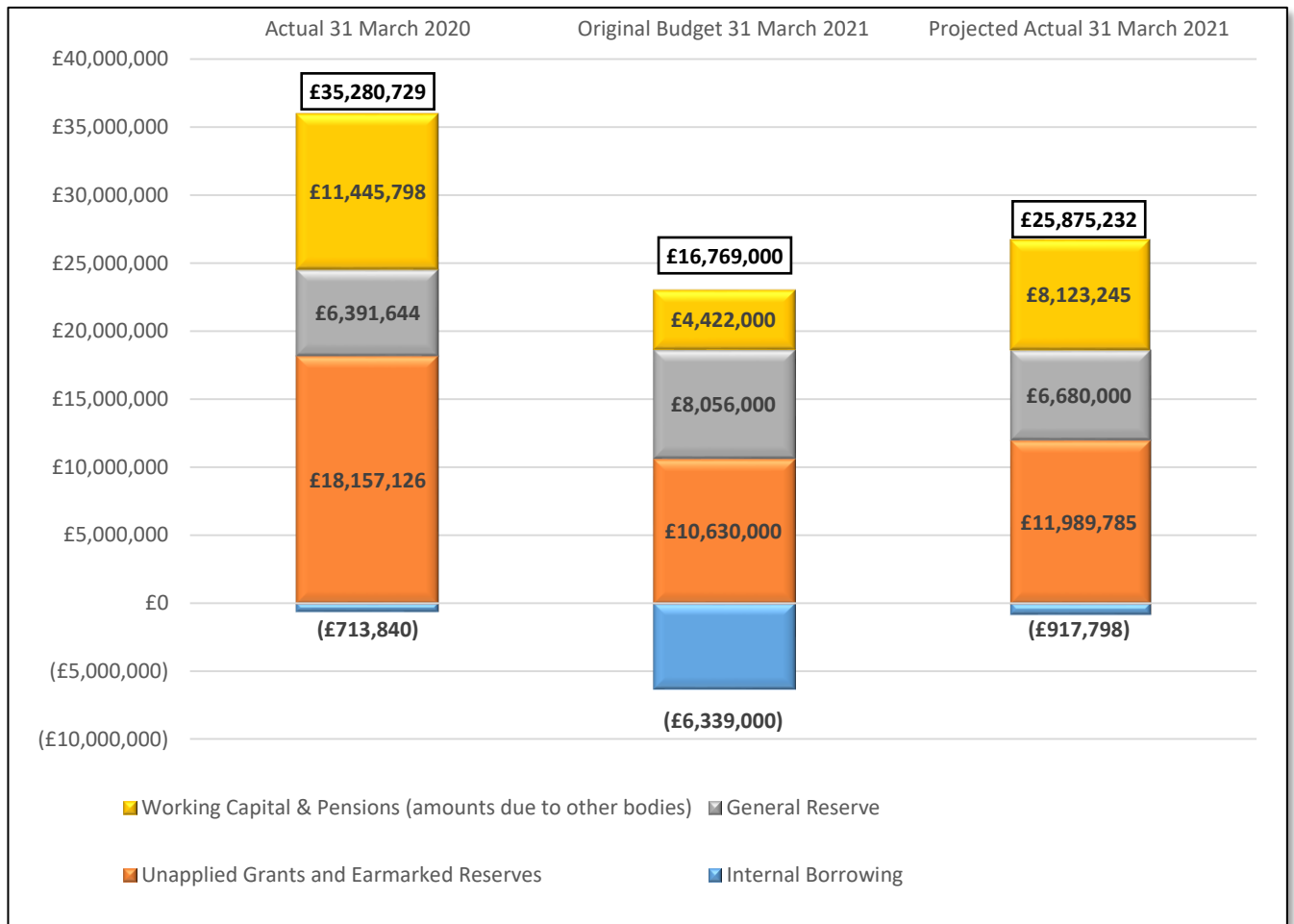
Usable Reserves – higher than budget by £5,289,000 (28%)

- A higher level of unapplied Capital Grants of **(£677,000)** due to higher Community Infrastructure Levy and lower capital spend.
- A higher level of capital receipts of **(£425,000)** due to higher Right to Buy sales and lower spend.
- A decrease in the General Fund Balance of **£1,376,000** this is due to the impact of COVID-19.
- An increase in the level of unrestricted earmarked reserves of **(£5,663,000)** due to an increase in the Business Rate Volatility reserve. This reflects the receipt in 2020/21 of additional grants from Government as compensation for COVID-19 Business Rate Reliefs that will be matched against the Collection Fund deficit in the next three years (see below).

Unusable Reserves – lower than budget by £6,997,000 (674%)

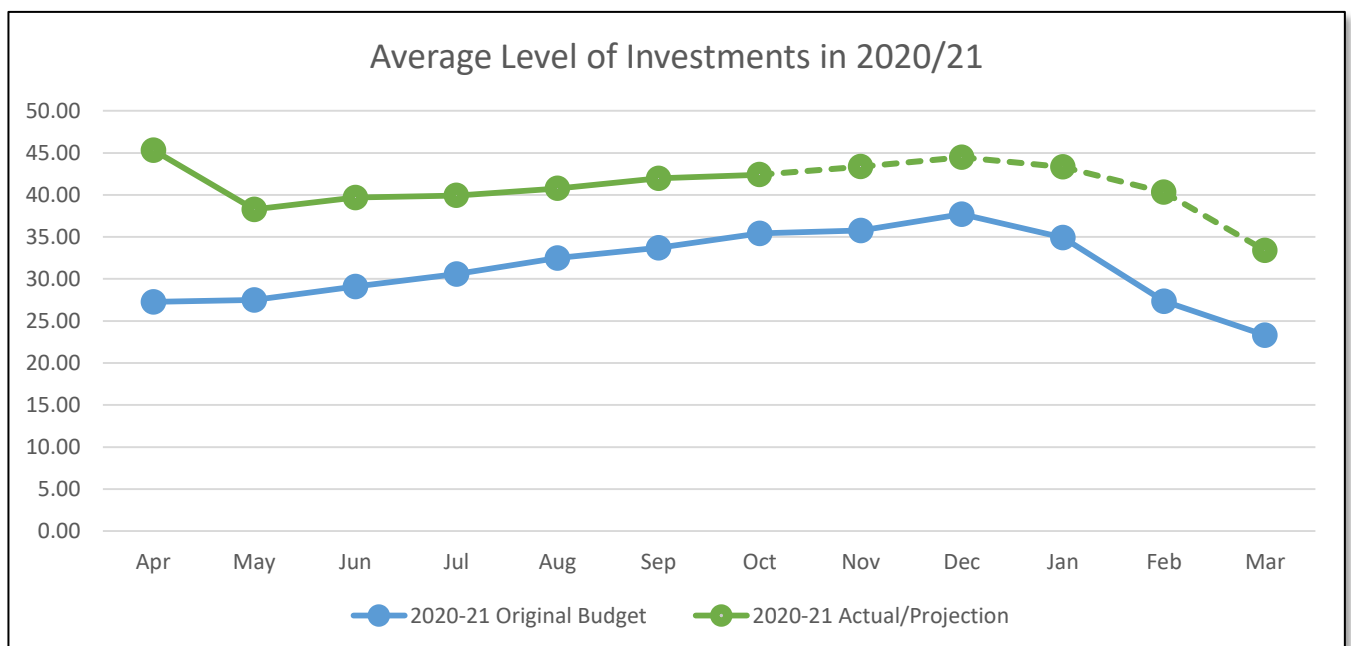
- An increase in the Council's share of the deficit in the Collection Fund reserve of **£5,305,000** due to the impact of COVID-19 that under regulation will impact on the Council's budget over the next three years.

3.19. The actual and Original Budget for investments (excluding financial instruments reserve) and Projected Actual (including financial instruments reserve) sources of cash are shown in the chart below:



Cash Flow Forecasts

3.20. The graph below compares the Original Budget for average investment levels in 2020/21 with the actual/projected levels. The significantly higher balance in April was due to the receipt of grants from the Government to support Business and local Communities.



3.21. Investment income and borrowing costs (taking account of decisions approved by Council on 13 October 2020 related to the Investment in Property project) are shown below:

Treasury Management	2020/21					
	Original Budget		Approved Budget		Projected	
	Investment Income	Borrowing	Investment Income	Borrowing	Investment Income	Borrowing
Average Balance	£31.27m	£10.10m	£38.00m	£2.35m	£41.09m	£2.35m
Average Rate	1.27%	2.68%	0.96%	2.17%	0.84%	2.17%

Gross Investment Income	(£397,000)		(£364,000)		(£346,000)	
Property Fund Transfer to Reserves	£45,000		£30,000		£22,000	
DIF Transfer to Reserves	£15,000		£20,000		£54,000	
External Interest		£273,000		£52,000		£52,000
Internal Interest		£4,000		£4,000		£4,000
Minimum Revenue Provision (less Finance Leases)		£486,000		£187,000		£187,000
Net Treasury Position	(£337,000)	£763,000	(£314,000)	£243,000	(£270,000)	£243,000
	£426,000		(£71,000)		(£27,000)	

Investment Strategy

3.22. The Council undertakes investments for three broad purposes:

- It approves the support of public services by lending or buying shares in other organisations – **Service Investments.**
- To earn investment income – **Commercial Investments.**
- It has surplus cash, as a result of its day to day activities, when income is received in advance of expenditure or where it holds cash on behalf of another body ready for payment in the future – **Treasury Management Investments.**

3.23. The Government has recognised in recent Ministry of Housing, Community and Local Government (MHCLG) guidance, as a result of increased commercial activity, that the principles included in Statutory Guidance requiring that all investments should prioritise security and liquidity over yield must also be applied to service and commercial investments.

3.24. The MHCLG Guidance requires the approval by Council of an Investment Strategy Report to increase the transparency around service and commercial investment activity. The Council approved its Investment Strategy Report on **18 February 2020.**

Service Investments

3.25. There is one approved investment of a service nature and the investment and net return included in the Approved Budget is detailed below:

	Approved Budget				
	2020/21	2021/22	2022/23	2023/24	2024/25
Approved Loan to the Local Authority Company	£675,000	£675,000	£675,000	£675,000	£675,000
Net Income	£0	£4,000	£18,000	£22,000	£22,000
Net Return	0.00%	0.59%	2.67%	3.26%	3.26%
Total Investment	£675,000	£675,000	£675,000	£675,000	£675,000
Total Net Income	£0	£4,000	£18,000	£22,000	£22,000
Net Return	0.00%	0.59%	2.67%	3.26%	3.26%

3.26. To date, the loan to the Local Authority Company has not taken place and therefore the budgeted interest is not being generated.

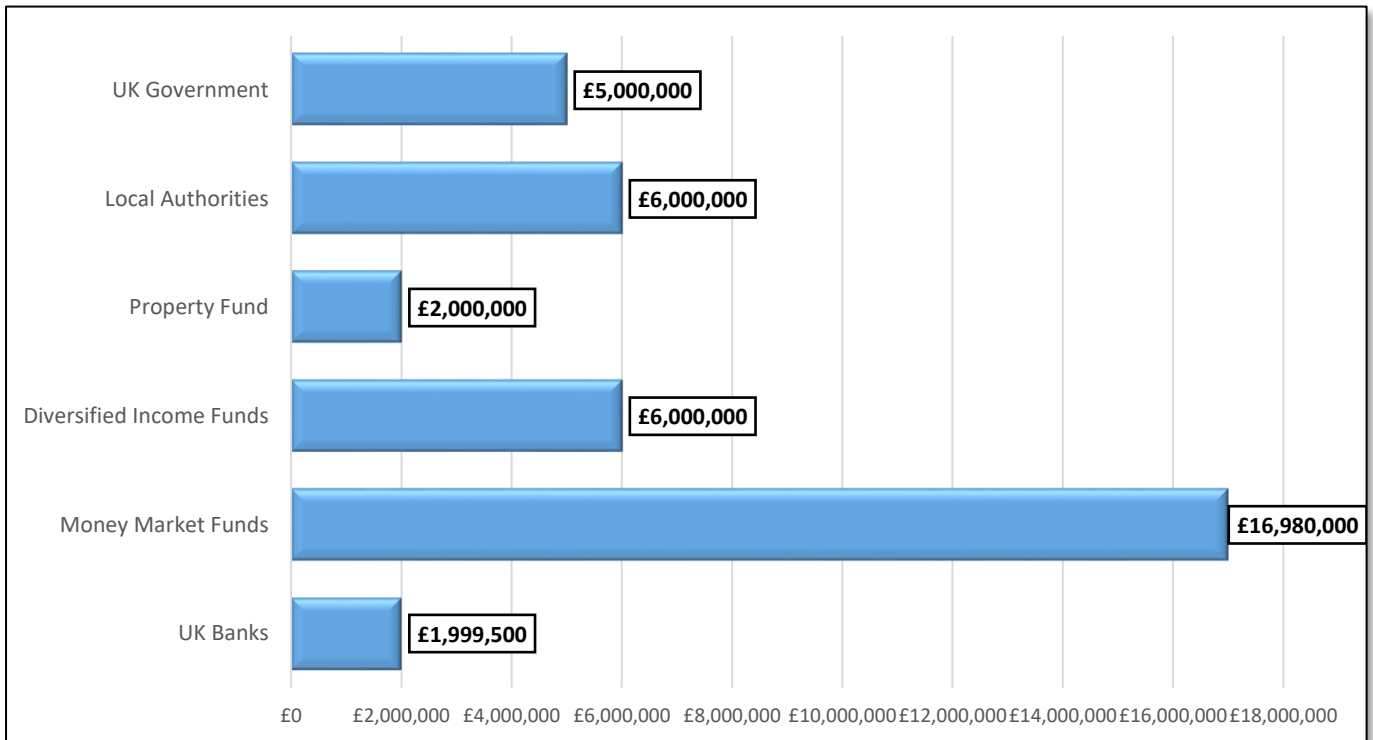
Commercial Investments

3.27. Council on 13 October 2020 approved the removal of all budgets related to Investment in Property and therefore currently there are no commercial investments planned.

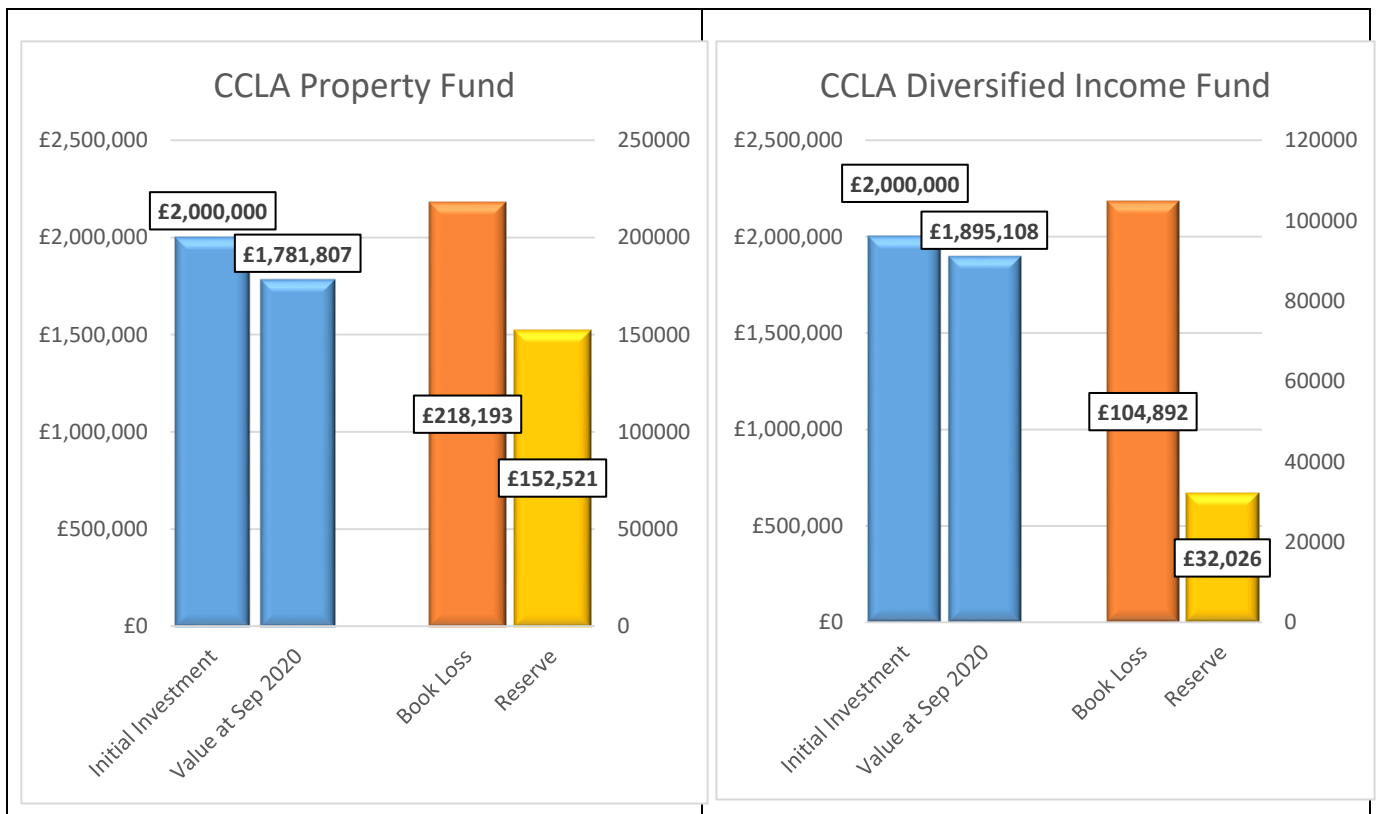
Treasury Management Investments

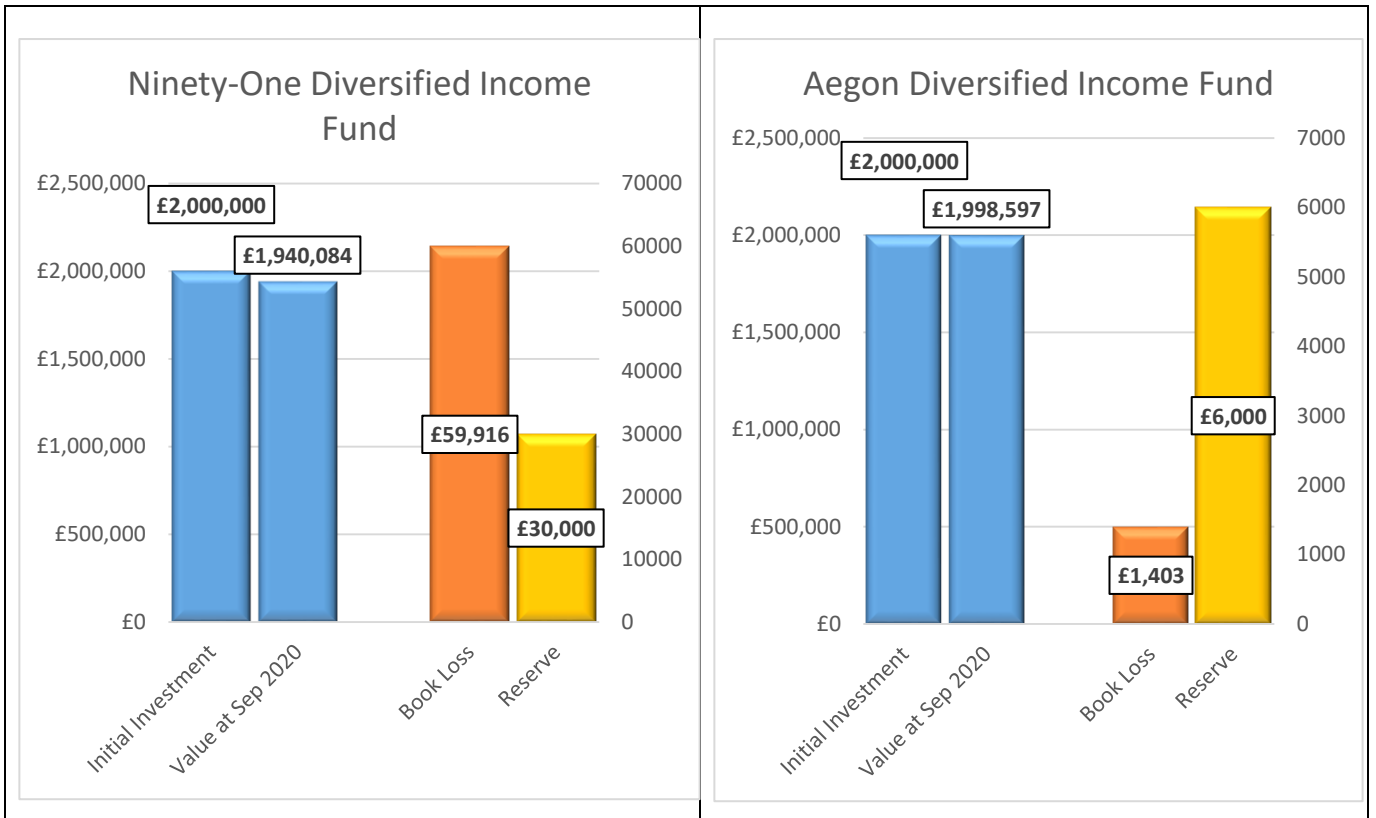
The Security of Our Investments

3.28. The investments the Council had at the 30 September 2020 of £37.98m (with the property and diversified income fund valued at original investment of £2.00m) by type and Country are summarised in the graph below and in more detail at **APPENDIX C**:

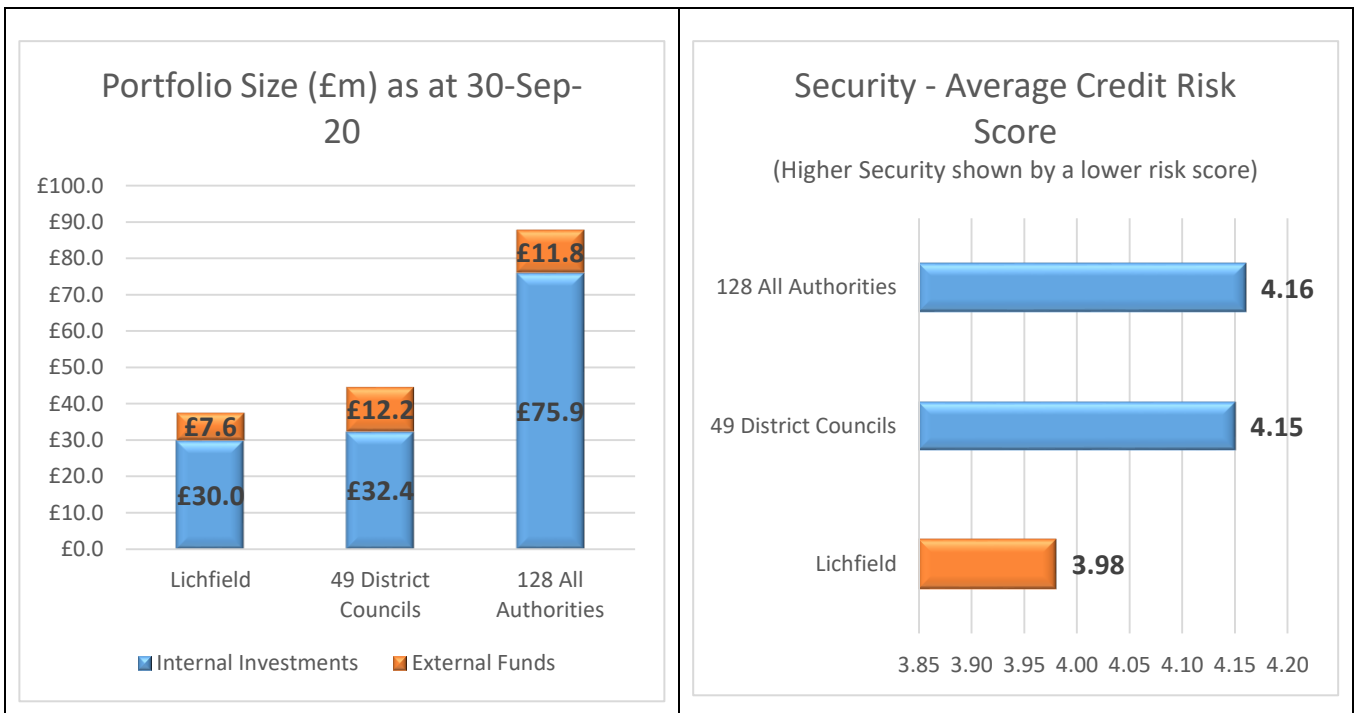


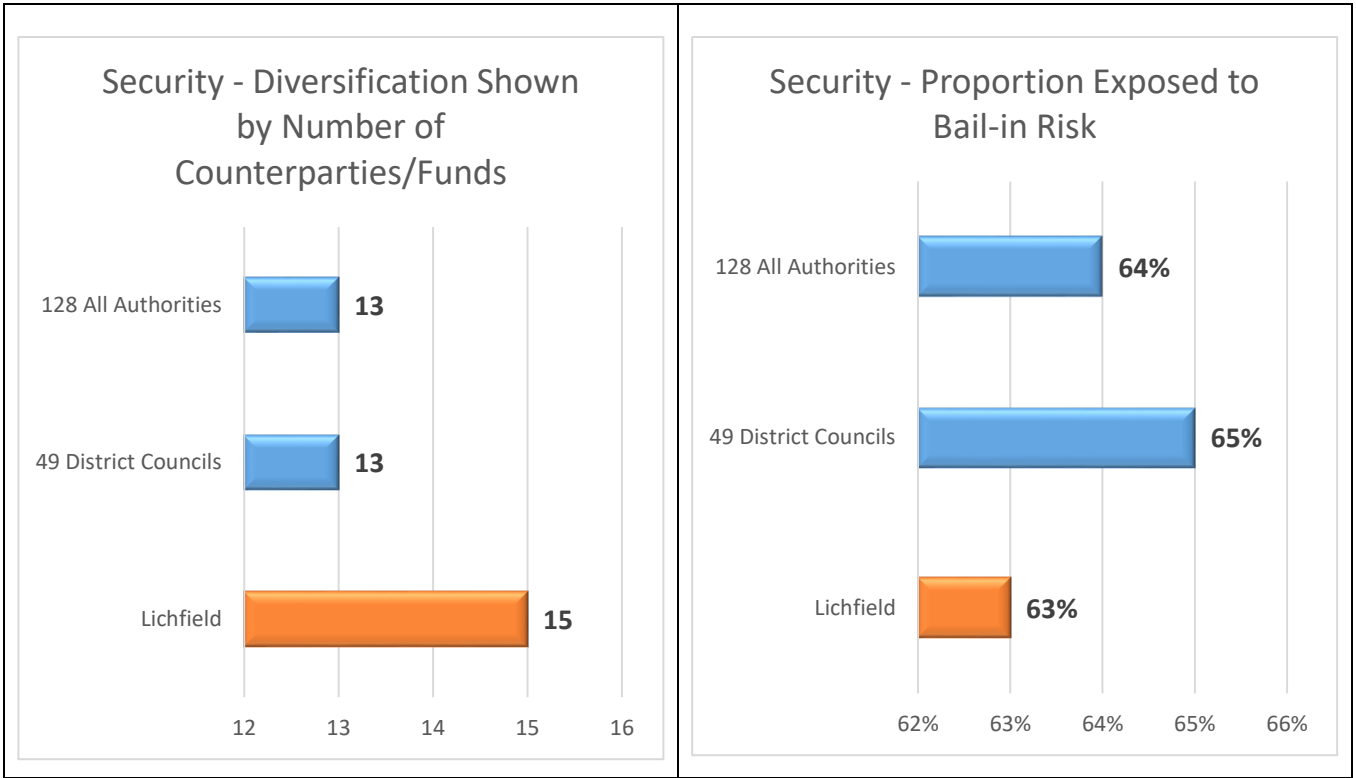
3.29. The current values of the Property Fund and the Diversified Income Fund together with the value of the projected earmarked reserve at the end of 2020/21 intended to offset reductions in value is shown below:



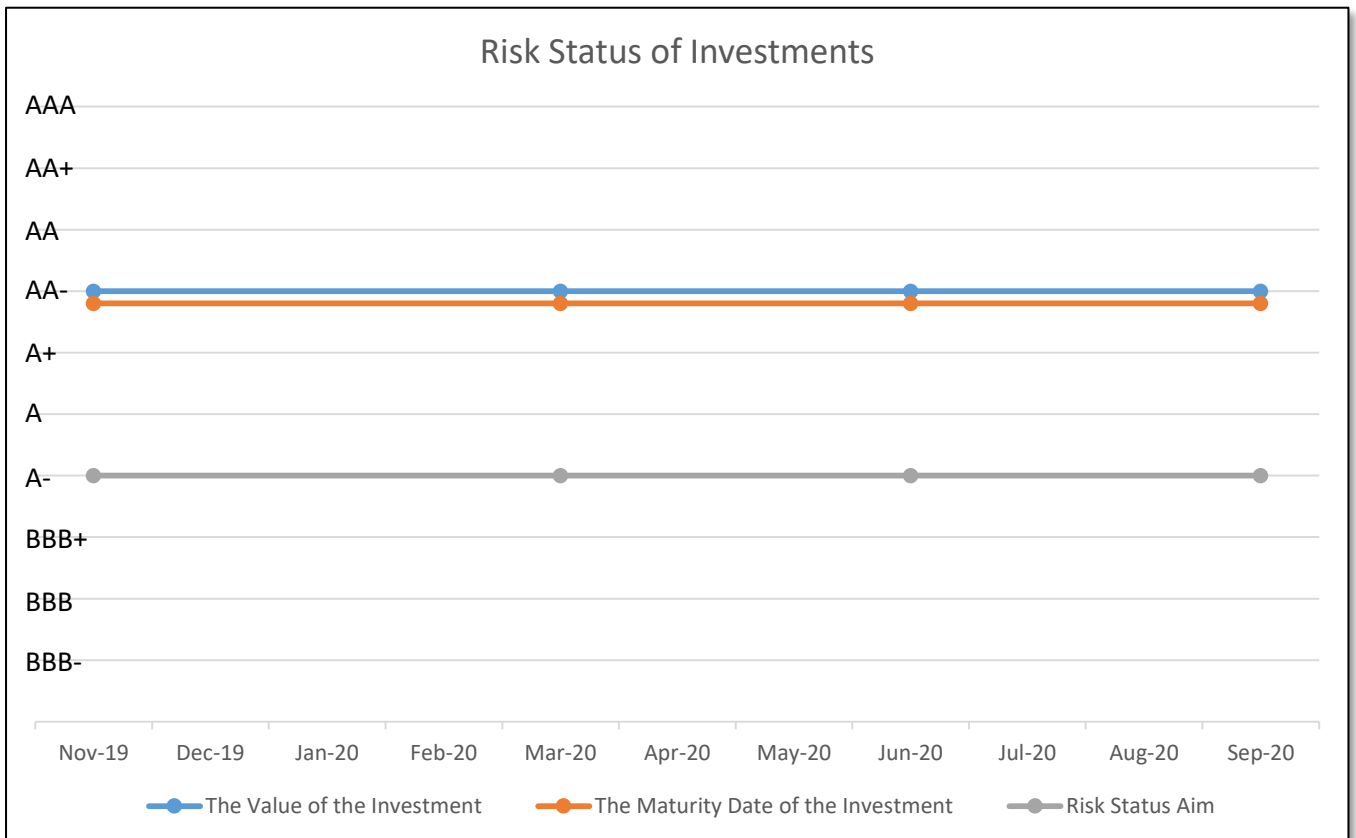


3.31. A comparison of the Council’s portfolio size of **£37.6m** (with the Property and Diversified Income funds valued at their current value of **£7.6m**), average credit score, level of diversification and level of exposure to ‘Bail in’ risk compared to all Arlingclose Clients is shown in the charts below:



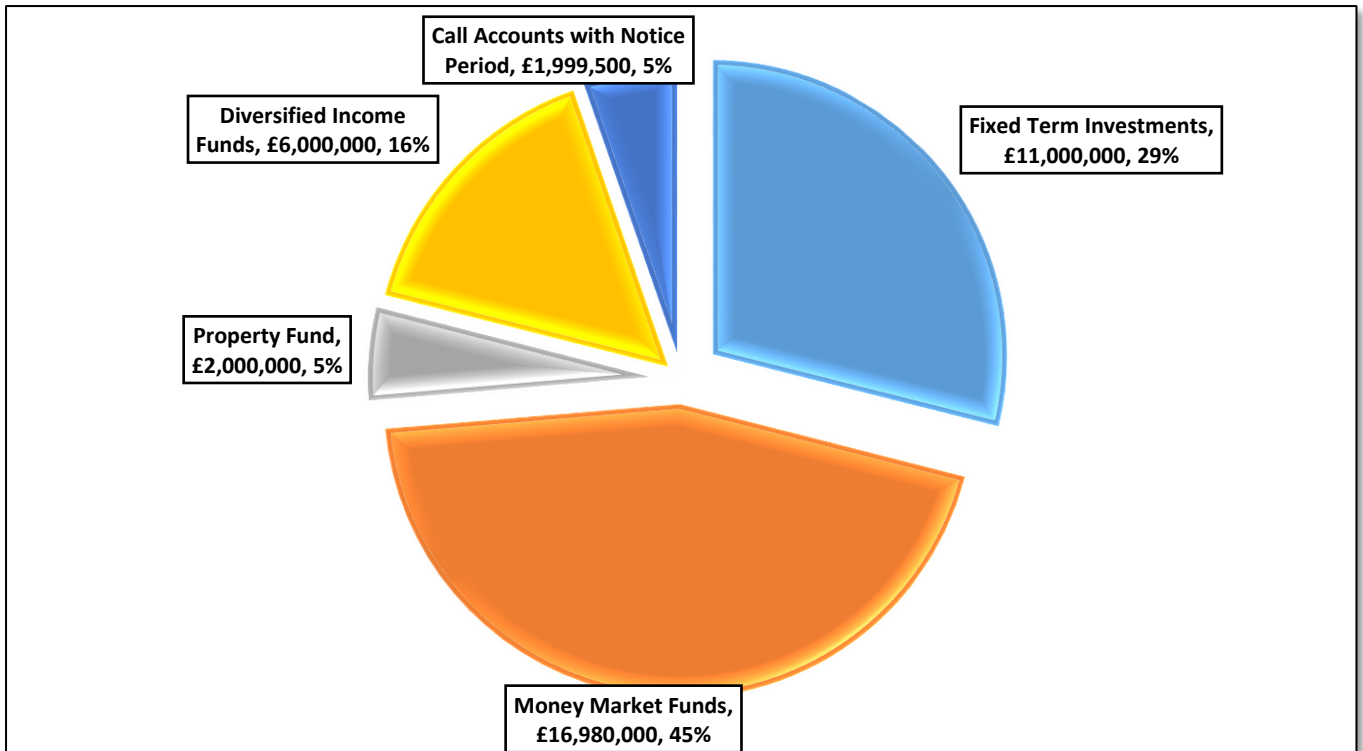


3.32. Our aim for the risk status of our investments was **A-**. The risk status based on the length of the investment and the value for a 12 month period is summarised below:

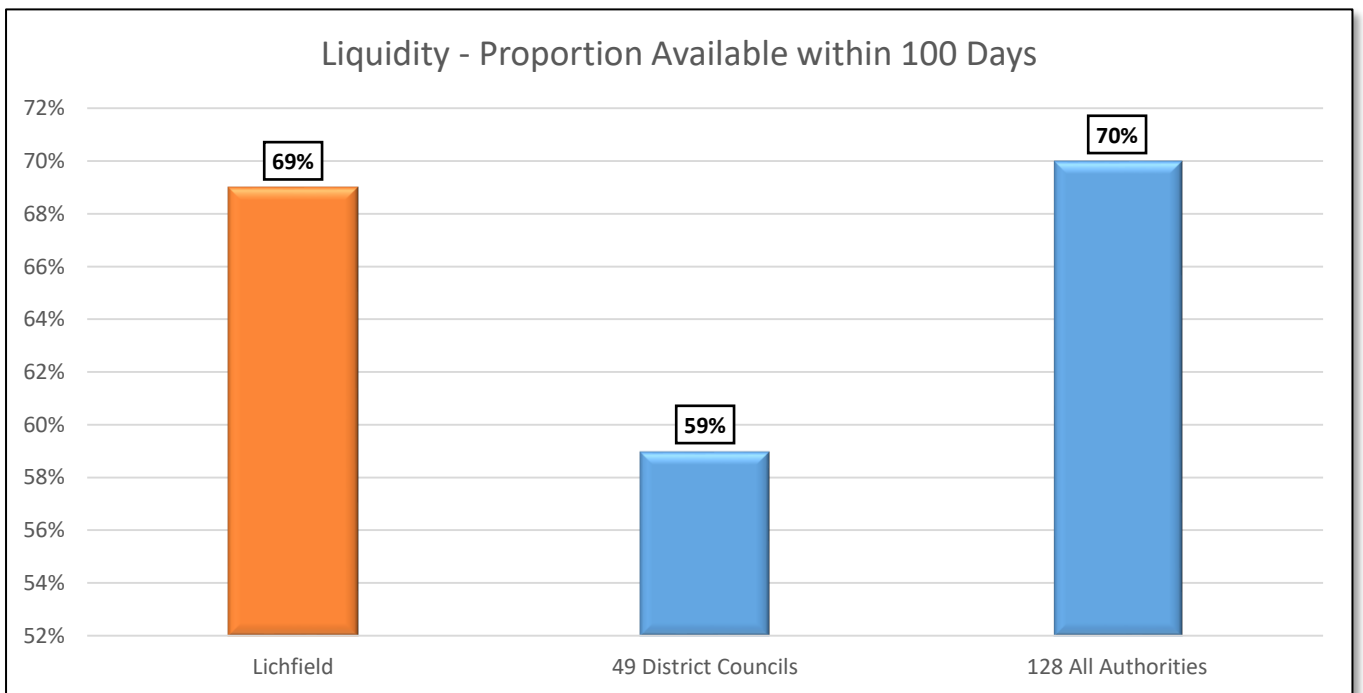


The Liquidity of our Investments

3.33. The Council has had to temporarily borrow during 2020/21 for a few days and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type (with the property and diversified income fund at their original value of £2m) are shown below:

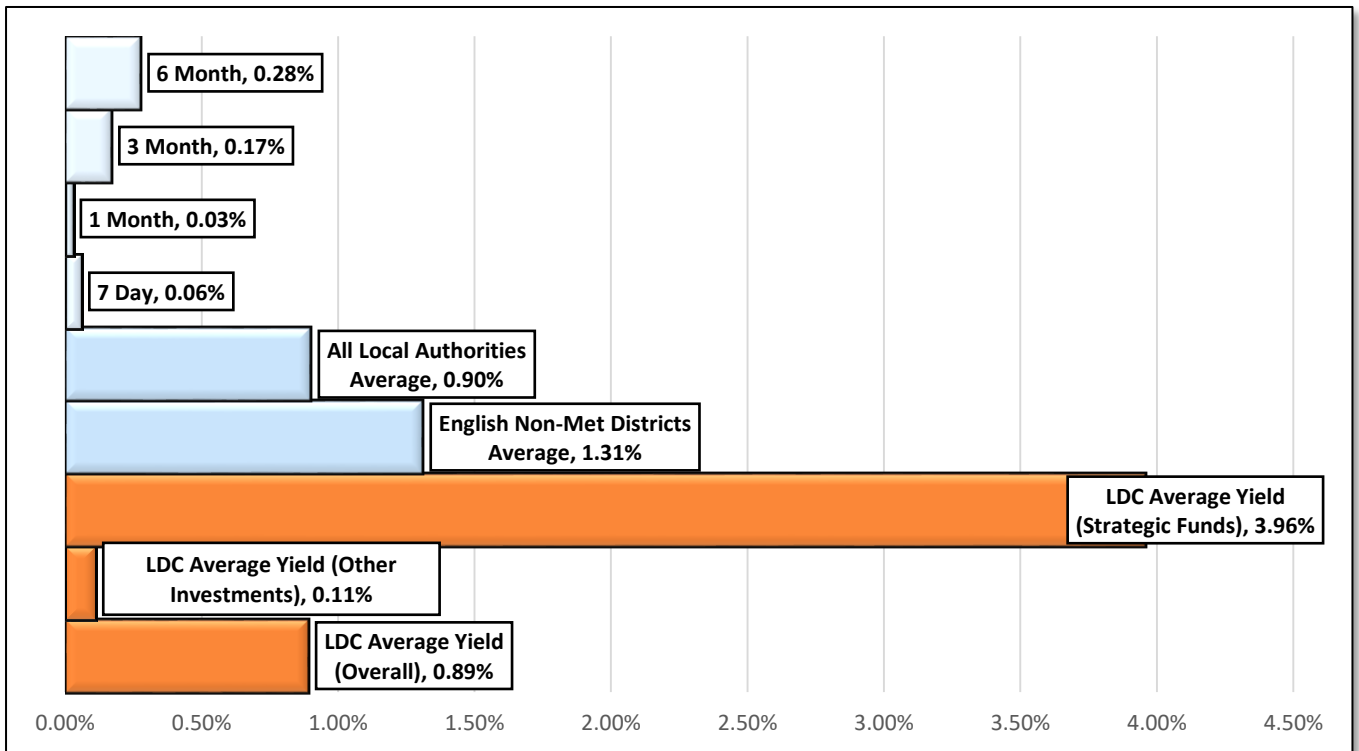


3.34. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:



The Return or Yield of our Investments

3.35. The yield the Council was achieving as at 30 September compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown below:



External Borrowing

3.36. The Council currently has two external loans with the Public Works Loans Board with **£2,352,272** outstanding and these are shown in detail at **APPENDIX C**.

Treasury Management Practices

3.37. The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that Councils adopt all of Treasury Management Practices (TMPs) of the Treasury Management Code.

3.38. This Council formally adopted the TMPs in its meeting on 25 February 2003. These have been regularly updated either through approval by Council where major updates have been necessary or through delegation where minor administrative updates such as job titles have needed to be updated.

3.39. Internal Audit as part of a Treasury Management Audit recommended that these important guiding TMPs (**APPENDIX D**) be reviewed by the Committee prior to seeking the approval by Full Council.

Alternative Options	There are no alternative options.
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Financial Implications

Projected Prudential indicators (PI) 2020/21:

- We can confirm that the Council is compliant with its Prudential Indicators for 2020/21; these were originally approved by Council at its meeting on 11 February 2020 and will be fully revised and approved by Council on 16 February 2021.
- In compliance with the requirements of the CIPFA Code of Practice this report provides members with a Summary Report of the Treasury Management Activity during 2020/21.
- None of the other Prudential Indicators have been breached. The Prudential Indicators are summarised in the table below :

Capital Strategy Indicators				
Prudential Indicators				
Indicators	2019/20 Actual	2020/21 Original	2020/21 Approved	2020/21 Projected
Capital Investment				
Capital Expenditure (£m)	£2.297	£17.751	£7.945	£7.956
Capital Financing Requirement (£m)	£4.305	£25.432	£3.795	£3.795
Gross Debt and the Capital Financing Requirement				
Gross Debt	(£3.592) ²	(£19.091)	(£2.878)	(£2.878)
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No
Total Debt				
Authorised Limit (£m)	£4.315	£31.906	£31.906	£15.404
Operational Boundary (£m)	£4.315	£23.088	£23.088	£6.812
Proportion of Financing Costs to Net Revenue Stream (%)	4%	10%	5%	5%

Local Indicators				
Indicators	2019/20 Actual	2020/21 Original	2020/21 Approved	2020/21 Projected
Replacement of Debt Finance or MRP (£m)	(£0.719)	(£1.041)	(£0.705)	(£0.705)
Capital Receipts (£m)	(£1.005)	(£0.537)	(£0.116)	(£0.207)
Liability Benchmark (£m)	£22.652	(£11.249)	(£13.540)	£13.620
Treasury Management Investments (£m)	£34.550	£16.769	£25.795	£25.875 ³

Treasury Management Indicators				
Prudential Indicators				
	2019/20 Actual	Lower Limit	Upper Limit	2020/21 Projected
Refinancing Rate Risk Indicator				
Under 12 months	7%	0%	100%	9%
12 months and within 24 months	7%	0%	100%	9%
24 months and within 5 years	25%	0%	100%	27%
5 years and within 10 years	33%	0%	100%	30%
10 years and within 20 years	25%	0%	100%	26%
20 years and within 30 years	1%	0%	100%	0%
30 years and within 40 years	0%	0%	100%	0%
40 years and within 50 years	0%	0%	100%	0%
50 years and above	0%	0%	100%	0%

Indicators	2019/20 Actual	2020/21 Original	2020/21 Approved	2020/21 Projected
Principal Sums invested for periods longer than a year (£m)	£6.000	£10.000	£10.000	£10.000

² The figure reported in the Annual Treasury Management Report 2019/20 of (£3.041m) excluded the short term element of finance leases of (£0.551m) this amount was presentational and did not impact compliance with the approved Prudential Indicator.

³ This in year figure excludes the Financial Instruments Reserve.

Local Indicators				
Indicators	2019/20 Actual	2020/21 Original	2020/21 Approved	2020/21 Projected
		£m	£m	£m
Balance Sheet Summary and Forecast				
Borrowing Capital Financing Requirement	£3.162	£24.871	£3.173	£3.173
Internal (over) Borrowing	£0.714	£6.340	£0.918	£0.918
Investments (or New Borrowing)	(£34.550)	(£16.093)	(£25,795)	(£25.875) ⁴
Liability Benchmark	(£22.652)	£11.249	(£13,540)	(£13.620)
	2019/20 Actual	2020/21 Target	2020/21 Actual	
Security				
Portfolio average credit rating	AA-	A-	AA-	
Liquidity				
Temporary Borrowing undertaken	£0.000	£0.000	£3.000	
Total Cash Available within 100 days (maximum)	68%	90%	69%	

Contribution to the Delivery of the Strategic Plan	The MTFS underpins the delivery of the Strategic Plan.
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Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
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Crime & Safety Issues	There are no additional Crime and Safety Issues.
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Environmental Impact	There are no additional Environmental Impacts.
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GDPR/Privacy Impact Assessment	There are no GDPR/Privacy Impact Assessment Issues.
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	Risk Description	How We Manage It	Severity of Risk
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance.			
A	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	To closely monitor the level of appeals. An allowance of 4.7% (in line with the MHCLG Allowance) for appeals has been included in the Business Rate Estimates.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
B	The review of the New Homes Bonus regime	Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2021/22 £500,000 is included and this is then being reduced by £100,000 per annum.	Likelihood : Red Impact : Yellow Severity of Risk : Yellow
C	The increased Localisation of Business Rates and the Fair Funding Review in 2022/2023	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Likelihood : Red Impact : Red Severity of Risk : Red
D	The affordability and risk associated with the Capital Strategy	An estates management team has been recruited to provide professional expertise and advice in relation to investment in property and to continue to take a prudent approach to budgeting.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.			
E	The financial impact of COVID-19 is not fully reimbursed by Government and exceeds the reserves available resulting in a Section 114 notice	The use of general and earmarked reserves to fund any shortfall	Likelihood : Green Impact : Red Severity of Risk : Yellow

⁴ This in year figure excludes the Financial Instruments Reserve.

	Risk Description	How We Manage It	Severity of Risk
F	The Council cannot achieve its approved Delivery Plan for 2020/21	There will need to be consideration of additional resourcing and/or reprioritisation to reflect the impact of the pandemic.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
G	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	The MTFS will be updated through the normal review and approval process	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
H	Government and Regulatory Bodies introduce significant changes to the operating environment	To review all proposed policy changes and respond to all consultations to influence outcomes in the Council's favour	Likelihood : Green Impact : Yellow Severity of Risk : Yellow

Background documents

- CIPFA Code of Practice for Treasury Management in the Public Services
- The Prudential Code for Capital Finance in Local Authorities
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2019-24 – Cabinet 11 February 2020.
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2019-24 – Council 18 February 2020.
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 2 June 2020.
- The Medium Term Financial Strategy and the projected financial impact of the COVID-19 Pandemic – Cabinet 7 July 2020.
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 8 September 2020.
- Medium Term Financial Strategy 2020-25 – Cabinet 6 October 2020.

Relevant web links

Capital Programme 2020/21

Project	Original Budget	Approved Budget	Actual to Date	Projected Actual	Variance
New Build Parish Office/Community Hub	92,000	92,000	0	92,000	0
Armitage with Handsacre Village Hall storage	6,000	6,000	0	6,000	0
Armitage War Memorial and surrounding area	120,000	120,000	0	120,000	0
Canopy and installation of artificial grass at Armitage	0	3,000	0	3,000	0
Burntwood LC CHP Unit	0	223,000	145,886	223,000	0
King Edwards VI School	0	101,000	0	101,000	0
Friary Grange - Short Term Refurbishment	521,000	640,000	34,706	640,000	0
Replacement Leisure Centre	164,000	195,000	31,000	195,000	0
St. Stephen's School, Fradley	0	22,000	0	22,000	0
Gym Equipment at Burntwood Parks	0	34,000	34,000	34,000	0
Accessible Homes (Disabled Facilities Grants)	1,698,000	1,100,000	368,591	1,100,000	0
Home Repair Assistance Grants	15,000	36,000	3,365	36,000	0
Decent Homes Standard	172,000	172,000	0	172,000	0
Energy Insulation Programme	10,000	48,000	0	48,000	0
DCLG Monies	212,000	212,000	0	212,000	0
Affordable Housing Monies	414,000	684,000	75,000	684,000	0
Enabling People Total	3,424,000	3,688,000	692,548	3,688,000	0
Darnford Park	13,000	13,000	0	13,000	0
Canal Towpath Improvements (Brereton & Ravenhill)	0	36,000	0	36,000	0
Loan to Council Dev Co.	675,000	675,000	0	675,000	0
Lichfield St Johns Community Link	35,000	35,000	0	35,000	0
Staffordshire Countryside Explorer	44,000	44,000	0	44,000	0
Equity in Council Dev Co.	0	225,000	225,000	225,000	0
Bin Purchase	150,000	150,000	0	150,000	0
Vehicle Replacement Programme (Waste)	0	0	0	22,000	22,000
Vehicle Replacement Programme (Other)	56,000	44,000	0	43,000	(1,000)
Upper St John St & Birmingham Road	0	7,000	0	7,000	0
Stowe Pool Improvements	50,000	50,000	56,820	50,000	0
The Leomansley Area Improvement Project	0	3,000	0	3,000	0
Cannock Chase SAC	22,000	51,000	31,237	51,000	0
Shaping Place Total	1,045,000	1,333,000	313,057	1,354,000	21,000
Multi Storey Car Park Refurbishment Project	0	300,000	0	300,000	0
Coach Park	625,000	1,475,000	(6,178)	1,475,000	0
Birmingham Road Site - Short Term Redevelopment	0	222,000	170,203	222,000	0
Vehicle Replacement Programme (Car Parks)	0	10,000	0	0	(10,000)
Car Parks Variable Message Signing	0	32,000	0	32,000	0
Old Mining College - Refurbish access and signs	0	13,000	0	13,000	0
St. Chads Sculpture (Lichfield City Art Fund)	0	5,000	0	5,000	0
Developing Prosperity Total	625,000	2,057,000	164,025	2,047,000	(10,000)
Property Investment	11,500,000	0	0	0	0
Property Planned Maintenance	125,000	229,000	3,701	229,000	0
New Financial Information System	250,000	150,000	0	150,000	0
Depot Sinking Fund	11,000	0	0	0	0
IT Infrastructure	55,000	154,000	14,538	154,000	0
IT Cloud	100,000	0	0	0	0
ICT Hardware	202,000	4,000	0	4,000	0
IT Innovation	250,000	280,000	42,248	280,000	0
District Council House Repair Programme	164,000	50,000	0	50,000	0
Good Council Total	12,657,000	867,000	60,487	867,000	0
Approved Budget	17,751,000	7,945,000	1,230,117	7,956,000	11,000
Capital Receipts	1,402,000	1,086,000		1,086,000	0
Corporate Revenue	182,000	182,000		182,000	0
Borrowing Need - Borrowing and Finance Leases	11,664,000	195,000		195,000	0
Capital Grants and Contributions	3,287,000	3,491,000		3,609,000	118,000
Reserves, Existing Revenue Budgets and Sinking Funds	1,216,000	2,991,000		2,884,000	(107,000)
Capital Programme Total	17,751,000	7,945,000		7,956,000	11,000

Balance Sheet Projections

	2019/20 Actual £000s	2020/21 Original £000s	2020/21 Projected £000s	2020/21 Variance £000s
Non-Current Assets	46,000	72,087	47,841	(24,246)
Equity Investment in Local Authority Company	0	225	225	0
Long Term Debtors	141	288	141	(147)
Long Term Debtors (Company Loan)	0	675	675	0
Investments	34,737	16,701	25,875	9,175
Borrowing	(2,449)	(18,531)	(2,255)	16,276
Finance Leases	(1,143)	(561)	(623)	(62)
Working Capital	(11,872)	(7,212)	(11,263)	(4,052)
Pensions	(32,718)	(43,948)	(42,600)	1,348
TOTAL ASSETS LESS LIABILITIES	32,696	19,725	18,017	(1,708)
<u>Unusable Reserves</u>				
Revaluation Reserve	(9,425)	(9,419)	(9,425)	(6)
Capital Adjustment Account	(32,269)	(38,137)	(35,521)	2,617
Deferred Credits	(47)	(47)	(47)	0
Pension Scheme	32,718	46,278	44,930	(1,348)
Benefits Payable During Employment Adjustment Account	332	219	332	113
Collection Fund	(1,307)	0	5,305	5,305
Financial Instruments Reserve	544	68	384	316
<u>Usable Reserves</u>				
Unapplied Grants and Contributions	(2,938)	(994)	(1,578)	(584)
Usable Capital Receipts	(2,673)	(1,394)	(1,794)	(400)
Sinking Funds	(248)	(25)	(25)	0
<u>Earmarked Reserves - Unrestricted</u>				
Leisure VAT Claim	(897)	(302)	(355)	(53)
Business Rates Volatility Reserve	(1,429)	(1,531)	(7,114)	(5,583)
Birmingham Road Site	(568)	(239)	(374)	(135)
Business Rates Pilot	(585)	0	(28)	(28)
Other	(3,316)	(2,254)	(2,211)	43
<u>Earmarked Reserves - Restricted</u>				
Three Spires Multi Storey	(2,386)	(2,281)	(2,166)	115
Other Earmarked Reserves - Restricted	(1,811)	(1,610)	(1,650)	(40)
General Fund Balance	(6,392)	(8,056)	(6,680)	1,376
TOTAL EQUITY	(32,696)	(19,725)	(18,017)	1,708
Capital Funding	(32,269)	(38,137)	(35,521)	2,617
Revaluation Reserve	(9,425)	(9,419)	(9,425)	(6)
Borrowing and Leasing	(3,591)	(19,091)	(2,878)	16,214
Non-Current Assets	46,000	72,312	48,066	(24,246)
Investments	34,737	16,769	25,875	9,106
Unapplied Grants & Earmarked Reserves	(16,850)	(10,630)	(17,295)	(6,665)
General Reserve	(6,392)	(8,056)	(6,680)	1,376
Long Term Debtors	141	288	141	(147)
Long Term Debtors (Company Loan)	0	675	675	0
Working Capital & Pensions	(12,350)	(4,710)	(2,958)	1,752
Balance Sheet Summary Total	0	0	0	0
Internal Borrowing	715	6,339	918	(5,422)
Capital Financing Requirement (Borrowing)	3,163	24,645	3,173	(21,472)
Working Capital, Pensions and Long Term Debtors	(12,572)	(4,710)	(2,817)	1,893
Usable Reserves	(23,242)	(18,686)	(23,975)	(5,289)
Minimum Level of Investments	10,000	10,000	10,000	0
Liability Benchmark	(22,652)	11,249	(13,620)	(24,869)

Investments in the 2020/21 Financial Year

The table below shows a breakdown of our investments at the 30 September 2020:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
Money Market Funds						
Invesco Aim	£4,000,000	01-Oct-20	Instant Access	0.04%	0	N/A
Blackrock Institutional	£3,740,000	01-Oct-20	Instant Access	0.01%	0	N/A
Legal & General	£4,000,000	01-Oct-20	Instant Access	0.05%	0	N/A
Federated	£1,240,000	01-Oct-20	Instant Access	0.01%	0	N/A
Aberdeen	£4,000,000	01-Oct-20	Instant Access	0.09%	0	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	3.63%	N/A	No
Ninety-One Diversified Income Fund	£2,000,000	N/A	N/A	3.89%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	3.26%	N/A	No
Kames Diversified Income Fund	£2,000,000	N/A	N/A	2.57%	N/A	No
Fixed Term Investments						
Surrey Heath Borough Council	£2,000,000	15-Dec-20	76	0.80%	LOCAL	No
Monmouthshire Council	£2,000,000	28-Jun-21	271	0.25%	LOCAL	No
Debt Management Office	£5,000,000	19-Oct-20	19	0.01%	UK Government	No
Conwy County Borough Council	£2,000,000	30-Jun-21	273	0.15%	LOCAL	No
Call Accounts with Notice Period						
Lloyds	£1,000,000	03-Jan-21	95	0.10%	A+	No
HSBC	£999,500	31-Oct-20	31	0.20%	A+	No
Total Investments	£37,979,500					

External Borrowing

The Council currently has two external loans:

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Equal Instalment of Principal (EIP)	£1,217,600	2.59%	19.5	(£278,650)
PWLB Fixed Annuity	£1,134,672	1.71%	7.7	(£84,922)
TOTAL PWLB	£2,352,272	2.17%	13.8	(£363,572)
Lender Option Borrower Option (LOBO) Loans	£0	-	-	£0
Other Loans	£0	-	-	£0
TOTAL BORROWING	£2,352,272	2.17%	13.8	(£363,572)

Treasury Management Practices

TMP 1: RISK MANAGEMENT

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The Head of Finance & Procurement will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in **TMP6 Reporting requirements and management information arrangements**.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below.

- 1) **Credit and Counterparty Risk Management:** Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital and revenue resources.

Principle: The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques, and listed in the schedule. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

- 2) **Liquidity Risk Management:** Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

Principle : The Head of Finance & Procurement will ensure the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme.

- 3) **Interest Rate Risk Management:** Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

Principle: The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

- 4) **Exchange Rate Risk Management:** The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

Principle: The Council will manage its exposure to fluctuations in exchange rates so as to minimize any detrimental impact on its budgeted income/expenditure levels.

- 5) **Inflation Risk Management:** The chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation

Principle: The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

- 6) **Refinancing Risk Management:** The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

Principle: The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

- 7) **Legal and Regulatory Risk Management:** The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

Principle: The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

- 8) **Fraud, Error and Corruption, and Contingency Management:** This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.

Principle: The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

- 9) **Price Risk Management:** This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

Principle: This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP 2: PERFORMANCE MEASUREMENT

Principle: The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

CIPFA supports the use of risk benchmarks in measuring treasury management performance.

TMP 3: DECISION-MAKING AND ANALYSIS

Principle: The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issued relevant to those decisions were taken into account at the time.

The guidance on decision making states that relevant due diligence should take place on all transactions. In respect of investment decisions, the Council should consider the risks to capital and returns and the implications for the Council's future plans and budgets.

TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Principle: The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in **TMP1 Risk Management**.

The consideration of skills and experience is particularly critical where organisations request to be treated as professional clients under MIFID II. Designation under MIFID II should be endorsed by the treasury management strategy and regularly reviewed to ensure that designation remains appropriate.

TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

Principle : The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the

recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Head of Finance & Procurement will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Financial Analyst will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Financial Analyst will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule below.

The Financial Analyst will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.

The delegations to the Head of Finance & Procurement in respect of treasury management are set out in the schedule below. The Head of Finance & Procurement will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Principle: The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Cabinet will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The Cabinet will receive regular monitoring reports on treasury management activities and risks.

The Audit & Member Standards Committee will have responsibility for the scrutiny of treasury management policies and practices.

TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

Principle : The Head of Finance & Procurement will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with **TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques**. The form which the Council's budget will take is set out in the schedule below.

The Head of Finance & Procurement will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with **TMP6 Reporting requirements and management information arrangements**.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council's accounts is set out below.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP 8: CASH AND CASH FLOW MANAGEMENT

Principle: Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Head of Finance & Procurement, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Financial Analyst will ensure that these are adequate for the purposes of monitoring compliance with **TMP1 [2] liquidity risk management**.

TMP 9: MONEY LAUNDERING

Principle : The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP 10: TRAINING AND QUALIFICATIONS

Principle: The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Financial Analyst will recommend and implement the necessary arrangements.

The Head of Finance & Procurement will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

Principle: The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over

reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

TMP 12: CORPORATE GOVERNANCE

Principle: The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key recommendations of the Treasury Management Code of Practice. This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and the Head of Finance & Procurement will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

TMP 13 - INVESTMENTS THAT ARE NOT PART OF TREASURY MANAGEMENT ACTIVITY

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all its investments are covered in the Capital Strategy, investment strategy or equivalent, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investment, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

The Council recognises that many of the principles underlying TMPs 1 to 12 will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly. A published schedule has been agreed by full council that sets out the investment practices for non-treasury investments and this will be complied with by all officers or agencies responsible for such investments.

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The CIPFA Financial Management Code

Cabinet Member for Finance, Procurement, Customer Services and Revenues
& Benefits



Date:	12 November 2020
Agenda Item:	5
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	No
Local Ward Members	Full Council

**Audit and
Member
Standards
Committee**

1. Executive Summary

- 1.1 Local government finance in the UK has been governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, was not supported by a professional code.
- 1.2 This situation changed when, in December 2019, CIPFA published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management.
- 1.3 The standards have different practical applications according to the size and different circumstances of individual authorities and their use locally should reflect this. The principle of proportionality applies to the FM Code and reflects a non-prescriptive approach to how each standard is met.

2. Recommendations

- 2.1 The Committee notes:
 - The publication of the FM Code and the requirement for it to be applied from 1 April 2020.
 - That the first year, 2020/21, is a shadow year where local authorities are able to demonstrate that they are working towards full implementation which, for the first full year of compliance, will be 2021/22.
 - That an initial assessment has been carried out at **APPENDIX A** of the Council's assessed level of compliance compared to the Standards contained in the FM Code.

3. Background

- 3.1. The driver for the FM Code was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future.
- 3.2. The FM Code acknowledges that there is much good practice across the sector, but the failures of a small number threatens stakeholders' confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.
- 3.3. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities.

- 3.4. Lichfield District Council responded to the consultation on the draft FM Code on 26 April 2019, and following the completion of the consultation exercise, the draft FM Code was updated and refined with the final version published in December 2019.
- 3.5. The purpose of the FM Code itself is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. A series of financial management standards set out the professional standards needed if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with it as one of their professional obligations.
- 3.6. While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability. Short-termism runs counter to both sound financial management and sound governance.
- 3.7. Reflecting on the importance of longer term financial planning, one of the objectives of the FM Code is to support organisations to demonstrate that they have the leadership, capacity and knowledge to be able to plan effectively. This must be balanced against retaining the integrity of the annual budget preparation process when the need to make difficult decisions may threaten its integrity.
- 3.8. Significantly, the FM Code builds on the success of the CIPFA Prudential Code, which requires local authorities to demonstrate the long-term financial sustainability of their capital expenditure and associated borrowing. With this success came new financial freedoms to make local decisions on matters that had hitherto been subject to central government control.
- 3.9. The FM Code is consistent with other established CIPFA codes and statements in being based on principles rather than prescription. The FM Code incorporates existing requirements on local government so as to provide a comprehensive picture of financial management in the authority.
- 3.10. The application of the FM Code will therefore provide the strong foundation within local authorities to enable them to:
- Financially manage their short-, medium- and long-term finances
 - Manage financial resilience to meet foreseen demands on services
 - Financially manage unexpected shocks in their financial circumstances.
- 3.11. The underlying principles that inform the FM Code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. The principles have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.
- **Organisational leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture
 - **Accountability** - based on medium term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
 - **Financial management is undertaken with transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making
 - **Adherence to professional Standards** is promoted by the leadership team and is evidenced.

- **Sources of assurance are recognised** as an effective tool mainstreamed into financial management and includes political scrutiny and the results of external audit, internal audit and inspection.
- **The long term sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

3.12. Each local authority must demonstrate that the requirements of the FM Code are being satisfied. However, the FM Code is not expected to be considered in isolation, and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making and a holistic view is taken.

3.13. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team.

3.14. It is for all the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the section 151 officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management.

3.15. An updated assessment has been carried out at **APPENDIX A** of the Council’s assessed level of compliance compared to the Standards contained in the FM Code.

Alternative Options	There are no alternative options.
Consultation	Leadership Team were consulted on the FM Code in April 2019 and January 2020.
Financial Implications	The Chief Financial Officer (Section 151 Officer) has the Statutory Responsibility (supported by the management team and elected members) for ensuring compliance with the FM Code.
Contribution to the Delivery of the Strategic Plan	Compliance with the FM Code will contribute to sound decision making. This will support the Medium Term Financial Strategy, enabling Members to monitor progress against the plan in a timely manner to ensure resources are allocated in line with priorities and ambitions of the Council.
Equality, Diversity and Human Rights Implications	There are no Equality, Diversity or Human Rights issues.
Crime & Safety Issues	There are no Crime and Community Safety Issues.
Environmental Impact	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council’s Strategic Plan.
GDPR/Privacy Impact Assessment	There are no specific implications.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	<p>If compliance with the CIPFA Financial Management Code is not demonstrated, the Council's financial sustainability could be brought into question which in turn could result in a negative impact on its reputation with stakeholders.</p>	<p>The Finance Team contains experienced qualified Accountants and Accounting Technicians who are required to undertake regular Continuing Professional Development in line with the requirements of their qualifications.</p> <p>The Council has a strong, effective Leadership Team supported by experienced officers.</p> <p>There is also the role played by both Internal and External Audit both of which offer challenge and ensure compliance with laws and regulations (the challenges presented by COVID-19 on capacity and priorities are also having to be considered).</p>	<p>Likelihood : Green Impact : Yellow Severity of Risk : Green</p>

Background documents

CIPFA Financial Management Code.

Relevant web links

Chief Finance officer Assessed Level of Compliance with the CIPFA FM Code at October 2020

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
Responsibilities of the Leadership Team and Chief Financial officer (CFO)				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	17-18	Legislative requirement for Authorities to deliver VFM. Delivery of VFM depends on decisions by Elected Members. Shared responsibility across the Leadership Team to communicate and understand the risks involved.	<p>The Council is part of the LG Futures financial information service. This service includes annual benchmarking information on:</p> <ul style="list-style-type: none"> • Unit Costs. • Sales, Fees and Charges. • Council Tax and Business Rates. <p>These are all provided to Leadership Team to understand how the Council's indicators compare to nearest neighbours and all District Councils.</p> <p>External Auditor provides a specific Value for Money Assessment each financial year.</p> <p>Actions: None Identified</p>
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government	18-19	<p>In summary this Statement requires that the CFO:</p> <ul style="list-style-type: none"> • Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest. • Must be actively involved in, and able to bring influence to bear on, all material 	<p>The Head of Finance Procurement is the Council's Section 151 and Chief Financial Officer.</p> <ul style="list-style-type: none"> • The Head of Finance and Procurement is a key member of the Leadership Team and also part of meetings with the Chief Executive, Leader and Deputy Leader. • All Cabinet and Council Reports are discussed in advance and agreed at Leadership Team.

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
			<p>business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation’s financial strategy.</p> <ul style="list-style-type: none"> • Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. • Must lead and direct a finance function that is resourced to be fit for purpose. • Must be professionally qualified and suitably experienced. 	<ul style="list-style-type: none"> • The Finance and Procurement Team consists of 7 officers in the Finance Team, 3 officers in the Internal Audit Team and 2 recently recruited officers in the Procurement Team. We also have a fully qualified shared Head of Internal Audit. • This Team includes 5 qualified accountants, 1 part qualified accountant, 1 qualified accounting technician, a qualified procurement officer and a part qualified procurement officer. All officers undertake continuing professional development. • The Council also subscribes to additional professional expertise and advice in relation to technical accounting, treasury management, financial management & planning and taxation. <p>Actions: To continue to support continuing professional development.</p>
Governance and Financial Management Style				
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	21	<p>A proper scheme of delegation that ensures that frontline responsibility for internal and financial control starts with those who have management roles.</p> <p>Clarity over the role of Head of Paid Service and Monitoring Officer. ^[1] Audit Committee provides independent assurance over governance, risk</p>	<p>The Financial Procedure Rules create the role of a Budget Holder. Job descriptions and job evaluation system recognise management of resources as a key responsibility. This is assigned at a level so that service delivery and budget can be aligned.</p> <p>The roles of the Head of Paid Service and</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
			<p>and internal control arrangements, with a focus on financial management, financial reporting and audit and assurance.</p> <p>Leadership Team with a culture of constructive challenge based on realism. Goals, assumptions and implementations plans are rigorously examined.</p>	<p>Monitoring Officer are defined in the Council’s constitution.</p> <p>The terms of reference for Audit and Member Standards Committee as the Council’s Audit Committee) cover the areas referenced.</p> <p>The Internal Audit Service has provided assurance over the effectiveness of Audit and Member Standards Committee and the system of Internal Control (issue of annual input on the adequacy of governance, risk management and internal control).</p> <p>Regular meetings between Leadership Team and Cabinet Members.</p> <p>Actions: None Identified.</p>
D	The authority applies the CIPFA/SOLA CE Delivering Good Governance in Local Government: Framework (2016)	22	This framework recommends that the review of the effectiveness of the system of internal control is reported in an annual governance statement	<p>The Council prepares and Annual Governance Statement and Local Code of Corporate Governance in line with the framework.</p> <p>The draft is provided to Audit and Member Standards Committee for review and approval in advance of its inclusion in the Statement of Accounts.</p> <p>Actions: None Identified</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
E	The financial management style of the authority supports financial sustainability	22-23	Strong financial management is assessed against a hierarchy of (1) delivering accountability, (2) supporting performance and (3) enabling transformation.	<p>Achieving stages 1 and 2 of the hierarchy. Budget Holders take responsibility for spend against their budgets.</p> <p>The enhanced service and financial planning process was intended to enable Cabinet and Leadership Team to have a wider understanding of the MTFS and take a more holistic view in relation to the revenue budget, capital programme, fees and charges, earmarked reserves and the link between assets ownership and financial planning.</p> <p>Actions: To review the lessons learned from the service and financial planning process.</p>
Long to Medium Term Financial Management				
F	The authority has carried out a credible and transparent financial resilience assessment	25-26	Requirement to test sustainability against plausible scenarios of cost drivers, service demands, resources and key risks. Review of alternative options to match demand and resources.	<p>The service and financial planning process provided information on cost and demand drivers to enable robust and informed financial planning in each service area.</p> <p>The six month Money Matters Report includes reserves comparisons to all District Councils.</p> <p>The MTFS includes three scenarios on funding and income – a central set of assumptions, more optimistic assumptions and more pessimistic assumptions.</p> <p>The updated Resilience Index was published by</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
				<p>CIPFA in December 2019. This has been incorporated into the budget report for 2020/21 budget and there were no areas of concern for this Council.</p> <p>Actions: None Identified.</p>
G	<p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p>	26	<p>Based on the above, have a long-term financial strategy that links to vision, strategy and outcomes. This should include a vision of what services will look like in the future to achieve financial sustainability. The length of the long-term is undefined and should be linked to the risks faced. Potentially should be 10 years+.</p>	<p>The Council produces a five year MTFs and a 25 year revenue model using standard assumptions on housing growth and related service pressures.</p> <p>Actions: To further develop the 25 year revenue model.</p>
H	<p>The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p>	26-27	<p>The Council has a long-term Capital Strategy that ensures that assets are managed and future plans are linked to capital resources available.</p> <p>Commercial investment activity should be considered over a suitable time horizon with risks fully considered. Ensure compliance with Prudential Code if borrowing.</p>	<p>The Council prepares a Capital Strategy in compliance with the Prudential Code that includes information on Assets/vehicle Management Plans and Condition Surveys.</p> <p>A 25 year revenue model is prepared to identify the longer term implications of capital and commercial investment.</p> <p>Actions: To further develop the 25 year revenue model.</p>
I	<p>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.</p>	27	<p>Translation of the long-term view in to a more detailed medium-term financial plan. The time frame of which should support financially sustainable decision making. Clear link to service plans.</p>	<p>The service and financial planning process has been enhanced to strengthen the analysis on the contribution services make to delivering outcomes in the Strategic Plan.</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
				<p>The outcomes of this process inform the MTFS and financial planning process.</p> <p>Actions: To review the lessons learned from the service and financial planning process.</p>
Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process.	29	<p>These are generally covered by part 2 of Local Government Act 2003. This includes robustness of estimates and reserves (covered below) and the requirement for financial monitoring.</p> <p>It also includes section 114 of the Local Government Finance Act 1988, which requires the CFO to issue a report if the Council is about to incur unlawful expenditure. This would include setting an unbalance budget.</p>	<p>All estimates and reserves are reviewed by the Chief Finance Officer as part of the MTFS.</p> <p>The Council has an earmarked reserves policy that requires relevant earmarked reserves to be returned to General Reserves after 3 years if no credible business case for retention is made.</p> <p>Actions: None Identified.</p>
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	29-30	Reserves to be considered as part of the budget process and should be 'adequate' and 'necessary'. Should enable the Council to manage unexpected events from within its own resources. The budget report details earmarked reserves held, the purpose of each reserve and estimated opening and closing balances.	<p>The MTFS includes a statement from the chief finance officer on the robustness of estimates and a statement on the adequacy of the proposed reserves.</p> <p>A risk assessed minimum level of reserves is included in the MTFS.</p> <p>The information from the CIPFA Resilience Index and was included in the MTFS and the six month Money Matters Report includes reserve comparisons to all District Councils.</p> <p>Actions: None Identified.</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
Stakeholder Engagement and Business Plans				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	31	<p>Enabling residents to understand that resources are limited and spending has to be 11 prioritised. Leadership Team redirects resources to areas of higher priority.</p> <p>Understanding of statutory service delivery requirements. Use stakeholder consultation to set priorities. Helps to encourage community involvement, which could help reduce costs.</p>	<p>The Council undertakes budget and Strategic Plan consultations that are used to develop the Strategic Plan and MTFS. The budget consultations are reported to Cabinet and Strategic (OS) Committee and part of the development of the MTFS.</p> <p>Actions: To further develop the approach to budget consultation in line with the new Engagement Strategy.</p>
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	31-32	Decisions are made from clear business cases that detail the up-front and ongoing costs and benefits. Where appropriate the time value of money should be considered. Alternative options should be considered. The complexity of the business case should be proportionate to the decision.	<p>The service and financial planning process includes a bidding process for revenue and capital investment need in line with cost and demand drivers. The capital and one off bid process assesses the bid against a set of key criteria.</p> <p>Where appropriate, option appraisal techniques are utilised.</p> <p>Actions: None Identified.</p>
Monitoring Financial Performance				
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	33	The Council should have timely information on its financial and operational performance. Performance indicators should be reviewed, alongside any overspends/ undelivered savings.	<p>The Money Matters Reports provide financial performance information based on Strategic Plan priorities at 3, 6, 8 and 12 month intervals.</p> <p>A target of being within £250,000 of the Approved Revenue Budget is in place and this is</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
				allocated to each service area based on total managed budget. Actions: To consider further integration of service and financial reporting.
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	33	There is reference to monitoring material elements of the balance sheet that might give indications of departures from financial plans. Specific reference is made to commercial asset portfolios, contingencies and provisions. Cash flow is managed in accordance with guidance.	As part of the MTFs, the Council produces five year Balance Sheet projections and these are monitored in the Treasury Management Reports to Audit and member Standards Committee. The key elements are monitored by Cabinet and Strategic (OS) Committee: <ul style="list-style-type: none"> • Council Tax and Business Rate Arrears. • Sundry Debt and Planning Obligation Arrears. • Investments and Borrowing. • Service and Commercial Investments. Actions: None Identified.
External Financial Reporting				
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority	35	The CFO has statutory responsibility for (1) producing the accounts and ensuring they are published on a timely basis (2) maintaining financial records (3) certification of the accounts and confirmation of a ‘true and fair view’.	These are all complied with. Assurance is provided through External Audit and Internal Audit (SIAS). Actions: None Identified.

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
	Accounting in the United Kingdom			
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	25	The narrative report that accompanies the accounts provides a link to achievement of outcomes and performance. The Leadership Team understand variances from budget and how they have been managed. The future implications of variances should also be considered i.e. will it affect the financial strategy/ financial resilience.	<p>The information in the narrative report is provided in the same format as the Money Matters Reports and the Council Tax leaflet.</p> <p>A reconciliation to the Comprehensive Income and expenditure Statement is also provided to link the statutory accounts to the information provided to the Cabinet, Leadership Team and Strategic (OS) Committee.</p> <p>Actions: None Identified</p>

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INTERNAL AUDIT PROGRESS REPORT

Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits



Date: 12 November 2020
 Agenda Item: 6
 Contact Officer: Rebecca Neill
 Tel Number: 01543 308030
 Email: rebecca.neill@lichfielddc.gov.uk
 Key Decision? NO
 Local Ward Members If any Wards are particularly affected insert the name of the Ward Members and their Ward. Ensure that the Ward Members have been consulted.

**AUDIT &
MEMBER
STANDARDS
COMMITTEE**

1. Executive Summary

1.1 This report comprises Internal Audit’s progress report for the period to 30 September 2020 (to Quarter 2) (**Appendix 1**).

2. Recommendations

2.1 To note the attached report.

3. Background

3.1 The Accounts and Audit Regulations require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Audit Standards.

3.2 Internal Audit’s progress report for the period to Quarter 2 is detailed at **Appendix 1** for members to consider.

Alternative Options	N/A
Consultation	N/A
Financial Implications	The audit service has been delivered within budget during the year.
Contribution to the Delivery of the Strategic Plan	Delivery of the audit plan contributes to all aspects of the Strategic Plan, but notably ‘a good Council’.

Equality, Diversity and Human Rights Implications	No equality, diversity or human rights implications arising from this report.
Crime & Safety Issues	None arising.
Environmental Impact	None arising.
GDPR/Privacy Impact Assessment	None required.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Significant / high risk systems of internal control fail and go un-addressed.	The audit planning process ensures that audit resources are directed to areas of most significance / highest risk.	Likelihood – Green Impact - Yellow Severity of risk - Green (tolerable)
B			
C			
D			
E			

Background documents Audit & Member Standards Committee routine reports, internal audit reports

Relevant web links

Internal Audit Progress Report (To Quarter 2) November 2020



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- 01 Introduction**
- 02 Internal Audit Work Undertaken**
- 03 Opinion**
- 04 Follow Up**
- 05 Performance of Internal Audit**

Appendices

- 01 Summary of Internal Audit Work Undertaken**
- 02 Assurance and Recommendation Classifications**

If you have any questions about this report, please contact Rebecca Neill, Head of Audit rebecca.neill@lichfielddc.gov.uk

The matters raised in this report are the ones that came to our attention during our internal audit work. While every care has been taken to make sure the information is as accurate as possible, internal audit has only been able to base these findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be needed. This report was produced solely for the use and benefit of Lichfield District Council. The council accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretedation, amendment and/or modification.

01 INTRODUCTION

BACKGROUND

This report summarises internal audit activity and performance for the period to 30 September 2020.

SCOPE AND PURPOSE OF INTERNAL AUDIT

The Accounts and Audit Regulations require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This progress report and opinion forms part of the framework of assurances that is received by the council and should be used to help inform the annual governance statement. Internal audit also has an independent and objective consultancy role to help managers improve risk management, governance and control.

Internal audit's professional responsibilities as internal auditors are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board.

ACKNOWLEDGEMENTS

Internal audit is grateful to the heads of service, service managers and other staff throughout the council for their help during the period.

02 INTERNAL AUDIT WORK UNDERTAKEN

The internal audit plan for 2020/21 was approved by the Audit & Member Standards Committee in July 2020. The plan was for a

total of 18 audits. Some planned audit work was temporarily suspended at the start of the period, to allow functions to concentrate on business critical service delivery responding to Covid-19. One of the auditors was deployed during quarter one, to support the Council's emergency response and other work at this time centred on planning / preparation for audits and supporting year-end assurance activity. Audits have recommenced and work re-profiled, to continue towards the target of 90% plan achievement at year end. However, as we enter a second wave and national lockdown, this will of course have an impact in terms of service areas' ability to respond to audits, due to their changing priorities as a result of the pandemic. Performance against internal audits new KPI's is at section 05 but clearly the above has had an effect.

The audit findings of each review, together with recommendations for action and the management response are set out in our detailed reports. A summary of the reports we have issued during the period is included at **Appendix 01**.

03 OPINION

SCOPE OF THE OPINION

In giving an opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at an opinion, following matters have been taken into account:

- The outcomes of all audit activity undertaken during the period.
- The effects of any material changes in the organisation's objectives or activities.
- Whether or not any limitations have been placed on the scope of internal audit.
- Whether there have been any resource constraints imposed upon us which may have impinged our ability to meet the full internal audit needs of the organisation.
- What proportion of the organisation's internal audit needs have been covered to date.

INTERNAL AUDIT OPINION

On the basis of audit work completed, 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.

SPECIFIC ISSUES

No specific issues have been highlighted during the period.

FRAUD & IRREGULARITY

No matters of fraud or irregularity have been reported during the year. Also see the fraud update on this Committee's agenda.

CONSULTANCY & ADVICE

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters. To the period 30 September 2020, the following was undertaken:

- Review of the Draft Procurement Strategy.
- Auditor sat on the tender review panel for shortlisting the award of essential works contract for Friary Grange Leisure Centre.

04 FOLLOW UP

The Committee approved a new approach to audit follow up earlier this year (all high priority actions and those arising from no and limited overall assurance reports will be followed up by audit, managers confirmation applies to the rest). Implementation of the new system had been delayed to allow functions to concentrate on business critical service delivery due to Covid-19. The Leadership Team agreed to concentrate on closing high priority actions during this period and the current status is as below. Work on medium and low priority close out is currently being undertaken with Heads of Service.

Action Priority Rating	Total Open Actions at Jan 2020	Actions Raised Since Jan 2020	Total Overall	Total Closed out at Sep 2020	% Implemented
High	24	16	40	18	45%
Medium	206	94	300	123	41%
Low	-*	38	38	2	5%

*low actions were not previously tracked.

Of those audits receiving a no or limited assurance opinion which require follow up, a summary of progress to date on these audits is

given at Appendix 01. There is one report which remains limited assurance on follow up - GDPR.

05 PERFORMANCE OF INTERNAL AUDIT

Compliance with professional standards

We employ a risk-based approach in planning and conducting our audit assignments. Our work has been performed in accordance with PSIAS.

Conflicts of interest

There have been no instances during the year which have impacted on our independence that have led us to declare any interest.

Performance of internal audit

Internal audit quality assurance


To make sure the quality of the work we perform, we have a programme of quality measures which includes:


- Supervision of staff conducting audit work.
- Review of files of working papers and reports by managers.
- Regular meetings of our networking groups, which issue technical and sector updates.


Performance Measures


- Complete 90% of the audit plan - **39%**
- 100% Draft reports issued within 6 weeks of start date – **14%**
- 100% Closure meetings conducted within 5 days of completion of audit work – **75%**
- 100% draft reports to be issued within 10 working days of closure meeting – **75%**
- 100% of all high priority actions are implemented at follow up – **45%**
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – **83%**
- Achieve an average customer satisfaction score of 4 or more - **4.3**
- Added value – **Annual measure**


APPENDIX 01: SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Creditors	Risk based review covering the adequacy and effectiveness of controls around creditor payments, including supplier set up / amendment, requisitioning / ordering, receipting and approvals.	Q1-Q2	<p>The procure to pay process from end to end is designed with controls in place to mitigate against the major risks. The Council's Financial Procedure Rules provide a strong framework for procurement activity and the Accounts Payable section have internal policies and procedures in place, as an example, The Government Procurement Card (GPC) Credit Card Policy and Procedures. There is clear segregation of duties through the ordering, payment and reconciliation processes to mitigate against the risk of fraud / error.</p> <p>Controls were found to be operating effectively. Payments were found to be made in an accurate and timely manner and monitored through Performance Indicators (PI's). Statistics from these PI's are published to Leadership Team and also within the 'Money Matters Report' reported to Cabinet, so there is the necessary oversight.</p> <p>Some minor weaknesses in the operation of controls were identified which need to be addressed, in ensuring orders are raised prior to good / services / invoices having been received, lack of timely submission of evidence (receipts etc.) in credit card transactions and ensuring supplier information on the website is up to date.</p>	 <p>Substantial Assurance</p> <p>Number of Actions H-0 M-1 L-2</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Capital Accounting	Risk based review of the capital accounting systems focusing on completeness, accuracy and compliance with appropriate accounting standards.	Q1-Q2	<p>The capital accounting system is designed well with controls in place to mitigate against the risks. Assurance can be given that the design of controls is adequate and the controls were found to be operating effectively.</p> <p>The treatment of capital assets in relation to depreciation, revaluations and impairments is clearly defined. The asset register is maintained securely, updated accurately for additions, disposals and the remaining life of assets. Assets are valued in line with the required schedule and adjustments made accurately to the revaluations reserve and asset register. Depreciation is calculated and processed accurately in line with policy. There are clear controls over capturing and coordinating data on behalf of service areas and reporting performance.</p> <p>A weakness was noted in the effectiveness of controls, in relation to ensuring the asset register is complete and accurate. Verification of assets was not received from all managers at year end (it is acknowledged that the start of Covid-19 lockdown restrictions had an impact on this) and a check or reconciliation has not been completed between the asset register used for the statement of accounts and the register compiled by the estates team.</p>	 <p>Substantial Assurance</p> <p>Number of actions H-0 M-0 L-1</p>
	Payroll	Risk based review of payroll, including adequacy and	Q1-Q2	Audit in progress.	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		effectiveness of controls around the systems for starters, leavers, amendments, deductions, overtime and expenses.			
	Procurement	Risk based review of procurement, including strategy, targets and testing a sample of recent material procurements to ensure compliance with contract procedure rules / OJEU etc.	Q1-2	<p>Procurement is generally being undertaken in accordance with Contract Procedure Rules (CPRs) and external legislation and this is supported by the findings within the high level expenditure follow up audit. A series of training courses have been held for officers and guidance is available on Brian. In addition, progress has been made since the shared service arrangement with Wolverhampton City Council ended in the appointment an interim procurement resource and more recently a new permanent team. Some weaknesses in control were, however, found in the formal procurement strategy action plan and forward plan requiring finalisation. In addition, procurement performance not currently being monitored, the contracts register not being complete, waivers to CPRs not fully reported and data not always being published in accordance with the Transparency Code. The commencement of the new procurement team, approval of the procurement strategy and implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p> <p><i>Nov 2020 Update: The Draft Procurement Strategy has now been approved by Leadership Team and is due to be discussed at the Strategic O&S</i></p>	 <p>Limited Assurance</p> <p>Number of actions H-2 M-6 L-1</p>


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<i>Committee. Internal audit have also since provided a review of the strategy at the request of the Head of Finance & Procurement (Section 151) and can give assurance that the strategy is sufficient to address the points raised in the audit.</i>	
	NNDR	Risk based review of NNDR controls, including review of taxable properties; billing; discounts, exemptions, disregards and reliefs; income is correctly accounted for and recorded; arrears are promptly and efficiently pursued; refunds and write-offs are controlled.	Q3		
	Housing & Council Tax Benefits	Standard risk based review of housing and council tax benefit systems using CIPFA control matrices. To include a review of the adequacy and effectiveness of the application of the Citizens Access System at management's request.	Q4	Audit in progress.	
	Capital Strategy	Risk based review of delivery of the Council's capital strategy and associated programme management delivery controls.	Q1-2	There is a Capital Strategy in place, which has been made available to all officers and is supported by a series of additional guidance notes. There is an asset management plan for the replacement of vehicles and LOPS equipment. There is a clear and documented capital programme that supports the strategy. There is a process in place to ensure applications for capital funding are considered, reviewed and approved prior to inclusion in the capital programme. The progress of projects included in the capital programme is regularly	 <p>Reasonable Assurance</p> <p>Number of actions H-0 M-3 L-0</p>


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>monitored and reports are issued to the allocated responsible officer of spend against budget. Capital is included in the Money Matter Reports which are taken to Strategic Overview and Scrutiny Committee and Cabinet for review 4 times a year. These controls are operating effectively to mitigate against key risks.</p> <p>Weaknesses were found in relation to there not being formal asset management plans for all asset types, detailed project plans not being in place to support all projects within the capital programme and post project reviews not being completed.</p>	
	Income Management	Risk based review of the Council's income streams and systems of internal control governing completeness and accuracy of accounting.	Q1-2	<p>The income management system is designed with controls in place to mitigate the major risks. There is clear segregation of duties through the billing, collection and reconciliation processes to mitigate against the risk of fraud/ error.</p> <p>Controls were found to be operating effectively and payments received were processed promptly and accurately. IT file transfers are routinely scheduled and error notifications provided where an upload failure occurs. Reconciliations are performed by system owners for payments for Council Tax/ NNDR and Sundry debtors systems to confirm interface success. Performance on income received and sundry debt is monitored and reported within the Money Matters Report. An additional report which highlights the impact of Covid-19 on income streams is now reported</p>	 <p>Reasonable Assurance</p> <p>Number of actions H-0 M-4 L-0</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>monthly to Leadership Team, Cabinet and Chair/ Vice Chair of O&S Strategic Committee.</p> <p>Some areas for improvement were identified, namely, in considering compiling an over-arching income management strategy, ensuring evidence of approval of fees and charges is retained, that reconciliations are completed promptly (acknowledging this being due to the impact of Covid-19 on operations) and that revised banking processes are risk assessed for safety.</p>	
Strategic & Operational Risks	Strategic Risk Register <i>Under Review TBC</i>	Risk based review of the adequacy and effectiveness of the controls in place to mitigate the Council's strategic risks. This is to be confirmed following the production of the new strategic risk register based on the new corporate plan.	Q1-Q4		
	Risk Management	Review of the adequacy of the Council's risk management systems.	Q3		
	Covid-19 Risks	'Flash' audits of dynamic risks arising from the Council's Covid-19 response. To include continuity and recovery arrangements, business grants, new funding, staff well being, governance, financial, productivity. This audit will compliment other strategic and operational risk and ICT audits on the plan which will be looked at with a 'Covid-19 risk lens'.	Q1-Q4	<p>Staff Wellbeing</p> <p>Control measures to mitigate against the risk of staff wellbeing being adversely impacted by the Covid-19 crisis were found to be adequate and effective.</p> <p>A number of good practice areas were noted:</p> <ul style="list-style-type: none"> Amendments to home working, sickness / absences and caring responsibilities associated with the Covid-19 outbreak was quickly established (approved by LT), including 	 <p>Substantial Assurance</p> <p>No actions</p>


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>counselling services available to provide staff with support and advice.</p> <ul style="list-style-type: none"> • Regular weekly all staff communications have been maintained throughout the pandemic setting out organisational updates as well as providing clarity on wider (frequently changing) government guidance. Wellbeing has been regularly cited, including a number of links for mental health. Communications have been factual, delivered with the right balance of humour (e.g. 'Reg the dog'), to raise staff morale and have been generally very well received. • Staff wellbeing engagement has been undertaken via a Home Working survey in May 2020 (results shared in June 2020). Of the 102 staff members participating, 80% of those felt their managers were understanding about their health and wellbeing. The HR & Wellbeing Action Group are working on the response to the survey in a 'you said, we did' format. • Wellbeing services and activities are available on the intranet providing staff with a range of tools at their disposal e.g. 'Instructor Live' online workouts, FAQ's and downloadable material. Mental Health First Aiders are also contactable with their details provided. • Finally, despite the ongoing situation with COVID-19, sickness levels have not suffered a significant impact, but remained constant. 	




Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>As the pandemic enters a 'second wave', coupled with additional pressures on staff wellbeing arising from the winter months and prolonged remote working, the following areas are suggested as forward focus to maintain staff wellbeing:</p> <ul style="list-style-type: none"> • Ensuring that the work streams to address the results of the staff survey are completed and additional snap surveys are undertaken to measure the success of this work and to continue to 'listen' to staff. • More informal staff engagement should be considered coupled with seasonal / staff awareness raising themes e.g. the use of 'Zoom or Teams' as a tool for virtual coffee / lunch breaks e.g. the recent Macmillan Coffee Morning for charity. • Continue to promote a culture that values individuals and teams (e.g. the 'saying thank you to ...' in weekly comms, promote informal virtual team engagement over the forthcoming holiday period). • Encouraging staff to focus on their physical health (i.e. via reinforcing government safety measures and other measures e.g. promoting nutrition, fitness and educational content etc.) • Continually keep abreast of, and implement suitable innovative developments to promote staff wellbeing. 	




Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Management of Property (LA Trading Company)	Risk based review of the Council's controls in place for managing property and the Council's assurance regarding the operation and risks surrounding the LA Trading Company.	Q1-Q2	<p>While the Company was not fully operational and had not undertaken any development at the time of the audit, assurance can be given that the design of controls is adequate for when the company commences operations.</p> <p>There is a governance agreement in place between the Council and the Company which is designed to manage the risks to the Council from the operations of the trading company, Lichfield Housing Limited. The governance agreement includes matters delegated for approval to the shareholder committee, board or director. Additionally, there is an assigned officer of the Council whose role will be to consult, request information and manage the relationship with the Company. The agreement has been signed by the Council (Director and Leader) and the Company (Managing Director and Finance Director) and has been agreed by the Portfolio Holder for Investment, Economic Growth and Tourism (Chairman of the SAMC). The company has a business plan which was developed through Leadership Team and has been formally presented and agreed by the Chairman of the SAMC (<i>SAMC has since been disbanded</i>) with figures presented to the full Committee through update reports. The issue of shares and agreement of a loan has been agreed through the shareholder committee. Stages of development of the company are overseen through a delivery plan. Delivery actions being a</p>	 <p>Substantial Assurance</p> <p>Number of actions H-0 M-1 L-1</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>standing agenda item for the Board. The provision of the support services supplied by the Council is included in a letter of agreement signed by the Head of Finance and Procurement. It is envisaged that individual service agreements will be formalised as the needs of the Company require. The Company has appointed a legal company for support and advice.</p> <p>Some minor weaknesses were noted in the effectiveness of controls, for example in ensuring that the recent review of Portfolio Responsibilities are reflected in the Governance Agreement and also within the Portfolio Holder's service responsibilities in the next review of the constitution. Ensuring training is in place for the new Portfolio Holder is also recommended</p>	
	Planning	Risk based review of systems of internal control for planning (using CIPFA control matrices), to include applications, appeals, fee management.	Q2		
ICT	ICT Backup and Recovery	A review of how data and applications are backed up. This areas has not been previously audited in any detail.	Q2		
	Remote Working	A risk based review giving assurance over the adequacy of the Council's ICT operations with the shift towards	Q3	There are a robust set of corporate IT policies governing home working and remote access, with key messages being re-enforced in the weekly Chief Executive communication. There is an	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		remote working arising from Covid-19 crisis.		<p>inventory of all computer hardware which has details of the computer equipment issued to users; it was tested and generally found to be up-to-date. Staff home working requirements were assessed at the time of the national lockdown and they were given the required computer equipment and remote access facilitates. Staff have been able to work from home during the Covid-19 pandemic and there has been no security breaches.</p> <p>The biggest area of risk identified is that not all laptop computers are encrypted and that users are not prevented from copying data onto untrusted removable storage devices. Both these weaknesses remain, despite being previously reported as part of our audit on Mobile Computing in 2017 and could lead to a potential data breach as well as financial penalties under the GDPR/Data Protection Act 2018.</p> <p>Users have remote access to the corporate network via Citrix or a Virtual Private Network (VPN) and we have identified security weaknesses in these solutions which should be addressed to protect against cyber-attacks. Historically, Skype for Business has been the main tool for internal collaboration, although it is now being replaced by Zoom and Microsoft Teams. As the security and control functionality within Skype for Business is limited, it should be decommissioned as soon as possible.</p>	<p>Reasonable Assurance</p> <p>Number of actions H-2 M-2 L-8</p>

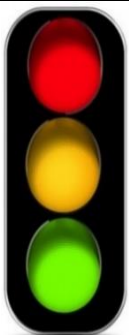
Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Governance, Fraud & Other Assurance	Pensions	Assurance statements to Staffordshire County Council	Q3	Assurance review in progress.	
	Disabled Facilities Grant		Q2		
	Housing Benefit Memorandum of Understanding	Assurance statement to enable the Chief Finance Officer sign off to DWP.	Q3		
	Counter Fraud	Work to support the mitigation of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.	Q1-Q4	Ongoing – See also Counter Fraud Update.	
	Annual Audit Opinion	Production of the Annual Audit Opinion.	Q2	Complete	
	Management and Planning	Management, planning and assurance reporting to Leadership Team and Audit & Member Standards Committee.	Q1-Q4	Ongoing	
	Ad hoc / Consultancy / Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.	Q1-Q4	Ongoing	
	Risk Management	Supporting the Council's risk management systems.	Q1-Q4	Ongoing	
Follow up all no and limited assurance reports	Time Management System	Limited Assurance Follow up	Q1	Originally 14 recommendations were made and from these 6 have been implemented and 8 recommendations superseded due to a system change. TMS now sits within ICT who are the developers of the system and influence the process and policy whilst working with HR. The introduction of the TMS.net system, now allows Heads of Service access to view and monitor their team's working hours. A Flexible Working	 Substantial Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				Framework provides an overall guidance to staff whilst the Local Service Area Agreements (LSAA) provide the specific detail to the working hours and flexi balances agreed for their service area.	
	GIS	Limited Assurance Follow up	Q1	Originally 12 medium risk recommendations were made and from these 5 have been implemented, 3 have been partially implemented and 4 are still outstanding. All outstanding recommendations have been rescheduled for implementation by October 2020.	 Reasonable Assurance
	GDPR	Limited Assurance Follow up	Q1	Originally 14 high and medium risk recommendations were made and from these 4 have been implemented and 10 have been partially implemented. Of the outstanding recommendations 6 are classed as high priority and 4 as medium. All outstanding recommendations have been rescheduled for implementation by 31 October 2020.	 Limited Assurance
	Transparency Code	Limited Assurance Follow up	Q1	Originally 15 recommendations were made and from these 10 have been implemented, 1 has been partially implemented and 4 are still outstanding. Of the outstanding recommendations none are classed as high priority, all 4 are medium. All outstanding recommendations have been rescheduled for implementation by October 2020.	 Reasonable Assurance

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Mobile Computing	Limited Assurance Follow up	Q1	Originally 8 recommendations were made and from these 7 have been implemented, 1 has been partially implemented. The outstanding recommendation is classed as medium priority and has a revised implementation date of 31 October 2020.	 Reasonable Assurance
	IT Application Controls	Limited Assurance Follow up	Q2	Originally 14 recommendations were made and from these 6 have been implemented, 1 has been partially implemented and 7 are still outstanding. Of the outstanding recommendations none are classed as high priority, all 8 are medium. All outstanding recommendations have been rescheduled for implementation by March 2021.	 Reasonable Assurance
	High Expenditure	Limited Assurance Follow up	Q2	Two recommendations were made in the original audit report (1 high and 1 medium risk). The medium recommendation was found to be implemented at the previous follow up audit with one high recommendation outstanding. The findings of this follow up review confirm that the outstanding recommendation is now implemented.	 Substantial Assurance
	Property Leases and Charges	Limited Assurance Follow up	Q2	Follow up in progress.	
	PR and Communications	Limited Assurance Follow up	Q2	Follow up in progress.	

Appendix 02: ASSURANCE AND RECOMMENDATION CLASSIFICATIONS

Overall Audit Assurance Opinion	Definition
Substantial	There is a sound system of internal control designed to achieve the organisation's objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are some weaknesses which may put the organisation's objectives in this area at risk. There is a low level of non-compliance with some of the control processes applied.
Limited	Weaknesses in the system of internal controls are such as to put the organisation's objectives in this area at risk. There is a moderate level of non-compliance with some of the control processes applied.
No	Significant weakness in the design and application of controls mean that no assurance can be given that the organisation will meet its objectives in this area.

Priority	Definition
	High priority recommendation representing a fundamental control weakness which exposes the organisation to a high degree of unnecessary risk.
	Medium priority recommendation representing a significant control weakness which exposes the organisation to a moderate degree of unnecessary risk.
	Low priority (housekeeping) recommendation highlighted opportunities to implement a good or better practice, to add value, improve efficiency or further reduce the organisation's exposure to risk.

RISK MANAGEMENT UPDATE

Cabinet Member for Finance & Procurement, Customer Services and Revenues and Benefits

Date: 12 November 2020

Agenda Item: 7

Contact Officer: Rebecca Neill

Tel Number: 01543 308030

Email: Rebecca.Neill@lichfielddc.gov.uk

Key Decision? NO

Local Ward
Members



AUDIT & MEMBER STANDARDS COMMITTEE

1. Executive Summary

- 1.1 To provide the Committee with their routine risk management update.

2. Recommendations

- 2.1 That Members note the risk management update and receive assurance on actions taking place to manage the Council's most significant risks.

3. Background

- 3.1 The purpose of risk management is to effectively manage potential opportunities and threats to the Council achieving its objectives. Part of the Audit & Member Standards Committee's terms of reference is 'to monitor the effectiveness of the Council's risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management'. This report supports the Committee in achieving this objective.
- 3.2 The strategic risk register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its strategic plan. This assessment ensures that there are the right measures in place to control the potential risks to our business objectives. Risks are assessed based on their likelihood of occurrence and their potential impact. Each of these are rated on a scale of 1 (Low), 2 (Medium), 3 (Significant) and 4 (High). By multiplying the two scores together, each risk receives a score.
- 3.3 The Council's approach to risk is detailed within the risk policy.
- 3.4 The Strategic Risk Register as at November 2020 (agreed with Leadership Team) is detailed at **Appendix 1**. The key changes since the Committee's last risk update are:
- The current score on SR2 'resilience of teams to effectively respond to a further serious disruption to services' has moved from 9 (3x3) to 16 (4x4) to reflect the increase in severity in both likelihood and impact of the effect of the second wave of the pandemic on the Council's operations, coupled with risks posed by a no-deal Brexit. This was the second highest ranked strategic risk, but is now the highest rated risk. All other strategic risk current scores remained unchanged at this review.

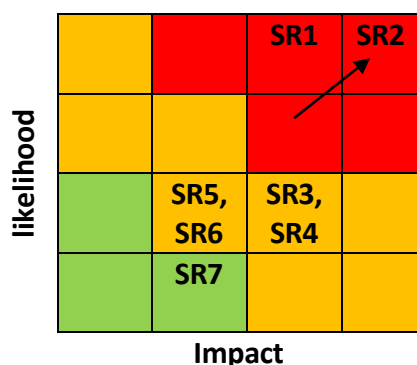
- The target score of SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape has been revised up from 2 (1x2) to 4 (2x2), to account for the increased pressures included at SR2 and the effect on the ability of the Council to deliver the strategic plan.
- The risk descriptor at SR1 and SR6 have been amended to be more strategic, less Covid-19 specific, following the suggestion at the last Audit & Member Standards Committee in July 2020:

From:	To:
SR1: Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance	SR1: Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan
SR6: Failure to innovate and build on the positives / opportunities / learning arising from the Covid-19 situation to maximise outcomes for the Council, e.g. technological solutions	SR6: Failure to innovate and build on positives / opportunities / learning arising (including from the Covid-19 situation) to maximise outcomes for the Council, e.g. technological solutions

- New additional mitigating controls, actions and lines of assurance have been updated on the Register where applicable.
- 'Other Horizon Scanning Risks Arising November 2020' have also been updated at the end of the Register. These are risks which are not strategic risks currently, but that need a 'watching brief' e.g. the devolution / local recovery white paper.

All changes have been highlighted on the Register at Appendix 1.

3.5 The Council's 7 strategic risks are as below, together with their position on the matrix:



- SR2:** Resilience of teams to effectively respond to a further serious disruption to services.
- SR1:** Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.
- SR3:** Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.
- SR4:** Failure to meet governance and / or statutory obligations e.g. breach of the law.
- SR5:** Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area.
- SR6:** Failure to innovate and build on positives / opportunities / learning arising (including from the Covid-19 situation) to maximise outcomes for the Council, e.g. technological solutions.
- SR7:** Threat to the Council's ICT systems of a cyber-attack.

- 3.6 SR1 and SR2 remain outside of appetite (within the red zone) and are therefore being actively managed with the aim to bring them back within tolerance. However, there are many external factors associated with both of these risks, which are beyond the Council's control.
- 3.7 Work to review of the effectiveness of our sub strategic (service / operational) and project risk arrangements re-commenced. In August 2020, Leadership Team agreed the following:
- The 3 lines of assurance approach (as used in the Strategic Risk Register) be used for sub-strategic risks (i.e. service level risks).
 - Heads of Service be responsible for compiling their quarterly service risk register.
 - There would be no requirement to record and manage risks below service level (services or teams would, however, be at liberty to do so if it met their business requirement).
 - Project risks to continue to be managed in accordance with accepted project methodology (i.e. PRINCE2).

The aim is for service risk registers to be in place by December 2020 although the ongoing response to COVID-19 is impacting teams to varying levels and therefore competing capacity demands and priorities in certain teams may mean this target cannot be achieved. However steady progress has been made, with the completion of the Finance & Procurement and Operational Services Service Risk Registers. A further update on this will be given at the next Committee.

Alternative Options	None.
Consultation	Leadership Team have been consulted on this Strategic Risk Update.
Financial Implications	Risk management processes consider value for money at all times of the process. Failure to manage risks could lead to the Council being faced with costs that could impact on its ability to achieve its objectives
Contribution to the Delivery of the Strategic Plan	Sound risk management ensures that risks affecting the delivery of the strategic plan are identified and managed.
Equality, Diversity and Human Rights Implications	None.
Crime & Safety Issues	None.
Environmental Impact	Risks arising from climate change and the green agenda are currently a 'watching brief' item for the strategic risk register.
GDPR / Privacy Impact Assessment	Risks associated with non-compliance with GDPR are included within SR4: Failure to meet governance and / or statutory obligations e.g. breach of the law (e.g. Health & Safety, GDPR, procurement, Safeguarding).



	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Failure to manage known risks and	Strategic risks are closely monitored by	Likelihood – Green

opportunities proactively	the Audit & Member Standards Committee, Cabinet Member and Leadership Team. Reports to Audit & Member Standards Committee provide assurance that active steps are being taken to control risks.	Impact - Yellow Severity of risk - Green (tolerable)
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Background documents: Audit & Member Standards Committee's July 2020 update.

Relevant web links

Appendix 1: Strategic Risk Register – November 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 81 A good council, developing prosperity, shaping place, enabling people	SR2 Resilience of teams to effectively respond to a further serious disruption to services (e.g. multiple layer disruption arising from flooding, coupled with a local outbreak / second wave of Covid-19, other pressures - such as seasonal flu). Owner: Leadership Team	8 (L2x14)	<ul style="list-style-type: none"> Mutual aid assistance Local Resilience Forum. Tested business continuity arrangements in place. Strong links with the Staffordshire CCU and wider Local Resilience Forum. Actively engaged in ongoing Local Resilience Forum response and recovery work streams. Experienced (from the 1st wave of Covid-19) Leadership Team and supporting teams in place to respond. Clear structure and plan in place for Covid-19 2nd wave. Ongoing dialogue with CCU re D20 'BREXIT' risks. 	16 (L4x14)  Was 9 (L3x13)	6 (L2x13)	<ul style="list-style-type: none"> Links to actions arising from recovery strategy e.g. Encourage digital contact, harness and encourage the spirit and commitment shown by the Council and the Community in response to recovery Leadership Team / Dec 2020 Monitor implementation of plan for 2nd wave and D20 Brexit risks Leadership Team / Dec 2020 	1st Line: <ul style="list-style-type: none"> Day to day business continuity plans in place. Training programme.
				2nd Line: <ul style="list-style-type: none"> Annual Report to Leadership Team. CCU test of arrangements feedback. 	3rd Line: Internal Audit of business continuity 2019/20 – reasonable assurance, ICT – remote working 20/21 – reasonable assurance.		
A good council, developing prosperity, shaping	SR1 Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.	16 (L4x14)	<ul style="list-style-type: none"> Prudent estimates for Business Rates and New Homes Bonus based on modelling provided by 	12 (L4x13) 	4 (L2x12)	<ul style="list-style-type: none"> Update of the Medium Term Financial Strategy Responsibility: Head of Finance and Procurement / 	1st Line: <ul style="list-style-type: none"> Approved Medium Term Financial Strategy including the Capital Strategy covering 5 years.

Appendix 1: Strategic Risk Register – November 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
place, enabling people	<p>The risk is influenced by:</p> <ul style="list-style-type: none"> The spending review. Local Government Finance Reform including New Homes Bonus, Business Rates and the Fair Funding Review. The financial impact of the Covid-19 pandemic in the current year and beyond. <p>Owner: Head of Finance & Procurement (Section 151 Officer).</p>		<ul style="list-style-type: none"> Local Government Finance experts. Risk assessed minimum level of reserves set at £1.6m. Routine budget monitoring reported to Leadership Team, Cabinet and Strategic (OS) Committee. Requirements of the new CIPFA Financial Management Code, information contained in the CIPFA Resilience Index and benchmarking reports from LG Futures. In terms of the Covid-19 pandemic – introduction of enhanced monthly income monitoring and receipt of financial assistance from Government. 			<p>commenced July 2020 and approval in February 2021</p>	<ul style="list-style-type: none"> A longer term financial plan covering a 25 year horizon for revenue budgets. Approved Treasury Management Strategy. Production of monthly budget reports to Managers. <p>2nd Line:</p> <ul style="list-style-type: none"> Leadership team review of 3, 6, 8 and 12 month reports to Cabinet, Strategic (OS) Committee. Mid-year and outturn Treasury Management reports to Audit and Member Standards Committee. <p>3rd Line:</p> <ul style="list-style-type: none"> External Audit – going concern test and sign off of financial statements 2019/20. Unqualified VFM assessment. Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income

Appendix 1: Strategic Risk Register – November 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
							Management 20/21 – reasonable assurance.
A good council, developing prosperity, shaping place, enabling people	SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape. Owner: Leadership Team	6 (L2x13)	<ul style="list-style-type: none"> Regular review of progress against delivery plan outcomes and prioritisation process agreed between Leadership Team and Cabinet. Robust project management. People strategy. Communications to all staff. PDRs linked to Strategic and Delivery Plans. Recruitment activity. PDR completion leading to identifying training and development needs. Monitoring resource demands. Mental health / wellbeing systems in place. 	6 (L2x13) ↔	4 (L2x12) ↑ Was 2 (L1x12)	<ul style="list-style-type: none"> Finalisation of people strategy and Workforce development plan to take account of Covid-19 Head of Governance & Performance December 2020 Finalise PDR processes following Pentana pilot Head of Governance & Performance – April 2021 	1st Line: <ul style="list-style-type: none"> Day to day business / service planning, financial planning and performance management.
							2nd Line: <ul style="list-style-type: none"> Delivery Plan reported 6 monthly to Cabinet and shared with Overview & Scrutiny. Quarterly updates to LT on people strategy.
							3rd Line: <ul style="list-style-type: none"> Internal Audits of People Strategy and Workforce Development 2019/20 – reasonable assurance, Performance Management 19/20 – substantial assurance.
A good council	SR4: Failure to meet governance and / or statutory obligations e.g.	9 (L3x13)	<ul style="list-style-type: none"> Regularly reviewed constitution, policies and procedures. 	6 (L2x13) ↔	6 (L2x13)	<ul style="list-style-type: none"> Regular Health & Safety Reporting and action planning to 	1st Line: <ul style="list-style-type: none"> Day to day processes and Local Code of Governance


Appendix 1: Strategic Risk Register – November 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 84	<p>breach of the law (e.g. Health & Safety, GDPR, procurement, Safeguarding), lack of openness / transparency in decision making, breach of the constitution. This could lead to fines as well as reputational damage.</p> <p>Owner: Head of Governance & Performance</p>		<ul style="list-style-type: none"> • Meta compliance policy training, testing and acceptance systems. • Training and awareness for all staff and members. • Effective Overview and Scrutiny and Audit & Member Standards Committee oversight. • Codes of Conduct. • Internal audit. • Roles of Section 151 Officer and Monitoring Officer. • Shared legal services. • New procurement team. 			<p>Leadership Team – Head of Governance & Performance – September 2020 IMPLEMENTED</p>	<ul style="list-style-type: none"> • Forward plans/committee work plans/ delivery plan and service planning. • Use of Mod Gov and publication scheme.
						<ul style="list-style-type: none"> • Finalisation of GDPR Action Plan – Head of Governance & Performance & Interim Head of Corporate Services / December 2020 	<p>2nd Line:</p> <ul style="list-style-type: none"> • Annual reports to Audit and Member Standards Committee. • Regular reports to leadership team. • Transparency data publication.
						<ul style="list-style-type: none"> • Annual Health & Safety Report to be produced for Employment Committee Head of Governance & Performance /March 2021. 	<p>3rd Line:</p> <ul style="list-style-type: none"> • RIPA, ICO and Ombudsman reports/returns. • External audit of Annual Governance Statement as part of the financial statements. • Internal Audits of Ethics 2019/20 – adequate assurance, Health and Safety 2019/20 – adequate assurance, GDPR follow up 2019/20 – limited assurance, Transparency code follow up 2019/20 reasonable assurance, Safeguarding Inc. modern slavery 2019/20 – reasonable assurance, Committee Reporting 2019/20 – substantial assurance, Legal

Appendix 1: Strategic Risk Register – November 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
							Compliance (shared service agreement) 2019/20 – reasonable assurance, Equalities 2019/20 – substantial assurance, Management of Property (LA Trading Company) 20/21 – substantial assurance .
A good council, developing prosperity, shaping place, Page 85	SR5: Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area, for example, the UK withdrawal from the European Union / Covid-19 crisis, results in an increase in unemployment, business closures coupled with emergence of higher expectation of ongoing support from the Council. Increased demand on Council services such as benefits via increased Universal Credit claims, at the same time that Council suffering reduced income.	9 (L3xI3)	<ul style="list-style-type: none"> Financial assistance from Government to businesses and the public (Grants, Test & Trace Support Payments) particularly in terms of furlough scheme end Oct 20, potential further implications for individuals and businesses arising from potential local lockdowns and Brexit. Prosperity is a key theme in the new Strategic Plan. Economic Development Strategy is in place. Council's effective presence on the Local Enterprise Partnerships. Strong partnership working e.g. Lichfield District Board, Staffs CC, Birmingham Chambers. 	4 (L2xI2) ↔	4 (L2xI2)	<ul style="list-style-type: none"> Formulation of strategy and action plan for economic growth and resilience in response to Covid-19 – Head of Economic Growth and Development August 2020 IMPLEMENTED Delivery of immediate actions to support high street economy and business (including visitor economy and hospitality sector) post relaxation of Covid-19 lockdown measures – Head of Economic Growth and Development July 2020 PARTIALLY IMPLEMENTED – 50% ERDF FUNDING 	<p>1st Line:</p> <ul style="list-style-type: none"> Day to day delivery of economic development, housing and health and wellbeing strategies. <p>2nd Line:</p> <ul style="list-style-type: none"> Leadership team review of 3, 6, 8 and 12 month Money Matters reports to Cabinet, Strategic (OS) Committee. Health and Wellbeing Strategy delivery reports. <p>3rd Line:</p> <ul style="list-style-type: none"> Internal Audit of Economic Development Partnership Arrangements 2017/18 – adequate assurance, Tourism 2019/20 – reasonable assurance, Housing Benefits – overpayments 2017/18 – adequate assurance, Housing Benefits – verification and

Appendix 1: Strategic Risk Register – November 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
	Owner: Leadership Team		Lichfield City BID, Burntwood Business Community LGA, DCN, <ul style="list-style-type: none"> • New burdens funding. • Partnership influences built into business case considerations. • Work with redundancy task force • Continue to develop and improve the business contact and relationships locally. 			ALLOCATED REVISED DATE Dec 2020	performance 2016/17 – substantial assurance.
Page 80 A good council, enabling people	SR6: Failure to innovate and build on positives / opportunities / learning arising (including from the Covid-19 situation) to maximise outcomes for the Council, e.g. technological solutions Owner: Leadership Team	9 (L3xI3)	<ul style="list-style-type: none"> • ICT service plan. • ICT hardware replacement programme. • Migration to HIS and implementing of O365. • Refurbishment and reorganisation of office spaces. • Cyber security e-learning. • Engagement Strategy. • Capture best practice • Reinforce a culture of innovation. • People strategy. • Virtual committee meetings. 	4 (L2xI2) 	1 L1xI1	<ul style="list-style-type: none"> • Test and further deployment of hybrid meeting rooms (MS Teams Rooms), Information & Communications Technology Manager / Jan 2021 • Acceleration of agile working processes, terms and conditions. Head of Governance & Performance / October 2020 now as part of recovery planning 	1st Line: <ul style="list-style-type: none"> • ICT hardware replacement programme providing the right equipment for mobile and flexible working. • Ongoing monitoring of customer (internal and external) feedback.
					2nd Line: <ul style="list-style-type: none"> • Monitoring of Lichfield Connects contact levels, trends and reporting on complaints and compliments to Leadership Team. 		
				3rd Line:			

Appendix 1: Strategic Risk Register – November 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
A good council			<ul style="list-style-type: none"> Business cases required for all major projects. Drive to find ongoing efficiencies as part of service / financial planning process. Customer promise. 			<ul style="list-style-type: none"> processes – March 2021 Links to actions arising from recovery strategy e.g. Encourage digital contact, harness and encourage the spirit and commitment shown by the Council and the Community in response to recovery Leadership Team / Dec 2020 Digital innovation strategy Interim Head of Corporate Services / January 2021 	<ul style="list-style-type: none"> Local Government Ombudsman.
		SR7: Threat to the Council's ICT systems of a cyber-attack following dramatic increase in remote working which if successful could result in loss of data / loss of access to applications – which may incur fines / reputational damage.	3 (L1xI3)	<ul style="list-style-type: none"> Use of firewalls and virus protection to manage cyber security, including penetration testing. Strong access level controls (including remote access). Training and regular awareness raising to staff of risks. 	2 (L1xI2) ↔	2 (L1xI2)	<ul style="list-style-type: none"> Planned revision of business continuity and disaster recovery plans for the end of the calendar year Information & Communications Technology Manager / Dec 2020 Migration to HIS and MS Office 365 by the

Appendix 1: Strategic Risk Register – November 2020

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
	Owner: Interim Head of Corporate Services		<ul style="list-style-type: none"> Digital strategy. PSN compliance checklist. Revision of Service Business Continuity Plans to incorporate lessons learnt from COVID-19. 			end of the calendar year which will bring additional resilience and security features Information & Communications Technology Manager / Sep 2020 HIS Dec 2020	<ul style="list-style-type: none"> External penetration testing. 3rd Line: <ul style="list-style-type: none"> Internal Audit of business continuity 2019/20 – significant assurance (DR plan noted as an action), Cyber Security 2019/20 – reasonable assurance, IT Governance 2019/20 – adequate assurance, IT Application Controls – follow up 2019/20 – reasonable assurance, ICT – remote working 20/21 – reasonable assurance.

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Key to 3 lines of assurance:	
1st Line	Day to day operations of internal control systems
2nd Line	Management oversight and monitoring controls
3rd Line	Independent assurance from Internal / external audit and other independent assurance sources (e.g. HSE, BFI)

Other Horizon Scanning Risks Arising October 2020:
Impact on the organisation arising from the devolution / local recovery white paper which was due in September 2020 and has now been postponed to 2021. Not a strategic risk at present, to include as a horizon scan until more information is known and impact on operations can properly be assessed.
Impact on planning activities arising from the 'Planning for the Future' white paper published 6 August 2020. Risks currently being assessed.
Further impact on SR1 arising from the Comprehensive Spending Review to be published in the Autumn 2020.
Risks arising from climate change and green agenda.

COUNTER FRAUD UPDATE

Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits

Date: 12 November 2020
 Agenda Item: 8
 Contact Officer: Rebecca Neill
 Tel Number: 01543 308030
 Email: rebecca.neill@lichfielddc.gov.uk
 Key Decision? NO
 Local Ward Members Full Council



**AUDIT &
MEMBER
STANDARDS
COMMITTEE**

1. Executive Summary

- 1.1 To provide the Committee with an update on counter fraud and to endorse the scheduled review of the counter fraud related policies.

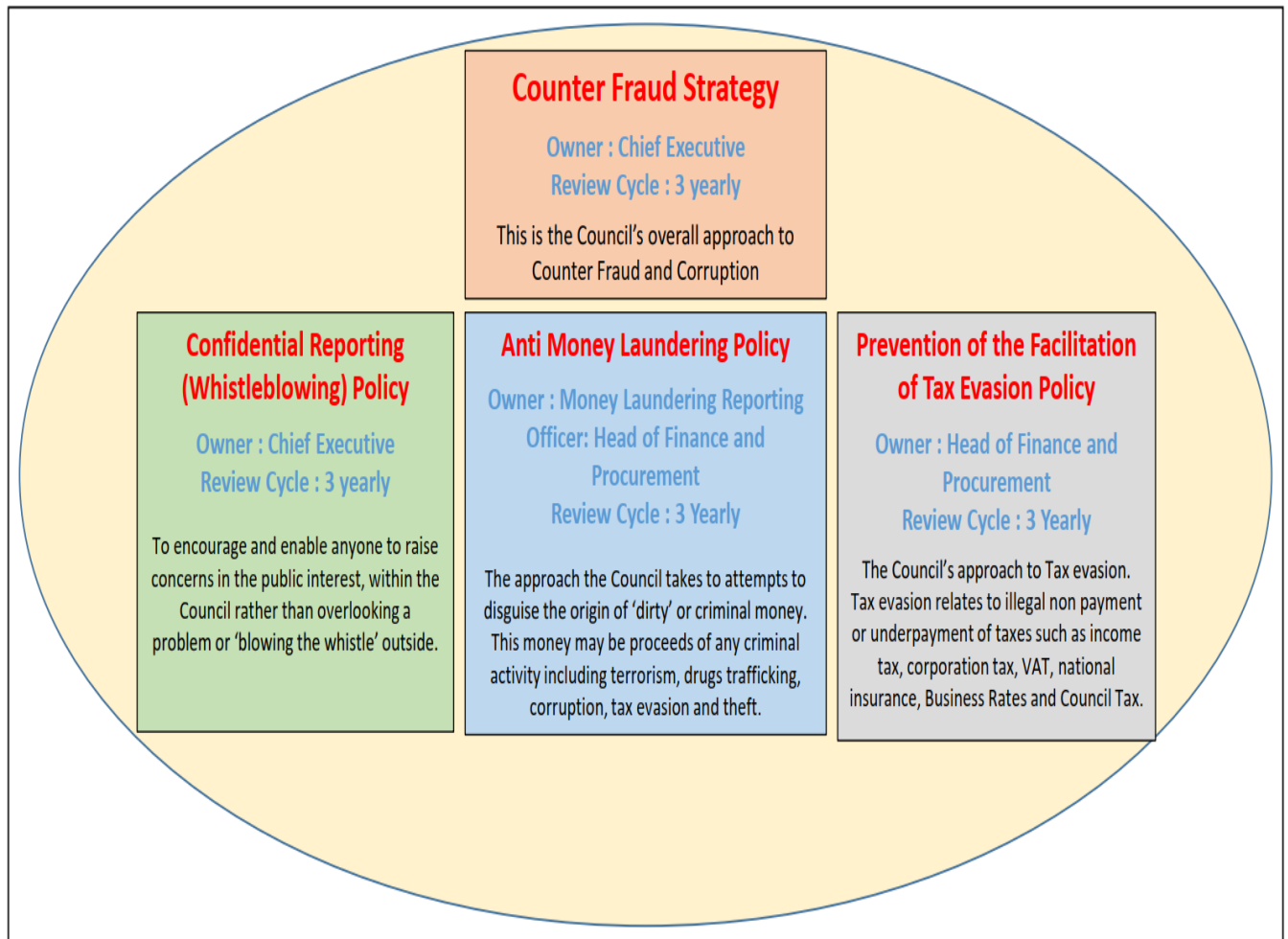
2. Recommendations

- 2.1 To note the contents of this Counter Fraud update report and endorse:
- The Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes (refresh at **Appendix 1**)
 - Confidential Reporting (Whistleblowing) Policy (refresh at **Appendix 2**)
 - Anti-Money Laundering Policy (refresh at **Appendix 3**)
 - Prevention of the Facilitation of Tax Evasion policy (new policy at **Appendix 4**).
- 2.2 That the review cycle for all of these policies be extended from annually to 3 years (unless there is a major change required in accordance with legislation / best practice) and that minor amendments (e.g. job title changes) be delegated to the Shared Head of Audit / Principal Auditor to undertake.

3. Background

- 3.1 The system of internal control is designed to manage risk (including fraud), to a reasonable level. It cannot eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 3.2 As well as operation of the overall system of control, counter fraud work this financial year has been largely dominated by the National Fraud Initiative (NFI), the Cabinet Office's national data matching service. New matches continue to be received and processed. This year is also a national exercise year which means that data sets across the public sector are matched to prevent and detect fraud. The Council's data sets are currently being collated for upload by the NFI's deadline of 1 December 2020.
- 3.3 The Council's counter fraud plan is detailed at Appendix 5 of the Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes (which is Appendix 1 of this report).
- 3.4 There have been no reports of suspected fraud received during the 2019/20 financial year. There have neither been any 'whistle-blows' in 2019/20, which has been the case for the last three years.

3.5 The counter fraud strategies and policies which the Committee are asked to endorse are as below:



- **The Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes (refresh at Appendix 1).** This review is the annual refresh, minor changes only. It is suggested that the review cycle for all of these policies be extended from annually to 3 years (unless there is a major change required in accordance with legislation / best practice) and that minor amendments (e.g. job title changes) be delegated to the Shared Head of Audit / Principal Auditor to undertake.
- **Confidential Reporting (Whistleblowing) Policy (Appendix 2).** This review is the annual refresh, minor changes only.
- **Anti-Money Laundering Policy (Appendix 3).** This is policy was last updated 2009 and did not account for more recent changes in legislation, so has been totally refreshed. Key aspects to this policy include the appointment of the Head of Finance & Procurement (Section 151 Officer) as the Money Laundering Reporting Officer (MLRO), setting the limit for cash payments at **£1,000** (based on the limit contained in relevant legislation), outlining the legislation, possible signs of money laundering and the procedure for managing suspected money laundering.
- **Prevention of the Facilitation of Tax Evasion Policy (Appendix 4).** Part 3 of the Criminal Finances Act 2017 created a corporate criminal offence where a corporate entity fails to prevent the facilitation of tax evasion by its staff, agents and contractual associates. As a corporate entity, good practice (and a defence) against charges of the facilitation of tax evasion, is to have a policy, proportionate risk assessment and to communicate the policy to all staff (including targeted training where necessary – e.g. finance staff).

Following the Committee's endorsement of the above, the policies will be communicated out to all staff, relevant risk assessments undertaken and targeted training undertaken as appropriate. This will, however, take into account the reduced capacity in some areas due to COVID-19 and the impact this could have on the ability to undertake risk assessments and undertake training in the short term.

Alternative Options	N/A
Consultation	The Leadership Team have been consulted.
Financial Implications	Robust counter fraud arrangements mitigate against the risk of loss of council resources.
Contribution to the Delivery of the Strategic Plan	Counter fraud arrangements supports the strategic objective of 'a good Council'.
Equality, Diversity and Human Rights Implications	No equality, diversity or human rights implications arising from this report.
Crime & Safety Issues	None arising. However the suite of counter fraud policies outline the Council's processes for the prevention and detection of fraud related crime.
Environmental Impact	None arising.
GDPR/Privacy Impact Assessment	None required.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	A positive counter fraud culture does not exist	Ensuring that counter fraud policies and procedures are in place and that all staff are aware of them.	Likelihood – Green Impact - Yellow Severity of risk - Green (tolerable)
B	Fraud is not prevented / detected	Having counter fraud arrangements in place.	
C	People are working from home on their own at unusual times using IT more and that makes them/us at greater risk if their diligence falls		
D	Whistleblowing instances and fraud related investigations are not carried out correctly, so that sanctions and redress cannot be effectively applied	Ensuring that counter fraud policies and procedures are in place and that all staff are aware of them. Promotion of an open and honest culture where any concerns raised are taken seriously. Staff undertaking investigations are sufficiently experienced / qualified.	

Background documents Audit & Member Standards Committee routine reports, internal audit reports Annual Governance Statements

Relevant web links



**COUNTER FRAUD AND
CORRUPTION POLICY
STATEMENT, STRATEGY &
GUIDANCE NOTES**

June-November 202019

Document Location

This document is held by Lichfield District Council, and the document owner is the Chief Executive

Printed documents may be obsolete. An electronic copy is available on Lichfield District Council's Intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
November 2020		Refresh

Approvals

Name	Title	Approved
Audit & Member Standards Committee	Committee Approval	
Leadership Team	Leadership Approval	
Chief Executive Approval	Policy Owner Approval	

Document Review Plans

This document is subject to a scheduled review every 3 years. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be available on the Intranet and the website.

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LICHFIELD DISTRICT COUNCIL

COUNTER FRAUD AND CORRUPTION POLICY STATEMENT

- 1.0 The Council fully recognises its responsibility in relation to the spending of public money (Protecting the Public Purse) and is committed to the fullest support for Members and Staff in upholding the reputation of the Council and maintaining public confidence in its integrity. It also recognises its responsibilities under the Proceeds of Crime Act 2002, Money Laundering Regulations 2017, [Criminal Finances Act 2017 \(Part 3\)](#) and the Bribery Act 2010.
- 2.0 The Council acknowledges the threats of fraud and corruption and the harm that they can cause. The Council is committed to maintaining an ethical culture which does not and will not tolerate any form of fraud and corruption. Any such issues will be thoroughly investigated and, if confirmed, dealt with rapidly in the strongest possible way. We will seek the strongest possible sanctions against those who seek to defraud the Council. This includes taking appropriate action against Staff, Members, contractors, external individuals and organisations.
- 3.0 To deliver the Council's corporate priorities, aims and strategic objectives we need to maximise the financial resources available to us. In order to do this we must reduce the risk of fraud to an absolute minimum.
- 4.0 This Policy Statement, together with the Counter Fraud & Corruption Strategy and Guidance Notes, is intended to provide advice and information to Staff and Members, but suppliers, contractors and the general public are also encouraged to use this advice and guidance.

Chief Executive

Leader of the Council

COUNTER FRAUD AND CORRUPTION STRATEGY

1.0 Introduction

1.1 This strategy is a key element of the Council's overall corporate governance arrangements which aim to ensure the Council is well managed and does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable way. The Council has a range of other interrelated policies and procedures that provide a corporate framework to counter fraud activity. These have been formulated in line with appropriate legislative requirements and include:

- Financial Procedure Rules,
- Contract Procedure Rules,
- ~~National Codes~~ of ~~Local Government~~ Conduct,
- Whistleblowing Policy,
- Accounting procedures and records,
- Sound internal control systems,
- Effective Internal Audit,
- Effective recruitment & selection procedures,
- Disciplinary Procedures,
- Fraud Response Plan,
- Anti Fraud Framework for the Benefits Section,
- General Data Protection Policy,
- IT Security Policy,
- Constitution,
- Scheme of Delegation,
- Members Handbook,
- Code of Corporate Governance,
- Gifts & Hospitality Policy & Register,
- Anti-money Laundering Policy,
- Prevention of the Facilitation of Tax Evasion Policy
- Other council procedures as appropriate,
- Any relevant professional Codes of Ethics or obligations.

1.2 All references to fraud within this document include any type of fraud-related offence. Fraud, theft, bribery and corruption are defined as follows:

Fraud – “the intention to make gain or cause loss by false representation, failure to declare information or abuse of position”. The Fraud Act 2006

Theft – “ a person shall be guilty of theft if he/she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it”. The Theft Act 1968.

Bribery – “A person (“P”) is guilty of an offence if either of the following cases applies.

Case 1 is where—

(a) P offers, promises or gives a financial or other advantage to another person, and

(b) P intends the advantage—

(i) to induce a person to perform improperly a relevant function or activity, or

(ii) to reward a person for the improper performance of such a function or activity.

Case 2 is where—

(a) P offers, promises or gives a financial or other advantage to another person, and

(b) P knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity. (The Bribery Act 2010)

Corruption – there is no universally accepted definition of corruption, but it is generally understood to involve the abuse of office and position to benefit a third party (an individual, business or other organisation), in return for payment or other reward. (HM Government – UK Anti-Corruption Strategy 2017 – 2022)

1.3 A dishonest act or fraudulent activity may be, but is not limited to, an act or activity that is unethical, improper, or illegal such as:

- theft of an asset including, but not limited to, money, tangible property, intellectual property etc;
- misappropriation, misapplication, destruction, removal, or concealment of property;
- false claims and/or misrepresentation of facts;
- alteration or falsification of paper or electronic documents, including the inappropriate destruction of paper or electronic documents;
- inappropriate use of computer systems including hacking and software piracy;
- embezzlement;
- bribery, or corruption of any kind;
- unlawful or undeclared conflict of interest;
- unauthorised use or misuse of Council property, equipment, materials or records.

1.4 Although a dishonest or fraudulent act may have criminal and/or civil law consequences, the Council is not required to use a determination by a criminal or civil body as the basis for determining whether an act is dishonest or fraudulent, nor must the act rise to the level of a crime or violation of civil law in order to constitute a violation of the Council's [Code of Conduct or other](#)

[associated policies](#) ~~Disciplinary Policy & Procedure.~~

- 1.5 The Council also expects 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 in turn will endeavour to ensure that all of its dealings will be on the same basis.
- 1.6 In administering its aims and responsibilities the Council is totally committed to deterring fraud and corruption, whether it is attempted on or from within the Council, and is committed to an effective counter fraud and corruption strategy designed to:
- limit, as far as possible, the opportunities to commit fraudulent acts - **prevention**,
 - enable any such acts to be **detected** at an early stage, and
 - deal with any subsequent **investigations** in a prompt, thorough and professional manner.
- 1.7 Overall responsibility for dealing with fraud and corruption rests with the Head of Finance & Procurement, who is the nominated Section 151 Officer having a statutory duty under Section 151 of the Local Government Act 1972 to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 1.8 Internal scrutiny of the Council's various activities occurs as a result of:-
- the Head of Finance & Procurement's Section 151 responsibilities and Section 114 Local Government Finance Act 1988 responsibilities,
 - the establishment of sound Internal Audit arrangements in accordance with the Accounts and Audit Regulations 2015, and
 - the responsibilities placed on the Monitoring Officer under Section 5 of the Local Government and Housing Act 1989.
- 1.9 External scrutiny of the Council's various activities occurs as a result of involvement by:-
- Local Government Ombudsman,
 - External Auditor,
 - Central Government Departments and Parliamentary Committees,
 - HM Revenues and Customs,
 - The Department for Work and Pensions
 - The general public.
- 1.10 This Counter Fraud and Corruption Strategy is based on a series of comprehensive and inter-related procedures designed to deter any attempted fraudulent or corrupt act. These cover:-

- Culture,
- Prevention,
- Detection and Investigation,
- Recovery, Sanction and Redress,
- Training and Awareness,
- Sharing Information,
- Implementing the Strategy.

2.0 Objectives

2.1 The key objectives of this Counter Fraud and Corruption Strategy are to:

- Increase awareness of the counter-fraud responsibilities at all levels within and outside the Council;
- Further embed and support the effective management of fraud risk within the Council;
- Support counter-fraud activities across the Council;
- Minimise the likelihood and extent of loss through fraud and corruption.

2.2 All of the above will directly support the achievement of the Council priorities whilst ensuring that statutory responsibilities are met.

3.0 Roles and Responsibilities

3.1 Roles and responsibilities for identifying and mitigating against the risk of fraud must be clearly understood and embraced effectively.

3.2 The risk of fraud and corruption is considered in the Council's corporate risk management arrangements. Service Managers must therefore ensure that:

- Their risk register accurately reflects the risk of fraud and corruption including any emerging risks;
- Controls, including those in a computerised environment and for new systems and procedures, are effective and are properly maintained and documented;
- There is compliance with the Council's Financial Procedure Rules and associated guidance, Contract Procedure Rules and any other relevant codes of practice;
- Those engaged in countering fraud and corruption, have the appropriate authority, skills and knowledge to undertake this work effectively;
- That the necessary framework agreements to counter fraud are in place where the Council is working with other organisations either by way of contract or partnership. The Council will not knowingly enter into any contractual agreement with an

organisation that fails to comply with its Code of Practice and/or other related procedures.

- Findings from fraud investigations lead to relevant system changes.

4.0 Culture

- 4.1 The Council has determined that the culture and ethics of the Authority are one of honesty and openness in all its dealings, with opposition to fraud and corruption. This strategy forms part of the governance arrangements for the authority.
- 4.2 The Council's Members and staff play an important part in creating and maintaining this culture. They are encouraged to raise any matters that concern them relating to the Council's methods of operation in accordance with this Counter Fraud & Corruption Strategy or the Council's Whistleblowing Policy.
- 4.3 The Council is committed to driving down all Benefit-Fraud. Both public perception and organisational culture play key roles in achieving this aim. All Members and staff are therefore required to report any suspected or known frauds, material changes affecting Benefit claims to the Benefits Office. This specifically includes your own entitlement and of any tenants or sub-tenants that you may have. Failure to do so may result in the Member or Employee being subject to the Disciplinary Policy & Procedure action. In addition, it is also a requirement that the timely transfer of information you receive in your normal business activities relating to any other customer who has alerted you to a fact that affects Benefit awards is completed.
- 4.4 Staff, particularly Benefit staff, should be are required to declare any interest in any situation or transaction in which they may have an interest e.g. processing a relative's claim, appointing a member of staff. In such cases, staff will be removed from taking any further part in the transaction. Benefit Claim, for example, a relative's claim to benefit, and these cases should be treated "in confidence". The files should be kept separately and assessed by a supervisor to minimise the potential for internal fraud or collusion.
- 4.5 The Council's Whistleblowing Policy ensures that those raising concerns know they will be treated seriously and their concerns are properly investigated in a confidential and impartial manner. In raising concerns staff can be assured that they will be protected if the disclosure is made in the public's interest and will not affect their employment situation or future prospects with the Council.
- 4.6 Staff should raise their concerns with the Audit ManagerShared Head of Audit, or in his/her absence with a member of the Internal Audit Team. Where staff feel unable to raise concerns with the Audit ManagerShared Head of Audit, they can raise their concern with their line manager, who must immediately inform the Audit ManagerShared Head of Audit. Under no circumstances should any investigations be undertaken by management.

- 4.7 In addition, a confidential reporting hotline (01543 308111) has been set up for staff and members of the public to report any concerns. Anyone using this facility should provide as much information as possible to ensure the concern can be properly investigated, including leaving your name and contact number, if possible. Concerns made anonymously are much less powerful, but they will be considered in an appropriate manner.
- 4.8 Alternatively, use the Council's website 'Report It' function.
- 4.9 For housing benefit fraud issues, concerns should be raised by contacting the National Benefit Fraud hotline on 0800 854 440 or online at <https://www.gov.uk/report-benefit-fraud>.
- 4.10 Elected Members, suppliers, contractors, and the general public are also encouraged to report concerns through any of the above routes.
- 4.11 Unless there are good reasons to the contrary, any allegations received by way of confidential letters or telephone calls will be taken seriously and investigated in an appropriate manner. All allegations received in this manner should immediately be forwarded to the ~~Audit Manager~~ Shared Head of Audit.
- 4.12 All concerns will be treated in confidence and every effort will be made not to reveal the identity of anyone reporting an incident or concern. your identity if you so wish. At the appropriate time the council will discuss the role of the person reporting the matter as a witness and , however, you may need to come forward as a witness, but this will be discussed with you, as to whether and how the matter can be proceeded with.
- 4.13 Formal reports will be issued aimed at addressing control weaknesses and these will be reported to the Audit & Member Standards Committee in the ~~Audit Manager's~~ Shared Head of Audit's progress report.
- 4.14 The Nolan Committee set out the seven guiding principles that apply to people who serve the public. The Council will develop our working behaviour around these principles, which are attached as Appendix 1.

5.0 Prevention

5.1 Staff

- 5.1.1 The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard temporary, agency and contract staff should be treated in the same manner as permanent staff. Service Managers

are responsible for ensuring agencies engaged for the supply of temporary staff have rigorous vetting processes and that references are sought direct from previous clients with regard to the suitability and integrity of the candidate.

- 5.1.2 Employee recruitment is required to be in accordance with procedures laid down by the Council. Written references covering the known honesty and integrity of potential staff and where required, evidence of a licence to practice must always be obtained. All qualifications will be verified. There will be an open and fair policy of recruitment with no 'canvassing' or 'favouritism'.
- 5.1.3 Staff of the Council are expected to follow [the Council's Code of Conduct](#), any Code of Conduct relating to their personal Professional Body and also abide by the terms and conditions of employment as set out in the Contract of Employment and the National Scheme of Conditions. The Council will report any known impropriety to the relevant Institution for them to consider appropriate disciplinary action.
- 5.1.4 Staff are reminded that they must comply within Section 117 of the Local Government Act 1972 which requires any interests in contracts that have been or are proposed to be entered into by the Council to be declared. The legislation also prohibits the acceptance of fees or rewards other than by means of proper remuneration. Details are described within the Code of Conduct.
- 5.1.5 Managers are required to observe the formal Disciplinary Policy & Procedure.
- 5.1.6 All staff are required to declare in a public register (held by the Monitoring Officer) any offers of gifts or hospitality which are in any way related to the performance of their duties in relation to the Authority. Staff should also declare private work (paid or unpaid) etc., which if permitted must be carried out during hours when not employed on Council work, and should not be conducted from Council premises or use any Council equipment/assets.
- 5.1.7 The above matters are brought to the attention of staff via induction training and subsequently by internal communications.
- 5.1.8 Management at all levels are responsible for ensuring that staff are aware of the Authority's Financial Procedure Rules and Contract Procedure Rules, and that the requirements of each are being met. They are also responsible for ensuring that appropriate procedures are in place to safeguard the resources for which they are responsible, which include accounting control procedures, working manuals and operating procedures. Management must ensure that all staff have access to these rules and regulations and that staff receive suitable training.
- 5.1.9 Managers should strive to create an environment in which staff feel able to approach them with concerns they may have about suspected irregularities. If Managers and staff are unsure of the appropriate action they should consult with the Internal Audit Section.

5.2 Members

5.2.1 Members are required to operate within: -

- Sections 49 - 52 of the Local Government Act 2000,
- Local Authorities (Members' Interest) Regulations 1992 (S.I. 618)
- The National Code of Local Government Conduct
- Any local code or amendments agreed and
- The Council's Contract Procedure Rules and Financial Procedure Rules.

5.2.2 These matters are specifically brought to the attention of elected Members at their induction and subsequent training. Members are required to provide the Monitoring Officer with specific information concerning their disclosable pecuniary interests and to keep that information up to date, as required by sections 29-34 of the Localism Act 2011. The Members Interests Register is held by the Monitoring Officer.

5.3 Systems

5.3.1 The Council's [Constitution, Codes of Conduct](#), Scheme of Delegation, Contract Procedure Rules and Financial Procedure Rules place a duty on all Members and staff to act in accordance with best practice when dealing with the affairs of the Council.

5.3.2 The Head of Finance & Procurement has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure proper administration of financial affairs. Various Codes of Practice outlining systems, procedures and responsibilities are widely distributed to staff.

5.3.3 The Internal Audit Section assesses regularly the level of risk within the Council with a view to preventing fraud and corruption. Such assessments are discussed with [Heads of Service and](#) Service Managers and, where appropriate, incorporated into work plans.

5.3.4 Significant emphasis has been placed on thorough documentation of financial systems, and every effort is made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls and to include adequate separation of duties. The adequacy and appropriateness of the Council's financial systems are independently monitored by both the Internal Audit Section and External Audit. Any weaknesses identified in internal control will be reported to management whose duty it will be to ensure that corrective action is taken. The Section 151 Officer will use his statutory power to enforce the required changes if necessary.

5.3.5 [Heads of Service and](#) Service Managers will ensure that internal controls, including those in a computerised environment, are effectively maintained and documented and will investigate any potential weaknesses.

5.3.6 [Heads of Service and](#) Service Managers must ensure that proportionate counter fraud measures are applied to new systems/procedures.

5.3.7 It is evident across the country that an increasingly wide variety of frauds are being perpetrated. The larger frauds may involve the creation of multiple identities and false addresses, and involve different agencies. Staff are therefore encouraged to liaise with those other agencies, exchanging information [\(subject to GDPR\)](#), where possible and appropriate to help prevent and detect such fraud. It is important that arrangements exist, and are developed, to encourage the exchange of information with other agencies including:-

- other local and statutory authorities,
- Chief Financial Officer Group,
- local, regional and national Auditor networks,
- government departments,
- police forces,
- the External Auditors,
- the National Anti-Fraud Network, and
- any other Fraud Networks/Forums.

5.3.8 The Council has established formal procedures to respond to complaints received about any aspect of service delivery. Issues relating to fraud and corruption will be passed directly to the ~~Audit Manager~~[Shared Head of Audit](#). Specific guidance has also been issued to all staff in relation to Proceeds of Crime and Money Laundering. The ~~Director of Transformation & Resources~~[Head of Finance & Procurement](#) acts as the Council's Money Laundering Reporting Officer.

5.3.9 The Council will involve the police to prosecute offenders where fraudulent or corrupt acts are discovered. This will be a matter for the Head of Finance & Procurement, Monitoring Officer and the Chief Executive to decide, ~~in consultation with the relevant Director.~~

6.0 Detection and Investigation

6.1 The Council's preventative systems, particularly internal control systems, provide indicators of fraudulent activity and are designed to deter any fraudulent activity.

6.2 It is often the alertness of elected Members, council staff, and the general public to the possibility of fraud and corruption, that enables detection to occur and appropriate action to take place.

6.3 Many frauds are discovered by chance, 'tip-off' or general audit work and arrangements are in place to enable such information to be properly dealt with.

- 6.4 [Heads of Service and](#) Service Managers are required by Financial [Regulations Procedure Rules](#) to report all suspected instances of fraud and corruption to the [Audit Manager](#)~~Shared Head of Internal Audit~~. Early reporting is essential to the success of this strategy, and;
- ensures the consistent treatment of information regarding fraud and corruption,
 - facilitates a thorough investigation of any allegation received by an independent unit (Internal Audit), and
 - ensures maximum protection of the Council's interests.
- 6.5 Suspicions that any transaction or dealing may involve the proceeds of crime should be reported to the ~~Director of Transformation & Resources~~ [Head of Finance & Procurement](#), who will ensure such suspicions are reported to the appropriate authorities as required by the relevant Act.
- 6.6 The investigating officer will be appointed by the Head of Finance & Procurement. The investigating officer will usually be an Internal Audit Officer. The investigating officer will;-
- inform the Section 151 Officer (Head of Finance & Procurement) and Chief Executive, as necessary;
 - deal promptly and confidentially with the matter;
 - have unhindered access to employees, information and other resources as required for investigation purposes;
 - record all evidence received;
 - ensure that evidence is sound and adequately supported;
 - ensure security of all evidence collected;
 - liaise as necessary and appropriate with the relevant Director;
 - liaise as necessary with external agencies e.g. Police;
 - notify the Council's Insurance Officer, if appropriate; and,
 - implement Council Disciplinary Policy & Procedure where appropriate.
- 6.7 The Council can be expected to deal swiftly and thoroughly with any employee who attempts to defraud the Council or who is corrupt. The Council will deal positively with fraud and corruption or suspicions thereof.
- 6.8 There is a need to ensure that any investigation process is not misused and, therefore, any abuse such as raising unfounded malicious allegations may be dealt with as a disciplinary matter.
- 6.9 When it is found that fraud or corruption has occurred due to a break down in the Council's systems or procedures, [the Council](#)~~Service Managers~~ will ensure that appropriate improvements in systems of control are promptly implemented in order to prevent a reoccurrence.
- 6.10 Depending on the nature and anticipated extent of the allegations, the Internal Audit section will normally work closely with management and other agencies

such as the police to ensure that all allegations and evidence is properly investigated and reported upon.

- 6.11 Procedures for dealing with the investigation of fraud and corruption are included in the Fraud Manual of the Audit Section.
- 6.12 The Council's disciplinary process will be used where the outcome of the Audit Investigation indicates improper behaviour.
- 6.13 The Council will normally wish the police to independently prosecute offenders where financial impropriety is discovered.
- 6.14 All investigations into suspected instances of fraud and corruption undertaken by the Council shall comply with the requirements of the Human Rights Act 1998, Regulation of Investigatory Powers Act 2000, Criminal Procedures and Investigation Act 1996 and have regard to the Police and Criminal Evidence Act 1984
- 6.16 Any Councillor who is the subject of allegations of wrong doing can be referred to the Monitoring Officer to the authority (details on the website), who will determine what action should be taken.
- 6.17 All contractors, consultants and organisations receiving funding from the Council who are accused of wrong doing will be the subject of an investigation and where appropriate an independent decision may be taken to terminate the agreement/grant.
- 6.18 The Council's External Auditor has a responsibility to review the Council's arrangements for the prevention, detection and investigation of fraud and corruption and report accordingly.

7.0 Recovery, Sanctions & Redress

- 7.1 Where the Council identifies fraud then it will:

Recover, prosecute or apply other sanctions to perpetrators, where appropriate.
- 7.2 Where fraud or corruption by staff is indicated, then action will be taken in accordance with the Council's Disciplinary Policy & Procedure. This may be in addition to any civil recovery action or sanctions.
- 7.3 The Council aims to be effective in recovering any losses incurred to fraud using, as appropriate, criminal and/or civil law. Success rates will be monitored routinely as an indicator and part of the quality process.
- 7.4 Wherever possible, redress should be applied. This ensures that the Council is seen as recovering money lost to fraud.

8.0 Training & Awareness

- 8.1 The Council recognises the importance of training in the delivery of high quality services. The Council supports the concept of fraud awareness training for Managers and for Staff involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. Staff who ignore such training and guidance may face the possibility of disciplinary action.
- 8.2 Specifically, awareness is raised by a combination of face-to-face awareness sessions, e-learning and publications about general and specific fraud issues.
- 8.3 Investigation of fraud and corruption centres around the Council's Internal Audit section. Staff engaged in this section, for the detection and prevention of fraud, are properly and regularly trained in all aspects of it. The training plans of the sections will reflect this requirement.
- 8.4 Regular training seminars will be provided for Members on a wide range of topics including declarations of interest and the Code of Conduct as detailed in the Constitution.
- 8.5 The Council will maintain an up to date awareness of the types of fraud that it may be exposed to, especially given the ongoing financial situation and the resourcefulness of potential fraudsters. It will review national developments and strengthen systems and procedures accordingly using the following key sources of information:
- National Fraud Reports
 - National Anti-Fraud Network
 - Midlands Fraud Forum
 - Local Networking through Staffordshire and the Midlands
 - Any other sources of fraud awareness/updates etc.

9.0 Sharing Information

- 9.1 The Council is committed to working with other agencies in the detection and prevention of fraud.
- 9.2 There are a variety of arrangements in place, which facilitate the regular exchange of information between the District Council and other local authorities and agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators.
- 9.3 The District Council is a member of the National Anti-Fraud Network (NAFN). NAFN provides access to information relating to fraud within the public sector. Fraud intelligence is collated and circulated to members, and information

services to assist in the more effective investigation of fraud are available. We make use of these services.

- 9.4 As technologies develop, there is an ever increasing need to take advantage of the processing and analysis of data stored across the Authority and beyond. This enables information and intelligence to be generated, which is a recognised means of preventing fraud and corruption.
- 9.5 The Cabinet Office has a Code of Data Matching Practice for its National Fraud Initiative (NFI), which is recognised by the Information Commissioner as complying with Data Protection legislation.
- 9.6 The District Council has a Fraud Hotline for reporting fraud suspected within the Council – 01543 308111. There are a number of ways in which the Internal Audit Team can be contacted to report concerns of fraud and corruption, all of which are outlined in Appendix 4.

[9.7 Any action taken under this policy in respect of information must be GDPR compliant.](#)

10.0 Implementing the Strategy

- 10.1 Internal Audit will undertake an annual assessment of the effectiveness of existing counter-fraud and corruption arrangements against:

Relevant Standards

Other best practice/statutory guidance as required

The roles and responsibilities as set out in Appendix 2 of this strategy.

- 10.2 Internal Audit will report its findings to the Audit & Member Standards Committee who will consider the effectiveness of the counter-fraud risk management arrangements.

11.0 Conclusions

- 11.1 The Council's systems, procedures, instructions and guidelines are designed to limit, as far as is practicable, acts of fraud and corruption. All such measures will be kept under constant review to ensure that they keep pace with developments in prevention and detection techniques regarding fraudulent or corrupt activity.
- 11.2 The Council will maintain a continuous review of all its systems and procedures through the Head of Finance & Procurement and Internal Audit, in consultation with the Monitoring Officer where required.

COUNTER FRAUD AND CORRUPTION GUIDANCE NOTES

1.0 Why Do We Need a Counter Fraud And Corruption Strategy?

1.1 Even though the vast majority of people working for the Council are honest and diligent, the Council cannot be complacent. Fraudulent or corrupt acts may include:

System issues	ie where a process/system exists which can be abused by either staff or members of the public (eg expense claims)
Financial issues	ie where individuals or companies have fraudulently obtained money from the Council (eg invalid invoices/work not done)
Equipment issues	ie where Council equipment is used for personal use (eg personal use of council IT equipment)
Resource issues	ie where there is misuse of resources (eg theft of building materials/cash)
Other issues	ie activities undertaken by officers of the Council which may be: unlawful; fall below established standards or practices; or amount to improper conduct (eg receiving unapproved hospitality)

(This is not an exhaustive list.)

1.2 The prevention of fraud, and the protection of the public purse is **EVERYONE'S BUSINESS**. It is important that all staff know:

- how to recognise a fraud,
- how to prevent it, and
- what to do if they suspect that they have come upon a fraud.

1.3 This guidance has been drawn up to provide information to staff at all levels. The strategy and guidance attempt to assist staff and others with suspicions of any malpractice. The overriding concern is that it is in the public interest for the malpractice to be corrected and, if appropriate, sanctions and redress applied.

1.4 It is important that staff should be able to use any mechanism without fear of victimisation, and fully know that their concerns will be addressed seriously, quickly and discreetly.

1.5 It is important that the whole Council works together to reduce Benefit Fraud. All Staff are therefore required to transfer relevant information gathered in their normal day to day activities about possible Benefit irregularities to the Department for Works and Pensions (DWP). So, for example, if during a routine visit/interview you become aware that a customer is working and

“signing on” which they may be entitled to do so but you must tell the DWP this information. You are not expected to and must not delve any further.

- 1.6 The Council has determined that it should have a culture of honesty and openness in all its dealings, with opposition to fraud and corruption. The Council’s Whistleblowing Policy does this by :-
- making it clear that vigilance is part of the job. Knowingly not raising concerns may be a serious disciplinary offence,
 - recognising that early action may well prevent more worry or more serious loss/damage,
 - making it safe and simple to convey critical information ensuring that any concern in this area is seen as a concern and not a grievance,
 - encouraging information exchange, remembering that there are two sides to every story,
 - providing a way in which concerns can be raised in confidence and not necessarily via the nominated line manager or supervisor,
 - recognising the need for discretion,
 - ensuring the anonymity of the individual, where possible, should this be preferred by the employee, and by protecting employers from reprisals.
- 1.7 Under the Enterprise and Regulatory Reform Act 2013, any disclosure made using the Whistleblowing Policy, within reasonable belief of the worker making the disclosure will only be protected if it is made in the public interest. More detail is found in the Whistleblowing Policy.
- 1.8 There is a need to ensure that any investigation process is not misused and, therefore, any abuse such as raising unfounded malicious allegations may be dealt with as a disciplinary matter.
- 2.0 Why Do We Need This Advice?**
- 2.1 It is important that you follow the advice given and do not try to handle the problem yourself, without expert advice and assistance. A badly managed investigation may do more harm than good. There are a number of internal and external processes which have to be followed to yield a satisfactory conclusion.
- 3.0 How To Recognise A Fraud**
- 3.1 Each employee must be aware of fraud and the areas within their responsibility where fraud may occur.
- 3.2 Fraud can happen wherever staff or independent contractors complete official documentation-processes and can take financial advantage of the Council. The risk of fraud is enhanced where staff or contractors are in positions of trust or responsibility and are not checked or subjected to effective monitoring or validation. Consequently the following areas are susceptible to fraud:-

- claims for work done by independent contractors,
- travel and expense claims,
- cash receipts/ petty cash,
- payroll,
- ordering, and
- stocks and assets.

3.3 Fraud involves the falsification of records, failing to disclose information or abuse of position. Managers need to be aware of the possibility of fraud when presented with claims/forms/documentation etc. Issues which may give rise to suspicions are:-

- systems / documents (including online forms) that have been altered/amended or tampered with, "Tippex" used thereon, or different pens and different hand writing,
- claims that cannot be checked, particularly if prior authorisation was not given,
- strange trends (use comparisons and reasonableness),
- confused, illegible text and missing details,
- delays in documentation, completion or submission, and
- no evidence e.g. vouchers or receipts to support claims.

3.4 There are a number of indications of an employee being in a situation whereby they could be acting fraudulently. Common indicators could be:-

- living beyond their means,
- under financial pressure,
- not taking annual leave, and
- solely responsible for a "risk" area and/or possibly refusing to allow another officer to be involved in their duties and/or have minimal supervision.

4.0 How To Prevent It

4.1 By establishing an adverse culture to fraud and corruption the Council can help to prevent its occurrence.

4.2 Managers need to :-

- Minimise the opportunity for fraud – this can be achieved by putting in place robust systems of internal controls and checks.
- Reduce the "Pay – Off" – this is achieved by increasing the chances of detection and increasing the penalty for the perpetrator so risks outweigh the benefits of getting "away with it"

- 4.3 There are 8 basic control types which management should concern themselves with: -

Supervision

Supervisory checks should be completed and recorded by the line manager on the work completed by his/her team.

Organisation

Within each system, there should be policies/procedures setting out how functions should be carried out. There should be clear structures/rules which staff should work within.

Authorisation

Within a system there should be authorisation controls e.g. controls to authorise a payment (electronic/physical signature), and the correct level of authority is used in decision making.

Personnel

There should be clear roles and responsibilities and appropriate level of delegation. The right person should be doing the right job.

Segregation of Duties

Seek to avoid the sole ownership for the processing and control functions of any activity, by one employee.

Physical

This relates to physical controls e.g. access to monies, documents, security of premises etc should be appropriate and restricted where necessary. Where restricted access is necessary, access to keys/door numbers etc should be retained by the person granted access rights. They should not be left on the premises. Inventory checks ensure that assets are controlled.

Arithmetical Accuracy

Checks completed by another person to confirm the accuracy of data input/independent reconciliations of cash floats etc.

Management Functions

Within the system there should be controls for monitoring and reporting upon activity e.g the production of audit trail reports from systems etc. Monitoring to highlight exceptions/irregularity/non-compliance with rules and procedures and reporting – being accountable for actions.

- 4.4. Staff need to be aware of the possibility of fraud when presented with claims/forms/ documentation, etc. They should also have an awareness of internal rules and procedures; i.e. financial ~~regulations and contract procedure rules, standing orders~~, declarations of outside work, hospitality etc.
- 4.5 Deterrence and prevention is the primary aim and if managers implement and control areas as mentioned in 4.3, any deviation from the set procedure should be highlighted in a timely manner.

5.0 What To Do On Suspecting A Fraud

5.1 Action By Staff

- 5.1.1 The Council is committed to the highest possible standards of openness, probity and accountability. Any employee who believes such standards are being breached should report their suspicions. This should be done via this Policy, by contacting the ~~Audit Manager~~Shared Head of Audit.
- 5.1.2 You should report the matter immediately, make a note of your suspicions and provide as much factual information to support your concerns. Concerns are better raised in writing.
- 5.1.3 The background and the history of the concern, giving names, dates and places where possible, should be set out and the reason why the individual is particularly concerned about the situation. Those who do not feel able to put their concern in writing can telephone or meet the appropriate officer. The earlier the concern is expressed, the easier it is to take action. Individuals may invite their trade union or professional association to raise a matter on their behalf.
- 5.1.4 Do not try to carry out an investigation yourself. This may damage any investigation carried out by the Internal Audit section. Help the official investigators by providing information as and when requested and by giving a written statement when required.

5.2 Action By Managers

- 5.2.1 If managers become suspicious of any action by an employee or supplier or such suspicions are reported to them they should follow these simple rules.
- if possible establish if the irregularity (potential fraud, corruption or error) is a genuine error or possible fraud.
 - contact the ~~Audit Manager~~Shared Head of Audit or in ~~her~~their absence a member of the Internal Audit section.
 - do nothing else, except remain vigilant and await further instructions from the investigating team.

5.2.2 The Council is required to report any cases in which it is suspected that transactions involve the proceeds of crime. If staff or managers have any such suspicion, this should be reported immediately to the ~~Director Transformation & Resources~~ Head of Finance & Procurement, who shall advise on the necessary action and ensure the matter is reported to the appropriate authorities.

5.2.3 Details of the relevant contacts can be found in Appendix 4.

6.0 What Happens To The Allegation

6.1 Internal Audit will normally carry out a full enquiry even where there is clear evidence of an offence following the Fraud Response Plan (Appendix 3). A full report will be copied and sent to:-

- the relevant Chief Officer, and
- the Chief Executive to consider if there needs to be any police involvement.

6.2 It is essential that the Internal Audit investigation be a complete one and the investigating officer to whom it is delegated is entitled to expect the fullest co-operation from all staff.

6.3 A full detailed report on any system control failures and recommended actions to address the failures will be issued to the relevant manager in the format of an internal audit report.

The Seven Principles of Public Life (Nolan Committee)

Selflessness

Holders of public office take decisions in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

Statement of Expected Responsibilities

Stakeholder	Expected Responsibilities
Chief Executive	Ultimately accountable as Head of Paid Service for the effectiveness of the Council's arrangements for countering fraud and corruption as well as corporate governance.
Head of Finance & Procurement (Section 151 Officer)	<p>The Head of Finance & Procurement has a statutory duty, under Section 151 of the Local Government Act 1972, Sections 114 and 116 of the Local Government Finance Act 1988 and Accounts and Audit Regulations 2011 to ensure the proper administration of the Council's financial affairs.</p> <p><u>The operation of the Council's Money Laundering Policy.</u></p>
Head of <u>Governance & Performance</u> Legal, Property & Democratic Services (Monitoring Officer)	<p>To advise Members and officers on ethical issues, standards and powers to ensure that the Council operates within the Law and Statutory Codes of Practice.</p> <p>Maintain a Register of Disclosable Pecuniary Interests.</p> <p><u>To put in place a corporate recruitment and selection policy and monitor compliance against it.</u></p> <p><u>The operation of the Council's Regulation of Investigatory Powers Act (RIPA) 2000 Policies and Procedures.</u></p>
Director Transformation & Resources	The operation of the Council's Money Laundering Policy And Regulation of Investigatory Powers Act (RIPA) 2000 Policies and Procedures.
Head of Corporate Services	To put in place a corporate recruitment and selection policy and monitor compliance against it.
Heads of Service	To ensure that fraud and corruption risks are considered as part of the Council's corporate risk management arrangements. To ensure that actions to mitigate risks in this area are effective. To notify the Audit Manager <u>Shared Head of Audit</u> of any fraud

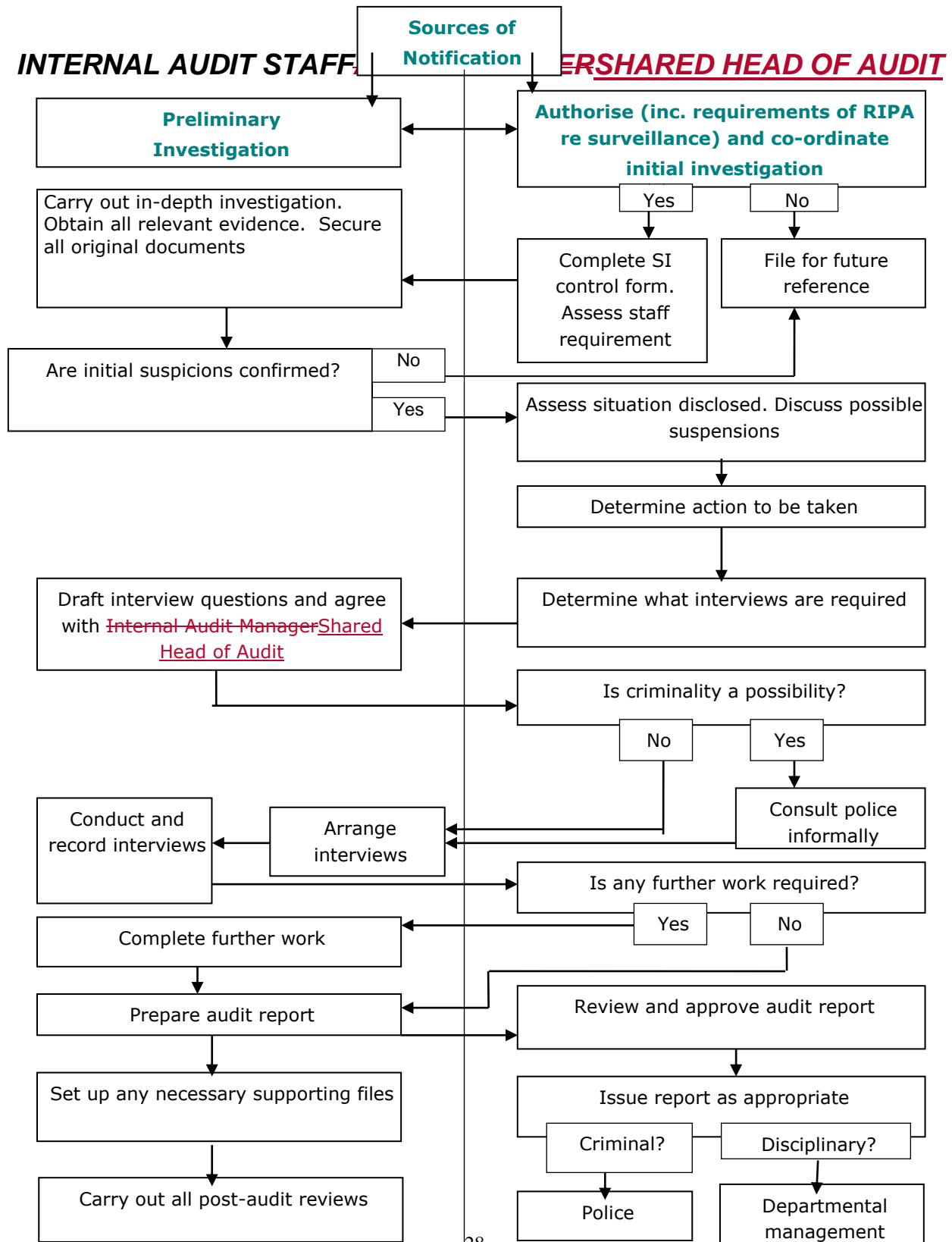
	arising in a timely manner.
Leadership Team	Challenge new policies and strategies to ensure that fraud and corruption risks have been taken into account. Review the corporate framework designed to promote an over-riding counter-fraud culture on a regular basis. This will include monitoring and evaluating arrangements to ensure effectiveness and compliance with best practice.
Audit & Member Standards Committee	To monitor the Council's policies and consider the effectiveness of the arrangements for Counter Fraud and Whistleblowing.
Cabinet Member <u>for Finance, Procurement, Customer Services and Revenues & Benefits for Finance, Democracy</u>	To champion the Council's Counter Fraud & Corruption arrangements and promote them at every opportunity.
Elected Members	To support and promote the development of a strong counter fraud culture.
External Audit	Statutory duty to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud, corruption and theft.
Internal Audit	Responsible for developing and implementing the Counter Fraud and Corruption Policy Statement, Strategy and Guidance Notes and investigating any issues reported under this policy. Reporting on the effectiveness of controls to the Audit & Member Standards Committee. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this Strategy and that action is identified to improve controls and reduce the risk of recurrence.
Senior Managers	To promote employee awareness and ensure that all suspected or reported irregularities are immediately referred to the <u>Audit Manager/Shared Head of Audit</u> . To ensure that there are mechanisms in place within their service areas to assess the risk of fraud,

	corruption and theft and to reduce these risks by implementing robust internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to the Audit Manager <u>Shared Head of Audit</u> .
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns or suspicions. To ensure that effective controls are in place to mitigate risks to the Council.

Lichfield District Council

Fraud Response Plan

OPERATIONAL CONTROL



HOW TO REPORT ANY SUSPECTED FRAUDS, CORRUPTION, OTHER IRREGULARITIES OR CONCERNS

To contact Internal Audit Services

- Contact can be made with Lichfield Internal Audit Section in a number of ways. These are:

For all general issues:

- Call the [Audit Manager Shared Head of Audit](#) on 01543 308030
 - Email the [Audit Manager Shared Head of Audit on Rebecca.neill@lichfielddc.gov.uk](#)
 - Telephone the confidential reporting hotline on 01543 308111
 - Write to Lichfield Internal Audit, District Council House, Frog Lane, Lichfield, WS13 6ZB.
 - Use the Council's Internet 'Report It' function.
- If in doubt, then [Public Concern at Work](#) will give free and totally independent advice on how to proceed. More information can be found in the [Whistleblowing Policy](#).

To contact the Council's external auditor

Write to:

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
West Midlands
B4 6AT
Tel: 0121 212 4000

National Audit Office – Comptroller and Auditor General Whistleblowing hotline: 020 7798 7999

For Housing Benefit Fraud ([including local council tax support and single person discount](#)), contact:

- Telephone the national benefit fraud hotline on 0800 854 440 or
- Text phone number 0800 320 0512 or
- [Via their website at https://www.gov.uk/report-benefit-fraud](https://www.gov.uk/report-benefit-fraud)
- Write to NBFH, PO Box No. 224, Preston, PR1 1GP

Frauds and cyber-crime can also be reported via:
<https://www.actionfraud.police.uk/reporting-fraud-and-cyber-crime>

CREATING AN ANTI-FRAUD CULTURE

OBJECTIVE	RISK	PROGRESS
<p>To build an anti-fraud culture through the adoption of various measures to promote counter fraud awareness by:</p> <p>Continued use of e-learning of fraud awareness</p> <p>Provide drop in sessions (if required) to staff and members.</p> <p>Continue to make available counter fraud strategies/policies on the intranet</p>	<p>Failure to make staff, members and the public that their suspicions will be treated confidentially, objectively and professionally.</p>	<p>On-going</p>
<p>To complete an annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.</p>	<p>Failure to make available enough resources for counter fraud work</p>	<p>Annually <u>as part of the audit planning process</u></p>

DETECTING FRAUD

OBJECTIVE	RISK	PROGRESS
Review communications so that the most effective ways of communication with staff are utilised	A lack of robust strategic approach to deterring fraud can undermine actions to build an anti-fraud culture.	<u>Conduct an</u> Evaluation of <u>annual</u> anti-fraud campaign
Deter fraud attempts by publishing the organisations counter fraud and corruption stance and the actions it takes against fraudsters.	A lack of understanding as to the stance the authority takes against fraud.	Publish strategy on the intranet <u>and raise staff awareness annually</u>

PREVENTING FRAUD		
OBJECTIVE	RISK	PROGRESS
Review the existing Counter Fraud Policy Statement, Strategy & Guidance Notes and update and amend as appropriate.	Out of date policies and procedures which do not cover relevant legislation	Three yearly Annual review <u>(unless legislation / best practice changes)</u> . Minor amendments (i.e. role changes) delegated to the Shared Head of Audit to undertake
Review and update the fraud risk register in line with potential system weaknesses identified during audits or investigations.	Potential risks not identified	Completed quarterly <u>annually</u>
Implement effective Whistleblowing arrangements	Out of date policies and procedures which do not cover relevant legislation.	Annual review <u>Three yearly review (unless legislation / best practice changes)</u> . Minor amendments (i.e. role changes) delegated to the Shared Head of Audit to undertake

DETECTING FRAUD

OBJECTIVE	RISK	PROGRESS
Undertake enquiries as a result of the outcome of the National Fraud Initiative	If not undertaken, there is a risk that the opportunity to abuse a system weakness may be heightened as the risk of being caught maybe deemed negligible by the perpetrator.	On-going
Undertake local proactive exercises through data & intelligence analysis at the Authority in line with the audit plan	If not undertaken, there is a risk that the opportunity to abuse a system weakness may be heightened as the risk of being caught maybe deemed negligible by the perpetrator.	As required
Review and evaluated the potential for the use of computer aided and other innovative techniques for the detection of fraud.	If not undertaken, there is a risk that fraud could go undetected	As required

INVESTIGATIONS

OBJECTIVE	RISK	PROGRESS
All referrals will be investigated in accordance with the Counter Fraud and Corruption Policy Statement & Strategy.	The risk of not investigating is that fraud goes unpunished and there is no resulting deterrent effect thus increasing the prevalence of fraud further	On-going

SANCTIONS

OBJECTIVE	RISK	PROGRESS
Ensure that the sanctions are applied correctly and consistently (including internal disciplinary, regulatory & criminal).	If sanctions are not imposed there is no deterrence of fraud.	On-going

REDRESS

OBJECTIVE	RISK	PROGRESS
<p>Maintain comprehensive records of time spent on each investigation so that this can be included in any compensation claim.</p> <p>Identify and maintain a record of the actual proven amount of loss so that appropriate recovery procedures can be actioned.</p>	<p>Fraudsters may not realise that any and all measures will be taken to recover any money lost to fraud.</p>	<p>On-going</p>

MANDATORY COUNTER FRAUD ARRANGEMENTS (STRATEGIC WORK)

OBJECTIVE	RISK	PROGRESS
Attendance at relevant fraud forums/meetings to ensure that professional knowledge and skills are maintained.	Failure to ensure the completion of mandatory strategic work may mean that the professional knowledge and skills are not maintained to a high standard.	On-going
Completion and agreement of work plan		On-going
Regular meetings with the Head of Finance & Procurement		On-going
Quarterly <u>Regular</u> report of counter fraud work		On-going
Attendance at relevant training as required.		On-going



Confidential Reporting (Whistleblowing) Policy

OctoberJune 202019

Document Location

This document is held by Lichfield District Council, and the document owner is the Chief Executive.

Printed documents may be obsolete. An electronic copy is available on Lichfield District Council's Intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
November 2020		Refresh

Approvals

Name	Title	Approved
Audit & Member Standards Committee	Committee Approval	
Leadership Team	Leadership Approval	
Chief Executive Approval	Policy Owner Approval	

Document Review Plans

This document is subject to a scheduled review every 3 years. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be available on the Intranet and the website.

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LICHFIELD DISTRICT COUNCIL

CONFIDENTIAL REPORTING (WHISTLEBLOWING) POLICY

1. Policy Statement

- 1.1 ~~Employees~~ Those working for the Council are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment it expects its workers and employees, and others that it deals with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.
- 1.3 This policy document makes it clear that you can do so without fear of victimisation, subsequent discrimination or disadvantage. This Whistleblowing Policy is intended to encourage and enable anyone to raise concerns in the public interest, within the Council rather than overlooking a problem or 'blowing the whistle' outside.

2 Introduction

- 2.1 The Public Interest Disclosure Act 1998 became law in July, 1999. This Act, introduced the protection of whistleblowers and removes the limits of financial liability to which an organisation is exposed should a whistleblower receive unfair treatment. This policy document sets out the Council's response to the requirements of the Act.
- 2.2 Under the Enterprise and Regulatory Reform Act 2013, any disclosure made using the Whistleblowing Policy, within reasonable belief of the worker making the disclosure will only be protected if it is made in the public interest. It must also show one or more of the following:
- (a) that a criminal offence has been committed, is being committed or is likely to be committed,
 - (b) that a person has failed, is failing or is likely to fail to comply with any legal obligation to which ~~they are~~ is subject,
 - (c) that a miscarriage of justice has occurred, is occurring or is likely to occur,
 - (d) that the health or safety of any individual has been, is being or is likely to be endangered,

(e) that the environment has been, is being or is likely to be damaged, or
(f) that information tending to show any matter falling within any one of the preceding paragraphs has been, is being or is likely to be deliberately concealed.

2.3 This policy is designed for workers. Workers include:

- employees;
- agency workers;
- people that are training with an employer but not employed; and
- self-employed workers, if supervised or working off-site.

2.4 Local Government employees have an individual and collective responsibility regarding their conduct and practices, which are always subject to scrutiny. As individuals, employees are required to work within the Code of Conduct for Lichfield District Council Employees and the relevant codes of conduct including the standards appropriate to their professional organisations or associations. The Council's regulatory framework also includes Financial Procedure Rules and Contract Procedure Rules that must be met.

2.5 All employees have a duty to bring to the attention of management any deficiency in the provision of service and any impropriety or breach of procedure, in accordance with Financial Procedure Rules."

2.6 These procedures are in addition to the Council's complaints procedures including the Grievance Policy & Procedure and Prevention of Bullying and Harassment at work policy and other statutory reporting procedures applying to some Services.

3 Aims and Scope of this Policy

3.1 This policy aims to:

- encourage you to feel confident in raising concerns that are in the public interest
- provide avenues for you to raise those concerns and receive feedback on any action taken
- ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied
- re-assure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in the public interest.

3.2 There are existing procedures in place to enable you to disclose particular concerns. These are:

- The Authority's Grievance Policy & Procedure which enables you to lodge a grievance relating to your own employment;
- The Authority's Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes, which outlines how you can disclose potential fraud, bribery, corruption and theft;
- The Authority's Prevention of Bullying and Harassment at Work Policy & Procedure, which enables you to disclose cases of potential harassment and bullying;
- The Authority's Safeguarding Children & Vulnerable Adults Protection Policy (which has its own Whistleblowing Procedures in place), for disclosures regarding suspected mistreatment of children and vulnerable adults.
- The Authority's Prevention of the Facilitation of Tax Evasion Policy for disclosures relating to the prevention of the facilitation of tax evasion by the Council's staff, agents and contractual associates under Part 3 of the Criminal Finances Act 2017.

3.3 This policy does **not** replace the corporate complaints procedure or other existing policies for raising issues regarding your employment.

3.4 This policy is subject to three yearly review, unless legislative changes or best practice changes occur. Minor amendments to this policy such as job title changes will be made by the Shared Head of Audit / Principal Auditor.

4 Safeguards

4.1 The Council is committed to good practice and high standards and shall be supportive of employees.

4.2 The Council recognises that the decision to report a concern can be a difficult one to make. If what you are saying is within reasonable belief, you should have nothing to fear because you will be doing your duty to your employer and those for whom you are providing a service.

4.3 The Council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in the public interest.

5 Confidentiality

5.1 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness, but this will be discussed with you, as to whether and how the matter can be proceeded with.

6 Anonymous Allegations

6.1 This policy encourages you to put your name to your allegation whenever possible.

- 6.2 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.
- 6.3 In exercising this discretion the factors to be taken into account would include:
- the seriousness of the issues raised;
 - the credibility of the concern; and
 - the likelihood of confirming the allegation from attributable sources.

7 Untrue Allegations

- 7.1 If you make an allegation in the public interest, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

8 How to Raise a Concern

- 8.1 You should raise your concern with the ~~Audit Manager~~Shared Head of Audit, or in their absence, a member of the Internal Audit Team. Where staff feel unable to raise concerns with the ~~Audit Manager~~Shared Head of Audit, they can raise their concern with their line manager, who must immediately inform the Shared Head of Audit~~Audit Manager~~. Under no circumstances should any investigation be undertaken by management.
- 8.2 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 8.3 If the concern raised relates to fraud or corruption, then the matter will be reviewed and investigated by Internal Audit. If however, the concern relates to a management issue, then the matter will be recorded and forwarded onto the appropriate officer to deal with it.
- 8.4 Concerns are best raised in writing. You are invited to set out the background and history of the concern, giving names, dates and places where possible, and the reason why you are particularly concerned about the situation. If you do not feel able to put your particular concern in writing, you can telephone or meet the appropriate officer. The Officer notified of an individuals concern must record those concerns taking a statement where they feel it appropriate.
- 8.5 In addition, a confidential reporting hotline (01543 308111) has been set up for staff and members of the public to report any concerns. Anyone using this facility should provide as much information as possible to ensure the concern can be properly investigated, including leaving your name and contact number, if possible.

- 8.6 The earlier you express the concern, the easier it is to take action, and although you will not be expected to prove the truth of the allegation, you will need to be able to demonstrate to the person contacted that there are sufficient grounds for your concern.
- 8.7 You may invite your trade union or professional association representative or a member of staff to be present during any meetings or interviews in connection with the concerns you have raised.
- 8.8 Advice and guidance on how matters of concern may be pursued can be obtained from the: -

Head of Corporate Services Governance & Performance Tel: 3084002,
Shared Head of Audit ~~Audit Manager~~ Tel: 308230030

~~8.9 There can be no guarantee that a disciplinary issue will be the consequence and disclosures may lead to criminal investigations.~~

9 External contacts

- 9.1 While it is hoped that this policy gives you the reassurance you need to raise such matters internally and the Council strongly encourages you to pursue concerns through this process, it is recognised that there may be circumstances where you can properly report matters to outside bodies, such as prescribed regulators, some of which are outlined below, or the police, or if applicable your own union, who will be able to advise you on such an option and on the circumstances in which you may be able to contact an outside body safely.
- 9.2 Examples of relevant Prescribed Regulators are as follows:

Proper conduct of public business, value for money fraud and corruption relating to the provision of public services	Comptroller and Auditor General
Serious and complex fraud	Director of the Serious Fraud Office
Environmental issues	Environment Agency
Accounting, auditing and actuarial issues	Financial Reporting Council Limited
Health & safety issues	Health & Safety Executive
Social housing	Homes & Communities Agency
Data Protection & Freedom of Information	Information Commissioner

Corruption & Bribery	National Crime Agency
Child Welfare & Protection	Children's Commissioner NSPCC

The full list of prescribed regulators can be found in The Public Interest Disclosure (Prescribed Persons) Order 2014.

- 9.3 Public Concern at Work, 0207 404 6609, www.helpline@pcaw.co.uk, are a registered charity set up to give free independent advice to employees and workers who contact them with concerns. They have qualified legal staff.

10 How the Council Will Respond

- 10.1 The Council will always respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

- 10.2 Where appropriate, the matters raised may:

- be investigated internally (the Disciplinary Procedure may be used);
- be referred to the police;
- be referred to the external auditor; or
- form the subject of an independent inquiry.

- 10.3 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle which the Council will have in mind is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example, child protection or discrimination issues) will normally be referred for consideration under those procedures.

- 10.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.

- 10.5 Within ten working days of a concern being raised, the Head of ~~Legal, Property & Democratic Services~~ Governance & Performance will write to you:

- acknowledging that the concern has been received;
- indicating how the Council propose to deal with the matter;
- giving an estimate of how long it will take to provide a final response;
- telling you whether any initial enquiries have been made;
- supplying you with information on how the Council will support you if you think this is necessary, whilst the matter is under consideration; and
- telling you whether further investigations will take place and if not, why not.

- 10.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matter raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.
- 10.7 Where any meeting is arranged, you have the right, if you so wish, to be accompanied by a Union or professional association representative or a friend who is not involved in the area of work to which the concern relates.
- 10.8 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcome of any investigation.

11 The Responsible Officer

- 11.1 The Chief Executive has overall responsibility for the maintenance and operation of this policy. Internal Audit will maintain a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the Council.

12 How the Matter can be Taken Further

- 12.1 If you feel that the Council has not responded correctly at any stage, remember you can go to the other levels and bodies mentioned earlier. While it cannot be guaranteed that all matters will be addressed in the way that you might wish, it will always be the Council's intention to handle the matter fairly and properly. By using this policy, you will help achieve this.
- 12.2 If you do take the matter outside the Council, you should ensure that you do not disclose confidential or privileged information. [Advice can be sort from the Head of Governance & Performance \(Monitoring Officer\).](#)-

Anti Money Laundering Policy

Nov 2020

Document Location

This document is held by Lichfield District Council, and the document owner is the Head of Finance & Procurement (Section 151 Officer).

Printed documents may be obsolete. An electronic copy is available on Lichfield District Council's Intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
November 2020	1.0	Refreshed Policy

Approvals

Name	Title	Approved
Audit & Member Standards Committee	Committee Approval	
Leadership Team	Leadership Approval	
Head of Finance & Procurement (Section 151 Officer) Approval	Policy Owner Approval	

Document Review Plans

This document is subject to a scheduled review every 3 years. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be available on the Intranet and the website.

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LICHFIELD DISTRICT COUNCIL

ANTI-MONEY LAUNDERING POLICY STATEMENT

1. Lichfield District Council fully recognises its responsibility in relation to the spending of public money (Protecting the Public Purse) and is committed to the fullest support for Councillors and Employees in upholding the reputation of the Council and maintaining public confidence in its integrity. It also recognises its responsibilities under the Proceeds of Crime Act 2002 (as amended by the serious organised Crime and Police Act 2005), Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (*and as amended*) (MLR) and the Bribery Act 2010.
2. The Council acknowledges the threat of money laundering and the harm that it can cause. The Council is committed to maintaining an ethical culture which does not and will not tolerate any form of fraud and corruption. Any such issues will be thoroughly investigated and, if confirmed, dealt with rapidly in the strongest possible way. We will seek the strongest possible sanctions against those who seek to defraud the Council. This includes taking appropriate action against employees, Councillors, contractors, external individuals and organisations.
3. To deliver the Council's corporate priorities, aims and strategic objectives we need to maximise the financial resources available to us. In order to do this we must reduce the risk of fraud to an absolute minimum.
4. This document is intended to provide advice and information to Employees and Councillors but suppliers, contractors and the general public are also encouraged to use this advice and guidance.

LICHFIELD DISTRICT COUNCIL ANTI-MONEY LAUNDERING POLICY

1. Introduction

Although local authorities are not directly covered by the requirements of the Money Laundering Regulations (MLR), guidance from CIPFA indicates that they should comply with the underlying spirit of the legislation and regulations.

Lichfield District Council is committed to the highest possible standards of conduct and governance, therefore, it has put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

The Council must apply customer due diligence measures if the person carries out an occasional transaction that amounts to a transfer of funds exceeding €1,000. **To address and prevent money laundering and terrorist financing the Council has set a cash payment limit of £1,000.**

This is not designed to prevent customers making payments for Council services but to minimise the risk to the Council of high value cash transactions. Best practice is to be encouraged – seek payment electronically from a UK clearing bank.

2. Scope of the Policy

This policy applies to all employees, whether permanent or temporary, and Members of the Council.

Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside work should contact the Police.

3. Definition of Money Laundering

Money laundering is a general term for any method of disguising the origin of “dirty” or criminal money. This money may be the proceeds of any criminal activity including terrorism, drugs trafficking, corruption, tax evasion and theft. The purpose of money laundering is to hide the origin of the dirty money so that it appears to have come from a legitimate source. Unfortunately, no organisation is safe from the threat of money laundering, particularly where it is receiving funds from sources where the identity of the payer is unknown. It is, therefore, possible that the Council may be targeted by criminals wishing to launder the proceeds of crime.

In addition, it is possible that the proceeds of crime may be received from individuals or organisations who do not realise that they are committing an offence. It is no defence for the payer or the recipient to claim that they did not know that they were committing an offence if they should have been aware of the origin of the funds. All staff therefore dealing with the receipt of funds or having contact with third parties from whom funds may be received need to be aware of the possibility of money laundering taking place.

Money laundering describes offences involving the integration of the proceeds of crime or terrorist funds into the mainstream economy. Such offences are

defined under the Proceeds of Crime Act 2002 (“the Act”); the following are ‘prohibited acts’:

- Concealing, disguising, converting, transferring or removing criminal property from the UK
- Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or possessing criminal property
- Failure to disclose one of the offences listed above, where there are reasonable grounds for knowledge or suspicion
- Doing something that might prejudice an investigation e.g. falsifying a document
- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation

Provided the Council does not undertake activities regulated under the Financial Services and Markets Act 2000, the offences of failure to disclose and tipping off do not apply. However, the Council and its employees and Members remain subject to the remainder of the offences and the full provisions of the Terrorism Act 2000.

The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.

Although the term ‘money laundering’ is generally used to describe the activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

Potentially very heavy penalties (unlimited fines and imprisonment up to fourteen years) can be handed down to those who are convicted of one of the offences above.

It is important therefore that staff are aware of the rules and procedures that the Council has in place to ensure that they comply with the relevant legislation and approach taken by the Council as set out in this policy.

4. Requirements of the Money Laundering Legislation

The main requirements of the legislation are:

- To appoint a money laundering reporting officer.
- Conduct a money laundering and terrorist financing risk assessment.
- Implement systems, policies, controls and procedures to address money laundering and terrorist financing risks and meet the requirements under the regulations.
- Apply policies, procedures and adopt appropriate internal controls.
- Provide training for staff.
- Maintain customer due diligence, enhanced due diligence and simplified due diligence requirements in certain circumstances.
- Comply with requirements relating to politically exposed persons.

- Implement a procedure to enable the reporting of suspicions of money laundering, including record keeping and compliance with data protection systems.
- Maintain record keeping procedures

5. The Money Laundering Reporting Officer (MLRO)

The Council has designated the Head of Finance & Procurement (Section 151 Officer) as the Money Laundering Reporting Officer (MLRO). They can be contacted on 01543 308012 or by email on anthony.thomas@lichfielddc.gov.uk

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In the absence of the MLRO or in instances where it is suspected that the MLRO could be involved in suspicious transactions, concerns should be raised with the Chief Executive. They can be contacted on 01543 308001 or by email on diane.tilley@lichfielddc.gov.uk .

6. Possible Signs of Money Laundering

It is not possible to give a definitive list of ways in which to spot money laundering but facts which tend to suggest that something “odd” is happening may be sufficient for a reasonable suspicion of money laundering to arise.

The following are the types of risk factors which *may*, either alone or cumulatively with other factors, suggest the possibility of money laundering activity:

- A new customer with no previous history with the Council.
- A secretive customer: for example one who refuses to provide requested information without a reasonable explanation.
- Concerns about the honesty, integrity or identity of a customer.
- Illogical third party transactions: for example unnecessary routing or receipt of funds from third parties or through third party accounts.
- Involvement of an unconnected third party without logical reason or explanation.
- Payment of substantial sum in cash.
- Overpayments by a customer.
- Absence of an obvious legitimate source of the funds.
- Movement of funds to and from overseas, particularly to and from a higher risk country.
- Where, without reasonable explanation, the size, nature and frequency of transactions or instructions is out of line with normal expectations.
- Cancellation or reversal of an earlier transaction.

7. Due Diligence Procedures

The Money Laundering Regulations require us to carry out “Customer Due Diligence”. Staff should therefore be alert to where Lichfield District Council may be targeted by individuals trying to launder the proceeds of crime and/or finance terrorist activity.

Staff should avoid alerting anyone dealing with Lichfield District Council that there is a suspicion that they may be attempting to launder, or have laundered,

the proceeds of crime; and report any suspicions of money laundering to the Money Laundering Reporting Officer.

Training will be provided to all relevant staff regarding money laundering to assist them in their awareness of how money laundering could take place and the appropriate method of dealing with this. In effect, any areas where money changes hands could therefore be at risk of money laundering attempts, i.e. Application fees for taxi licences, planning applications etc.

The Council already has procedures in place to limit the amount of cash that it receives, with other payment methods being made available. To ensure however that the system is manageable, if a cash payment of less than £1,000 is received; no identification checks will be needed.

Where the £1,000 limit is exceeded, officers dealing with the matter will need to (1) establish the identity of the individual/company involved (2) seek advice from the MLRO (01543 308012) to ensure that the risk of receiving the proceeds of crime can be minimised.

For individuals, their passport or photo driving licence should be obtained, together with one of the following:

- Utility bills i.e. electricity, water etc. however mobile phone bills are not acceptable.
- Mortgage/building society/bank statements.
- Credit card statements.
- Official receipt of pension / benefit confirmation.

If a passport or photo driving licence is not available, then two of the other items listed above will need to be produced. These can be electronic verifiable format.

For companies, a Companies House search should be undertaken to confirm the existence of the company and identify who the directors are. Personal identification should then be obtained for the representatives of the company together with proof of their authority to act on behalf of the company. The name of the company, company number or other registration and address of the registered office and if different, principal place of business should be recorded. Care should be taken if it becomes clear that the individual has only recently become a director of the company or if there has been a recent change in the registered office.

For any other type of organisation, for example a sole trader or partnership, personal identification should be obtained for the individuals together with documents indicating their relationship to the organisation. Where applicable identify the beneficial owners of the individual and assess the purpose and intended nature of the transaction.

Enhanced due diligence checks should take place and/or must be applied, in any transaction or business relationship involving a person established in a 'high risk third country', any transaction or business relationship involving a 'politically exposed person' (PEP) or a family member or known associate of a PEP and any other situation that presents a higher risk of money laundering or terrorist financing.

Simplified due diligence is permitted where it is determined that the business relationship or transaction presents a low risk of money laundering or terrorist financing, taking into account the risk assessment.

Customer due diligence measures will differ from case to case but most reflect the assessment of the level of risk in each particular case.

Copies of any evidence provided in support of the identification of an individual or organisation should be kept on a central file so that it can be referred to later if necessary. Records should be kept for 6 years after the end of the transaction.

8. Land/Property Transactions

The Council has in place procedures to identify customers when Council land or property is being sold without the involvement of independent legal advice. The procedures will require the Council to:

- Identify customers and verify their identity on the basis of documents from a reliable and approved source;
- Identify where applicable the beneficial owner (see below) and take adequate measures on a risk sensitive basis to verify their identity;
- Maintain records of all checks.

“Beneficial owners” are the individuals who ultimately own, control or have a legal interest in the asset or the person on whose behalf a transaction or activity is being conducted.

If satisfactory evidence of a customer’s identity cannot be obtained at the outset then the business transaction CANNOT proceed any further.

All personal data collected will be kept in accordance with the General Data Protection Regulations.

9. Procedure for Reporting Suspicious Transactions

Any suspicious transactions which staff may become aware of in the course of their work must be reported to the MLRO immediately using the Council’s Internal Disclosure Form (see Appendix 2). Failure to make the appropriate report immediately will be regarded as gross misconduct and may result in dismissal without notice or pay in lieu of notice.

The report must include as much detail as possible including:

- Full details of the people involved.
- Full details of the nature of their/your involvement.
- The types of money laundering activity involved.
- The date(s) of such activity/ies.
- Whether the transactions have happened, are ongoing or are imminent.
- Where they took place (if applicable).
- How they were undertaken (if applicable).
- The (likely) amount of money/assets involved.
- Why, exactly, there are suspicions.

This should be supported by any other available information to enable the MLRO to make a sound judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable them to prepare a report to the National Crime Agency (NCA), where appropriate. You should also enclose copies of any relevant supporting documentation.

It is imperative, if staff have a suspicion concerning an individual or organisation with which they are dealing, that they do not alert them to that suspicion i.e. that no “tipping off” is done. Staff must, therefore, **not** make them aware that an internal disclosure report may be made. Once the report is made, the cash/cheques/other form of payment from this source should not be banked until clearance has been received from the MLRO. Such clearance may take up to seven days from the time when the initial report to the MLRO is made.

If the funds are banked in this period without getting clearance from the MLRO that staff members runs the risk of a fine and/ or imprisonment for up to 14 years.

10. Additional Guidance

If you require any additional information or guidance in relation to the contents of this policy and your responsibilities please contact the MLRO. An Aide Memoir has been prepared – Appendix 3, which can be used as a brief reminder to staff of their responsibilities.

11. Consideration of the Disclosure by the Money Laundering Reporting Officer

Upon receipt of a report, the MLRO must note the date thereof and acknowledge receipt. They should also advise you of the timescale within which they expects to respond to you.

The MLRO will consider the report and any other available internal information they think relevant e.g.

- reviewing other transaction patterns and volumes;
- the length of any business relationship involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held;

The MLRO will also undertake other such reasonable inquiries that are appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.

Once the MLRO has evaluated the report and any other relevant information, they must make a timely determination as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- there is a requirement to seek consent from the NCA for a particular transaction to proceed.

Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless they has a reasonable excuse for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).

Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then they must note this accordingly; they can then immediately give their consent for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO must liaise with the Head of Governance & Performance (Monitoring Officer) to decide whether there is a reasonable excuse for not reporting the matter to the NCA.

Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall note this accordingly and give consent for any ongoing or imminent transaction(s) to proceed.

All reports referred to the MLRO and reports made by them to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of six years.

The MLRO commits a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.

12. Training

Officers considered likely to be exposed to suspicious situations, will be made aware of these by their senior officer and provided with appropriate training. In effect, any areas where money changes hands could therefore be at risk of money laundering attempts i.e. application fees for taxi licences, planning applications, etc.

Additionally, all employees and Members will be familiarised with the legal and regulatory requirements relating to money laundering and how they affect both the Council and themselves.

Notwithstanding the paragraphs above, it is the duty of officers and Members to report all suspicious transactions whether they have received their training or not.

13. Conclusions

The Council has put into place a number of arrangements to protect itself from the risk of money laundering. However in the current climate of change there are issues that will increase this risk. Changes in structure, changes in systems and the turnover of staff all contribute to our exposure to the risk of money

laundering. To mitigate against this risk the Council will regularly review arrangements.

The Money Laundering Policy provides a framework for preventing and tackling money laundering acts against the Authority. The approval of the Policy by the Audit and Member Standards Committee and the Council, demonstrates the Council's commitment to protecting public funds. Having made this commitment, it is imperative that the MLRO puts in place arrangements for disseminating the Policy and promoting money laundering awareness, throughout the Council. The Council believes that this policy represents a proportionate response to the level of risk it faces from money laundering offences.

14. Review

This policy and associated procedure will be subject to a review every 3 years unless any changes or updates to any of the relevant legislation require that it is undertaken sooner.

Role of the Money Laundering Report Officer – “MLRO”

The duties of the Money Laundering Reporting Officer are:

- To ensure that the Council complies with the requirements of the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (and as amended) and the Proceeds of Crime Act 2002.
- To ensure that all relevant staff are aware of and comply with the Council's Anti-Money Laundering Policy.
- To ensure that the Council properly identifies all third parties dealing with the Council where there is a higher risk of the Council receiving the proceeds of crime and to ensure that copies of any documents taken as proof of evidence are kept on a central file by the Council.
- To ensure that all relevant staff receive training on how to identify, deal with and prevent money laundering.
- To ensure that all necessary disclosures to the National Crime Agency (NCA) are made and that they are made as soon as practically possible after the suspicion has been raised.
- To decide whether a suspicious transaction report requires a disclosure to be made to NCA.
- To liaise with NCA regarding the outcome of the disclosure and update staff accordingly.



MONEY LAUNDERING – INTERNAL REPORTING FORM

Money laundering legislation requires all individuals within the Council to report any knowledge or suspicions that they might have of money laundering (as defined in the Proceeds of Crime Act 2002) to the Council's Money Laundering Reporting Officer. To assist individuals the following pro forma has been developed. Particular circumstances may require different information to be disclosed and this should be fully explained, if applicable.

Instructions for Completion

It is your legal duty and a requirement of your employment with Lichfield District Council that you report any suspicion concerning proceeds of crime to:

Money Laundering Reporting Officer
Lichfield District Council
District Council House
Frog Lane
Lichfield
Staffordshire
WS13 6YY

This should be marked **URGENT – **RESTRICTED** TO THE ADDRESSEE ONLY.**

You are also reminded that “**Tipping-Off**” is a criminal offence. You should therefore avoid discussing the content of this report with anyone other than the Money Laundering Reporting Officer.

Date of Report:		Date suspicion first aroused:	
Prepared by: Name & Dept:			
Disclosure Type:	(ie. Connections to crime/drugs/terrorism)		

Main Subject (Person)

Surname:		Forename(s):		Title:	
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Date of Birth:		Gender:		
Occupation:		Employer:		
Address: (in full)		Postcode:	Home/Business /Registered	Current/Previous

Or

Main Subject (Company)

Company Name:			Company No:	
Type of Business:			VAT No:	
Country of Reg:				
Address: (in full)		Postcode:	Home/Business/Registered	Current/Previous

Bank Account Details

Account Name:		Sort Code:	
Opened:		Account No:	
Closed:		Balance:	

Other Information

Any information/evidence held to confirm identification and/or address, i.e. Passport/driving licence etc.:

Connected Subject Person (if any)

Surname:		Forename(s):		Title:	
Date of Birth:		Gender:			
Occupation:		Employer:			
Address: (in full)		Postcode:	Home/Business /Registered	Current/Previous	

**Or
Connected Subject Company (if any)**

Company Name:		Company No:	
Type of Business:		VAT No:	
Country of Reg:			
Address: (in full)		Postcode:	Home/Business/ Registered
			Current/Previous

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Bank Account Details

Account Name:		Sort Code:	
Opened:		Account No:	
Closed:		Balance:	

Other Information

Any information/evidence held to confirm identification and/or address, ie. Passport/driving licence etc:

Reason for the Suspicion

Please tick any or all of the following which might apply		
Drugs	Personal Tax Fraud	Vat Fraud
Crime	Company Tax Fraud	
Immigration	Tobacco/Alcohol Excise Fraud	
Following on from above, please set out the reason for the suspicion:		
Please continue on separate sheet if required		
Names of all other colleagues (principals and staff) who have been involved in the case		

Declaration

The above is an accurate account of the facts that are available to me at the time of making the report. If I become aware of additional and/or changes in the information provided I will disclose these to the Money Laundering Reporting Officer in a timely manner. I am aware of the risks and penalties regarding “tipping-off” or frustrating in any way an investigation of the above or related matters by the authorities.

Signed: _____ Date: _____

Name in Full: _____ Position: _____

For Completion by the MLRO

Date received	
Date acknowledged	
Unique case ref	
Are there reasonable grounds for suspecting money laundering activity?	
If yes, confirm date reported to NCA	
Is consent is required from the NCA to any on-going or imminent transactions which would otherwise be prohibited by the act? If yes, please confirm full details	
Date consent received from NCA	
Date consent given to employee for transaction to proceed	
If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out the reasons for non disclosure	
Date consent given by you to the employee for transaction to proceed. Signed and dated	
This report to be retained for at least 6 years	

APPENDIX 3

MONEY LAUNDERING AVOIDANCE AIDE MEMOIR

1. No member of staff must accept cash of more than £1,000 from any member of the public.
2. If you are offered cash of more than £1,000 you should advise the person offering it to you that it is not Council policy to accept large amounts of cash of more than £1,000 and that you need to obtain guidance from a senior member of staff. You should then contact the Money Laundering Reporting Officer to obtain authorisation to take cash, if appropriate.
3. Any large cash sums should not be banked in the first instance. The Money Laundering Reporting Officer should be contacted to seek guidance as to how to deal with the funds. Forms to report the matter are included in the policy document at Appendix 2.
4. Whilst it is not acceptable to be suspicious of all cash based businesses, anyone whom you know to be associated with such a business should be dealt with using a higher degree of scepticism. If you have any reason to suspect the source of their funds then you should contact the Money Laundering Reporting Officer to discuss your concerns, even if the payment is not received in cash.
5. If you receive a complaint from a member of the public in relation to possible criminal activity being carried out by someone who may be a customer of the Council (i.e. a Council Tax or Business Rates payer, rent payer, licensee etc.) you must pass this on to the Money Laundering Reporting Officer.
6. For Land and property transactions where Council land or property is sold without the involvement of independent legal advice, customers' identity must be verified on the basis of documents from a reliable and approved source; and the beneficial owner identified. Adequate measures must be taken on a risk sensitive basis to verify their identity. If satisfactory evidence of a customer's identity at the outset cannot be obtained, then the business transaction CANNOT proceed any further.



Prevention of the Facilitation of Tax Evasion

Document Status: Draft

Version: 01.01.01

Date: November 2020

Approved by Audit & Member Standards Committee - November 2020

Document Location

This document is held by Lichfield District Council, and the document owner is the Head of Finance & Procurement (Section 151 Officer).

Printed documents may be obsolete. An electronic copy is available on Lichfield District Council's Intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
November 2020	1.0	New Policy

Approvals

Name	Title	Approved
Audit & Member Standards Committee	Committee Approval	
Leadership Team	Leadership Approval	
Head of Finance & Procurement (Section 151 Officer) Approval	Policy Owner Approval	

Document Review Plans

This document is subject to a scheduled review every 3 years. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be available on the Intranet and the website.

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1. Prevention of the Facilitation of Tax Evasion Policy Statement

This Statement sets out Lichfield District Council's (the Council's) policy in relation to tax evasion. It has the full support of both the Leadership Team and elected members through the Audit & Member Standards (A&MS) Committee.

Part 3 of the Criminal Finances Act 2017 created a corporate criminal offence where a corporate entity fails to prevent the facilitation of tax evasion by its employees, agents and contractual associates.

The Council has a zero tolerance approach to all forms of tax evasion, whether under UK law or under the law of any foreign country. Employees of the Council, its agents and contractual associates must not undertake any transactions which:

- (a) Cause the Council to commit a tax evasion offence; or
- (b) Facilitate a tax evasion offence by a third party.

The Council is committed to acting professionally, fairly and with integrity in all its dealings and relationships wherever we operate and implementing and enforcing effective systems to counter tax evasion facilitation. At all times, Council business should be conducted in a manner such that the opportunity for, and incidence of, tax evasion is prevented.

Governance and internal control procedures are already in place to meet the statutory requirements; and there is no suggestion that the Council tolerates tax evasion, or that employees engage in such behaviour. However, adopting an express corporate policy will help the Council defend any allegation that it has facilitated tax evasion.

This Policy Statement is intended to compliment the Council's suite of counter fraud related policies, notably the Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes which sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud, corruption and other financial irregularity and the key responsibilities with regard to fraud prevention, what to do if fraud or financial irregularity is suspected and the action that will be taken by management.

2. What is Tax Evasion?

Tax evasion is the illegal non-payment or under-payment of taxes, usually as the result of making a false declaration (or no declaration) of taxes due to the relevant tax authorities, which results in legal penalties if the perpetrator is caught.

Tax evasion involves all forms of tax, including income tax, corporation tax, VAT, national insurance, Business Rates and Council tax. This list is not exhaustive.

Tax avoidance, by contrast, is seeking to minimise the payment of taxes without deliberate deception. This is often legitimate but is sometimes contrary to the spirit of the law, e.g. involving the exploitation of loopholes.

Importantly the corporate criminal offence of facilitation only applies to tax evasion. The third party must be found guilty of tax evasion before the Council can be found to have facilitated it.

3. Examples of Tax Evasion

It is not possible to give examples covering every possible scenario, however, some 'red flag' indicators are detailed below to give a flavour of the scope of the legislation:

- *You become aware, in the course of your work, that a third party has made or intends to make a false statement relating to tax; has failed to disclose income or gains to, or to register with, HMRC; has delivered or intends to deliver a false document relating to tax; or has set up or intends to set up a structure to try to hide income, gains or assets from a tax authority.*
- *You become aware, in the course of your work that a third party has deliberately failed to register for VAT (or the equivalent tax in any relevant non-UK jurisdiction) or failed to account for VAT.*
- *A third party requests payment in cash and/or refuses to provide an invoice or receipt for a payment made.*
- *You become aware, in the course of your work that a third party working as an employee asks to be treated as a self-employed contractor, but without any material changes to their working conditions.*

4. The Criminal Finances Act 2017

Under the Criminal Finances Act 2017, a separate criminal offence is automatically committed by a corporate entity where the tax evasion is facilitated by a person acting in the capacity of an "associated person" to that body. For the offence to be prosecuted, the associated person must

deliberately and dishonestly take action to facilitate the tax evasion by the taxpayer. If the associated person accidentally, ignorantly, or negligently facilitates the tax evasion, then the corporate offence will not have been committed. The Council does not have to have deliberately or dishonestly facilitated the tax evasion itself; it is the fact that the associated person has done so, creates the liability for the Council.

Specifically, employees, workers, agents and associates must not knowingly do anything that helps someone else evade tax.

It is a defence to the corporate criminal offence of facilitating tax evasion if the Council can prove that it has in place such prevention procedures as it is reasonable to expect in the circumstances. Government guidance suggests an appropriate set of prevention measures which gives due recognition to the following:

- risk assessment;
- the proportionality of risk-based prevention procedures;
- top level commitment;
- due diligence;
- communication (including training);
- monitoring and review.

The Council must ensure a policy on prevention is brought to the attention of all workers. This policy is, therefore, published on the intranet.

5. Penalties

As an employer, if the Council fails to prevent its employees, workers, agents or service providers facilitating tax evasion, the Council can face both criminal sanctions including an unlimited fine, and associated reputational damage. The Council must therefore take its legal responsibilities seriously.

6. Policy Statement – Tax Evasion

Lichfield District Council has a zero tolerance approach to all forms of tax evasion, whether under UK law or under the law of any foreign country. Employees of the Council, its agents and contractual associates must not undertake any transactions which:

- Cause the Council to commit a tax evasion offence; or
- Facilitate a tax evasion offence by a third party.

7. Objective of this policy

This policy provides a coherent and consistent framework to enable the Council's employees (and other "associated persons") to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

The Council requires that all relevant persons:

- Act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible
- Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities

8. Scope of this policy

This policy applies to all of the Council's activities. For partners, joint ventures and suppliers, it will seek to promote the adoption of policies consistent with the principles set out in this policy.

Responsibility to control the risk of tax evasion occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all service areas and corporate functions.

This policy covers all workers, including all levels and grades, those permanently employed, temporary agency / casual employees, contractors, non-executives, agents, Members, volunteers and consultants.

9. The Council's commitment to action

The Council commits to:

- Setting out a clear anti-tax evasion facilitation policy and keeping it up to date
- Making all workers aware of their responsibilities to adhere strictly to this policy at all times
- Raising awareness of the risks of tax evasion with workers so that they can recognise and avoid occurrences of potential tax evasion by themselves and others
- Undertaking a risk assessment to identify those areas of the Council's business where risk is considered to be highest

- Targeted training of individuals and service areas where the perceived risk is higher
- Promoting good ethical behaviour by employees in all of its forms
- Encouraging its workers to be vigilant and to report any suspicions of tax evasion, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Investigating instances of alleged tax evasion
- Referring investigations to the Police where it is appropriate to do so
- Taking firm and vigorous action against any individual(s) involved in tax evasion, or the facilitation of it
- Providing information to all employees on how to report breaches and suspected breaches of this policy
- Including appropriate clauses in contracts to prevent tax evasion.

The Council seeks to maintain relevant procedures, including top-level commitment to tackling tax evasion and effective communication, including training. Heads of Service have an additional responsibility (beyond that of the employees own) for ensuring this policy is communicated effectively to employees and frequently refreshed throughout their department along with other good practice regarding ethical behaviour.

10. Tax Evasion is not tolerated

It is unacceptable to:

- Engage in any form of facilitating tax evasion (including foreign tax evasion);
- Aid, abet, counsel or procure the commission of a tax evasion offence by another person;
- Fail to promptly report any request from any third party to facilitate the fraudulent evasion of tax by another person;
- Engage in any other activity that might lead to a breach of this policy;
- Threaten or retaliate against another individual who has refused to commit a tax evasion offence or who has raised concerns under this policy;

- Commit an offence under the law of any part of the UK consisting of being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax.

11. Staff responsibilities

The prevention, detection and reporting of all forms of financial irregularity, including suspected tax evasion, are the responsibility of all those working for the organisation or under its control (“associated persons”). All workers are required to avoid activity that breaches this policy.

As individuals you must:

- Ensure that you read, understand and comply with this policy.
- Raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil legal action and criminal prosecution, workers that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct or other sanctions available based on their contract or appointment

12. Raising a concern

The Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity, and wants each and every worker to know how they can raise concerns.

All have a responsibility to help detect, prevent and report instances of tax evasion. If you have a concern regarding a suspected instance of tax evasion, please speak up – your information and assistance will help. The sooner it is brought to attention, the sooner it can be resolved.

There are multiple channels to help raise concerns. Please refer to the Council’s Whistleblowing Policy and determine the favoured course of action. Preferably the disclosure will be made and resolved internally (e.g. to a line manager or head of service). Secondly, where such disclosure would not be appropriate, concerns can be raised with the Shared Head of Audit. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

Concerns can be raised anonymously. In the event that an incident of suspected wrong doing is reported, the Council will act as soon as possible to evaluate the situation. It has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in an

investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

Workers who raise concerns or report wrongdoing could understandably be worried about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken. The Public Interest Disclosure Act 1998 (PIDA) protects individuals who make certain disclosures of information in the public interest. Our Whistleblowing Policy complies with PIDA. The Council is committed to ensuring nobody suffers detrimental treatment through the reporting of a concern in good faith.

13. Other relevant policies

Other relevant policies include:

- Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes.
- Whistleblowing Policy.

14. Useful links

- [Criminal Finances Act 2017, Part 3 – Corporate Offences of Failure to Prevent Facilitation of Tax Evasion](#)
- [HM Revenue & Customs](#)

15. Policy review

The Head of Finance & Procurement and the Council's Audit & Member Standards Committee will ensure the continuous review and amendment of this policy document, to ensure that it remains compliant with good practice and legislative requirements.

Responsible Officer: Head of Finance & Procurement

Next Review date: November 2023

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Data Protection Policy and GDPR Update

Cabinet Member for Regulatory, Housing & Health – Cllr Angela Lax

Date: 12 November 2020

Agenda Item: Agenda Item 9

Officer Title: Christie Tims – Head of Governance & Performance -
Monitoring Officer

Local Ward: N/A

Members



**Audit and Member
Standards Committee**

1. Executive Summary

- 1.1 The General Data Protection Regulation (GDPR) was introduced with effect from 25 May 2018. This is the third update members have had on the work undertaken to ensure the Council is compliant with the ongoing requirements of the act.
- 1.2 This report seeks to update the Data Protection Policy last reviewed in May 2018 with relevant links and ownership.

2. Recommendations

- 2.1 To receive the report and note the ongoing work to improve assurance of compliance with General Data Protection Regulations (GDPR).
- 2.2 To approve the updated Data Protection Policy at Appendix A and grant delegated authority to the Head of Governance & Performance to undertake minor changes such as job titles and links as necessary in future.

3. Background

- 3.1 Data Protection Act 2018 and General Data Protection Regulation 2016 ensure the safe and effective handling of personal data.
- 3.2 Both the Council and its individual Members are required to comply with the requirements, as data controllers. Member training was held in March 2018 and was part of new member induction in May 2019 where members were provided with a copy of the privacy notice they should be using. This was also shared with Parish Councils in January 2020 and reminders are due to go out to members shortly.
- 3.3 The Information Commissioner identified 12 areas to ensure compliance:

Awareness

Senior Officers and Members should be made aware of the changes under GDPR so that impact and key areas can be identified and managed.

Refresher training has recently been undertaken by all staff via an on-line module and reports are sent to Leadership team. Regular training will continue to be provided in the future. Data Protection Officer (DPO) to attend Manager’s Briefing later this year. This report will update members and an email reminder of the requirements and privacy notice will be sent shortly.

Information you hold

There is a need to undertake an information audit across the Council and have records of processing activities.

The work to identify information held and to subsequently produce accurate and effective retention and disposal schedules is on-going and has suffered some disruption due to Covid 19 response.

Communicating privacy information

Privacy notices should be reviewed and a plan put in place for making any necessary changes.

All privacy notices were reviewed and refreshed as part of implementation of GDPR to ensure they met the new requirements and are updated as our use of data changes over time. Any new forms of processing (for example tack and trace payments) have specific notices developed and signed off by the DPO.

Individuals' rights

Procedures should be checked and updated to ensure all the rights individuals have are included.

These are operating effectively without issues. We have had one request to remove data.

Subject access requests

Procedures should be updated to allow for the new rules:

- *generally information should be provided free of charge (there was a standard £10 charge)*
- *Information should be provided within one month (rather than 40 days)*
- *If refusing a request for access, we must tell the person why and set out their rights to complain and to judicial remedy; again there is a time limit of one month to do this.*

The Council does not receive a significant number of such requests. In the last 12 months (May 19 to May 20) 4 have been requested. 3 were responded to in the required timeframe, however a fourth request was not released as it was requested on behalf of the subject and the subject did not give authority to release this information to the third party.

Lawful basis for processing data

The lawful basis for processing data must be identified, documented and set out on a privacy notice.

This information is included in each privacy notice and reviewed as our use of data changes over time.

Consent

How we seek, record and manage consent should be reviewed and refreshed as necessary.

Where the Council relies on consent to process data (which is generally not the case), the consents have been reviewed and revised as necessary.

Children

GDPR brings in special protection for children's personal data and its use particularly for online services. The need for consent from either the child (if 16 or over) or the parent/guardian is explicit.

The Council does not generally process large amounts of children's data (unlike unitary or county councils) but the special protection measures are followed when we do.

Data breaches

Procedures should be in place to detect, report and investigate a personal data breach.

Only certain breaches have to be notified to the ICO; where it is likely to result in a risk to the rights and freedoms of individuals e.g. discrimination, damage to reputation, financial loss etc. These breaches are also notified to the individual concerned.

In the last 12 months (May 2019 to May 2020) the council has had 5 recorded breaches, none have been reportable to the ICO. Where issues have occurred we have ensured training has been given and procedures tightened to ensure future breaches are prevented.

Data Protection by Design and Data Protection Impact Assessments

It will be a statutory requirement to adopt a privacy by design approach and to use Data Protection Impact Assessments in certain circumstances.

Guidance on when and how a Data Protection Impact Assessment is needed is available.

Data Protection Officers

It will be a statutory requirement to designate someone to take responsibility for data protection compliance, known as the Data Protection Officer (DPO).

The Director for Legal & Governance at South Staffordshire Council is currently designated as the DPO for the Council and works closely with the Head of Governance & Performance to ensure Data Protection is managed effectively.

International

There are provisions for those organisations operating in more than one EU state but these are not applicable to the Council.

Even though the UK formally exited the EU on 31 January 2020 we will still adhere to all the EU standards and regulations until new regulations are made. Interim guidance for local authorities in preparedness in the event that the EU decides against providing sufficient GDPR adequacy status to the UK, would make the UK a 'third country' for data protection purposes. Further legal advice is being sought on this issue and how it might affect us.

- 3.4 An audit was undertaken by an external computer auditor in April 2019 which highlighted a number of areas for improvement. The audit highlighted some key areas of ongoing work that will need to be embedded to ensure ongoing compliance. The recommendations were agreed by senior management and a compliance audit tool has addressed a number of the issues raised which included ongoing training, awareness and recording of information assets and processing activity. The original project plan for this has been impacted by Covid response and resources are being identified to improve the pace of this work.
- 3.5 In order to ensure the Council remains GDPR compliant, the following actions were also taken:
- a) A review and update of the Data Protection Policy (Appendix A). These changes relate to the ownership of the document and the links to other documents and policies. There are no substantive changes to the policy.
 - b) Existing 'organisational' and 'technical' measures to ensure that personal data is kept 'safe' are reviewed and revised as necessary.
 - c) Cyber updates are given to leadership team on a quarterly basis identifying issues and progress.
 - d) The Head of Governance & Performance holds the position of Senior Information Risk Owner (SIRO) and completed relevant training in September 2020.

Alternative Options	None, the council must comply with these regulations, however the committee can choose not to receive ongoing reports.
Consultation	We have ongoing support from South Staffordshire District Council legal team regarding current advice and guidance. The DPO has been consulted on this report and update to the policy.

Financial Implications	Resources are currently being identified to allow the ICT team to improve the pace of information audits and support information owners to establish good data housekeeping routines.
Contribution to the Delivery of the Strategic Plan	Data protection contributes to the sound running of the council.
Equality, Diversity and Human Rights Implications	None
Crime & Safety Issues	None
Environmental Issues	None
GDPR/Privacy Impact Assessment	Not required for this report. This policy ensures ongoing compliance and the processes to underpin such assessments.

	Risk Description	How We Manage It	Severity of Risk (RYG)
			State if risk is Red (severe), Yellow (material) or Green (tolerable) as determined by the Likelihood and Impact Assessment.
a)	Legal challenge if no process is in place	Ensure process is in place and regularly reviewed.	Green Likelihood – low / Impact -low
b)	Assurance of processes in place	Issues highlighted in the audits are being addressed. Information Audit resources being sought.	Yellow Likelihood- med/ Impact -low
c)	Data Protection Officer not an LDC employee – opportunity to miss key activities	Ensure that clear agreement exists for the provision of the role and processes in place.	Green Likelihood – low/ impact - low
d)	Data Protection Policy no longer fit for purpose	Regular review of the policy and updated guidance from suitably qualified DPO.	Green Likelihood – low/ impact - low

Background documents

Relevant web links

<https://www.lichfielddc.gov.uk/downloads/file/713/data-protection-policy> current policy

Data Protection Policy November 2020

Approved by:	AMS
Approval date:	November 2020
Author/owner:	Christie Tims
Review frequency:	2 Years
Next review date:	November 2022
Location:	Governance

Introduction

Lichfield District Council is committed to complying with both the General Data Protection Regulation (GDPR) 2016/679 and the Data Protection Act 2018. This policy set out the framework Officers and Members must abide by when handling personal data.

As a Council we recognise that the correct and lawful treatment of people's personal data will maintain their confidence in us and will provide for successful business operations.

1. Purpose of policy

Protecting the confidentiality and integrity of personal data is something that the Council takes extremely seriously. The Council is exposed to large fines (depending on the nature and severity of the infringement) for failure to comply with the provisions of the GDPR.

2. Scope of policy

Both Officers and Members **must** comply with this policy when processing personal data on the Council's behalf, however for ease of reading only Officers will be referred to in the rest of the policy.

Compliance with this policy is **mandatory**. Related policies and procedures/guidelines are available to assist Officers and in complying with GDPR and the new Data Protection Act.

Any breach of this policy or the related policies and procedures/guidelines may result in disciplinary action or action under the Council's Code of Conduct.

3. How it relates to/underpins our strategic ambitions

Once of our fundamental ambitions is to be a good council that is responsive and customer focused. This policy facilitates a unified and GDPR compliant framework for all Members and Officers when managing and processing customer data. The policy itself is publicly available and will facilitate a high level of confidence for customers whose data we collect, manage and process.

4. Policy details

Common terms and application

Personal data - this is any information relating to an identified or identifiable (from information in the possession of the Council or when put together with other information the Council might reasonably access) living individual.

This policy applies to all personal data the Council processes regardless of the media on which that data is stored.

The law (and this policy) applies to:

- 1) personal data processed by automated means such as computers, phones, tablets, CCTV, swipe cards etc. or,
- 2) (structured) personal data held in a 'relevant filing system' for example an employee's personnel file or it is intended to form part of such a file or,
- 3) unstructured personal data.

Special personal data is that about an individual's race/ethnicity, political opinions, religious or philosophical beliefs, membership of a trade union, their genetic/biometric data (if used to identify them), health information or information about their sex life or sexual orientation.

Processing includes receiving information, storing it, considering it, sharing it, destroying it etc. The Council recognises that the law applies to all processing activities.

A **processor** is a third-party individual/organisation who process personal data on the Council's behalf - to our instructions.

The Council is the **controller** of people's personal data as we determine what is collected, why and how it is used.

The individual who is the focus of the information is known as the **data subject**.

Consent means any freely given, specific, informed and unambiguous indication of a person's wishes by which he or she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her.

A **data breach** means a breach of Council security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to personal data transmitted, stored or otherwise processed.

Commitment to the (General Data Protection) Principles

The Council (through Officers) MUST:

- (a) process personal data **fairly, transparently** and only if there is a **legal** basis to do so.

To comply with this Officers *must* inform individuals when collecting their personal data (concisely and using clear and plain language so that they understand) of the following:

- 1) that the Council is the "data controller";
- 2) our contact details;
- 3) why we are processing their information and in what way the law allows it;
- 4) if we [this will be rare] rely on our 'legitimate interests' for processing personal data we will tell them what those interests are;
- 5) the identity of any person/organisation to whom their personal data may be disclosed;
- 6) whether we intend to process their personal data outside the European Economic Area;
- 7) how long we will store their information, and;
- 8) their rights.

- (b) only collect personal data for **specified, explicit and legitimate** purposes. Officers must not further process any personal data in a manner that is **incompatible** with the original purposes; Officers should be clear as to what the Council will do with a person's personal data and only use it in a way they would reasonably expect.

- (c) ensure that the personal data we collect is **adequate, relevant and limited** to what is **necessary** to carry out the purpose(s) it was obtained for;

Officers should think about what the Council is trying to achieve in collecting personal data. Officers must only collect the personal data that they need to fulfil that purpose(s) and no more. Officers must ensure that any personal data collected is adequate and relevant for the intended purpose(s).

- (d) ensure that the personal data we process is **accurate** and, where necessary, **kept up to date**.

Officers must check the accuracy of any personal data at the point of collection and at regular intervals afterwards. Officers must take all reasonable steps to destroy or amend inaccurate or out-of-date personal data.

- (e) keep personal data in a form that identifies individuals for **no longer than is necessary** for the purpose(s) that it was obtained.

Officers should periodically review what personal data is held and erase/destroy or anonymise that which is no longer needed.

- (f) process personal data (whatever the source) in a manner that ensures **appropriate** security of the same including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures.

This is elaborated upon in the Council's information security policy/ procedures/guidelines.

Accountability

The Council is responsible for and must be able to demonstrate that it complies with all the above principles. Officers should, always, be mindful of the need to be able to prove that processing is in accordance with the above principles.

Legal basis for processing ordinary personal data (article 6)

The Council (through its Officers) must generally process personal data ONLY if one or more of the following circumstances exist:-

- (a) Where an individual has given [valid- see definition] **consent**;
- (b) Where necessary to **perform a contract** to which the individual is a party or **to take steps** at their request prior to entering into a contract;
- (c) Where processing is necessary for the Council to comply with our **legal obligations**;
- (d) Where processing is necessary for the performance of **a task carried out in the public interest** by the Council or it is in the **exercise of official authority** vested in us;
- (e) To further the Council's [this will be rare] **legitimate interests or those of a third party** except where such interests are overridden by the privacy interests of the individual who is the subject of the information especially if they are a child.

****Officers must always ensure that they have a lawful basis to process personal data on behalf of the Council before they process it. No single basis is 'better' or more important than the others. Officers should consider and document what basis they are processing under. If an Officer is unsure as to what basis they can rely upon or indeed whether they can lawfully process personal data, then the advice of the Data Protection Officer should be sought****

Special personal data (article 9)

The Council (through Officers) MUST only process this kind of information where circumstances exist such as:

- a) the individual has given **explicit** consent for one or more **specified** purposes;
- b) it is necessary for **employment/social security/social protection law** purposes;
- c) it is necessary in relation to **legal claims**, or,
- d) it is necessary for reasons of **substantial public interest**.

Other grounds are potentially available.

****Again, if an Officer is unsure as to how to lawfully process special personal data then the advice of the Data Protection Officer should be sought****

Crime/offence data

To process personal data about criminal convictions or offences, the Council must have a lawful basis under article 6 (above) and legal authority or official authority. For further advice speak with the Data Protection Officer.

Rights

Individuals have rights when it comes to how the Council handles their personal data. These include rights to:-

- (a) withdraw consent to processing at any time;
- (b) receive certain information when the Council collects their information or receives it from a third party;
- (c) request access to their personal data;
- (d) have the Council correct inaccurate information;
- (e) ask the Council to erase their personal data;
- (f) restrict the way the Council uses their information;
- (g) be notified about any recipients of their personal data when they have asked for rectification, erasure or restriction;
- (h) object to any processing undertaken by the Council in the public interest/exercise of official authority or in our legitimate interests or those of another;
- (i) object to direct marketing by the Council, and, to
- (j) be notified by the Council of a personal data breach where it is likely to result in a “high risk” to their rights and freedoms.

Procedures exist (which should be followed) if a person seeks to exercise any of the above rights.

Restrictions

In certain circumstances we are permitted to restrict the above rights and our obligations as well as depart from the principles. Any restriction will be in accordance with the law. For further advice speak with the Data Protection Officer.

Data protection by design and default

Taking into account available technology, the cost of implementation of it and the nature, scope, context and purposes of the processing as well as the privacy risks to individuals the Council **MUST both at the time we decide how to process personal data and at the time of the processing itself**, implement appropriate technical and organisational measures (such as pseudonymisation) so as to minimise the amount of personal data processed in order to protect the privacy of individuals.

The Council must also implement appropriate technical and organisational measures to ensure that, by default, only personal data which are **necessary** for each specific purpose of the processing activity are processed. That obligation applies to the amount of personal data collected, the extent of their processing, the period of their storage and their accessibility.

****For any new projects that involve the processing of personal data the advice of the Data Protection Officer must be sought, no later than the commencement of the project planning stage, so that the above principles can be put built in at the earliest opportunity. ****

Joint controllers

Where the Council and another controller jointly determine why and how personal data should be processed the Council will be regarded as a 'joint controller'. If this is the case, then the appropriate Officer must work with the 'opposite number' to determine the respective responsibilities of the controllers for compliance with GDPR about the exercise of any rights by an individual and the controllers' respective duties to provide a privacy notice. The arrangement must reflect the respective roles and relationships of the joint controllers towards the individual(s). The essence of the arrangement shall be made available to any individual.

Council use of data processors

These are external people/organisations who process personal data on our behalf to our order.

Officers MUST ensure that any processor we use:

- a) has provided **sufficient guarantees** of having implemented appropriate technical and organisational measures to satisfy us that personal data will be safe.
- b) **do not engage another processor** without our written authorisation.

In addition, any processing MUST be governed by a **contract** that is binding on the processor. It should set out the **subject-matter and duration of the processing, the nature and purpose of the processing and the type of personal data and categories of individuals.**

The contract MUST set out that:

- a) the processor will only process the personal data on **documented instructions** from us.
- b) any person or organisation authorised to process personal data have **committed themselves to confidentiality.**
- c) that the processor puts in to place **appropriate security measures.**
- d) assists us in complying with our obligations about requests by people to **access their data.**
- e) **assist us in complying with our security obligations, notifications to the ICO and to affected individuals and privacy impact assessments.**
- f) the processor **deletes or returns** all personal data to us after the end of the provision of the processing services.
- g) the processor **makes available to us all information necessary** to demonstrate compliance with the above and to **allow for and contribute to audits, including inspections etc.**

Records of processing activities

The Council is obliged to maintain a record of our processing activities. The record will contain, amongst other matters, information about:

- (a) why we process personal data;
- (b) describe the categories of individuals and the categories of personal data;
- (c) state the categories of recipients to whom personal data has been or will be disclosed to;
- (d) where possible, state the envisaged time limits for erasure of the different categories of data;
- (e) where possible, give a general description of the technical and organisational security measures that the Council has in place.

****If Officers are aware of any changes in the above they should inform the Data Protection Officer who will make the required changes to the record****

Data protection impact assessments

Where a type of processing of personal data, using new technology, and considering the nature, scope, context and purposes of the processing, is likely to result in a **high risk** to the privacy of individuals then Officers MUST

prior to the processing, carry out an assessment of the impact of the envisaged processing operations on the individuals. **As part of this process Officers MUST seek the advice of the Data Protection Officer.**

Further guidance exists as to when an impact assessment should be undertaken and how. In certain circumstances the Information Commissioner may need to be consulted.

Data Protection Officer (DPO)

The Council's designated DPO is Lorraine Fowkes. The DPO MUST be involved, properly and in a timely manner, in all issues which relate to the protection of personal data. The Council will support the DPO in performing her [this list is not exhaustive] tasks:

- (a) to inform and advise the Council of its legal obligations under all data protection laws;
- (b) to monitor the Council's compliance with GDPR and other data protection laws and the Council's compliance with our internal policies and procedures and to assign responsibilities, awareness-raising and training of staff involved in processing operations, and related audits;
- (c) to provide advice where requested about any data protection impact assessment and monitor its performance;
- (d) to cooperate with the Information Commissioner;
- (e) to act as the contact point for the Information Commissioner on issues relating to the processing of personal data, including privacy impact consultations and where appropriate, any other matter.

5. Related policies and procedures

- [Retention of documents schedule](#)
- [Subject access request](#)

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AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2020/21

Item	22 July 2020	7 October 2020	12 November 2020	3 February 2021	25 March 2021	27 April 2021	Deferred Reason
FINANCE							
Annual Governance Statement	√					√	
Annual Treasury Management Report	√						
Mid-Year Treasury Management Report			√				
Review of Accounting Policies		√			√		
Statement of Accounts		√					
Treasury Management Statement and Prudential Indicators				√			
Audit & Member Standards Committee Practical Guidance				√			Only relevant if there is updates to guidance so may not be needed
CIPFA Financial Management Code			√				
INTERNAL AUDIT							
Chair of the Audit Committee's Annual Report to Council	√					√	
Annual Report for Internal Audit (including year-end progress report)	√					√	
Internal Audit Plan, Charter & Protocol 2020/21	√					√	
Internal Audit Progress Report			√	√		√	
Quality Assurance and Improvement Programme /Public Sector Internal Audit Standards	√						
Risk Management Update	√		√	√		√	
Counter Fraud Update Report including Counter Fraud & Corruption/Whistleblowing/Anti-Money Laundering/Prevention of Tax Evasion Policies			√*				*Deferred from April

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2020/21

Item	22 July 2020	7 October 2020	12 November 2020	3 February 2021	25 March 2021	27 April 2021	Deferred Reason
LEGAL AND DEMOCRATIC							
Annual report on Exceptions and Exemptions to Procedure Rules					√		Annual Review
Overview of the Council's Constitution in respect of Contract Procedure Rules						√	Annual Review
GDPR/Data Protection Policy			√				
Annual Report of the Monitoring Officer - Complaints				√			Annual Report (Allows for full year reporting)
RIPA reports policy and monitoring	√				√		Annual Report
Review of the Effectiveness of the Audit & Member Standards Committee				√			
Terms of Reference							
EXTERNAL AUDITOR							
Audit Findings Report for Lichfield District Council 2019/2020		√					
The Annual Audit letter for Lichfield District Council				√			
Certification Work for Lichfield District Council for Year Ended 31 March 2020				√			
Planned Audit Fee 2020/21				√			
Informing the Audit Risk Assessment - Lichfield District Council	√				√		
Audit Plan for Lichfield District Council 2019/20	√						

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2020/21

Item	22 July 2020	7 October 2020	12 November 2020	3 February 2021	25 March 2021	27 April 2021	Deferred Reason
Audit Committee LDC Progress Report and Update – Year Ended 31 March 2021				√			
Audit & Member Standards Committee Training Session by Grant Thornton						√	
Annual Audit Fee Letter	√						

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