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Monday, 19 April 2021

Dear Sir/Madam

## **AUDIT AND MEMBER STANDARDS COMMITTEE**

A meeting of the Audit and Member Standards Committee has been arranged to take place on **TUESDAY, 27TH APRIL, 2021 at 6.00 PM** to consider the following business.

In light of the current Covid-19 pandemic and government advice on social distancing, the meeting will be held online and streamed live on the Council's [YouTube channel](#)

Yours faithfully

A handwritten signature in black ink, appearing to read 'Christie Tims'.

Christie Tims  
**Head of Governance and Performance**

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

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



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## AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Minutes of the Previous Meeting** 3 - 8
4. **Payment Card Industry Compliance outstanding action** 9 - 12  
*(Report of the Head of Corporate Services)*
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*(Report of the Head of Finance & Procurement)*
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*(Report of Internal Audit presented by Head of Finance & Procurement)*
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*(Report of Internal Audit presented by Head of Finance & Procurement)*
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*(Report of the Head of Governance & Performance/Monitoring Officer)*
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*(Report of Stuart Evans, Legal Director, Anthony Collins Solicitors LLP)*



## **AUDIT AND MEMBER STANDARDS COMMITTEE**

**25 MARCH 2021**

**PRESENT:**

Councillors Greateorex (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: Mrs J Irving, Miss W Johnson, Ms R Neill, Mr A Thomas and Ms C Tims

Also Present: Mr Avtar Sohal (Grant Thornton UK LLP) (External Auditor) and Mr David Rowley (Grant Thornton UK LLP) (External Auditor)

**35 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**36 DECLARATIONS OF INTEREST**

Councillor Checkland advised the committee that in respect of agenda item no. 12 he was a member on the planning committee.

Councillor Ho declared a personal interest in respect of agenda item no. 4 as non-domestic rates were mentioned and his family own a restaurant in Lichfield and pay non-domestic rates.

Councillor Grange declared a personal interest in respect of agenda item no. 6 (GDPR) as she was working with a technical company in the GDPR area.

Councillors Greateorex 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.

**37 MINUTES OF THE PREVIOUS MEETING**

The Minutes of the Meeting held on 3 February 2021 previously circulated, were taken as read and approved as a correct record.

Councillor Robertson referenced the action arising from the previous meeting regarding the committee having the detail of the high priority recommendations outstanding since post January 2020. He stated that on reviewing the information on the 4 outstanding actions received, he would like further assistance regarding the Payment Card Industry Compliance outstanding action and asked that the relevant manager provide an update report to the next meeting.

**38 REVIEW OF ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY**

Mr Anthony Thomas (Head of Finance and Procurement) delivered a Presentation on the Review of Accounting Policies and Estimation Uncertainty for the Statement of Accounts 2020/21 and explained that best practice recommended that they are approved by this Committee. Mr Thomas advised that the full list of Accounting Policies as produced in the Code of Practice for 2020/21 was shown in a table at Appendix A of the report and the Council's proposed Accounting Policies list for the 2020/21 Statement of Accounts was shown

at Appendix B of the report. He advised that there were some minor amendments highlighted in blue for ease of reference whereby some changes have been made to the financial year specified and fixed assets had been updated to property, plant and equipment. There were also some slightly more fundamental changes that related to the policy for financial assets shown at fair value. Overheads and support services and component accounting and a policy for surplus assets as mentioned last year by members of this committee had been added.

Mr Thomas advised that the Code of Practice required that the judgements that he (as Head of Finance and Procurement) had made applying the Council's Accounting Policies must be disclosed. Disclosure of such critical judgements was made to enable users of the Statement of Accounts to better understand how the Accounting Policies are applied and to make comparisons between authorities regarding the basis on which these judgements are made. The critical accounting judgements included in the accounts related to:-

- Assets and liabilities for the Joint Waste Service;
- The pensions guarantee with Freedom Leisure;
- Business Rates appeals.

In terms of key sources of estimation uncertainty, the following was highlighted:-

- International Accounting Standards 1 and 540 cover this area;
- Assumptions about the future and other major sources of estimation uncertainty are disclosed in the Accounts;
- Disclosures are restricted to assets and liabilities whose carrying amount is dependent on estimates that are difficult, subjective or based on complex judgements and where re-estimation may have a material impact.

Mr Thomas advised of his Estimation Uncertainties for 2020/21 and assurances were explained:-

- Pension Liability – Estimates provided by the Pension Fund Actuary – LDC gain assurance from Staffordshire County Council Pensions Committee and Staffordshire County Council Pensions Team;
- Other Land and Buildings and Fair Value Based Assets – Estimates provided by External Valuer - LDC gain assurance from the Estates Team as have qualified property professionals in-house;
- Business Rate Appeals – Estimates based on value office agency statistics – LDC gain assurance from benchmarking through the finance team staff;
- Bad Debt Provisions – Estimates provided by the Corporate Debt team – LDC gain assurance by the finance team and actual budget holders.

Members thanked Mr Thomas for his comprehensive report and queried whether the investment in Lichfield Housing Ltd. meant we should be preparing consolidated group accounts and, if not, should there be an Accounting Policy for this. Mr Thomas agreed to look at this in the future as no need for consolidated group accounts yet in his opinion.

**RESOLVED:-** (1) The Committee approved the Council's proposed Accounting Policies that will form part of the 2020/21 Statement of Accounts (*with suggested amendment in relation to interests in Companies and other entities to reflect the investment in Lichfield Housing Ltd*);  
(2) The Committee approved the Council's approach to the Critical Accounting Judgements and Key Sources of Estimation Uncertainty that will be considered in completing the 2020/21 Statement of Accounts;  
(3) The Committee agreed to delegate to the Head of Finance and Procurement the ability to make further changes to the accounting policies to reflect the subsequent release of new or updated guidance.

## 39 INTERNAL AUDIT PLAN, CHARTER & PROTOCOL 2021/22

Ms Neill (Shared Head of Audit) introduced Members to the proposed Internal Audit Plan, Charter and Protocol for the 2021/22 financial year. She advised that LDC's Leadership Team, which included the Council's Section 151 Officer, had been consulted. Ms Neill confirmed the level of resources are commensurate with last year – approximately 286 days and also confirmed there had been a 90% achievement of the audit plan target - the only adjustment moving forward in to this year's plan was the planning audit. The Chairman congratulated the team and everyone involved for achieving 90% of the audit plan during such a difficult year.

The Committee considered the report and noted the Internal Audit Plan which was a work programme for the Internal Audit section at Appendix 1. The refreshed Charter and Protocol were also considered at Appendix 2 and 3 and the minimal changes to job titles were highlighted as Mr Andrew Wood would replace Ms Neill as Audit Manager mid-June.

Ms Neill reminded members that during 2020/21 a trial 12 month extension to the shared agreement with Tamworth Borough Council to include the use of LDC's Auditor resources was coming to an end and while the trial had been successful in respect of customer feedback and performance against KPI's (which is reported in the internal audit's performance reports) from her perspective, it was suggested that the 12 month extension be extended for a further 12 months to allow the new Audit Manager to fully appraise in terms of the future direction of the service.

Members noted that ICT was detailed in the audit plan as "to be confirmed" and as a lot of risks discussed recently were in this field it was asked that this be sooner rather than later. Ms Neill advised that as the ICT provision was up for tender next year and the IT risk was such a dynamic area, prospective bidders for the tender would be asked to risk assess and propose their suggested plans. This was noted.

**RESOLVED:-** The Committee considered and approved the amended Internal Audit Plan, Charter and Protocol for 2020/21 as no issues were raised.

## 40 GDPR

Ms Rebecca Neill (Shared Head of Audit) provided an update regarding the latest GDPR audit follow-up and said members should have now seen a second follow-up audit on GDPR circulated recently. She advised that out of the 10 outstanding actions (6 high and 4 medium), 8 were found to be fully implemented and there were only 2 partially implemented. These were (1) completing the process that we have GDPR compliant contracts with all third party processors and (2) ensuring the process for obtaining consents be completed.

Ms Neill said the team would continue to track these actions through to implementation and advised that in the next audit update members should see further progress. Ms Neill said a lot of attention had been given to this subject as a consequence of this committee's tracking and an improved staff awareness had been an outcome. She felt it was a significant success of this committee and this was agreed by members. Ms Neill was therefore pleased to report that the revised audit opinion on GDPR had now moved from a limited assurance to a substantial assurance.

**RESOLVED:** The Committee noted the GDPR Update Report.

The Chairman, on behalf of the committee, thanked Ms Neill for all her hard work and dedication shown during her role as Shared Head of Audit at LDC and wished her every success in the future.

## **41 ANNUAL REPORT ON EXCEPTIONS AND EXEMPTIONS TO PROCEDURE RULES 2019/20**

Members received the Annual Report on Exceptions and Exemptions (Waivers) to Procedure Rules from Ms Christie Tims (Head of Governance & Performance/Monitoring Officer). She apologised that this annual report had been delayed due to the pandemic disrupting the work programme and other urgent matters on previous agendas taking precedence but advised that the report was an annual requirement of the Contract Procedure Rules and applicable for the 2019/20 financial year. The level of exceptions and exemptions (waivers) granted during this period were shown in Appendix A of the report together with a rationale for each waiver as requested last year by the committee. Ms Tims advised that a trend analysis had also been provided to illustrate any trend.

Discussions took place around the next year's report which was nearing completion for 2020/21 as it was suspected the pandemic may have caused an increase in waiver requests. Ms Tims confirmed this and said that there was also now more staff awareness of the Contract Procedure Rules as the organisation had an in-house Procurement team able to assist and advise officers.

A query relating to the relevant EU limit and how this was likely to change moving forward as regards us leaving the EU was received and Ms Tims said she would check this and report back to the committee members via email.

**RESOLVED:-** The Committee noted the Exceptions (Waivers) 2019/20 set out within Appendix A of the report.

## **42 AUDIT PLAN (INCLUDING PLANNED AUDIT FEE 20/21)**

Mr Sohal from Grant Thornton presented the External Audit Plan for the year ending 31 March 2021 which provided an overview of the planned scope and timing of the statutory audit of Lichfield District Council for those charged with governance. He advised that the format had been refreshed although the content was generally similar to the previous years' audit plans.

Members' attention was drawn to the significant risk work which is going to take place. Mr Sohal stated that any audit under ISA240 always presumed a risk of fraud, however, this risk had been rebutted for the council as they do not believe there is going to be a material risk or incentive for the council to mistake revenue or expenditure. Mr Sohal also said that under ISA240 there was a risk over management over-ride which is a concept where managers may be able to obscure and change figures by inserting journal entries and manipulating figures. He stated that this was a standard audit risk which cannot be rebutted and so they will be doing a lot of work around journals/estimates and making sure there is no evidence of this. Mr Sohal said other work would include pension valuation estimates, property valuations in respect of land and buildings and investment properties because there is a high risk of material uncertainty and the estimation process is quite complex as experts have to be involved and data reviewed. He confirmed that the External Auditors would be looking to seek assurance that these figures were not materially misstated.

Attention was drawn to the Materiality section in the report and it was highlighted that when assessing materiality this year they had tried to make sure it is consistent with the materiality presented in the prior year's financial statement so work to £840k. It should also be noted that they have taken out the impact of any additional expenditure re: Covid-19 when calculating material levels.

The Value for Money arrangements was emphasised and Mr Sohal said they had already identified one significant risk so far which was around the planning issue already mentioned. He explained that it may be that policies may not have been applied correctly and so he said further work around this would be done to see if there was any specific value for money conclusion risk and if there was anything they needed to report to members.

Mr Sohal advised that currently they were not able to confirm an audit fee in the Audit Plan for this year as this is going through a process of moderation with the Public Sector Audit Appointments to make sure the audit fee is representative of the work needed to be done and consistent across the audits which are carried out in the public sector space. Mr Sohal said he hoped to be in a position to be able to advise members at the next committee meeting in April.

#### **43 INFORMING THE AUDIT RISK ASSESSMENT - LICHFIELD DISTRICT COUNCIL 2020/21**

Mr David Rowley from Grant Thornton presented a report - Informing the Audit Risk Assessment Lichfield District Council 2020/21 which included 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 carried out annually. He said alongside the report, there was a separate Appendix providing the detailed responses from management to the questions. He asked that members consider whether the responses in both documents are consistent with their understanding and whether there are any further comments they wish to make. He advised that this was part of the two way communication required by the auditing process which is adapted if standards change as this one had changed due to ISA540 but broadly it is consistent year on year.

Mr Rowley explained that accounting estimates was a big area of focus for External Auditors this year due to a change in regulations and the key areas had already been covered by Mr Thomas and Mr Sohal and were at the back of Agenda item 9. He said there was a need for them also to present to the committee how the accounting estimates had been derived at and asked for any comments.

Discussions took place around other arrangements outside the accounting estimates and Mr Rowley explained that the External Auditors would be looking at material fraud in a material misstatement for larger value items/high level issues. Members' attention was drawn to the fact that pleasingly there were no instances of material fraud at the moment as it stands.

**RESOLVED:-** The Committee noted the Informing the Audit Risk Assessment report for Lichfield District Council 2020/21.

#### **44 WORK PROGRAMME 2020/21**

The existing Work Programme 2020/21 was considered and it was noted that there was one meeting left in this municipal year to deal with all outstanding matters.

Ms Tims advised that the Independent External Investigation item would need to move forward on the Work Programme to the next meeting to be held on 27 April 2021 as the report was not yet available. This was noted.

#### **45 EXCLUSION OF PUBLIC AND PRESS**

There was no exclusion of public and press as the restricted item was not considered.

#### **46 INDEPENDENT EXTERNAL INVESTIGATION**

To be discussed at next meeting.

(The Meeting closed at 7.10 pm)

CHAIRMAN

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## PCI DSS compliance

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

Date:	27 April 2021
Agenda Item:	4
Contact Officer:	Tracey Tudor
Tel Number:	01543 308225
Email:	<a href="mailto:tracey.tudor@lichfielddc.gov.uk">tracey.tudor@lichfielddc.gov.uk</a>
Key Decision?	<b>NO</b>
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 To provide an update to the Committee on the outstanding Payment Card Industry Data Security Standard (PCI-DSS) high priority recommendation.

## 2. Recommendations

- 2.1 To note the update.

## 3. Background

- 3.1 An audit assessment of e-payments was published in February 2017. The initial audit opinion was adequate assurance which means - 'there are some control weaknesses, but most key controls are in place and operating effectively. Some assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money. There is an average probability of loss (all asset types), fraud, impropriety, or damage to reputation'.
- 3.2 The audit concluded that there were 7 actions (1 high, 5 medium and 1 low). To date 5 of the actions have been completed with 1 high and 1 medium action remaining outstanding. The Audit & Member Standards Committee have requested an update on the outstanding high recommendation which relates to the council's compliance with PCI-DSS.
- 3.3 The council complies with the PCI-DSS requirements for most payments. All payments made via direct debit, standing order, over the internet, the automated telephone line or at retail outlets, such as the Post Office or PayPoint points are fully compliant with the PCI-DSS requirements.
- 3.4 The only area that is not compliant is where staff are taking payments over the telephone and typing the card details into the payments system. The actual card information is not stored on any council IT system at any point as it is entered directly into a PCI-DSS compliant website provided by a third party. Once the payment has been submitted there is no way for council staff to retrieve the card information, even when making refunds as these are based on a separate unique code for the transaction issued by the authorising bank. There is also technology in Lichfield Connects that stops the card details from being recorded.
- 3.5 The technical controls outlined in paragraph 3.4 led to the approach of tolerating the non-compliance in favour of providing high quality customer services that supported those callers through the payment process. Additional managerial controls were in place in that the Lichfield Connects staff were working in the same office with managers and supervisors able to observe the actions of other staff throughout the working day. Further levels of assurance were gained by

subjecting the IT systems to annual health checks by ethical hackers to ensure they were secure as part of remaining on the central government secure network.

3.6 We want to encourage customers to continue paying on a regular basis, and there are a range of options available to resolve this issue and minimise the risk. In addition we want to embrace the opportunities that COVID-19 has presented following a change in our customer's behaviour along with taking into account the initial results of the live survey that we have underway whereby we are asking customer how they would prefer to interact with the Council. Early indications show that digital channels are our customers preferred way to interact with us. Therefore, in order to maximise these opportunities, we have made some initial changes to process –

- My team in Lichfield Connects will be promoting Direct Debits and alternative payment methods to those who are regular payers.
- As part of a trial - Lichfield Connects are no longer taking payments and are transferring customers to the payment line to ensure PCI compliance. We will gauge the feedback from customers following this change – if this is successful this will be rolled out to all colleagues.
- We have reviewed which of our processes require a payment to be made and identified some that are not digitally enabled - we will be sourcing solutions to ensure that they are digitally enabled.
- We are exploring new technology that will allow people to type in their own card details and maintain a high-quality contact experience.

3.7 There has also been the added complication of the contracts for the council's main finance system, this payments solution and the telephone platform. The contract for the finance system has been agreed and the new system is due to be implemented for October 2021. A proposal has been received for the payments solution and this is anticipated to lead to a new contract with three other Staffordshire council's commencing in September 2021. The future telephone platform is still being shaped and the ongoing survey on customer access channels will assist in setting the direction for the new ways of working. The replacement of the contact centre for one that supports PCI compliance was included in the Digital Strategy with the target delivery date of December 2021 following which we will re-apply to become recognised as being PCI-DSS compliant.

Alternative Options	1. None required.
Consultation	1. The Council's Section 151 Officer. 2. Customer Service Manager (interim)
Financial Implications	1. None noted.
Contribution to the Delivery of the Strategic Plan	1. Having sound arrangements for card payments contributes to the strategic plan objective of being 'a good Council'.
Equality, Diversity and Human Rights Implications	1. No equality, diversity or human rights implications arising from this report.

Crime & Safety Issues	1. None arising.
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Environmental Impact	1. None arising.
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GDPR/Privacy Impact Assessment	1. This update is to provide assurance to the Committee of the progress made on improving the Council's internal control environment in respect of electronic payments.
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	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Continuing non-compliance with the PCI-DSS results in reputational or financial impacts.	The managerial and technical controls described in the paper led to the risk being tolerated. This is being addressed through new financial, payment and telephony contracts which fully support the PCI-DSS standard.	Likelihood - Green Impact – Yellow Severity of Risk – Yellow (tolerable)

<b>Background documents</b> Internal Audit Progress Reports Minutes of the Audit & Member Standards Committee
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Relevant web links
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# THE ANNUAL GOVERNANCE STATEMENT 2020/21

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

Date: 27 April 2021  
 Agenda Item: 5  
 Contact Officer: Jane Irving/Anthony Thomas  
 Tel Number: 01543 687547/308012  
 Email: anthony.thomas@lichfielddc.gov.uk  
 Key Decision? **NO**  
 Local Ward Members All wards



## AUDIT AND MEMBER STANDARDS COMMITTEE

### 1. Executive Summary

- 1.1 Regulation 6 of the Accounts and Audit (England) Regulations 2015 requires that 'a relevant authority must, each financial year conduct a review of the effectiveness of the system of internal control required by regulation 3, and prepare (and approve) an Annual Governance Statement'.
- 1.2 Best practice (Chartered Institute of Public Finance and Accountancy's (CIPFA) publication 'Audit Committees Practical Guidance for Local Authorities and Police'), recommends that the review of the internal control system and the production of the Annual Governance Statement be reviewed and subsequently endorsed by an appropriate committee. This publication recommends this to be a core function carried out by Audit Committees.
- 1.3 This report, therefore, presents the Annual Governance Statement for 2020/21 for approval. This Statement is based on the Local Code of Corporate Governance for 2020/21 that was circulated and agreed by the Committee in May 2020.
- 1.4 It also presents a Local Code of Corporate Governance for 2021/22 for approval.

### 2. Recommendations

- 2.1 It is recommended that the Audit and Member Standards Committee reviews and approves the Draft Annual Governance Statement that will form part of the 2020/21 Statement of Accounts (**APPENDIX A**).
- 2.2 It is recommended that the Committee delegates authority to the Chair of the Committee and the Head of Finance and Procurement to make further minor amendments to the Annual Governance Statement prior to the inclusion of the final version in the Statement of Accounts.
- 2.3 It is also recommended that the Local Code of Corporate Governance for 2021/22 be approved (**APPENDIX B**).

### 3. Background

- 3.1 Lichfield District Council is responsible for ensuring that its business is conducted in accordance with legal requirements and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 3.2 The Council has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.3 In discharging this responsibility, Lichfield District Council is also responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including the management of risk.
- 3.4 The governance framework 'Delivering Good Governance in Local Government' was produced during 2016 by CIPFA/SOLACE (Society of Local Authority Chief Executives and Senior Managers). The framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the principles contained within the framework. The seven core principles are as follows:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - Ensuring openness and comprehensive stakeholder engagement
  - Defining outcomes in terms of sustainable economic, social and environmental benefits
  - Determining the interventions necessary to optimise the achievement of the intended outcomes
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - Managing risks and performance through robust internal control and strong public financial management
  - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.5 The Annual Governance Statement should therefore be focused on outcomes and value for money and relate to the authority's vision for the area. It is based on the core principles above which form the basis of the Local Code of Governance 2020/21 which was previously approved by Audit and Member Standards Committee. It is a valuable means of communication. It enables the authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.
- 3.6 The Annual Governance Statement should be signed by the Leader and the Chief Executive.

#### **Review of the System of Internal Control**

- 3.7 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Its role is to provide independent assurance to the council that systems are in place and operating effectively.

3.8 In order to demonstrate the effectiveness of internal control, Internal Audit have completed the following actions all of which have been reported to Audit and Member Standards Committee:

- Carrying out a self-assessment of compliance with the Public Sector Internal Audit Standards (PSIAS)
- Completing an on-going assessment to identify and evaluate risks (this forms the Audit Plan)
- Reporting upon performance indicators collected in respect of the Internal Audit Service
- Undertaking a self-assessment of the effectiveness of the Audit and Member Standards Committee
- Having in place a Quality Assurance and Improvement Programme
- Undertaking an annual self-assessment against the CIPFA Role of the Head of Internal Audit.

### **Process for the Completion of the Annual Governance Statement at Lichfield District Council**

3.9 Evidence was collected from a number of sources:

- The views of Internal Audit, reported to Audit and Member Standards Committee through regular progress reports, and the Annual Internal Audit Opinion
- An annual review of the effectiveness of Internal Audit
- The views of our external auditors, regularly reported to Audit and Member Standards Committee through regular progress reports, the Annual Audit Letter and Annual Governance Report
- The activities and operations of Council Service Areas whose Heads provide written assurance statements using an Internal Control Checklist
- The views of Members (Chairmen and Vice Chairmen and Leader of the Minority Group) using a Members' Questionnaire
- The Risk Management Process, particularly the Strategic Risk Register
- Performance information is reported to Cabinet and Overview and Scrutiny Committees.

3.10 This information was then collated and an early draft Statement produced and circulated to key officers (including the S151 Officer, Monitoring Officer and Internal Audit Manager) for comment.

3.11 These comments were incorporated into the document. The Statement was reviewed by Leadership Team at its meeting on 7 April 2021, and it was once again updated.

3.12 The final draft version of the Annual Governance Statement for 2020/21 is now presented to Audit and Member Standards Committee for approval at **APPENDIX A**.

3.13 There are however figures related to the gender pay gap that are not yet available for 2020/21 (shown in yellow in the Annual Governance Statement). The Annual Governance Statement will be updated when these figures are available and the final version will be included in the Statement of Accounts.

3.14 This Statement will then be signed by the Leader and Chief Executive and will ultimately form part of the 2020/21 Statement of Accounts.

- 3.15 The Annual Governance Statement can be updated up to the date of the signing of the Statement of Accounts.
- 3.16 The Best Practice Framework recommends developing and maintaining an up to date local code of governance and the one proposed for 2021/22 is shown at **APPENDIX B**.

Alternative Options	The alternative option is not to produce an Annual Governance Statement for 2020/21 which would result in the Council being in breach of its statutory obligations.
Consultation	Consultation has taken place with Leadership Team, S151 Officer, Monitoring Officer and Internal Audit.
Financial Implications	There are no direct financial implications from the production of the AGS.
Contribution to the Delivery of the Strategic Plan	The Annual Governance Statement has some connection to all areas within the Strategic Plan.
Equality, Diversity and Human Rights Implications	There are no equality, diversity and human rights implications.
Crime & Safety Issues	There are no crime and safety issues.
Environmental Impact	There are no environmental impact.
GDPR/Privacy Impact Assessment	It has not been necessary to undertake a Privacy Impact Assessment.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	The Annual Governance Statement is not produced in line with best practice, the CIPFA code and IFRS.	The Annual Governance Statement will form part of the Statement of Accounts that is audited by our external auditors.	Likelihood : Green Impact : Green Severity of Risk : Green

<b>Background documents</b> Delivering Good Governance in Local Government 2016 (including Guidance Notes) Audit Committees Practical Guidance for Local Authorities and Police
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<b>Relevant web links</b>
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<b>Section 1</b>	<b>Scope of Responsibility</b>
<b>Section 2</b>	<b>Purpose of the Governance Framework</b>
<b>Section 3</b>	<b>The Governance Framework</b>
<b>Section 4</b>	<b>Annual Review of the Effectiveness of the Governance Framework</b>
<b>Section 5</b>	<b>Update on Significant Governance Issues 2019/20</b>
<b>Section 6</b>	<b>Reflecting the Challenges from Covid-19</b>

## Section 1: Scope of Responsibility

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements (known as a Governance Framework) for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has adopted a Code of Corporate Governance (“the Code”), which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance and Accountancy)/SOLACE (Society of Local Authority Chief Executives) Framework ‘Delivering Good Governance in Local Government’ (2016). This Code was circulated and agreed by Audit and Member Standards Committee in May 2020.

This statement explains how the Council has complied with the Code. It also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

## Section 2: Purpose of the Governance Framework

The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of Internal Control is a significant part of that Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives 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.

The Governance Framework has been in place at Lichfield District Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

## Section 3: The Governance Framework


The key elements of the systems and processes that comprise the Council’s Governance Framework are summarised in our seven Core Principles. These are discussed below.

<b>A</b>	<b>Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law</b>
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We have an Audit and Member Standards Committee which has responsibility for promoting and maintaining high standards of conduct by Members, ensuring that they observe the Members’ Code of Conduct. The Code of Conduct is supported by training and development programmes for Members.

The Council's Monitoring Officer reports any complaints and their outcomes to the Audit and Member Standards Committee.

The Council has adopted arrangements under which allegations of misconduct are investigated and under which decisions on allegations can be made. These arrangements are regularly reviewed, and any amendments made by the Council are reflected in the Council's Constitution. The number of complaints in 2020/21 compared with 2019/20 are shown below:

	Area	2019/20	2020/21	Trend
	Member Complaints	3	3	➔

The relatively low number of complaints regarding behaviour demonstrates that the standards are understood and adhered to. Of the three, one was resolved by other action and the other two, following initial investigation, were resolved informally.

Communication on standards of behaviour is also facilitated through the Council's Employee Liaison Group, with regular meetings with representatives of employees through which we have built sound management-employee relationships.

The ethos of the Paid Service is that officers serve all of the Council. Issues associated with the development of the Governance Framework are regularly discussed by Leadership Team at their meetings.

Communicating the expected standards to employees is undertaken through leading by example by managers from the top (which is a specific requirement in the job description of the Chief Executive and Heads of Service), a competency framework, reinforced through discussion and training, and a supportive management environment which makes clear to customers that unacceptable behaviour towards employees will not be tolerated.

The Council has a Code of Conduct for employees which was approved by Employment Committee in February 2017, Full Council in 21 February 2017 and updated in February 2018. A copy can be found on the Authority's Intranet. This Code sets out the principles, behaviours and standards expected of employees in a single document.

The Code is supported and reinforced by our three core organisational values that all our staff and Members work towards. These are:

- Put customers first
- Improve and innovate
- Have respect for everyone.

They have been embedded into the Strategic Plan 2020-24 that took effect from 1 April 2020 (see Core Principle C).

In order to reinforce the 'put customers first' value, the Council has a 'Customer Promise' which sets out the corporate standards that customers can expect in our dealings with them and, equally, how customers should treat our staff.

The Code of Conduct is supported by a range of Human Resources policies and procedures, including:

- Disciplinary Policy and Procedure

- Grievance Policy and Procedure (incorporating bullying and harassment)
- Attendance Management and Sickness Policy and Procedure
- Performance Management Policy and Procedure
- Managing Relationships at Work Policy.

In August 2019, the Council agreed a People Strategy and Competency Framework to underpin and support its Strategic Plan over the next four years. The People Strategy sets out how the Council as a business plans to attract, engage, empower and reward its staff so that it will continually have a workforce that can successfully deliver its ambitions, meet new challenges and drive opportunities to enable business growth. Its aim is to ensure that the Council has a skilled and aligned workforce which is crucial to delivering its priorities, objectives and the Strategic Plan.

The Strategy will be regularly reviewed to ensure that it remains 'fit for purpose', and that the priorities it sets out are the right ones for the Council, its employees and most importantly the people of Lichfield District. As part of the People Strategy, the Council has developed a Workforce Development Plan. Workforce Planning is about:

- The link between the Council's strategies and its people plans
- Identifying the future skills and competencies needed to deliver new and improved services
- A knowledge of the current workforce
- A comparison between present and future skills and competencies and identifying any gaps
- Developing strategies and plans to eliminate those gaps.

The Workforce Development Plan will be reviewed on an annual basis in line with the annual update of Service Plans (Core Principle C).

Within the People Strategy the Council has also adopted an Employee Wellbeing Policy that demonstrates the Council's commitment to supporting staff and the types of support that are available. There is, in addition, a Mental Health Action Plan to support our employees' ability to 'thrive' at work. It has also been raising awareness of mental health issues for all employees and providing training sessions and resources for managers to undertake 'wellness action plan' discussions with all staff, training sessions for staff to help build resilience and creating a team of mental health first aiders. These roles have proved invaluable during the pandemic in supporting our workforce.

Throughout the pandemic we have continued to review our approach and the support available to staff and managers in dealing with the sudden shift to home working for office based staff.

In November 2020, Internal Audit carried out a review of the sufficiency and adequacy of controls in place to mitigate against key risks to our operations arising from the pandemic relating to staff wellbeing. The audit covered the time period April 2020 to October 2020. The overall result of the audit was Substantial Assurance and this was reported to Audit and Member Standards Committee.


The Council continues to work to ensure that all its policies around managing attendance, behaviour and respect support its aims to promote a positive culture for wellbeing.

The Council's Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair. The role of the Section 151 Officer also ensures legality as well as financial prudence and transparency in transactions. The Section 151 Officer role is discussed in more detail under Core Principle F.

Under the 2015 Care Act, the Council has a legal responsibility to safeguard, promote well-being and protect children and vulnerable adults. The Authority has a Safeguarding Policy which sets out specific responsibilities and how to spot potential abuse and report concerns. In addition, each Service Area

has a safeguarding lead, and training and awareness sessions are carried out for all staff, not just those who come into contact with children and vulnerable adults as part of their role.

The number of referrals in 2020/21 compared with 2019/20 are shown below:


	Area	2019/20	2020/21	Trend
	Concerns Raised	19	13	↓
	Related to:			
	Children	4	2	↓
	Adults	15	11	↓
	Formal Referrals	5	5	→

The reduction in referrals reflects the reduced contact with children during the lockdown. However it is recognised that once lockdown ends there may be an increase in concerns being raised and the need to make more referrals.

The Council also has a Public Sector Equality Duty under the Equality Act 2010. As part of this we produce an annual Statement showing how we are meeting our obligations. This Statement also helps our customers, staff, the Equality and Human Rights Commission, regulators and other interested parties to assess our equality performance and our compliance with equality legislation. The latest Statement was published on 31 January 2021 and can be found on the Council's website.

The Council has an Equality and Diversity Policy which was approved by Full Council in 2018. There is also a 'handy' guide on the Council's intranet to help both Members and officers to understand equality, diversity and inclusion and how these apply in the workplace.

The Council publishes a gender pay gap report in line with a new legal requirement for all public sector bodies. This report shows the difference between the average earnings of men and women expressed as a percentage of men's earnings. Used to its full potential, gender pay gap reporting may identify the levels of equality in the workplace, female and male participation, and how effectively talent is being maximised. The gender pay gap figures for 2020/21 compared with 2019/20 are shown below:

	Area	2019/20	2020/21	Trend
	<b>Gender Pay Gap (Mean)</b>			
	Lichfield	5.62%	X%	↓
	National	12.00%	X%	↓
	<b>Gender Pay Gap (Median)</b>			
	Lichfield	0%	X%	→
	National	9.70%	X%	↓

The National figures are taken from the base data on the 'gov.uk' website

We have identified the reasons for the gender pay gap: a significant number of our female staff are working part time, resulting in lower pay overall. However full time female staff are paid on average more per hour than their male full time counterparts. In addition, the waste service traditionally

attracts a larger percentage of male employees, hence we employ a higher number of men in the middle quartile displacing more women in the lower and lower middle quartiles which otherwise would have been balanced. Possible routes to encourage more recruitment to employ more female staff in this service have been considered to even out the gender mix in our workforce. However, this is a traditionally male dominated profession due to the hours and conditions of work. Gender Pay Gap reporting supports our equal pay framework and provides a litmus of areas that may need further investigation in our workforce.

We have a legal duty as a first responder to participate and actively play a role in the response to and recovery from any emergency situation that impacts on the District and its community. This includes having in place a number of response and recovery plans, business continuity plans, and a requirement to participate in the collective activities that are sponsored on behalf of our Local resilience Forum, by the Civil Contingencies Unit (CCU), a body which is funded and owned by the members, such as Lichfield District Council. If there is an incident the local council concerned will work with the CCU to determine if partners need to be involved and whether an emergency should be declared and the requisite structures put in place.

In March 2020, these measures were put in place for the management of the Covid-19 pandemic. The group, known as the Strategic Coordinating group (SCG), was established to implement an effective response to Covid-19 in Staffordshire. At the same time, a Tactical Coordinating Group (or local response and recovery group) was established within Lichfield District Council. The SCG together with its tactical support groups has worked and continues to work together to prioritise the continued delivery of essential services in order to support our communities, businesses, staff, elected members and other key stakeholders. It will also manage the ongoing response to preserve life, minimise disruption to communities, businesses and services and inspire trust and confidence of all.

Locally, a number of initiatives have been taking including provision of a shopping service, information, support and enforcement work with businesses, support to open up the economy when we have not been in lockdown, payment of grants to businesses through a number of statutory and discretionary schemes, and support to those that are self-isolating. Monitoring of infection rates, testing and vaccination programmes and joint working on all other initiatives have been required.

In addition, another cross county SCG was established to manage the potential impact of departure from the European Union and a more local group was established to manage the response and recovery to a fire at Ridware House in Lichfield where 20 families were evacuated and had to be rehomed for three weeks.

### **B Ensuring Openness and Comprehensive Stakeholder Engagement**

The Council is part of a number of external partnerships which provide support to its strategic agenda. These include the Stoke and Staffordshire and the Greater Birmingham and Solihull Local Enterprise Partnerships (LEP), county and regional waste partnerships, and housing and community safety partnerships.

A national review of LEP did recommend that councils should only be members of one LEP. This issue has not yet been resolved, having been overtaken by Covid-19 recovery activity, and we still await further guidance. Until we are told otherwise we feel, given the economic geography of the District, that it is most beneficial for our community and businesses that we remain in both LEPs. This will enable us to maximise the economic growth in our District, which will be even more key following the economic impact of Covid-19.

Since 2019/20 we have also been a part of the Staffordshire and Stoke on Trent Business Rate Pool.

We are committed to working collaboratively with a range of other partners including the County Council, education, health, housing, business, police, fire and the voluntary and community sector to achieve what is needed for our District. We also work closely and support the voluntary, business and

community sectors, to maximise the huge contribution they make to the quality of life of local communities and residents.

There are a number of other arrangements in place for securing customer feedback. We consult with our community using the most appropriate research and communication tools available.

During 2020/21, the Council appointed Max Associates to produce a Sport England Strategic Outcomes Planning Model and a strategic options appraisal to develop a clear approach to the future provision of effective and sustainable physical activity and sports opportunities for the District. To identify barriers to physical activity participation, an extensive consultation process took place with key stakeholders, the local community via face to face interviews, and an online survey. In-depth focus groups were also held with inactive adults, people with disabilities, young people and older adults.

Consultation also took place during 2020/21 on the Council's draft events and festivals policy and procedure, and associated draft guide to organising an event in Lichfield District. Both documents were created to facilitate the continued delivery of high quality, well run events and festivals in the District, to ensure that these are well managed, add to the economic growth of the District and are enjoyable for all.

The Council undertook a Budget Consultation exercise between 22 October 2020 and 31 December 2020. The questionnaire was accessible on-line through the Council's website and promoted through the media and social media. The budget consultation was also promoted in the printed LDC news magazine distributed to **44,000** homes in November 2020 and through a newly launched e-news that was sent to **6,000** subscribers.

The Council also consults with its Members. For example, in November 2020, Strategic Overview and Scrutiny created a Task Group to review committee structures and make recommendations for improvements. Strategic Overview and Scrutiny accepted the findings in January 2021, and Cabinet will review the proposals in early April for Council to then consider.

In addition, the Council consulted with its officers during 2020/21 via its home working survey that took place in May 2020. The responses provided a wealth of information, including about the numbers happily working at home, how productive they were, about their workspace and their feelings of their work home balance.

The Council carried out further consultation with its officers via its Wellbeing survey that took place in July 2020. This survey focussed on the impact of the Covid-19 pandemic on the workforce and their families. This gave a good insight as to how some of the staff were feeling and the sort of support needed going forward. A response plan was then developed with the support of the internal Health and Wellbeing Group and this was communicated to all staff.

The Council endeavours to be open and transparent about its decisions. To ensure maximum transparency, reports containing confidential information are split into confidential and non-confidential sections. Furthermore, when reports have to be considered in private an explanation is provided on the agenda.

However, the Council also needs to ensure that it gets the balance right between transparency and maintaining appropriate levels of confidentiality. A report on the Rules of Confidentiality was approved by Audit and Member Standards Committee in November 2019. This outlined the Council's legal obligations in ensuring that what must, or ought to, remain private is kept private, and what must be disclosed. It also outlined the approach to determining whether information should be kept private.

The Council maintains a website for customers. In May 2019, a more modern version was launched that works from the same software package as our digital forms to make it easier to manage the digital platforms and interactions with customers.

The Council manages a number of social media streams including Facebook and Twitter. In addition, we maintain a suite of supporting websites that help underpin the Council's strategic ambitions,

including tourism destination website Visit Lichfield and service specific websites including Southern Staffordshire Building Control.

The Council's Contact Centre is the first contact point for customers/citizens. The Centre is a significant component in the distribution of information to residents and visitors, and for capturing information from customers to inform service development.

The Council distributed its printed LDC News publication in November 2020 and in January 2021 launched a monthly e-news version. It also has several other newsletters, for example, for the Historic Parks, available to communicate news to stakeholders.

With its commitment to being open and transparent the Council has increased the amount of data that is made available publicly so that residents are able to hold us to account better. This data has been published under the INSPIRE and Transparency regulations.

The Council uses the Government's Code of Recommended Practice for Local Authorities on Data Transparency, which recommends the datasets councils should make available as a minimum, as a starting point for deciding what information we should make available

We have also used feedback and requests made under the Freedom of Information Act 2000 to identify additional datasets for publication. We will continue to increase the number of datasets that we make available over time, where resources and capacity permit and there is a clear public demand for the information.

The Council has signed up to the local digital declaration, which provides us with access to national projects and support and will ensure that we:

- Design services that best meet the needs of citizens
- Challenge the technology market to offer the flexible tools and services we need
- Protect citizens' privacy and security
- Deliver better value for money.

Data protection laws were strengthened in May 2018 with the introduction of the General Data Protection Regulations (GDPR) which replaced and built on the principles contained in the 1998 Data Protection Act.


Following awareness being raised by the Audit and Member Standards Committee, particular focus was given to ensure that the Council complies with GDPR. Various work streams have been completed by the ICT team including: reviewing and auditing current practice; checking consents and privacy notices; reviewing contractual terms with suppliers; meeting with all officers who process personal data to undertake an information audit; creating a policy for GDPR; updating subject access requests procedures; training staff. This has seen a success of the internal control mechanisms to support effective governance as the issue was identified, taken seriously and resolved as soon as was practicable.

One of the requirements of GDPR is to appoint a Data Protection Officer (DPO). The role of the DPO is to oversee the Council's compliance with GDPR and to provide advice in relation to the law. The Governance Director at South Staffordshire District Council acts as this Council's DPO, working closely with Lichfield's Head of Governance and Performance, who is the Council's Senior Information Risk Owner (SIRO).

The Council has a customer feedback scheme for the public to make complaints, comments and compliments, and constructive criticism which is used to improve services. The Complaints Charter provides guidance to staff on the Council's complaints process. Members are provided with monitoring reports on a six monthly basis in addition to reports being presented annually to Audit and Member Standards Committee.



The number of complaints and compliments for 2020/21 compared with 2019/20 are shown below:

	Area	2019/20	2020/21	Trend
	Complaints	77	60	↓
	Compliments	113	152	↑
	Ombudsman Complaints	5	4	↓
	Ombudsman Complaints Upheld	1	0	↓
	Whistleblowing Reports	0	0	→

Members are provided with monitoring reports on a six monthly basis in addition to reports being presented annually to Audit and Member Standards Committee.

### C Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits

Lichfield District Council has a clear vision in the form of the Strategic Plan 2020-24 which was produced following extensive consultation and review by Member, staff, stakeholder and resident focus groups.

The Strategic Plan is a formal statement of the Authority's purpose and intended outcomes, and it provides the basis for the Council's overall strategy, planning and other decisions.

It has become increasingly important that we are clear on where we need to allocate our resources, and that we are focussing on the things that will make the biggest impact and difference. The Strategic Plan also focuses on those outcomes that are known to reduce demand and dependency on the Council's services (and the wider public purse).

The key priority outcomes that the Plan aims to achieve are:

- **Enabling people** - to help themselves and others; to collaborate and engage with us; to live healthy and active lives
- **Shaping place** - to keep it clean, green and safe; to protect our most valuable assets; to make sure sustainability and infrastructure needs are balanced
- **Developing prosperity** – to encourage growth; to enhance the District for visitors; to invest in the future
- **A good Council** – that is financially sound, transparent and accountable; is innovative and customer focussed; has respect for everyone.

This Strategic Plan was approved by Full Council on 18 February 2020, and came into operation on 1 April 2020. It can be found on the Council's website.

Leadership Team and Cabinet have identified the top priority issues that needed to be addressed to ensure these are achieved over the next 12 - 18 months. These priorities have formed the basis of the Delivery plan for 2020/21 and the annual service plans. The Delivery Plan captures the performance the Council has delivered so far against the aspirations set out in the Strategic Plan, then maps out the activity that will take place over the period 2020-24.



Actions are mapped directly back to commitments and aspirations in each of the Council's priorities in the Strategic Plan. They are also linked to each Head of Service and team service plans in addition to individual staff members' PDR targets.

Officers responsible for the Delivery Plan and Service Plan actions update the Pentana system to ensure that the latest performance on each individual action is registered in a central location, ensuring that the Council's officers and Members can access real-time performance monitoring.

The Delivery Plan is reviewed on an ongoing basis by Leadership Team and progress reported on a six-monthly basis to Cabinet. A full year Delivery Plan Performance update report is taken to Cabinet in the June following the financial year end. It is also shared with the Chairs of the Council's four Overview and Scrutiny Committees through the Overview and Scrutiny Co-ordinating Group.

Performance reporting takes place in line with reporting on the Council's Medium Term Financial Strategy to allow informed discussions around the impact of budgetary pressures on performance to take place.

The Council has a Local Plan that covers the period 2008-29, that seeks to encourage sustainable development within the Lichfield District area, and includes policies on a number of key themes, including sustainable communities, infrastructure, homes for the future, economic development and enterprise, and healthy and safe communities. The Plan will therefore help to make sure the District is developed in the right way, including building the right number and types of houses, developing the right kind of shopping and recreational facilities, getting the right office and industrial spaces, creating opportunities for local jobs to be nurtured and protecting our wildlife, landscapes and heritage.

Progress reports on the implementation of the Local Plan are presented to Overview and Scrutiny Committee in addition to Cabinet.

The Planning and Compulsory Purchase Act 2004 introduced the requirement for local planning authorities to prepare and maintain a Local Development Scheme (LDS). The LDS is a project plan that sets out a timetable for the production of a new or revised Development Plan Documents (such as the Local Plan and any other supporting documents, such as supplementary planning documents) by the publishing council.

The Council updated its LDS in July 2020 to identify a revised timetable for preparing the Local Plan that shapes how the District will be developed up to 2040 (to be adopted in February 2022). This updated version was considered by Economic Growth, Environment and Development (Overview and Scrutiny) Committee in March 2020 and approved by Cabinet in May 2020.

From December 2020, authorities are required to prepare and publish an Infrastructure Funding Statement (IFS) covering the previous reporting year. These statements will explain how the spending of any forecasted income from both CIL and Section 106 planning obligations over a five year period will be prioritised. The District Council published its first IFS in December 2020 which covered the 2019/20 reporting year.

The Council is promoting Neighbourhood Plans the adoption of which will, in addition to guiding future development, enable parish areas to receive a share of the financial benefits of development that comes from the CIL, and also allow them to set their own priorities for its investment. In 2020/21, as a result of the Covid-19 pandemic, no Neighbourhood Plan referendums were able to take place.

<b>D</b>	<b>Determining the Interventions Necessary to Optimise the Achievements of the Intended Outcomes</b>
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The Strategic Plan 2020-24 sets out the opportunities and challenges we face, the needs of the community, the Council's aspirations, our focus, and our priorities covering the life of this Council.

To fund the Strategic Plan, the Council prepares a Medium Term Financial Strategy (MTFS). This covers how we will use our reserves, our investments, the approach to Council Tax, and how we will deploy

our capital. It also looks over the medium term at the cost pressures we are likely to face and how these could be financed. The Strategic Plan must drive the Financial Strategy. The MTFS relevant for 2020/21 is the MTFS 2019-24. This was approved by Cabinet and Full Council in February 2020.

The Revised Budget for 2020/21 was approved by Full Council in February 2021 as part of the MTFS for 2020/21.

The Council has a Capital Strategy which was approved In February 2019 by Full Council. The Capital Strategy provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services together with an overview of how associated risk is managed and the implications for future financial sustainability. It forms part of the Council's integrated revenue, capital and balance sheet planning. It provides a framework for managing the Council's capital programme.

Lichfield District Council has a statutory duty to set a balanced budget in the first year of the five year MTFS, and to set out proposals to balance the further financial years 2021-24. The Chief Finance Officer has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up to audit scrutiny. The Council is also required to set Prudential Indicators for Capital Expenditure, financing and Treasury Management.

Money Matters Reports are presented at three, six and eight month intervals to Cabinet and Briefing Notes to Overview and Scrutiny Committee, and financial projections are updated in these reports.

Since 2013/14, there have been significant changes in local government finance ranging from the Localisation of Council Tax Support, wider welfare reforms and local retention of an element of Business Rates. These changes have introduced additional financial risks such as a major proportion of the Council's funding being dependent on the level of Business Rates growth or decline.

As a result of these ongoing changes, the Council has implemented plans and strategies to manage these financial risks, for example the Fit for the Future Programme introduced in May 2013 and which ran until 2020. This transformation programme has been used to manage the change needed across the Council and its services in order to meet the challenges facing local government finances and to bridge the predicted revenue funding gap.

Since its introduction the Programme has helped to identify a range of service improvements and deliver significant savings through a range of measures, including reductions in non-priority areas, changes to service standards, transferring assets and introducing or increasing charges for some services. It has also supported the delivery of the outcomes described within the Strategic Plan 2016-20 and helped to prepare for the 2020-24 Strategic Plan.

<b>E      Developing the Entity's Capacity, Including the Capacity of its Leadership and the Individuals Within it</b>
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The Council has a Constitution which can be found on our website. This sets out how the Council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution went through a thorough review during 2017/18 in order to reflect recent changes in legislation and also to make it easier to navigate. As a result an updated Constitution was approved by Full Council in May 2018.

The document identifies the roles and responsibilities of Member and officer functions, with clear delegation arrangements and protocols for decision making and communication. For example, the statutory roles for the Head of Paid Service, the Chief Financial Officer (Section 151 Officer) and the Monitoring Officer. Reference is made to the scrutiny role of the Opposition. The Constitution also contains the protocol for officer/Member relations. This is reviewed and amended on a regular basis.

The Council's Constitution is updated as and when changes are needed to be made with the Cabinet Member for Legal and Regulatory submitting recommendations to Full Council.


The Council has a training plan for Members which is developed and monitored by the Employment Committee. The number of training events during 2020/21 compared with 2019/20 is shown below:

	Area	2019/20	2020/21	Trend
	Member Training Events	15	6	↓

The areas covered included safeguarding, planning enforcement, Code of Conduct and governance, the local plan, press and social media, and equality and diversity. The pressures of Covid-19 contributed to fewer sessions during 2020/21.

The Chief Executive and Heads of Service are set their performance targets annually. These are based on the delivery of the Delivery Plan and the business risks anticipated for the year. Senior politicians appraise the Chief Executive's performance against these targets and the Chief Executive appraises the Heads of Service.

Performance Development Reviews (PDRs) are carried out for employees and training needs are identified as part of this process. The importance of the PDR process for the Council continues to be highlighted by the Chief Executive. The rate of completed PDRs for 2020/21 remained fairly consistent with the previous year. The figures are shown below:

	Area	2019/20	2020/21	Trend
	Performance Development Reviews (September)	12.4%	18.12%	↑
	Performance Development Reviews (March)	52.0%	55.98%	↑

There was a slight increase in completed PDRs compared with 2019/20. However, the numbers still remain lower than the Council would like, and for 2020/21 can be explained partly by the impact of Covid-19, together with the issues faced in 2020/21, which included resourcing gaps as a result of illness and vacant posts in senior roles and management positions.

A structured e-learning programme is available which greatly enhances the learning and development opportunities for a large cross-section of employees. Areas covered include fraud awareness and equalities.

The Council has recently invested in a programme of training for all its managers and which will be delivered by West Midlands Employers in the coming months. All managers are expected to attend one of the sessions and there will be four cohorts, the first cohort beginning in March 2020 and the programme running throughout 2020/21. There are eight modules including communication, motivation of self and others and leadership in a virtual world, linking closely to our competencies.

The Council seeks to ensure that its employees are kept up to date with issues affecting the Council, for instance, performance is communicated through regular weekly emails from the Chief Executive and Leadership team as well as regular Managers' Briefings which is designed to feed out key messages to individual team meetings.

<b>F</b>	<b>Managing Risks and Performance through Robust Internal Control and Strong Public Finance Management</b>
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The Council has a Risk Management Policy and managers are trained in the assessment, management and monitoring of risks. This Policy was reviewed and refreshed during 2019/20, and approved by Audit and Member Standards Committee in November 2019.

The Corporate Risk Register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its Strategic Plan.. Risks are judged on their likelihood of occurrence and their potential impact. These are monitored by Members and Senior Officers and reported on three times a year to Audit and Member Standards Committee.

There are currently seven risks that have been identified as having a potential impact on the ability to deliver the Strategic Plan. Of these risks, two have been identified as significant and are currently outside of the Council's risk appetite: the resilience of teams to effectively respond to further serious disruption to services (following the pandemic) and pressures on the availability of finance. The Council is continually working to mitigate and reduce these risks, accepting that much of the cause is outside of the Council's direct control.

All reports requiring a decision include a risk assessment section.

The Council continues to manage and monitor the effectiveness of its health, safety and insurance management system. Each year, the annual Health and Safety Performance Report was presented to Leadership Team and Employment Committee. This report is a statistical snapshot of accidents and insurance claims, in addition to providing a review of the corporate health and safety training programme, detailing changes to operating procedures and emerging challenges.

The Council has an 'Acceptable Use Policy' for IT (adopted during 2018/19). Its purpose is to ensure that all computer systems and networks owned or managed by the Council are updated in an effective, safe, ethical and lawful manner, and it is the responsibility of every computer user to know these requirements and to comply with them. The Policy applies to every person authorised to access the Council's IT equipment, systems or networks.

The Council's Contract Procedure Rules and Financial Procedure Rules form part of the Governance Framework. These are the rules set by the Council to regulate its internal procedures for the conduct of its business, in addition to how it spends money and records transactions. They form part of the Council's Constitution. Any amendments to them are subject to approval by Full Council.

Both are currently being reviewed and updated. They will be approved by Audit and Member Standards Committee and Full Council in due course. A copy of both documents as they currently stand can be found within the Constitution.

The Head of Finance and Procurement is designated as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972.

In April 2016, CIPFA/SOLACE issued an updated application note on the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council complies with these requirements. The Chief Financial Officer is:

- A key member of the Leadership Team
- Actively involved in, and able to bring influence to bear on, all material business decisions to ensure alignment with the Authority's financial strategy
- The lead for the promotion and delivery, by the whole Authority, of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
- Professionally qualified and suitably experienced

- Able to lead and direct a finance function that is resourced to be fit for purpose.

During 2020/21, the Chief Financial Officer continued to provide effective financial management in accordance with the financial procedures and rules set out in the Constitution.

Maintenance of an effective system of both internal and more detailed financial control is the agreed responsibility of Heads of Service and Service Managers, who are responsible for managing their services within available resources, in accordance with agreed policies and procedures, and to support the sustainable delivery of strategic priorities in the Strategic Plan and maintain statutory functions. Elements include:

- Monthly review of budgetary control information by budget holders and Heads of Service to compare expected to actual performance and to forecast going forward
- Formal budgetary monitoring reports reviewed with budget holders and Heads of Service at three, six and eight months. These look at actual performance and provide forecasts going forward
- Money Matters reports produced at three, six and eight months and are reviewed by Leadership Team and reported to Overview and Scrutiny, Cabinet and Full Council.

In December 2019, CIPFA introduced a Financial Management Code. The driver for this 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. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time it sets out the standards of financial management for local authorities.

The underlying principles that inform the Code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. Each local authority must demonstrate that the requirements of the Code are being satisfied. This is a collective responsibility of elected Members, the CFO and their professional colleagues in the Leadership Team.

The Financial Management Code is to be applied from 1 April 2020, with the first year, 2020/21, being a shadow year where local authorities should be able to demonstrate they are working towards full implementation for the first full year of compliance in 2021/22.

The Council took a report on the Financial Management Code to Leadership Team and then to Audit and Member Standards Committee in November 2020. This report included an appendix detailing CFO's assessed level of compliance with the Code at October 2020. This assessment did not highlight any areas of concern.

We have an Audit and Member Standards Committee that is independent of the Executive and accountable to the governing body. This provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment. We ensure that its recommendations are listened to and acted upon.

As part of the annual Audit Plan, Internal Audit completed fraud awareness and proactive fraud work in accordance with fraud risks identified, adhering to the CIPFA Code of Practice for Managing the Risk of Fraud. The conclusion of this work for 2020/21 is that the Authority has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

During 2020/21, the Audit and Member Standards Committee approved the Counter Fraud Framework.

Over the last couple of years changes have been made to the way our Overview and Scrutiny function operates. Examples of these changes include the greater use of briefing papers and lighter agendas. Various Task and Finish Groups with commencement dates throughout the year have also been established (see earlier comments in Section B). A Coordinating Group has been set up that agreed that all work should be to aid Cabinet Members and Heads of Service meet their targets. These structures have been subject to a review following a member task group set up in late 2020 and further changes are proposed to bring in a single Overview and Scrutiny Committee in 2021 if approved by Council.

During 2020/21, the Council appointed its own Procurement Team having previously bought in to services from other councils. A procurement Strategy has since been produced and approved by Cabinet.

### **G Implementing Good Practices in Transparency, Reporting and Audit to Deliver Effective Accountability**

We have an effective in-house Internal Audit function with direct access to Members and which reports to the Chief Finance Officer. This service provides assurance with regard to governance arrangements and its recommendations are acted upon. For 2020/21, Internal Audit continued to operate in accordance with the Public Sector Internal Audit Standards.

An annual review of the effectiveness of the system of Internal Audit is undertaken by the Shared Head of Audit based on the Public Sector Internal Audit Standards and using feedback from Heads of Service, the Section 151 Officer, Managers and External Audit.

The review of Internal Audit for 2020/21 concluded that the Authority's Assurance Arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit 2010. The Shared Head of Audit fulfils this role and is professionally qualified.

Our External Auditors carry out reviews of our internal control arrangements when working with us throughout the year. They have not reported any weaknesses in their updates to Audit and Member Standards Committee during 2020/21.

#### **Section 4: Annual Review of the Effectiveness of the Governance Framework**

We have a legal responsibility to conduct an annual review of the effectiveness of our Governance Framework, including the system of internal control. The outcomes of the review are considered by Audit (and Member Standards) Committee (which is charged with final approval of this statement).

The review is informed by:

- The views of Internal Audit, reported to Audit and Member Standards Committee through regular progress reports, and the Annual Internal Audit Opinion
- An annual review, carried out by the Audit Manager, of the effectiveness of Internal Audit (as required by Regulation 6(3) of the Accounts and Audit Regulations 2015)
- The views of our External Auditors, regularly reported to Audit and Member Standards Committee through regular progress reports, the Annual Audit Letter, the Informing the Audit Risk Assessment document, the Audit Findings Report and the Audit Plan
- The views of the Head of Paid Service (Chief Executive), Monitoring Officer, Section 151 Officer
- The activities and operations of Council Service Areas whose Heads provide written assurance statements using an Internal Control Checklist
- The views of Members (Chairmen and Vice Chairmen and Leader of the Minority Group) using a Members' Questionnaire
- The Risk Management Process, particularly the Corporate Risk Register
- Performance information reported to Cabinet, Council and Overview and Scrutiny Committees



### Conclusion of the Review

For 2020/21 one significant weaknesses in Governance or Internal Control was highlighted in relation to the proposed disposal of an area of Public Open Space. An independent investigation has been commissioned and the findings and proposed actions to address any control weaknesses will be reported to the Audit and Member Standards Committee.

With the exception of the issue above, we consider the Governance Framework and Internal Control environment operating during 2020/21 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

For 2020/21 no additional significant weaknesses in Governance or Internal Control were highlighted.

### Section 5: Update on Significant Governance Issues 2019/20

The system of Governance (including the system of Internal Control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no areas as representing a significant weakness in Governance or Internal Control during 2019/20.

### Section 6: Reflecting the Challenges from COVID-19

This section considers the impact of Covid-19 on and a second conclusion on the adequacy of governance arrangements during this period will be included to make clear the impact.

The impact on governance can be seen under the following broad categories:

#### **Impact on business as usual in the delivery of services**

Social distancing measures have had a significant impact on the Council's governance arrangements. MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority and police and crime panel meetings held between 4 April 2020 and 6 May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public.

The Council, therefore, put arrangements in place to hold meetings virtually, allowing elected members to fully engage in taking key decisions and allow for public participation. Since May 2020, all of our Council meetings have been broadcast live and then made available on our YouTube Channel. Overall attendance at meetings is higher via zoom which enables members to balance their role with other responsibilities.

Mobile and flexible working has now become business as usual for many of our staff. This transition was achieved relatively early on during the first lockdown where all staff who could work from home were equipped to do so within the first few weeks.

To keep staff and residents safe, our reception area has not been reopened to the general public yet. All key services have remained available through a variety of other channels. Where essential, home visits and business inspections are still carried out under Covid-19 secure protocols.

For our customers we have worked hard to ensure they feel comfortable in using the new ways of

accessing our services and website. Dedicated webpages have been developed and continue to be updated with relevant information to support residents and businesses throughout the pandemic.

Since March 2020, messages have been issued by the Chief Executive and Leadership Team, sometimes on a daily basis, to ensure all staff and Members have the most up to date information to pass on to residents and stakeholders. Over the pandemic period, Managers Briefings (our internal staff cascade) have continued via zoom.

The Council has also ensured that the local residents are regularly updated and kept informed. Social media output/impact has increased significantly since the start of the first lockdown highlighting both the increase in output from the Council and the demand from the local community for on-going information about local and national developments.

### **Areas of activity as part of the national response to coronavirus and any governance issues arising**

Over the last nine months the Council's housing team has worked closely with accommodation providers in both the social and private housing sectors, to ensure that we had sufficient capacity to accommodate anyone who needed assistance with accommodation.

Since the start of the first lockdown in March 2020, the Council has worked closely with the Voluntary and Community Sector to identify community support needs and how these can be met. The Council has also shared good practice and learning and participated in a Digital Engagement - Celebrating Successes and Learning event where organisations shared what they have been doing to adapt their service offer and make good use of digital options.

Covid-19 regulatory advice to businesses has been dealt with by Environmental Health, with pressure being brought to bear on traditional work streams. Covid-19 enforcement work has also been undertaken, protecting the public and ensuring a more level playing field for all businesses affected by the pandemic.

Maintaining front line services has been a focus for Operational Services. The Joint Waste Service was able to continue to deliver a complete service across both Lichfield and Tamworth, throughout 2020. It was one of fewer than **10%** of collection authorities able to continue the collection of refuse, recycling, garden waste and bulky waste, along with the delivery of new bins.

### **The funding and logistical consequences of delivering the local government response**

The ongoing Covid-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. The financial impact will be due to both unforeseen but necessary, expenditure and reduced income from fees and charges, Council Tax and Business Rates.

The impact varies by area, dependent on factors such as geography, demographics, services delivered and the nature of the local economy. However to a large extent, it will depend on how quickly the national and local economies return to normal levels of activity.

To offset the additional financial pressures being faced by Local Government, the Government has provided the following support:

- **Additional grant funding** - funding has been provided in five tranches during 2019/20, 2020/21 and 2021/22
- **Sales, fees and charges scheme** - compensation for reductions in income in 2020/21 and the first three months of 2021/22



- **Council Tax and Business Rates Losses** - to fund 75% of irrecoverable losses in council tax and business rates
- **Local Council Tax Support Grant** - a new grant for 2021/22 to compensate authorities for the expected additional cost of Local Council Tax Support schemes in 2021/22
- **National Leisure Recovery Scheme** - to support leisure facilities

It is unclear at this stage whether this funding will be sufficient to offset all of the financial pressures and Local Government continues to lobby for further funding to be made available.

### **Assessment of the longer term disruption and consequences arising from the coronavirus pandemic**

It is essential that the Council focuses on the likely impact that the crisis, and its aftermath, will have on income levels both now and potentially into the future.

The Covid-19 crisis is likely to be long-lasting and far reaching, affecting more than one financial year. It could be difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially if the local economy is in recession.

This means that the assumptions underlying later years in the MTFS will almost certainly need to change, making the 'funding gap' for 2021/22 and beyond larger.

### **Some Positive Outcomes for the Council**

The pandemic has not been totally without some positive outcomes for the Council, for example:

- We have demonstrated the ability to respond and change at pace where needed, something that can be further develop in the future to adapt and deliver change across the Council and its communities
- The Council's staff have shown the ability to rapidly change mind-set and culture, thereby demonstrating we can deliver services successfully through a virtual front-door and work both flexibly and remotely
- The pandemic has highlighted the current position in regards to the resilience and integrity of our ICT infrastructure, whilst also demonstrating areas for future attention in order to optimise the new normal
- It has shown the need for a modern office design, providing the catalyst to make changes which people are accepting of, without the normal change curve and inherent tensions

Once the crisis is over, the Council will conduct a review of the lessons to be learned from its response. If this takes place before the Annual Governance Statement is approved, its findings will be included within the Statement.

**Diane Tilley**  
**Chief Executive**

**Councillor Douglas Pullen**  
**Leader of the Council**

## LICHFIELD DISTRICT COUNCIL CODE OF CORPORATE GOVERNANCE 2021/22

### Introduction

Good Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, culture and values by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

### Our Commitment

Lichfield District Council is committed to upholding the highest possible standards of good corporate governance, as good governance leads to high standards of management, strong performance, effective use of resources, increased public involvement and trust in the Council, and ultimately good results.

Good governance flows from shared values, culture and behaviour and from sound systems and structures.

During 2016/17, an updated Framework was produced by CIPFA/SOLACE entitled 'Delivering Good Governance in Local Government 2016'. The main principle underpinning the development of this new Framework is the fact that local government is developing and shaping its own approach to governance taking account of the environment in which it now operates. The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance.

Furthermore, the focus on sustainability and the links between governance and public financial management are crucial for now and for the future. Local authorities have responsibilities to more than their current electors and they must take account of the impact of current decisions and actions on future generations.

This Framework consists of seven Core Principles and it is proposed that it is these that the Code of Corporate Governance for Lichfield District Council 2021/22 is based.

The seven Core Principles are as follows:

<b>A</b>	<b>Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law</b>
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<p><i>'Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and Government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.'</i></p>
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### Outcomes

***We develop, communicate and embed codes of conduct, defining standards of behaviour for Members and officers to ensure they exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance, and that are respectful of laws and regulations.***

***Our policies seek to ensure Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated which assists in protecting the reputation of the organisation.***

***We underpin personal behaviour with ethical values and ensure they permeate all aspects of the organisation's culture and operation, and are respectful of the rule of law.***

## **B Ensuring Openness and Comprehensive Stakeholder Engagement**

*'Local government is run for the public good. Organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.'*

### **Outcomes**

***We make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. If a decision is to be kept confidential we provide justification for this decision.***

***We ensure that communication methods are effective and that members and officers are clear about their roles with regards to community engagement.***

***We engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.***

## **C Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits**

*'The long-term nature and impact of many of local government's responsibilities meant that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.'*

### **Outcomes**

***We consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.***

***We ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options, thus ensuring that best value is achieved however services are provided.***

***We measure the quality of services for users, ensuring they are delivered in accordance with our objectives and that they represent the best use of resources and that Council Tax payers and service users receive excellent value for money. We do this through the Performance Management Framework.***

## **D Determining the Interventions Necessary to Optimise the Achievements of the Intended Outcomes**

*'Local Government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.'*

### **Outcomes**

***We inform medium and long term resource planning by drawing up realistic estimates of revenues and capital expenditure aimed at developing a sustainable funding strategy.***

***We ensure that the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved whilst optimising resource usage.***

***We ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.***

**E      Developing the Entity's Capacity, Including the Capacity of its Leadership and the Individuals Within it**

*'Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.'*

**Outcomes**

***We ensure that the Leader and Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority.***

***We develop the capabilities of the Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental risks by ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirement is available and encouraged.***

***We hold staff to account through regular performance reviews which take account of training or development needs.***

**F      Managing Risks and Performance through Robust Internal Control and Strong Public Finance Management**

*'Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.*

*A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.*

*It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.'*

**Outcomes**

***We recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making.***

*We ensure that well-developed financial management is integrated at all levels of planning and control.*

*We ensure that there is an effective scrutiny function in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made.*

**G      Implementing Good Practices in Transparency, Reporting and Audit to Deliver Effective Accountability**

*'Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both External and Internal Audit contribute to effective accountability.'*

**Outcomes**

*We ensure that recommendations for corrective action made by Internal and External Audit are acted upon.*

*We write and communicate reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensure that they are easy to access and interrogate.*

*We welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations.*

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# INTERNAL AUDIT ANNUAL REPORT (INCLUDING Quarter 4 PROGRESS REPORT)



## Finance, Procurement, Customer Services and Revenues & Benefits

Date:	27 <sup>th</sup> April 2021
Agenda Item:	6
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	anthony.thomas@lichfielddc.gov.uk
Key Decision?	NO
Local Ward Members	Full Council

## AUDIT & MEMBER STANDARDS COMMITTEE

### 1. Executive Summary

- 1.1 This report comprises Internal Audit's Annual Report, including results for the quarter to 31 March 2021 (**Appendix 1**).

### 2. Recommendations

- 2.1 To note Internal Audit's Annual Report, including results for the quarter to 31 March 2021.

### 3. Background

- 3.1 The Annual Report for Internal Audit details the work completed during 2020/21. The purpose of this report is to express an opinion of the soundness of the governance, risk management and control environment and highlight any controls issues relevant for inclusion in the Annual Governance Statement. The overall opinion for the financial year is summarised below.

'On the basis of our audit work, our opinion on the council's framework of governance, risk management and internal control is adequate 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'.

- 3.2 The internal audit plan 2020/21 comprised **18 audits**. The target of achieving **90%** of the plan has been exceeded with **94%** of the plan achieved at year end with a customer satisfaction score of **4.2** compared to the target of **4.0 or more**.
- 3.3 However performance against other KPI's has been affected due to allowing service areas to concentrate on business critical service delivery responding to Covid-19. This has resulted in exceeding timescales set as targets within the KPI's.
- 3.4 No material matters of fraud or irregularity have been reported during the year.

Alternative Options	N/A
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Consultation	N/A
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Financial Implications	The audit service has been delivered within budget during the year.
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Contribution to the Delivery of the Strategic Plan	Delivery of the audit plan contributes to all aspects of the District Council's Strategic Plan.
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Equality, Diversity and Human Rights Implications	No equality, diversity or human rights implications arising from this report.
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Crime & Safety Issues	None arising.
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Environmental Impact	None arising.
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GDPR/Privacy Impact Assessment	None required.
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	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

<b>Background documents</b> Audit & Member Standards Committee routine reports, internal audit reports
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Relevant web links
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Internal Audit Annual Report (including Quarter 4 2020/21  
Progress Results)  
April 2021



## Contents

### 01 Introduction

### 02 Internal Audit Work Undertaken

### 03 Annual Opinion

### 04 Follow Up

### 05 Performance of Internal Audit

### Appendices

### 01 Summary of Internal Audit Work Undertaken in 20/21

### 02 Assurance and Recommendation Classifications

If you have any questions about this report, please contact Alison Swift [alison.swift@lichfielddc.gov.uk](mailto:alison.swift@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, reinterpretation, amendment and/or modification.

### 01 INTRODUCTION

#### BACKGROUND

This report comprises Internal Audit's Annual Report, including results for the quarter 4 to 31 March 2021.

#### SCOPE AND PURPOSE OF INTERNAL AUDIT

The Accounts and Audit Regulations 2015 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 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 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. Initially, 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. The plan was recommenced and work re-profiled, to continue towards the target of 90% plan achievement at year end, which has been achieved. However, as we entered subsequent waves and national lockdowns, this has had an impact in terms of some 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:

## APPENDIX 1

- 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 through the work undertaken by internal audit during the year.

### FRAUD & IRREGULARITY

Work was undertaken regarding an irregularity identified during the quarter - a loss of takings (£99.65) at Beacon Park. Recommendations have been agreed to strengthen arrangements.

### CONSULTANCY & ADVICE

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters. During the year to 31 March 2021, the following was undertaken:

- Advice on payment of overtime/ casual claims during Covid-19.
- Attending demo/ consultancy on new finance system.
- Review of process for reclaiming VAT for election expenses.
- Financial Procedure rules review.
- Fraud and Corruption checklist (procurement).
- Attending project board for payroll and new finance system.
- Advice on scanning contract controls.
- Advice on scheme for Getin2it Young Persons project.
- Attending elections core meeting.
- Advice on Community funding scheme.

### 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 was initially delayed to allow functions to concentrate on business critical service delivery due to Covid-19. The current status is as below.

## APPENDIX 1

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

\*low actions were not previously tracked.

This is a positive direction of travel since our last progress report. Under the current system, all high recommendations are re-tested and @10% of medium and low priority actions are sample tested to confirm the accuracy of managers' confirmation. Actions sampled confirmed implementation.

Of those audits receiving a no or limited assurance opinion which have been followed up, a summary of progress to date is given at Appendix 01.

## 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 an 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 - **94%**
- 100% Draft reports issued within 6 weeks of start date – **38%**
- 100% Closure meetings conducted within 5 days of completion of audit work – **78%**
- 100% draft reports to be issued within 10 working days of closure meeting – **78%**
- 100% of all high priority actions are implemented at follow up – **75%**
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – **90%**
- Achieve an average customer satisfaction score of 4 or more - **4.2**
- Added value – **None quantifiable**

## APPENDIX 1

### 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,</p>	 <p>Substantial Assurance</p> <p>Number of Actions H-0 M-1 L-2</p>

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				lack of timely submission of evidence (receipts etc.) in credit card transactions and ensuring supplier information on the website is up to date.	
	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</p>	 <p>Substantial Assurance</p> <p>Number of Actions</p> <p>H-0</p> <p>M-0</p> <p>L-1</p>



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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				accounts and the register compiled by the estates team.	
	Payroll	Risk based review of payroll, including adequacy and effectiveness of controls around the systems for starters, leavers, amendments, deductions, overtime and expenses.	Q1-Q2	<p>The Payroll system is designed with controls in place to mitigate the key risks.</p> <p>There is a clear and documented SLA that outlines the expectations of the payroll function / service between both LDC and SBC.</p> <p>A clear segregation of duties exist for both Councils such as LDC inputting personal data (start/leave dates, position, band etc.) while SBC input bank details, calculate pay and process amendments/deductions where required.</p> <p>Controls were found to be operating effectively with bona fide personnel being paid the correct amounts including variations to pay. Leavers are removed from the payroll promptly. Amendments and deductions are not processed without appropriate source documentation.</p> <p>A monthly exception report is received and reviewed by Finance, including high and low earners and trend analysis with prior months. An establishment list is also sent to budget holders annually.</p> <p>A secure file transfer method using 'ZIP7' or 'Dropbox' is used to transfer information between SBC and LDC. Additionally, all personnel documents are stored in individual named folders on the HR S</p>	 <p>Reasonable Assurance</p> <p>Number of Actions H-0 M-1 L-4</p>


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Page 50				<p>Drive with access restricted to those within the department.</p> <p>Some minor weaknesses were identified in terms of ensuring casual contracts, namely that contracts are signed prior to the staff members' start date and that payments to casuals are appropriately authorised. Some delay was also noted in the completion of the payroll reconciliation process, but these were largely due to other priorities arising from the pandemic response.</p> <p>Finally, the most pressing issue to resolve is the replacement of the current payroll provider, SBC, when they exit the contact in July 2021. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p>	
	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	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.	 <p>Limited Assurance</p> <p>Number of Actions</p> <p>H-2</p> <p>M-6</p> <p>L-1</p>


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>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>Post audit update from the Head of Finance &amp; Procurement: The Procurement Strategy was reviewed by Strategic (Overview and Scrutiny) Committee on 19 November 2020 and following some enhancements suggested by the Committee, it was approved by Cabinet on 1 December 2020. The Procurement Team will focus on delivering the Strategy alongside supporting procurement activities across the Council. Recent papers published by central government as well as the impact of leaving the European Union (EU) will bring forward the action in the Procurement Strategy of updating of the Contract Procedure Rules as well as meeting the requirements of the recent internal audit. The Procurement Team have been providing support, guidance and leadership on a wide range of projects ranging from consultancy services to new software, fuel</i></p>	


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<i>provision to temporary staff, and annual valuations to occupational health. Working with other stakeholders the contracts register is being updated and from this a forward plan will be drafted; allowing for procurement activities to start moving to a planned model.</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	<p>The NNDR System is designed with controls in place to mitigate the major risks and were found to be adequate and effective.</p> <p>A number of good practice areas were noted:</p> <ul style="list-style-type: none"> <li>IT systems are supported and up to date to provide a Public Services Network (PSN) Code of Connection between the VOA and Lichfield District Council. This allows a secure method to transfer information (schedules, referrals etc.).</li> <li>Amendments e.g. changes in rateable value, new/demolished properties notified via VOA schedules, are accurately input to the Northgate system.</li> <li>There are regular reconciliations (scheduled balancing) between the data held on the Northgate system and the VOA schedules, including total rateable value and hereditament numbers. Any errors identified are investigated by staff and/or through liaison with the VOA.</li> </ul> <p>NNDR income is posted correctly and promptly to customer accounts while refunds are processed with a valid reason and are approved at a senior</p>	 <p>Substantial Assurance</p> <p>No Actions</p>


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Page 53				level. Authorisation from the Head of Service is required if the amount is greater than £50,000; this was noted through sample testing. In addition, income reconciliations are completed regularly. Continuation of the good practice demonstrated within the department will mitigate against the risks audited. There are no recommendations arising from this review.	
	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	The benefits system is designed with controls in place to mitigate the major risks. Claims are verified and processed promptly and accurately. There are business continuity plans in place and IT systems are supported and up to date. Checks are in place to identify errors prior to transmitting payment runs, regular reconciliations of the systems are carried out, and management checks are completed on a sample of claims to confirm accuracy of assessment. A suite of performance indicators is in place to monitor the speed of processing, management check results, and the volume of claims on a monthly basis. Proactive work to check claims is completed to minimise fraud and error within the system. Some changes to working procedures were required as a result of Covid-19, however, adequate controls were found to be in operation within the new practices. All of these controls were found to be operating effectively to mitigate against key risks.	 <p>Substantial Assurance</p> <p>Number of Actions H-0 M-1 L-1</p>



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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				Two weaknesses were found in relation to a lack of backup for the Civica server and the absence of a performance indicator to monitor overpayments within the current suite of KPI's. Implementation of the recommendations will enhance arrangements.	
	Capital Strategy	Risk based review of delivery of the Council's capital strategy and associated programme management delivery controls.	Q1-2	<p>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 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>	 <p>Reasonable Assurance</p> <p>Number of Actions H-0 M-3 L-0</p>

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	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 monthly to Leadership Team, Cabinet and Chair/ Vice Chair of O&amp;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>	 <p>Reasonable Assurance</p> <p>Number of Actions H-0 M-4 L-0</p>

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Strategic & Operational Risks	Strategic Risk Register	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	(Draft) Controls documented in the strategic risk register to mitigate the Council's 7 strategic risks, were found to be in place and operating effectively. There are no recommendations at this time.	 Substantial Assurance  No Actions
	Risk Management	Review of the adequacy of the Council's risk management systems.	Q3	<p>The risk management system is designed with controls in place to mitigate the major risks. The Council has an approved risk management policy which has been approved at Audit and Member Standards Committee in November 2019. The policy is available to staff on the intranet. There is a strategic risk register, which currently includes 7 strategic risks. Each strategic risk includes the inherent, current and target scores, links to the Council's strategic objectives and incorporates the '3 lines of defence' assurance model. The Council has identified its risk appetite, with two strategic risks outside of this appetite. All risks outside of appetite are actively managed, with progress reported back to Leadership Team and Audit &amp; Member Standards (A&amp;MS) Committee.</p> <p>The strategic risk register is reviewed quarterly by Leadership Team and A&amp;MS Committee and there is evidence of constructive challenge and scrutiny at both levels. In addition, the Cabinet Member (Finance and Procurement) also has sight of the register quarterly. Service risk registers, also incorporating the 3 lines of defence, have been</p>	 Substantial Assurance  Number of Actions H-0 M-2 L-4



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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>drafted more recently and are in the process of being embedded.</p> <p>Risk Management training has been provided to both Members and Managers during 2019 and 2020.</p> <p>Some minor area for improvement were identified which will further strengthen the transformation of the Council's risk management processes. Notably, ensuring risk guidance notes are updated to reflect recently introduced risk processes (3 lines of defence model, service risks) and that service level risk management continues to be fully embedded throughout the Council. Some minor areas for improvement were also noted in terms of use of the project risk management corporate template and ensuring the risk template for Committee reports is fully rolled out.</p>	
	Covid-19 Risks	<p>'Flash' audits of dynamic risks arising from the Council's Covid-19 response. To include continuity and recovery arrangements, business grants, new funding, staff wellbeing, 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'.</p>	Q1-Q4	<p><b>Staff Wellbeing</b></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"> <li>• Amendments to home working, sickness / absences and caring responsibilities associated with the Covid-19 outbreak was quickly established (approved by LT), including counselling services available to provide staff with support and advice.</li> <li>• Regular weekly all staff communications have been maintained throughout the pandemic</li> </ul>	 <p>Substantial Assurance</p> <p>No Actions</p>


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>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.</p> <ul style="list-style-type: none"> <li>• 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 &amp; Wellbeing Action Group are working on the response to the survey in a 'you said, we did' format.</li> <li>• 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.</li> <li>• Finally, despite the ongoing situation with COVID-19, sickness levels have not suffered a significant impact, but remained constant.</li> </ul> <p>As the pandemic enters a 'second wave', coupled with additional pressures on staff wellbeing arising from the winter months and prolonged remote</p>	

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>working, the following areas are suggested as forward focus to maintain staff wellbeing:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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).</li> <li>• 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.)</li> <li>• Continually keep abreast of, and implement suitable innovative developments to promote staff wellbeing.</li> </ul> <p><b>Business Continuity/ Emergency Planning and Recovery</b></p>	


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>Control measures to mitigate against the risk of business continuity and emergency planning arrangements being adversely impacted by the Covid-19 crisis were found to be adequate and effective during the first wave, indicating a good level or preparedness for second / subsequent waves and 'lockdowns'.</p> <p>A number of good practice areas were noted:</p> <ul style="list-style-type: none"> <li>Weekly Strategic Co-ordinating Group (SCG) meetings as part of the wider Staffordshire Local Resilience Forum response via the Civil Contingencies Unit (CCU) were held during the height of the first wave of the pandemic. Staff played a strong role in tactical subgroups which sit under the SCG, which although were stood down for a period over the summer, are now back in place responding to the second wave / national lockdown.</li> <li>An internal Tactical Co-ordinating Group (TCG) was set up to meet on a weekly basis and respond to the COVID-19 pandemic. Loggists were present at each of the above meetings, with actions and decision logs written up.</li> <li>An audit was undertaken of critical staff within each directorate area to ensure in the early stages there was capacity to work from home, so that critical service delivery could be maintained.</li> </ul>	 <p>Substantial Assurance</p> <p>No Actions</p>

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> <li>• Regularity and effective communications channels was evident via Multi-Agency Intelligence and Communications meetings and regular media releases to update the public on the Council's activity. A number of examples include - a monthly business newsletter from the Economic Development Team featuring COVID related information on national and local support.</li> <li>• Effective recovery and reset arrangements were put in place following the first wave e.g. with the Local Resilience Forum Recovery Co-ordinating Group (RCG) which meets monthly and is facilitated by the CCU and an internal recovery group meeting bi-weekly, to focus on the Council's recovery work streams (re-opening of council buildings, ongoing support for residents etc.). This work-stream also captured learning and innovation from new ways of working / service delivery arising from the initial lockdown with a view to initiating longer-term changes e.g. the approach to face-to-face customer services.</li> <li>• Significant plans were re-reviewed against a COVID-19 lens e.g. mass transportation plan, rest centre venues plan - to ensure learning was 'locked in' and for preparedness.</li> </ul>	


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> <li>The Council participated in the CCU's debrief survey, together with other partners including a 'lessons register' for partners to adopt following the first wave.</li> </ul> <p>As the pandemic enters the second wave / national lockdown, capitalising on the learning from the first wave experience should put the Council at a good level of preparedness to manage second / subsequent waves / lockdowns as well as any potential additional pressures (seasonal flu, adverse weather).</p> <p><b>Health and Safety</b></p> <p>Control measures to mitigate against the risk of potential health and safety failings arising from 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"> <li>Notifications from Gov.uk have been set up due to the variability of guidance and legislation from the government during the pandemic. Correspondence is received on a daily basis and changes are implemented to ensure our risk assessments and guidance are accurate and in line with government benchmarks.</li> <li>New and safe systems of working are in place within office environments and buildings (Frog Land &amp; Depot). Established one-way systems are in operation with visible signage throughout (floor stickers</li> </ul>	 <p>Substantial Assurance</p> <p>No Actions</p>

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>and posters). Maps are also visible upon entry points with the QR Code also in place.</p> <ul style="list-style-type: none"> <li>• COVID specific risk assessments have been completed and take into consideration the hazards identified within the different areas. Emphasis has been made on the preventative measures to protect oneself from harm or ill-health. E.g. using the 'pay by phone' rather than the pay and display machine when parking. Additionally, cleaning procedures are encouraged to sanitise areas in frequent use.</li> <li>• Social distancing is reinforced by utilising floor markings, posters and communications. Office environments have been altered and a 2m distance is in place between workstations. In addition a rota system in place for those wishing to work from the office.</li> <li>• Personal Protective Equipment (PPE) although in short supply nationally at the peak of the pandemic has remained constant at Lichfield throughout the COVID crisis. Weekly returns meant adequate supplies were available from Staffordshire County Council to staff and volunteers. At present PPE provisions are based on a 30 day supply including emergency supplies and day to day consumption.</li> </ul>	

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> <li>Assurance can be given that 'partner' buildings such as Freedom Leisure and The Garrick Theatre are COVID Secure. Risk assessments have been completed and overseen by our Health &amp; Safety Manager. Measures put in place include a reduction in capacity, clear and adequate signage 'Hands, Face, Space', track and trace procedures and closure of some of their services.</li> </ul> <p>With the easing of lockdown restrictions, safety measure should continue to be kept under review and be reflective of national guidance prevalent at the time. For health &amp; safety 'pressure points', such as the forthcoming elections, again safety must be paramount and guidance where available followed. Following the exercise, a 'lessons learned' may be beneficial.</p> <p>Finally, staff resources within the health and safety team should continue to be monitored. The team has been under a great deal of pressure responding to unprecedented health and safety demand arising from the pandemic over the last 12 months, which has understandably impacted on their responsiveness on occasions.</p> <p><b>Business Grant Relief / Small Business Grant / Retail, Hospitality &amp; Leisure Grant / Discretionary Grant Awards.</b></p>	




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				<p>The system for payment of Covid-19 related business grants was found to be robust. A number of good practice areas were noted:</p> <ul style="list-style-type: none"> <li>• Publication of grant schemes were made readily available on Lichfield District Council's website and Social Media Platforms. Eligibility criteria and signposts to Government guidance was clear and contact details provided for further support.</li> <li>• A comprehensive online form was created allowing staff to signpost those eligible for the Small Business Grant Fund (SBGF) and Retail, Leisure &amp; Hospitality Grant Fund (RLHGF).</li> <li>• Extensive measures were undertaken to make contact with business who were also eligible for the above grants but they were either uncontactable or expressed they did not want to receive the grant.</li> <li>• Effective eligibility checks were seen throughout the course of delivering grant payments. Guidance from the Government dictated the criteria for the SBGF and RLHGF which was based on Rateable Values of business premises.</li> <li>• A segregation of duties existed between the Economic Development Team, Finance Team and Revenues &amp; Benefits Team. Anti-fraud / corruption measures were also</li> </ul>	<p>Substantial Assurance</p> <p>No Actions</p>


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				<p>undertaken in the form of 'Spotlight' and in house verification checks.</p> <ul style="list-style-type: none"> <li>Finally, weekly assurance returns were sent to The Department for Business, Energy &amp; Industrial Strategy (BEIS) to demonstrate the take up of businesses awarded funding.</li> </ul> <p>All of the above was done as a new work stream, with little notice, from existing staff resources and with the additional pressure of the Government direction to ensure businesses in need were supported quickly.</p> <p>Of a random sample of Small Business Grant Fund (SBGF), Retail, Hospitality &amp; Leisure Grant Fund (RHLGF), Retail, Hospitality &amp; Leisure Grant Fund (RHLGF), Discretionary Business Grant Fund (DBGF), no exceptions were noted.</p> <p>With the continuation of covid-19 related grant schemes into 2021/22, the following areas are suggested as a forward focus:</p> <ul style="list-style-type: none"> <li>By delivering the SBGF and RLHGF an opportunity arose to complete a data cleanse. Monitoring of information held on the systems will ensure eligibility to future grants are completed with ease and less complications.</li> <li>Continuing to ensure that those teams responsible for grant award delivery work effectively together and are fully appraised of guidance / requirements in good time. Also that resources are kept under review</li> </ul>	

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				to ensure that delivery teams have sufficient capacity. Consideration to 'lessons learned' should be given to make future grant awards are effectively delivered.	
	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 is 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 (SAMC <i>has since been disbanded</i>) with figures presented</p>	 <p>Substantial Assurance</p> <p>Number of Actions H-0 M-1 L-1</p>


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Page 68				<p>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 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	Audit included in 2021/22 Plan	
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	<p>(Draft)</p> <p>There are documented corporate policies covering the backup and recovery of IT systems and data. The key one is the IT Business Continuity/DR Policy</p>	

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>and others include Cloud Computing and Information Management.</p> <p>A new corporate solution has recently been implemented for taking backups of IT systems and data, which uses the latest technology and is configured to take regular backups. All backups are taken to digital media and tape media is no longer used, which removes an element of risk given they are inherently unreliable. There are a number of configured backup jobs on the new solution, which define the regularity and retention of backups. A sample test of servers confirmed that each was associated with a relevant backup job. The completion of backup jobs is monitored via automated reporting routines which log any issues/alerts on the service desk system. User access to the new solution was reviewed and found to be appropriately restricted.</p> <p>The local and cloud backup copies are encrypted and it was also confirmed that the new backup solution complies with the National Cyber Security Centre's recommendation for an "air-gap" between the production and backup environments, to protect against the latest ransomware cyber-attacks. The use of the cloud for off-site storage also removes the need to manually transfer backup tapes between sites.</p> <p>We have identified some risks associated with the automated monitoring in place and the completeness of checks undertaken. IT also need to confirm that all local servers have an off-site</p>	<p>Reasonable Assurance</p> <p>Number of Actions</p> <p>H-0</p> <p>M-7</p> <p>L-2</p>



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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Page 70				<p>backup copy, which we are aware is in progress. There is a lack of documentation to support the new backup solution and no formal recovery testing to ensure backups are reliable. The new backup solution provides greater opportunities for testing backups and a formal plan for doing this should be agreed and implemented.</p> <p>Lastly, we have found that no formal assurances are sought over backups for IT systems which are provided as a service by other local authorities. For example, the main financial system is operated by Solihull Council. The payroll system is currently operated by Stafford Borough Council until July 2021. Whilst these council's run these IT systems, Lichfield District Council remains accountable for it's data.</p>	
	Remote Working	A risk based review giving assurance over the adequacy of the Council's ICT operations with the shift towards remote working arising from Covid-19 crisis.	Q3	<p>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 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>Reasonable Assurance</p> <p>Number of actions H-2 M-2 L-8</p>

## APPENDIX 1



Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Page 71				<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>	
	Governance, Fraud & Other Assurance	Pensions	Q3	Complete	
		Disabled Facilities Grant	Q2	Complete	
		Housing Benefit Memorandum of Understanding	Q3	Complete	
		Counter Fraud	Q1-Q4	Complete	
		Assurance statements to Staffordshire County Council			
		Assurance statement to enable the Chief Finance Officer sign off to DWP.			
		Work to support the mitigation of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.			

## APPENDIX 1



Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Annual Audit Opinion	Production of the Annual Audit Opinion.	Q4	Complete	
	Management and Planning	Management, planning and assurance reporting to Leadership Team and Audit & Member Standards Committee.	Q1-Q4	Complete	
	Ad hoc / Consultancy / Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.	Q1-Q4	Complete	
	Risk Management	Supporting the Council's risk management systems.	Q1-Q4	Complete	
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 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.	 Substantial Assurance
	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






## APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Page 73				Audit follow up no/limited assurance until a revised opinion of reasonable assurance. Any outstanding recommendations are reported monthly to the relevant Head of Service for managers to confirm status.	
	GDPR	Limited Assurance Follow up	Q1	<p>May 2020 Follow Up Outcome: Originally 14 high and medium risk recommendations were made and from these 4 had been implemented and 10 partially implemented. Of the outstanding recommendations 6 are classed as high priority and 4 as medium. All outstanding recommendations were initially rescheduled for implementation by 31 October 2020.</p> <p>January 2021 Progress Update: Implementation date on remaining actions was amended to the end of January 2021 at the request of management. An audit progress update report has been completed (late January 2021) and circulated to the Committee. The current status is, a further 2 high and 2 medium actions have now been implemented, 4 high and 2 medium actions remain outstanding. A further follow up is planned for February /March 2021.</p>	 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	


## APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Page 74				outstanding recommendations have been rescheduled for implementation by October 2020. Audit follow up no/limited assurance until a revised opinion of reasonable assurance. Any outstanding recommendations are reported monthly to the relevant Head of Service for managers to confirm status.	Reasonable Assurance
	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. Audit follow up no/limited assurance until a revised opinion of reasonable assurance. Any outstanding recommendations are reported monthly to the relevant Head of Service for managers to confirm status.	 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. Audit follow up no/limited assurance until a revised opinion of reasonable assurance. Any outstanding recommendations are reported	 Reasonable Assurance

## APPENDIX 1

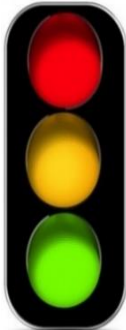
Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Page 75				monthly to the relevant Head of Service for managers to confirm status.	
	High Expenditure	Limited Assurance Follow up	Q2	Two recommendations were made in the original audit report (1 high and 1 medium risk). The medium 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
	PR and Communications	Limited Assurance Follow up	Q3	Seven recommendations were made. The findings of this implementation review show that three recommendations have been fully implemented, two have been partially implemented and two remain outstanding. Audit follow up no/limited assurance until a revised opinion of reasonable assurance. Any outstanding recommendations are reported monthly to the relevant Head of Service for managers to confirm status.	 Reasonable Assurance
	Property Leases and Charges	Limited Assurance Follow up	Q3	Originally 7 high risk recommendations were made. The findings of this follow up review show 4 of the recommendations have been implemented and 3 have been partially implemented. Audit follow up no/limited assurance until a revised opinion of reasonable assurance. Any outstanding recommendations are reported monthly to the relevant Head of Service for managers to confirm status.	 Reasonable Assurance

## APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	GDPR	Limited Assurance Follow up	Q4	<p>A second follow up audit has now been undertaken and the full follow up audit report was issued to accountable officers and members of the Committee on 15 March 2021. In summary:</p> <ul style="list-style-type: none"> <li>• Of the 10 outstanding actions (6 high and 4 medium), 8 were found to have been fully implemented and the remaining 2 partially implemented.</li> <li>• The 2 (1 high, 1 medium) remaining partially implemented recommendations are expected to be fully implemented by the ICT Manager by 30 April 2021.</li> </ul>	 <p>Substantial Assurance</p>

## 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.

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## RISK MANAGEMENT UPDATE

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

Date: 27 April 2021

Agenda Item: 7

Contact Officer: Anthony Thomas

Tel Number: 01543 308012

Email: Anthony.Thomas@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.

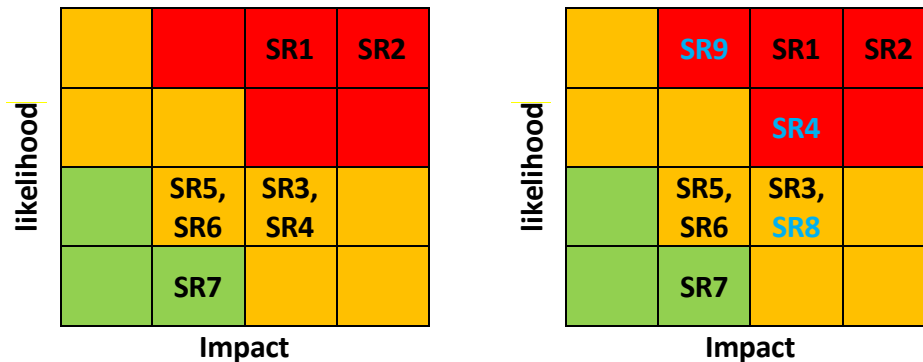
### 3. Background

- 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](#) approved by the Committee on 14 November 2019.
- 3.4 The Strategic Risk Register as at March 2021 (agreed with Leadership Team) is detailed at **Appendix 1**. The key changes since the Committee's last risk update (February 2021) are:
- **The current score in SR4 has been increased** from 6 (L3xI2) to 9 (L3xI3) to account for the increasing likelihood of there being a failure to meet governance and / or statutory obligations.
  - **An additional strategic risk, SR8** (Failure to safely, securely and legislatively compliantly deliver the May 2021 elections due to having to run them during pandemic conditions). Upgraded from an 'Other Horizon Scanning Risk' to a strategic risk.
  - **An additional strategic risk, SR9** (Council strategic leadership compromised by the change in Chief Executive). Upgraded in part from an 'Other Horizon Scanning Risk' to a strategic risk.
  - Updates to mitigating controls, actions and lines of assurance have been updated on the Register where applicable.

- ‘Other Horizon Scanning Risks Arising at March 2021’ these risks which are not strategic risks currently, but that need a ‘watching brief’ have also been updated at the end of the Register. The change to procurement as a result of leaving the European Union has been removed as there has been minimal changes to EU practice. SR8 and SR9 upgraded from a scanning risk.

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

3.5 The Council’s 7 strategic risks at 3 February 2021 (left) and the current 9 strategic risks (right) are shown below:



- **SR1:** Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.
- **SR2:** Resilience of teams to effectively respond to a further serious disruption to services.
- **SR3:** Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.
- **SR4 (Increased):** 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.
- **SR8 (Additional):** Failure to safely, securely and legislatively compliantly deliver the May 2021 elections due to having to run them during the pandemic conditions.
- **SR9 (Additional):** Council strategic leadership is compromised by the change in Chief Executive.

3.6 SR1, SR2, SR4 and SR9 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 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 has now been completed. In summary:

- The 3 lines of assurance approach (as used in the Strategic Risk Register) has now been adopted for sub-strategic risks (i.e. service level risks).
- Heads of Service have compiled their first draft service risk registers using the new approach.
- There is no longer a requirement to record and manage risks below service level (services or teams are, however, at liberty to do so if it meets their business requirement).
- Project risks continue to be managed in accordance with accepted project methodology (i.e. PRINCE2).



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 opportunities proactively	<p>Strategic risks are closely monitored by the Audit &amp; Member Standards Committee, Cabinet Member and Leadership Team.</p> <p>Reports to Audit &amp; Member Standards Committee provide assurance that active steps are being taken to control risks.</p>	<p>Likelihood – Green</p> <p>Impact - Yellow</p> <p>Severity of risk - Green (tolerable)</p>

<p><b>Background documents:</b></p> <p>Risk Management Update - Audit &amp; Member Standards Committee 3 February 2021.</p> <p>Risk Management Update including the Risk Management Policy – Audit and Member Standards Committee 14 November 2019</p>
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Relevant web links
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## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
A good council, developing prosperity, shaping place, enabling people	<p><b>SR1 Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.</b></p> <p>The risk is influenced by:</p> <ul style="list-style-type: none"> <li>The spending review.</li> <li>Local Government Finance Reform including New Homes Bonus, Business Rates and the Fair Funding Review.</li> <li>The financial impact of the Covid-19 pandemic in the current year and beyond.</li> <li>Other Government Policy announcements impacting on Local Government such as the Call for Evidence on Business Rates and Procurement Policy Notes.</li> </ul> <p><b>Owner:</b> Head of Finance &amp; Procurement (Section 151 Officer).</p>	16 (L4xI4)	<ul style="list-style-type: none"> <li>Prudent estimates for Business Rates and New Homes Bonus based on modelling provided by Local Government Finance experts.</li> <li>Risk assessed minimum level of reserves set at £1.6m.</li> <li>Routine budget monitoring reported to Leadership Team, Cabinet and Strategic (OS) Committee.</li> <li>Requirements of the new CIPFA Financial Management Code, information contained in the CIPFA Resilience Index and benchmarking reports from LG Futures.</li> <li>In terms of the Covid-19 pandemic – introduction of enhanced monthly income monitoring and receipt of financial assistance from Government.</li> </ul>	12 (L4xI3) ↔	4 (L2xI2)	<ul style="list-style-type: none"> <li>Update of the Medium Term Financial Strategy</li> </ul> <p><b>Responsibility: Head of Finance and Procurement /will commence in July 2021 and approval in February 2022</b></p>	<p><b>1<sup>st</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Approved Medium Term Financial Strategy including the Capital Strategy covering 5 years plus a 25 year capital investment model.</li> <li>A longer term financial plan covering a 25 year horizon for revenue budgets.</li> <li>Approved Treasury Management Strategy.</li> <li>Production of monthly budget reports to Managers.</li> <li>Procurement Strategy</li> </ul> <p><b>2<sup>nd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Leadership team review of 3, 6, 8 and 12 month reports to Cabinet and Strategic (OS) Committee.</li> <li>Mid-year and outturn Treasury Management reports to Audit and Member Standards Committee.</li> <li>Initial assessment of LDC's level of compliance with the FM Code to Audit and Member Standards Committee 12/11/2020.</li> </ul>

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 83							<ul style="list-style-type: none"> <li>CIPFA Resilience Index with comparative information to nearest statistical neighbours and all District Councils.</li> <li>Cabinet and Leadership Team are undertaking work to look at options to address the Funding Gap.</li> </ul>
							<b>3<sup>rd</sup> Line:</b> <ul style="list-style-type: none"> <li>External Audit – going concern test and sign off of financial statements 2019/20. Unqualified VFM assessment.</li> <li>Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income Management 20/21 – reasonable assurance, Procurement 20/21 limited assurance</li> </ul>

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
A good council, developing prosperity, shaping place, enabling people  Page 84	<b>SR2 Resilience of teams to effectively respond to a further serious disruption to services</b> (e.g. multiple layer disruption arising from flooding, coupled with a local outbreak / subsequent waves of Covid-19 (including the increased risk of transmission of new variants), other pressures - such as seasonal flu).  <b>Owner:</b> Leadership Team	8 (L2x14)	<ul style="list-style-type: none"> <li>Mutual aid assistance</li> <li>Local Resilience Forum (LRF).</li> <li>Tested business continuity arrangements in place.</li> <li>Strong links with the Staffordshire CCU and wider LRF.</li> <li>Actively engaged in ongoing Local Resilience Forum response and recovery work streams.</li> <li>Experienced (from previous waves / national lockdowns re Covid-19) Leadership Team and supporting teams in place to respond.</li> <li>Clear structure and plan in place for Covid-19 waves.</li> <li>Ongoing dialogue with CCU re D20 'BREXIT' risks.</li> <li>Strategic and tactical flood planning work across LRF, to assist in our response and the multi-agency response to such events. This includes identifying</li> </ul>	16 (L4x14) ↔	6 (L2x13)	<ul style="list-style-type: none"> <li>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 response <b>Leadership Team / October 2021</b></li> <li>Monitor and build on learning from subsequent pandemic waves and D20 Brexit risks (no significant impacts have arisen since the end of the transition period, however this is being monitored) and ongoing involvement in LRF structures such as SCG and TCG is continuing. <b>Leadership Team / October 2021</b></li> </ul>	<b>1st Line:</b> <ul style="list-style-type: none"> <li>Day to day business continuity plans in place.</li> <li>Training programme.</li> </ul>
							<b>2nd Line:</b> <ul style="list-style-type: none"> <li>Annual Report to Leadership Team.</li> <li>CCU test of arrangements feedback.</li> <li>Response and learning from recent incident at Ridware House.</li> <li>Report on recovery plan and climate change to Overview &amp; Scrutiny (O&amp;S).</li> </ul>
							<b>3rd Line:</b> <ul style="list-style-type: none"> <li>Internal Audit of business continuity 2019/20 – reasonable assurance, ICT – remote working 20/21 – reasonable assurance.</li> <li>Flash Covid-19 Risk Assurance Business Continuity, Emergency Planning and Recovery 20/21 substantial assurance</li> </ul>
							<b>3rd Line:</b>

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 85			'at risk' areas in the District and specific actions required.				<ul style="list-style-type: none"> <li>External Audit – going concern test and sign off of financial statements 2019/20. Unqualified VFM assessment.</li> <li>Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income Management 20/21 – reasonable assurance, Procurement 20/21 limited assurance</li> </ul>
A good council, developing prosperity, shaping place, enabling people	<b>SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.</b>  <b>Owner:</b> Leadership Team	6 (L2xI3)	<ul style="list-style-type: none"> <li>Regular review of progress against delivery plan outcomes and prioritisation process agreed between Leadership Team and Cabinet.</li> <li>Robust project management.</li> <li>People strategy.</li> <li>Communications to all staff.</li> </ul>	6 (L2xI3) ↔	4 (L2xI2)	<ul style="list-style-type: none"> <li>Finalisation of people strategy and Workforce development plan to take account of Covid-19 (<i>initial drafts to be updated for agile working and also for new Chief Executive's steer, when appointed</i>)</li> </ul> <b>Head of Governance &amp; Performance / June 2021</b>	<b>1<sup>st</sup> Line:</b> <ul style="list-style-type: none"> <li>Day to day business / service planning, financial planning and performance management.</li> </ul> <b>2<sup>nd</sup> Line:</b> <ul style="list-style-type: none"> <li>Delivery Plan reported 6 monthly to Cabinet and shared with Overview &amp; Scrutiny.</li> <li>Quarterly updates to LT on people strategy.</li> </ul> <b>3<sup>rd</sup> Line:</b> <ul style="list-style-type: none"> <li>Internal Audits of People Strategy and Workforce</li> </ul>

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
			<ul style="list-style-type: none"> <li>PDRs linked to Strategic and Delivery Plans.</li> <li>Recruitment activity.</li> <li>PDR completion leading to identifying training and development needs.</li> <li>Monitoring resource demands.</li> <li>Mental health / wellbeing systems in place.</li> </ul>				Development 2019/20 – reasonable assurance, Performance Management 19/20 – substantial assurance.
A good council	<p><b>SR4: Failure to meet governance and / or statutory obligations e.g. breach of the law</b> (e.g. Health &amp; 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><b>Owner:</b> Head of Governance &amp; Performance</p>	9 (L3xI3)	<ul style="list-style-type: none"> <li>Regularly reviewed constitution, policies and procedures.</li> <li>Meta compliance policy training, testing and acceptance systems.</li> <li>Training and awareness for all staff and members.</li> <li>Effective Overview and Scrutiny and Audit &amp; Member Standards Committee oversight.</li> <li>Codes of Conduct.</li> <li>Internal audit.</li> <li>Roles of Section 151 Officer and Monitoring Officer.</li> <li>Shared legal services.</li> </ul>	9 (L3xI3) ↑ Was 6 (L2xL3)	6 (L2xI3)	<ul style="list-style-type: none"> <li>Annual Health &amp; Safety Report to be produced for Employment Committee <b>Head of Governance &amp; Performance / October 2021.</b></li> </ul>	<p><b>1<sup>st</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Day to day processes and Local Code of Governance</li> <li>Forward plans/committee work plans/ delivery plan and service planning.</li> <li>Use of Mod Gov and publication scheme.</li> </ul> <p><b>2<sup>nd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Annual reports to Audit and Member Standards Committee.</li> <li>Regular reports to leadership team.</li> <li>Transparency data publication.</li> </ul> <p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>RIPA, ICO and Ombudsman reports/returns.</li> </ul>

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
			<ul style="list-style-type: none"> <li>New procurement team.</li> <li>New Governance Team with additional capacity being recruited.</li> </ul>				<ul style="list-style-type: none"> <li>External audit of Annual Governance Statement as part of the financial statements.</li> <li>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 Compliance (shared service agreement) 2019/20 – reasonable assurance, Equalities 2019/20 – substantial assurance, Management of Property (LA Trading Company) 20/21 – substantial assurance, Procurement 20/21 limited assurance.</li> <li>External investigations and lessons learnt exercises to address internal control weaknesses.</li> </ul>

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
A good council, developing prosperity, shaping place,  Page 88	<b>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,</b> 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.  <b>Owner:</b> Leadership Team	9 (L3xI3)	<ul style="list-style-type: none"> <li>Financial assistance from Government to businesses and the public (Grants, Test &amp; 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.</li> <li>Prosperity is a key theme in the new Strategic Plan.</li> <li>Economic Development Strategy is in place.</li> <li>Council's effective presence on the Local Enterprise Partnerships.</li> <li>Strong partnership working e.g. Lichfield District Board, Staffs CC, Birmingham Chambers. Lichfield City BID, Burntwood Business Community LGA, DCN,</li> <li>New burdens funding.</li> </ul>	4 (L2xI2) ↔	4 (L2xI2)	<ul style="list-style-type: none"> <li>Continued delivery of immediate actions to support high street economy and business (including visitor economy and hospitality sector).</li> </ul>	<b>1<sup>st</sup> Line:</b> <ul style="list-style-type: none"> <li>Day to day delivery of economic development, housing and health and wellbeing strategies.</li> </ul>
						<ul style="list-style-type: none"> <li>Further government support – the Welcome back Fund - received to extend timescales and assist with the reopening of high streets and support to local businesses through to March 2022. Additional spend on a variety of projects currently in process of being identified.</li> </ul>	<b>2<sup>nd</sup> Line:</b> <ul style="list-style-type: none"> <li>Leadership team review of 3, 6, 8 and 12 month Money Matters reports to Cabinet, Strategic (OS) Committee.</li> <li>Health and Wellbeing Strategy delivery reports.</li> </ul>
						<ul style="list-style-type: none"> <li>Economic Development, Finance and Revenues and Benefits Services distributing government grants to support businesses</li> </ul>	<b>3<sup>rd</sup> Line:</b> <ul style="list-style-type: none"> <li>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 performance 2016/17 – substantial assurance, Housing Benefits and Council Tax Relief 20/21 substantial assurance</li> </ul>



## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
			<ul style="list-style-type: none"> <li>Partnership influences built into business case considerations.</li> <li>Work with redundancy task force</li> <li>Continue to develop and improve the business contact and relationships locally.</li> </ul>			<p>impacted by Covid-19 pandemic.</p> <p>Discretionary Additional Restricted Grant scheme providing for direct business support, start up assistance and skills/training. ARG top up monies to be allocated shortly subject to member agreement.</p> <ul style="list-style-type: none"> <li>Decision taken to defer preparation of new ED Strategy to focus on Covid-19 recovery via the Corporate Recovery Plan and use time to gather intelligence to inform new strategy.</li> <li>Council continues to be a member of the County Redundancy Task Group identifying impacts of Covid-19 on local employment</li> </ul>	

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
						levels and particular demographic groups and agreeing responses. <b>Head of Economic Growth and Development/LT</b>	
A good council, enabling people  Page 90	<b>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</b>  <b>Owner: Leadership Team</b>	9 (L3x13)	<ul style="list-style-type: none"> <li>• ICT service plan.</li> <li>• ICT hardware replacement programme.</li> <li>• Migration to HIS and implementing of O365.</li> <li>• Refurbishment and reorganisation of office spaces.</li> <li>• Cyber security e-learning.</li> <li>• Engagement Strategy.</li> <li>• Capture best practice</li> <li>• Reinforce a culture of innovation.</li> <li>• People strategy.</li> <li>• Virtual committee meetings.</li> <li>• Business cases required for all major projects.</li> <li>• Drive to find ongoing efficiencies as part of service / financial planning process.</li> </ul>	4 (L2x12) ↔	1 L1x11	<ul style="list-style-type: none"> <li>• Roll out of MS teams and all functions in train for completion later this year, <b>Information &amp; Communications Technology Manager / October 2021</b></li> </ul>	<b>1<sup>st</sup> Line:</b> <ul style="list-style-type: none"> <li>• ICT hardware replacement programme providing the right equipment for mobile and flexible working.</li> <li>• Ongoing monitoring of customer (internal and external) feedback.</li> </ul>
						<ul style="list-style-type: none"> <li>• Acceleration of agile working processes, terms and conditions. <b>Head of Governance &amp; Performance / As part of recovery planning processes – June 2021</b></li> </ul>	<b>2<sup>nd</sup> Line:</b> <ul style="list-style-type: none"> <li>• Monitoring of Lichfield Connects contact levels, trends and reporting on complaints and compliments to Leadership Team.</li> </ul>
						<ul style="list-style-type: none"> <li>• Links to actions arising from recovery strategy e.g. Encourage digital contact, harness and encourage the spirit and commitment shown by the Council</li> </ul>	<b>3<sup>rd</sup> Line:</b> <ul style="list-style-type: none"> <li>• Local Government Ombudsman.</li> <li>• Flash Covid-19 Risk Assurance Staff Wellbeing 20/21 substantial assurance</li> </ul>

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
			<ul style="list-style-type: none"> <li>Customer promise.</li> </ul>			and the Community in response to recovery <b>Leadership Team / Sept 2021</b>	
A good council	<b>SR7: Threat to the Council's ICT systems of a cyber-attack</b> 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.  <b>Owner:</b> Head of Corporate Services	3 (L1xI3)	<ul style="list-style-type: none"> <li>Use of firewalls and virus protection to manage cyber security, including penetration testing.</li> <li>Strong access level controls (including remote access).</li> <li>Training and regular awareness raising to staff of risks.</li> <li>Digital strategy.</li> <li>PSN compliance checklist.</li> <li>Revision of Service Business Continuity Plans to incorporate lessons learnt from COVID-19.</li> </ul>	2 (L1xI2) ↔	2 (L1xI2)	<ul style="list-style-type: none"> <li>The move to Health is sufficiently complete that we have been able to end the contract for our hardware maintenance and support with ANS. The migration has presented the opportunity to also upgrade some of our servers to the latest version of Windows Server and close down the oldest servers with the additional security benefits that this brings.</li> <li>The email migration to Office 365 has been completed and the next stage will be to roll out the Office 365 desktop software</li> </ul>	<b>1<sup>st</sup> Line:</b> <ul style="list-style-type: none"> <li>Day to day operation of ICT Training programme for all staff.</li> <li>Up to date versions of software and implement all IT security patches.</li> </ul>
							<b>2<sup>nd</sup> Line:</b> <ul style="list-style-type: none"> <li>Regular monitoring and reporting on security issues to Leadership Team.</li> <li>External penetration testing.</li> </ul>
							<b>3<sup>rd</sup> Line:</b> <ul style="list-style-type: none"> <li>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</li> </ul>

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 92						<p>along with Teams and starting the migration of our file server to Microsoft OneDrive.</p> <ul style="list-style-type: none"> <li>Bringing these elements together opens further opportunities in relation to security and to look at how people log into our systems with the intention of reducing our reliance on passwords and increasing the use of other authentication methods such as secondary devices and biometrics.</li> </ul>	assurance. Flash Covid-19 Business Continuity 20/21 substantial assurance
	A good council	9 (L3xI3)	<ul style="list-style-type: none"> <li>Elections risk register in place monitored regularly by the elections team.</li> <li>Health &amp; safety advice obtained, including necessary PPE, social distancing measures to be</li> </ul>	6 (L2xI3)	4 (L2xI2)	<ul style="list-style-type: none"> <li>Regular team meetings.</li> <li>Involvement of H&amp;S advisor with additional support.</li> <li>Adherence to emerging guidance.</li> </ul>	<p><b>1<sup>st</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Day to day management of elections and management of risk at local level in the elections risk register</li> </ul> <p><b>2<sup>nd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Returning Officer oversight at elections meetings</li> </ul>

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 93	Returning Officer / reputational damage.  <b>Owner:</b> Chief Executive		<ul style="list-style-type: none"> <li>put in place at polling stations / count venues.</li> <li>Covid-19 outbreak control measures in place.</li> <li>Pool of reserve staff should staff become infected.</li> <li>Training and procedure manuals in place to allow for running an election in a Covid environment.</li> <li>Project plan and risk register in place and actively being managed.</li> <li>Additional staff recruited to increase capacity.</li> </ul>			<ul style="list-style-type: none"> <li>Alternative venues and staff identified.</li> </ul> <p>Returning Officer / 6 May 2021</p>	<ul style="list-style-type: none"> <li>Coordination across the County via Staffordshire CC, Civil Contingencies Unit and Parliamentary Area Returning Officer (PARO).</li> </ul>
							<b>3<sup>rd</sup> Line:</b> <ul style="list-style-type: none"> <li>External Audit and the Cabinet Office.</li> </ul>
A good council	<b>SR9: Council strategic leadership compromised by the change in Chief Executive</b> including potential loss of corporate knowledge  <b>Owner:</b> Chief Executive / Head of Governance and Performance / Leader	8 (L4x12)	<ul style="list-style-type: none"> <li>Interim appointment underway.</li> </ul>	8 (L4x12)	3 (L3x11)	<ul style="list-style-type: none"> <li>Recruitment activity progressed urgently.</li> <li>Contingency plan for failure to recruit or delay in new incumbent taking up post.</li> <li>Management expectations in respect of delivery.</li> </ul>	<b>1<sup>st</sup> Line:</b> <ul style="list-style-type: none"> <li>Leadership Team involvement in the recruitment process.</li> </ul> <b>2<sup>nd</sup> Line:</b>

## Appendix 1: Strategic Risk Register – March 2021

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
						<ul style="list-style-type: none"> <li>Identify new Covid-19 lead.</li> <li>Arrange handover of key priorities face to face if possible.</li> <li>Relevant documents left for incoming CEX.</li> </ul> <p>Proposed appointment of an interim Head of Paid Service to be approved by Council on 20 April 2021</p>	<ul style="list-style-type: none"> <li>Monitoring Officer and Section 151 Officer, Cabinet and Full Council.</li> </ul> <p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>External Audit including Value for Money Assessment.</li> </ul>

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

Other Horizon Scanning Risks Arising March 2021:	
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 arising from staff leaving in other key posts (i.e. Head of Customer Services, Revenues & Benefits, Head of HR, Shared Head of Audit).	
Transition to new payroll provider.	
Sunset clause on Regulations allowing remote council meetings ends early May 2021.	
Future direction of the dry recycling service – Report to Cabinet 8 June 2021	

## ANNUAL REPORT OF THE AUDIT & MEMBER STANDARDS COMMITTEE



Chair of the Audit & Member Standards Committee

Date: 27 April 2021

Agenda Item: 8

Contact: Christie Tims

Officer:

Tel Number: 01543 308002

Email: [christie.tims@lichfielddc.gov.uk](mailto:christie.tims@lichfielddc.gov.uk)

Key Decision? **NO**

Local Ward Members The Report is general, with no details of a ward-specific nature

## AUDIT & MEMBER STANDARDS COMMITTEE

### 1. Executive Summary

- 1.1 This report presents the proposed Annual Report of the Audit & Member Standards Committee 2020/21 and seeks the Audit & Member Standards Committee's endorsement prior to its submission to all Councillors.

### 2. Recommendations

- 2.1 That the proposed Annual Report of the Audit & Member Standards Committee 2020/21 (**Appendix 1**) be endorsed and that the Chair of the Audit & Member Standards Committee circulate the report to all Councillors.

### 3. Background

- 3.1 Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 3.2 CIPFA recommend that Audit Committees produce an annual report to promote the role and purpose of the Committee, account for the Committee's performance, evaluate whether the Committee is continuing to meet its terms of reference and document how the Committee adds value. The Audit & Member Standards Committee's annual report fulfilling these requirements is set out at **Appendix 1**.
- 3.3 The annual report sets out:
- An introduction from the Chair of the Committee.
  - A reminder of the Committee's terms of reference.
  - Member and Officer attendance at the Committee during the year.
  - A summary of training undertaken by Committee members.
  - A summary of the sources of assurance that the Committee received during 2020/21, notably, internal and external audit / inspection, financial management, risk management and corporate governance.

Alternative Options	The Council is not obliged by law to appoint an Audit & Member Standards Committee. However, this has been done in line with good governance practice and CIPFA guidance.
Consultation	The Audit & Member Standards Committee's consultation and endorsement has been sought.
Financial Implications	None.
Contribution to the Delivery of the Strategic Plan	Operation of an effective Audit & Member Standards Committee contributes to all aspects of delivery of the Council's Strategic Plan.
Equality, Diversity and Human Rights Implications	None arising.
Crime & Safety Issues	None arising.
Environmental Impact	None arising.
GDPR/Privacy Impact Assessment	This has been a key area as part of the committee's work programme and challenge during the year.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	The Audit & Member Standards Committee is ineffective and does not fulfil the requirements of its terms of reference.	Annual reviews of committee effectiveness, work programmes	Likelihood – Green Impact – Green Severity of Risk - Green (tolerable).
B	The value of the Committee's work is not known to the wider Council / organisation / the public.	Promotion of the work of the Committee via the annual report process	Likelihood – Green Impact – Green Severity of Risk - Green (tolerable).

<b>Background documents</b> Audit & Member Standards Committee agendas, minutes and reports.
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<b>Relevant web links</b> <a href="https://democracy.lichfielddc.gov.uk/mgCommitteeDetails.aspx?ID=134">https://democracy.lichfielddc.gov.uk/mgCommitteeDetails.aspx?ID=134</a>
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**Annual Report of the Audit & Member Standards Committee 2020/21****1. Introduction from the Chair of the Audit Committee**

The start of the financial year commenced with major uncertainty in many aspects of the Authority's operations, due to Covid-19 issues. The normal income levels were particularly expected to be adversely affected, but unpredictable. The expenditure on Covid-19 related support was largely unbudgeted and uncertain in relation to any confirmed coverage by central government grants.

In relation to the committee's work, this has been entirely online with officers working largely from home. Best practice guidance on management of the online format of meetings is to keep the agenda light and without complex issues to be debated. This guidance is perverse for the Audit & Member Standards Committee, with its remit to examine the complicated organisational matters in detail, so this contradiction has been achieved well, under the circumstances.

The work of the Audit Committee meetings should be visible to members of the public and, as such, meetings have been held remotely via Zoom and broadcast live on YouTube streams. This availability appears to have been well received by a number of viewers. Anyone interested in seeing the committee in action should contact the Council in advance of meetings.

The Annual Report's main purpose is to allow the Council to demonstrate to residents, stakeholders and partners, the significance of the Audit & Member Standards Committee's role and the positive contribution it has made to the Council's overall governance arrangements.

The internal audit programme completion level has been high when compared to the agreed plan and the number of concerns identified throughout the programme have been few. Members have been able to interrogate further where there have been instances of less than adequate assurances.

As we ended the 2020/21 financial year, the District Council continued with Grant Thornton UK as its External Auditor but welcomed a new Lead Engagement team for the 2021/22 audit. There is also a new shared Head of Audit, under the internal audit shared service arrangement with Tamworth Borough Council.

The Committee has appreciated the support and assurance the audit personnel have given from these arrangements. Those audit providers who are moving on to other duties have been well received for their positive and proactive approaches to these functions and we look forward to the refresh that the new input will allow.

I am therefore thankful for all members and officers who have contributed to the work of the committee over the last 12 months but particularly in the more challenging circumstances created by Covid-19 influences.

As recovery continues from the pandemic, there will be an emerging programme of work planned. This will include seeking continuing assurance against the Council's response to Covid-19, the significant

financial challenges facing us, as well as continuing to ensure the Council's overall governance framework remains fit for purpose.

**Councillor Colin Greatorex,  
Chair of the Audit & Member Standards Committee 2020/21  
April 2021**

## **2. Terms of Reference**

The terms of reference, which the Committee operated to during 2020/21, is detailed at Part 3 of the Council's constitution at the following link:

<https://democracy.lichfielddc.gov.uk/documents/s8011/Part%203%20Final%20v4.pdf>

## **3. Member and Officer Attendance**

The Audit & Member Standards Committee met 6 times during the 2020/21 municipal year.

Membership of the Audit & Member Standards Committee during the 2020/21 municipal year and their attendance is detailed below:

Audit & Member Standards Committee Member	Date of Committee Meeting					
	22/07/20	07/10/20	12/11/20	03/02/21	25/03/21	27/04/21
Councillor Colin Greatorex	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor Wai-Lee Ho	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor Jamie Checkland	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor Joanne Grange	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor Alastair Little	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor Steven Norman	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor Dave Robertson	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor Christopher Spruce	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor Alan White	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

A number of the Audit & Member Standards Committee Members also sat on various other Committees. There were no reports received during the year that necessitated members absenting themselves.

Senior officers from the council also attend the Audit & Member Standards Committee meetings as appropriate, including the Head of Finance & Procurement (Section 151), Head of Governance & Performance (Monitoring Officer) and the Shared Head of Audit. The External Auditors also attend and the Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits usually observes.

## **4. Training & Effectiveness**

On 30 November 2020 virtual member training took place covering Communications, Safeguarding and Governance hosted by the Head of Governance & Performance (Monitoring Officer). No specific Audit Committee training has taken place since November 2019, but this will be addressed this coming year.

As part of the Committee's effectiveness review a skills audit will be completed which will shape the future training and development of the Committee in 2021/22.

## 5. Sources of Assurance during 2020/21

In fulfilling its terms of reference, the business conducted by the Audit & Member Standards Committee during 2020/21 is detailed at **Appendix A** per the following themes: -

- Internal Audit
- External Audit / Inspection
- Financial Management
- Risk Management
- Corporate Governance

The Committee gained assurance in 2020/21 from these themes as follows:-

### Internal Audit

In respect of the 2019/20 financial year, a positive Internal Audit Opinion was given from the Shared Head of Audit as follows:

On the basis of our audit work, our opinion on the council's framework of governance, risk management and internal control is adequate 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.

### External Audit / Inspection

The main responsibility of the External Auditor is to report on the Council's Accounts and whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton reported on the 2019/20 Accounts. In Grant Thornton's Annual Audit Report, where they issued an unqualified opinion on both the 2019/20 Accounts and in terms of the value for money assessment, they concluded that:-

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Controller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020. We certify that we have completed the audit of the financial statements of the Lichfield District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

The Committee also received positive assurance on the Council's arrangements for the Regulation of Investigatory Powers Act from the Investigatory Powers Commissioners' Office.

### Financial Management

The Committee scrutinised the 2019/20 Statement of Accounts and also received assurances on the Council's financial management arrangements (e.g. treasury management, prudential indicators) from the Head of Finance & Procurement (Section 151 Officer). The Committee also received regular Internal Audit Progress Reports, including a number giving assurance on financial management and controls during the period. The Committee also received assurance on compliance against the new Financial Management Code.

## Risk Management

The Committee has received quarterly updates on the Council's Risk Management arrangements via review of the Strategic Risk Register. The risk environment has ultimately transformed in the wake of Covid-19 and has dominated the Council's risk management arrangements this year and will continue to do so into 2021/22. The Council has aligned its strategic risks to the new Strategic Plan as well as introducing the 3 lines of defence model to risk management activities and has developed its sub strategic risk processes.

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

Likelihood			SR1	SR2
		SR5, SR6	SR3, SR4	
		SR7		
Impact				

**SR1:** Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.

**SR2:** Resilience of teams to effectively respond to a further serious disruption to services.

**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.

## Corporate Governance

The Annual Governance Statement (AGS) and review of effectiveness for the 2019/20 financial year, concluded that the effectiveness of the system of internal control was fit for purpose overall.

The Committee also:

- undertook a review of its own effectiveness in line with CIPFA good practice and confirmed that it continued to meet its terms of reference. The Committee also reviewed its skills. Consideration was given to whether appointing an Independent Person was necessary but the Committee concluded that it had sufficient skills and experience in the existing membership to be able to conduct its business effectively.
- received assurances on updates on the Council's Contract Procedure Rules, GDPR/Data Protection, Rules of Confidentiality;
- received an update on the implications for the audit regime resulting from the Redmond Review; and
- received the annual report of the Monitoring Officer and Exceptions and Exemptions to Procedure Rules.

Regular updates on the adequacy of the Council's counter fraud arrangements were also taken including the approval of the suite of counter fraud and corruption policies (counter fraud and corruption policy statement, strategy and guidance notes; whistleblowing policy, anti-money laundering policy and prevention of tax evasion policy).

## **6. Conclusion**

The Committee has been able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the Committee's attention during 2020/21 that were not being adequately resolved.

Through members receiving this report, the role and purpose of the Committee has been promoted and it has demonstrated that the Committee has continued to perform, meet its terms of reference and added value. This work will continue in 2021/22 with the Committee's refreshed work programme.

## Summary of Audit &amp; Member Standards Committee Work Plan by Assurance Theme 2020/21

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
22/07/20	Annual Treasury Management Report			<input checked="" type="checkbox"/>		
	Annual Governance Statement			<input checked="" type="checkbox"/>		
	External Audit – Audit Plan/Annual Audit fee letter/informing the risk assessment		<input checked="" type="checkbox"/>			
	Annual Report of Internal Audit	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	Internal Audit Plan, Charter & Protocol 20/21	<input checked="" type="checkbox"/>				
	Quality Assurance & Improvement Programme/PSIAS	<input checked="" type="checkbox"/>				
	RIPA reports policy & monitoring					<input checked="" type="checkbox"/>
07/10/20	Accounting Policies			<input checked="" type="checkbox"/>		
	Statement of Accounts			<input checked="" type="checkbox"/>		
	Audit findings report 19/20		<input checked="" type="checkbox"/>			
12/11/20	Mid-year Treasury Management Report			<input checked="" type="checkbox"/>		
	CIPFA Financial Management Code			<input checked="" type="checkbox"/>		
	Internal Audit Progress Report	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	Counter Fraud Update Report	<input checked="" type="checkbox"/>				
	GDPR/Data Protection Policy					<input checked="" type="checkbox"/>
03/02/21	Treasury Management Statement and Prudential Indicators			<input checked="" type="checkbox"/>		
	Audit & Member Standards Committee Practical Guidance			<input checked="" type="checkbox"/>		
	Redmond Review Report			<input checked="" type="checkbox"/>		
	Internal Audit Progress Report	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	The Annual Audit Letter for LDC		<input checked="" type="checkbox"/>			
	Certification Work for LDC for year ended 31 March 2020		<input checked="" type="checkbox"/>			
	Audit Committee LDC Progress Report and update year ended 31 March 2021		<input checked="" type="checkbox"/>			

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
25/03/21	Accounting Policies and Estimation Uncertainty			<input checked="" type="checkbox"/>		
	Internal Audit Plan, Charter & Protocol 20/21	<input checked="" type="checkbox"/>				
	GDPR	<input checked="" type="checkbox"/>				
	Annual Report on Exceptions & Exemptions to Procedure Rules 2019/20					<input checked="" type="checkbox"/>
	External Auditors Audit Plan 20/21		<input checked="" type="checkbox"/>			
	Informing the Audit Risk Assessment – LDC		<input checked="" type="checkbox"/>			
27/04/21	Annual Governance Statement			<input checked="" type="checkbox"/>		
	Annual Report for Internal Audit incl year-end Internal Audit Progress Report	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	Chair of the Audit Committee's Annual Report to Council					<input checked="" type="checkbox"/>
	Review of the Effectiveness of the Audit & Member Standards Committee					<input checked="" type="checkbox"/>
	Independent External Investigation					<input checked="" type="checkbox"/>
	Audit Committee LDC Progress Report and Update year ended 31 March 2021		<input checked="" type="checkbox"/>			
	Annual Audit Fee Letter 20/21		<input checked="" type="checkbox"/>			

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# AUDIT & MEMBER STANDARDS COMMITTEE

## EFFECTIVENESS



Date:	27 April 2021
Agenda Item:	9
Contact Officer:	Christie Tims
Tel Number:	01543 308002
Email:	Christie.tims@lichfielddc.gov.uk
Key Decision?	NO
Local Ward Members	n/a

## AUDIT & MEMBER STANDARDS COMMITTEE

### 1. Executive Summary

- 1.1 This report is to review the progress in implementing the 2020 annual self-assessment of Audit & Member Standards Committee and assessing the effectiveness of these interventions.
- 1.2 The report also sets out the responses to the 2021 self-assessment and if any further measures are required to ensure committee effectiveness.

### 2. Recommendations

- 2.1 That the Committee considers the attached self-assessment checklist and endorses any further actions to improve its effectiveness as appropriate.

### 3. Background

- 3.1 CIPFA have published guidance on the function and operation of Audit Committees in local authorities and police bodies and this represents good practice for audit committees. The guidance was updated in 2018 and incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018) (the Position Statement), which sets out CIPFA's views on the role and functions of an Audit Committee.
- 3.2 The Position Statement emphasises the importance of Audit Committees being in place in all principal local authorities and it also recognises that Audit Committees are a key component of governance. Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 3.3 In February 2020 the committee completed a self-assessment and agreed the following actions.
  - To produce a Chair's annual report to Council. Which is included in this agenda.
  - To receive training on Governance, Internal Audit, Counter Fraud and Treasury.
  - To not appoint an independent member.
- 3.4 An annual report is on the agenda for today. The committee has received virtual training on 30 November 2020 covering Communications/Safeguarding and Governance hosted by the Monitoring Officer/Head of Governance & Performance but no Audit training has been programmed due to Covid and will need to be carried out in the training plan going forward for 2021/22.

- 3.5 **Appendix 1** provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee.
- 3.6 In advance of the Committee, Committee members were sent a 'knowledge and skills' self- assessment to undertake. The results of these returns has been fed into the assessment at **Appendix 1**. Members are asked to consider the suggested actions and endorse any to be taken forward by the committee to improve effectiveness. I am pleased to report that 7 of the 9 members completed the assessment.

Alternative Options	Members can decide not to undertake a self-assessment, however this is not considered best practice.
Consultation	All committee members were invited to comment.
Financial Implications	None arising from this report.
Contribution to the Delivery of the Strategic Plan	An effective Audit & Member Standards Committee supports the delivery of the Council's strategic plan by seeking assurance that the Council's risk management, internal control and governance arrangements are sufficient and operating effectively.
Equality, Diversity and Human Rights Implications	None arising from this report.
Crime & Safety Issues	None arising from this report.
Environmental Impact	None arising from this report.
GDPR/Privacy Impact Assessment	Not applicable

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	The Audit and Standards Committee is ineffective	Ongoing assessment and reporting	Green (tolerable) Likelihood Low and Impact Med

#### Background documents

CIPFA Audit Committee Update Practical Guidance - 14 November 2018 Audit & Member Standards Committee  
<https://democracy.lichfielddc.gov.uk/ieListDocuments.aspx?Cid=134&Mid=190&Ver=4>

#### Relevant web links

## Appendix 1

### Audit and Member Standards Committee Self-assessment of Compliance with Good Practice

Good Practice Questions	Yes	Partly	No	Comments / Actions
<b>Audit committee purpose and governance</b>				
1 Does the Authority have a dedicated audit committee?	Y			Nine councillors other than the Chairman and the Leader of the Council. Option to co-opt one independent person who is not a Councillor or officer of the Council or any other body having a Standards Committee for Member Standards matters (see also 12).
2 Does the audit committee report directly to Full Council?	Y			Minutes of each Audit & Member Standards Committee are presented to the next full Council meeting for endorsement. There is also a right of access to the Leadership Team. A Chair's Annual Report to Council is submitted.
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y			Comprehensive terms of reference in place which accords with CIPFA guidance.
4 Is the role and purpose of the audit committee understood and accepted across the Authority?	Y			Set out in the Constitution – role and purpose understood by Members, Leadership team and reporting officers. Audit & Member Standards Committee Training was held for all members in November 2019.
5 Does the audit committee provide support to the Authority in meeting the requirements of good governance?	Y			Through coverage of all the areas set out in the terms of reference.
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y			Via minutes submitted to Council and Chair's Annual report to Council.
<b>Functions of the committee</b>				
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
<input type="checkbox"/> good governance	Y			Arrangements for monitoring the effective development and operation of corporate governance is included within the terms of reference.
<input type="checkbox"/> assurance framework, including partnerships and collaboration arrangements	Y			The assurance framework forms part of the annual governance statement and annual internal audit opinion and includes consideration of all assurances sourced from external/independent sources.
<input type="checkbox"/> internal audit	Y			Detailed provision in the terms of reference for oversight of internal, external audit and financial reporting (accounts).
<input type="checkbox"/> external audit	Y			
<input type="checkbox"/> financial reporting	Y			
<input type="checkbox"/> risk management	Y			The terms of reference includes the ability to monitor the effectiveness of the Council's risk management arrangements.
<input type="checkbox"/> value for money or best value	Y			This is covered explicitly in the terms of reference and through the work completed and assurance provided by External Audit. Ensuring value for money also forms an inherent part of the Internal Audit approach.

<input type="checkbox"/> counter fraud and corruption	Y			The ability to monitor the effectiveness of the Council's policies and arrangements for anti-fraud and corruption and whistle-blowing are included within the terms of reference.
<input type="checkbox"/> supporting the ethical framework	Y			Matters concerning standards and codes of conduct form an inherent part of the Committee's remit and via its sub-committees. Internal Audit also provide assurance on areas associated with the ethical framework as part of annual Internal Audit plans.
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y			Core areas from the CIPFA guidance considered as part of this assessment. The Chair's Annual Report covers this.
9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Y			The committee has assumed responsibility for some of these areas, including standards.
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A			Coverage of core areas is felt to be sufficient.
11 Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y			The Committee has maintained its oversight / advisory role during the period.
<b>Membership and support</b>				
12 Has an effective audit committee structure and composition of the committee been selected? This should include:  <input type="checkbox"/> separation from the executive  <input type="checkbox"/> an appropriate mix of knowledge and skills among the membership  <input type="checkbox"/> a size of committee that is not unwieldy  <input type="checkbox"/> consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement).	Y  Y  Y	P		See 16.
13 Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full council or as appropriate for the organisation?	N/A			See 12 above.
14 Does the chair of the committee have appropriate knowledge and skills?	Y			Chair has a background and experience which supports his role on the Committee.
15 Are arrangements in place to support the committee with briefings and training?	Y			There was Audit & Member Standards Committee Training for all members held in November 2019 which included a comprehensive overview of all aspects of the remit. A specific treasury management session was held in 22 July 2019 and the Head of Governance & Performance (Monitoring Officer) hosted virtual member training covering Communications/Safeguarding and Governance on 30 November 2020.

			<p>Members were asked to complete a knowledge and skills' self- assessment prior to today's Committee meeting. Of the 7 returns received, the following were identified as potential areas to focus training:-</p> <ul style="list-style-type: none"> <li>• <b>CIPFA Principles of Good Governance (to cover LDC decision making)</b></li> <li>• <b>Counter Fraud</b></li> <li>• <b>Treasury Management</b></li> </ul> <p><b>Proposed Action: The Committee is asked to endorse the above areas as a training focus for the next Council year.</b></p>
16 Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?		<b>P</b>	See 15 above.
17 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<b>Y</b>		Good relationships are in place.
18 Is adequate secretariat and administrative support to the committee provided?	<b>Y</b>		The Governance Team provide support.
19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		<b>P</b>	No formal feedback on performance, however, the Committee does get feedback from External Audit.
20 Are meetings effective with a good level of discussion and engagement from all the members?	<b>Y</b>		Meetings have a good level of discussion and engagement from Members.
21 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<b>Y</b>		Senior Managers have attended Audit & Member Standards Committee meetings to present updates for Members and to be challenged on specific areas of interest or concern. This practice will continue as appropriate.
22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	<b>Y</b>		Agreed actions and recommendations are followed up at subsequent meetings.
23 Has the committee evaluated whether and how it is adding value to the organisation?	<b>Y</b>		As part of this self-assessment process and the Chair's Annual Report.
24 Does the committee have an action plan to improve any areas of weakness?	<b>Y</b>		Proposed actions have been detailed as part of this annual self-assessment process.
25 Does the committee publish an annual report to account for its performance and explain its work?	<b>Y</b>		Minutes of the Committee Meetings are provided to full Council and an Annual Report is produced by the Chair.

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**Grant Thornton**

An instinct for growth™

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14 April 2021

Dear Anthony

**Audit Scope and additional work 2020/21****Introduction**

As you are aware, local audit has gone through major changes in the last couple of years. More and more councils are getting involved in complex and innovative financial arrangements, increased regulatory pressures, the expectations of stakeholders and enhancements to Codes and Standards have fundamentally changed the landscape in which we work. COVID - 19 and lockdown have added further unanticipated pressures on both auditors and audited bodies. In this letter, I set out my expectations of the increased audit work which will be required in 2020/21. I also set out the expected fee impact, the need for which has recently been acknowledged by both the Redmond Review and MHCLG's subsequent response. I hope this is helpful in setting out the context in which we will work with you, as well as a sign of Grant Thornton's continued commitment to the highest audit quality.

**Looking back to 2019/20**

In January 2020, we wrote to you regarding the increased regulatory focus facing all audit suppliers and the impact this would have on the scope of our work for 2019/20 and beyond. We referred to this as 'raising the bar', reflecting the expectation from the FRC that all audit work should now be of level 2a (limited improvement only) or better. We set out our expectation that there would be an additional fee requirement for the 2019/20 audit, compared to the scale fee published by PSAA, of £6,000 (an increase of 17%). This was reflected in our Audit Plan dated January 2020.

The subsequent COVID 19 pandemic had a further significant impact on the cost of us as auditors discharging our responsibilities. As a result of the additional work a further uplift to the fee was proposed resulting in a final fee for 2019/20 of £4,700 (a variation to scale of 13%). Subsequently, we concluded the audit on 27 November 2020 and we reported a total fee of £47,612 (a variation to scale of 34%).

The main reasons for the further variation are as follows:

- The disruption caused by COVID - 19, impacting both on your closedown procedures and our ability to audit remotely; as well as the additional audit considerations including in respect of asset valuations. These meant that like you, we incurred considerable extra costs. Across all firms, only 45% of local government audits were

signed off by the target date of 30 November, which indicates the scale of the challenge involved.

In the sections below, I set out the main factors which will impact on the audit fee for 2020/21. These include the introduction of the new NAO Code of Audit Practice, with consequent implications for Value for Money work; the revision to major auditing standards, including those covering estimates and fraud, and the update of Practice Note 10 (the adaptation of auditing standards to public sector audits).

Following the national lockdown in January 2021, COVID - 19 will also continue to impact in a large way on the audit, and I have also commented on this below. We also note that the Government [response](#) to the Redmond Review, published on 17 December 2020 promised that MHCLG will provide relevant local authorities with £15 million in additional funding in 2021/22 to be used to support the additional costs of reporting and audit anticipated related to the 2020/21 financial year.

### **New audit requirements for 2020/21 – the new NAO Code**

On 1 April 2020, the National Audit Office introduced a new [Code of Audit Practice](#) which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money. These changes are set out in more detailed in the NAO's [Auditor Guidance Note 03](#) which was published in October 2020.

I have set out below the main changes in respect of Value for Money, and the implications for the timing and resourcing of our work, as well as for the audit fee, as referred to in our Audit Plan, issued in March 2021.

There are three main changes arising from the NAO's new approach.

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as recommendations on any significant weaknesses in arrangements identified during the audit.

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- We are aiming to publish our work on the Auditor's Annual Report at the same time as the Auditor's Report on the Financial Statements. .
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the



reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £10,000 (28%) for 2020/21. This in line with increases we are proposing at all our local audits.

- PSAA recognise that the additional work required as a result of the new Code will continue in future years and are consulting on how best to reflect this in any revision to scale fees with effect from 2021/22. For 2020/21 the fee variation will be approved by PSAA via the fee variations process in the usual manner.
- There will be increased documentation and reporting requirements on the audit team. The value for money work will now cover a much wider scope, as set out above. Each year we will need to assess the arrangements in place across these areas and explore the arrangements in more detail than previously. We envisage that across the country, auditors will be identifying more significant risk areas and will be reporting more extensively than in previous years. The financial and governance aspects of the COVID - 19 pandemic are likely to feature heavily in our work.

### **Enhanced auditing standards for 2020/21: ISA 540 – Estimates**

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. The single most significant of these for this year's audit is ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures which includes a number of enhancements in respect of the audit risk assessment process for accounting estimates.

In summary, the revised Standard reflects increasing focus from regulators and other stakeholders on all key estimates, especially those which are complex, require significant judgements. ISA 540 has been enhanced to place increasing demands on auditors to understand and assess an entity's internal controls over accounting estimates.

In practice, you will see an increased focus during our audit on key internal controls including:

- How management identifies the need for and applies specialised skills
- The information system as relates to estimates
- How management reviews the outcomes of previous accounting estimates
- The role of those charged with governance: to what extent does the Audit Committee understand and oversee the estimation process?

We will also look for you to articulate clearly:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

The following are examples of where this could apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year-end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

As the audit progresses, we will discuss the practical ways in which you can support us in meeting our obligations through the audit.

### **Enhanced auditing standards for 2020/21: ISA 240 - Risks in respect of fraud**

The auditor's responsibilities in relation to fraud in an audit of the financial statements are set out in ISA 240. This was most recently updated in January 2020, with effect for audit year 2020/21. Note that the FRC is currently [consulting](#) on further enhancements to the Standard, reflecting concerns expressed amongst others by Sir Donald Brydon that that auditors are not doing enough work to detect material fraud.

In response to the new Standard, and to the increased expectations of regulators, we are heightening our focus on fraud risks. The following are examples of where this could apply:

- Increased scope and coverage of journals testing
- Increased cut off testing
- Increased testing of income and expenditure
- Automated/data interrogation techniques
- Keeping materiality under review throughout the audit.
- More robust reporting (including the use of Statutory Recommendations where appropriate).

As with estimates, our work in this area may look and feel different to you, and you will notice an increased audit presence. We will discuss emerging findings with you, and ensure you have an early opportunity to comment on findings.

### **Revised ISA (UK) 700 Forming an opinion and reporting on financial statements (Updated January 2020):**

This revised Standard is effective for engagements relating to financial periods commencing on or after 15 December 2019. The key change is that all auditor's reports will be required to include an explanation as to what extent the audit was considered capable of detecting irregularities including fraud. This explanation may include:

- how the engagement team obtained an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework
- which laws and regulations the engagement team identified as being of significance in the context of the entity
- the engagement team's assessment of the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur
- the engagement partner's assessment of whether the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations
- the engagement team's understanding of the entity's current activities, the scope of its authorization and the effectiveness of its control environment where the entity is a regulated entity

### **Practice Note 10 (PN 10): The application of auditing standards for public sector audits**

Reflecting the differences between public sector and commercial audits, Practice Note 10 provides guidance for auditors on the application to relevant standards in the public sector. An updated version of PN 10 was published in November 2020. This updated version reinforces the enhancements described above in respect of estimates and risk of fraud.

In addition, there is one other major change in PN 10 and this is in respect of the auditor's responsibilities in respect of going concern. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The revisions to PN 10 are helpful in that they allow auditors to apply a 'continued provision of service approach' to auditing going concern where appropriate. Applying such an approach enables auditors to change focus somewhat. Whilst we will still undertake relevant work in respect of management's disclosure around going concern, the concept of the 'material uncertainty' disclosure is far less likely to apply. The NAO's guidance to auditors makes clear that auditor's focus should instead be based on the financial resilience of the authority. As such, there is no reduction in respect of work on going concern and financial resilience, but rather a shift in emphasis.

#### **Other revised Auditing Standards**

In November 2019, the FRC issued an update to ISA 220, covering Quality Control of Financial Statements. This revised standard highlights the increased importance for the engagement lead auditor in planning, supervising and reviewing the work of the local audit team.

#### **Impact of COVID – 19**

As last year, we expect that our detailed work programme will need to take account of several risks arising from COVID - 19 related issues, including lockdown. These include potential uncertainties around the valuation of property and pension liabilities, as well as the accounting for government income received in respect of COVID - 19 pressures. Whilst lockdown continues, there are also complications arising from the remote preparation of accounts and working papers, as well as challenges for us in providing support for our junior team members working remotely. Please note, the proposed fees for 2020/21 set out in the letter do not include any additional fees to reflect potential additional work necessary in 2020/21 due to Covid-19. We continue to monitor developments in this area and will update you accordingly as clarity emerges on its impact in the current year.

#### **Overall impact**

MHCLG have acknowledged, via their response to Redmond, that audit fees need to increase due to the additional work being undertaken by auditors and the pressure on the audit market. Funding of £15m is being provided to local government to cover these additional costs in 2020/21. Our estimate is that, for your audit, this will result in an increased fee of £16,500 from 2019/20. This is in line with increases we are proposing at all our local audits. I set out below the core strategic constituents of this fee.

	<b>Total (£)</b>
<b>Scale fee published by PSAA</b>	<b>35,412</b>
Plus:	
<b>Ongoing increases to scale first identified in 2019/20</b>	
Raising the bar/ regulatory factors	2,500
PPE	1,750
Pensions	1,750
<b>New issues for 2020/21</b>	
Increase in respect of additional work on Value for Money under new NAO Code	10,000
Impact of new auditing standards (ISA 540 and ISA 240/700)	6,500
<b>Increase to scale fee</b>	<b>22,500</b>
<b>Fee proposed for 2020/21</b>	<b>57,912</b>

All variations to the scale fee will need to be approved by PSAA.

**Next steps**

I hope this is helpful in explaining how the audit world is changing, as well as the practical implications in terms of the Audit Plan, and the benefits to audited bodies from an even more rigorous and robust audit. I look forward to discussing this in more detail at our next meeting. If you have any questions in the meantime, please don't hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, reading 'Avtar Sohal' in a cursive script.

**Avtar Sohal**

**Engagement Lead, Public Sector Assurance**

**For and on behalf of Grant Thornton UK LLP**

# **INVESTIGATION REPORT IN RELATION TO THE DISPOSAL OF PUBLIC OPEN SPACE LAND AT LEYFIELDS AND NETHERSTOWE LICHFIELD**

**LICHFIELD DISTRICT COUNCIL**

## INTRODUCTION

1. This is a report into complaints and concerns raised by members regarding the consultation processes and best value consideration by Lichfield District Council in relation to the disposal of Public Open Space land to Bromford Housing, received in January 2021 to March 2021. This land is at Leyfields and Netherstowe, Lichfield.
2. I am a Legal Director in the firm of Anthony Collins Solicitors LLP where I am Head of Planning in the Local Government team. I qualified as a solicitor in 1992 and have over 25 years' experience providing guidance and support in relation to Local Government law, including 15 years as the lead lawyer advising in all areas of Planning Regeneration, Environmental and Licensing work for Birmingham City Council.

## THE COMPLAINTS

3. Complaints were received from 4 residents between 13 and 26 January 2021. These centre on the lack of consultation by the former Cabinet when they were considering making the land available for home building for affordable housing. The complaints suggested that the negotiations entered into with Bromford Housing and contracts drawn up relating to this was done in secret without the knowledge of local residents of Lichfield during 2018 and only in 2020 when Bromford were submitting planning applications to the Council; was consultation undertaken. There was a large number of objections made to the schemes, however the current Cabinet considered that even though many were opposed, they were reluctant to enter a legal battle with Bromford Housing should the contract be withdrawn by Lichfield District Council. The complainants therefore believe that the offer to sell the land in 2018 to Bromford Housing constituted a legally binding contract which the current Council could not override without risking legal action and therefore believes this is malpractice on the part of Lichfield District Council.
4. Further complaints highlighted the financial awards that had been invested in maintaining the open space, and therefore the Council's lack of due diligence when contracting to dispose of the land.
5. In addition the External Auditors, Grant Thornton also received a request for an investigation into the governance processes around the decision and subsequent contract. Overview and Scrutiny Committee, similarly, requested a review of the best consideration aspects of the contract and whether the valuation used was adequate.

6. Therefore, it is considered that the issues to investigate is whether the Council has complied with:
  - 6.1 The relevant law on the disposal of Council-owned land designated for Public Open Space and consultation requirements of this; and
  - 6.2 Whether the necessary consultation and procedural and decision-making processes were properly followed by the Council and Cabinet. Please note that the planning considerations are not included as part of this investigation as at the time of instruction this was still in process.

## DISPOSAL OF LAND LEGAL POSITION

7. S. 123 Local Government Act 1972 governs the disposal of land by principal councils. The Council is a principal council under s. 2 and s. 270 of the Act. S.123 sets out that a council may dispose of land in any way they wish so long as they do so for the best consideration that can reasonably be obtained, unless the Secretary of State allows otherwise.
8. There are additional requirements where the land is Public Open Space – the Council must give notice of the intention to dispose of the land advertised in a local newspaper for two consecutive weeks prior to the disposal and consider any consequential objections (Echoed in section 233(4), TCPA 1990 for planning purposes).
9. The evidence suggests that Lichfield District Council complied with the obligations set out under Section 123 Local Government Act 1972:
  - 9.1 Paragraph 3.5 of the Report to Cabinet of 4 December 2018 sets out the District Valuer's consideration that freehold interest value to Leyfields of £390,000 and at Netherstowe of £226,000 were to be regarded as best consideration being achieved on the basis that a social housing provider could be regarded as a special purchaser given the grant funding they benefit from. The advice provided by the District Valuer should be regarded as the best possible independent advice to be provided on land valuation and what should be regarded as best consideration. The use of the District Valuer for valuating purposes should be regarded as best practice in this area and is employed by many public bodies for this purpose. Firstly, the requirement of disposing of the land for the best consideration that can be reasonably

obtained was fulfilled as according to the Valuation Report (valuation date 8 January 2018):

*‘On 5 December 2017 an offer of £470,000 was been made by Bromford for the site at Leyfield and the site at Netherstowe on the basis of the sites being developed for Affordable Housing. The split of these figures has not been made. A previous valuation of £600,000 was provided, but the letter of 6 December 2017 itemises abnormal construction costs which amount to approximately £137,000. The later offer appears to have taken into account these abnormal costs’.*

The District Valuer valued Leyfields at £390,000 and Netherstowe at £265,000 both *‘on the basis of Affordable Rent units being constructed and assuming a subsidy of £40,000 per plot being available to a Registered Provider of housing but excluding abnormal construction costs’.*

The District Valuer concludes that the lower amount to be acceptable as:

*‘Although the offer figure is below the figure originally put forward, this figure is significantly above both the unsubsidised Affordable Rent figure and Market Value housing figure and hence represents a capital sum that is higher than is likely to be expected from many other potential purchasers.’*

The best consideration could be achieved by the disposal to a Registered Social Housing Provider due to the grant funds they receive as a Special Purchaser and therefore would gain a higher amount than on the Open Market. Therefore, I would recognise that the Council complied with this requirement. To ensure best practice is maintained throughout the project where time has elapsed since the original valuation a further valuation should be obtained.

9.2 The report to Cabinet and advice on any future improvements necessary to processes to prevent any future arises dated 12 January 2021 provides an important summary of the timeline for disposal of the areas of open space land and we quote from the relevant paragraphs. In the Executive Summary it states:

1.1 *“This is bought to Cabinet as a matter for urgent consideration in order to ensure that the decision on the sale of land in question is determined prior to any consideration of the planning applications submitted on the sites”;*

1.2 *“At the Cabinet Meeting of 4 September 2018 approval was granted, subject to securing planning consent, to the disposal of two pieces of Land at Leyfields and*



*Netherstowe Lichfield to Bromford Housing Association for the provision of affordable housing”;*

- 1.4 *“Following Cabinet approval the Council entered into a conditional contract to dispose of the sites to Bromford Housing Association”;*
- 1.5 *“Bromford has subsequently submitted planning applications for the provision of 16 affordable homes at Leyfields, and 9 affordable apartments at Netherstowe. Both planning applications are currently under consideration”.*
- 1.6 *“Under the provisions of the local Government Act 1972, before disposing of public open space, the local authority must give notice of its intention by advertising in a newspaper circulating in the area in which the land is situated, for two consecutive weeks, and consider any objections to the proposed disposal which may be made. Ideally this process should have been done before the contract was entered into with Bromford, but once it was identified that this process had not been carried out it was immediately addressed under the instruction of the Leader of the Council”.*
- 9.3 This process should have been carried out prior to Cabinet considering whether to dispose of the two areas of open space land on 4 September 2018. The draft Report to Cabinet of 4 September 2018 would have been reviewed and discussed at Leadership Team where a legal officer was present at the meeting. Council practice is that when a report is reviewed at Leadership team it is as part of that discussion signed off by the S151 Officer and the Monitoring Officer. The minutes from the meeting record any amendments requested and the emails are confirmation of the final version of the report. This point should have been noted and advice provided that any decision to dispose of the two sites of open space should only have been taken following appropriate consultation pursuant to the Local Government Act 1972.
- 1.7 *“Notice was published in the eastern edition of the Express & Star Newspaper on 18 and 25 November 2020 seeking representations on the proposed disposals by no later than 12 noon on Wednesday 2 December 2020”.*
- 9.4 It is acknowledged that consultation did take place under the provisions of the Local Government Act 1972, but this was clearly after the decision to sell the open space land to Bromford Housing Association.
- 1.8 *“The placement of these advertisements provided notice of the proposals, giving local people an opportunity to submit their comments, and ensured compliance with the legislative requirements, the Council also included details on the Council’s website”.*

- 9.5 Although it is noted that the placement of advertisements took place and this was also evidenced on the Council website, this process should have taken place before the decision made by Cabinet on 4 September 2018.
- 9.6 In the background to this report the following points are also noted:
- 3.2 *“The Council has subsequently entered into a conditional contract to dispose of the sites to Bromford Housing Association for the purpose of redevelopment of land for affordable housing, but it is noted that this contract has not to date been sealed”;*.
- 3.3 *“Because both sites are defined as public open space, it is a requirement of the Local Government Act 1972 that disposing of such land and the intention to dispose should be advertised for two consecutive weeks in a newspaper circulating in the area in which is situated, and any objections to the proposal must be considered”;*
- 3.4 *“This requirement to advertise the public open space is distinctly separate from any notification/consultation undertaken as part of the application process”.*
- 9.7 As a consequence, public consultation should take place in relation to the disposal of the public open space land and a separate consultation process would then need to be followed through the planning process for the planning decisions to be properly considered and made.
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## THE COUNCIL’S CONSULTATION AND DECISION-MAKING PROCESSES

10. The Cabinet made the decision to sell the land at Leyfields and Netherstowe on 4 September 2018 detailed in the Cabinet Report of the same date. This states that the Council agreed to dispose of the land at both sites to Bromford Housing for the provision of affordable housing on terms stated by the District Valuation Report, which dated valuation on 8 January 2018 (however the report itself is dated 22 December 2018).
11. The Cabinet outlined Bromford’s plans for the land and that a pre application process had been undertaken by Bromford that acknowledged a potential issue to be the loss of Public Open Space. The Council regarded that this would be dealt with through the planning application process, whereupon objects would be considered, and highlighted the risk for Bromford of this being rejected. In paragraph 3.3 of the report to Cabinet it

states the following: *“The sale is dependent upon planning consent being forthcoming for the development. The implications of the loss of public open space will be dealt with as part of the planning application process”*. It is evident from the officer’s report to Committee of 4 September 2018 that the requirement to publicly consult on the disposal of open space land pursuant to the Local Government Act 1972 was not set out and this process was not set out as a requirement in the recommendations to Cabinet. The report simply indicated *“the implications of the loss of public open space will be dealt with as part of the planning application process”*. It would seem it is envisaged that the only public consultation for the disposal of public open space land would be supported through the planning application consultation process.

12. Consultation conducted by the Council included the following (Cabinet Report 12 January 2021):

- 12.1 *The required Newspaper advertisements advising of the Council’s intention to dispose of Public open space have been placed, and objections / representations received. This advertisement process is distinctly separate from the planning process;*
- 12.2 *Consultation was undertaken with the then Ward Members and the Asset Strategy Group areas as part of the original Cabinet Report process, and that report was a publicly available document.*
- 12.3 *Bromford Housing Association has submitted Planning Applications for the proposed provision of affordable housing at sites at Leyfields and Netherstowe. Interested parties have also been able to make representations on the proposals as part of the planning consultation process.*
- 12.4 As a consequence, any consultation that took place after the recommendation to dispose of the areas of open space land which was agreed by Cabinet on 4 September 2018 was meaningless. From our review of the proposed sale of the two areas of open space land, it is clear that consultation did take place; but consultation pursuant to the Government Act 1972 did not take place until after the contract to dispose of the land was signed.

**CONTRACT BETWEEN BROMFORD HOUSING ASSOCIATION AND LICHFIELD DISTRICT COUNCIL**

13. We note that in one of the complaints received by the Council there is the suggestion that there is a legally binding contract between Bromford Housing and Lichfield District Council. We have seen a copy of the contract and although the contract has been signed it has not been dated. It is our opinion, in line with Counsel's opinion that we have seen, there is still a binding contract between Lichfield District Council and Bromford Housing. As a consequence if Bromford were to pursue this matter they could obtain compensation from the Council for the cost and expense of negotiating and also submitting the planning application to the District Council for the two areas of open space land.

## FINDINGS AND RECOMMENDATIONS

14. I find that:

- 14.1 When Cabinet made the decision to sell the land on 4 September 2018 they did not have before them all of the relevant information to make a proper decision in that the public consultation required for the disposal of the public open space land under the provisions of the Local Government Act 1972 had not taken place.
- 14.2 Cabinet in making its decision to dispose of the open space land on 4 September 2018 did have before them appropriate evidence as to the best consideration, please see paragraph 8.1 of the report.
- 14.3 The public open space consultation process should have taken place and appropriate notices put in the press prior to the decision being made by Cabinet of the sale of the two areas of public open space land.
- 14.4 There is sufficient evidence to suggest that the decision made by Cabinet on 4 September 2018 should be regarded as unsafe and should not be relied upon to authorise the sale of the open space land; further that the report to Cabinet dated 4 September 2018 failed to set out the requirements to Cabinet members that it was necessary to place notices in the press and allow for public consultation for the disposal of the open space land.
- 14.5 It is not sufficient although it is recognised that the Council in subsequent Cabinet reports and decisions recognised the failure to carry out an open space consultation, to remedy the lack of appropriate advice and information in the report of 4 September 2018 to ensure that the decision was lawful.

- 14.6 One of the complaints highlighted was that the Council did not follow appropriate financial due diligence in consenting to dispose of the land. This point has been reviewed and it would seem that all of the professional fees were required and seemed of a reasonable sum and appropriate evidence to support the disposal of the two areas of open space land was sought from the District Valuer. Objections to the disposal of the open space land were considered by Cabinet on 12 January 2021. Cabinet on the 4 September 2018 did not have all of the appropriate information for it to make a proper decision.
- 14.7 It is our opinion that there is a legally binding contract between Bromford and the Council; it is noted that it was signed but not dated and as a consequence completion was not agreed.
15. It is recommended that:
- 15.1 To ensure best consideration in all future contracts that reference should be made where time has elapsed to the need for a fresh valuation report being obtained.
- 15.2 To have in place a check list for the disposal of land. It is noted that there is now a new draft disposal of land and property assets policy in place and paragraph 5 specifically deals with open space land.
- 15.3 To have a checklist for land disposal that provides an audit trail of decision making and actions that are required to be taken.
- 15.4 To put in place an appropriate document signing process and sealing system that provides evidential proof that contracts have been appropriately signed and sealed where required and that signing of all procurement documentation should be supervised by a legal officer/monitoring officer.
- 15.5 To review whether there is a need for a decision review trigger to be written into the Constitution when there is either a period of time between Cabinet sign off and the implementation of that decision or a change in Cabinet membership. This would deal with the issue where, for example, there has been a change in land value or central government policy on a particular matter. These are only examples and further examples exist.
- 15.6 Relevant professional input into the signing off of all reports and all decisions; that all Cabinet reports are signed off by the section 151 officer and monitoring officer.

- 15.7 Training is provided to members and officers setting out the importance of public consultation in such disposals and the statutory obligations to consult as detailed in the Local Government Act.
- 15.8 The decision of the 4 September 2018 should not be relied upon to authorise the sale of the two areas of open space land to Bromford Housing Association.
- 15.9 If the sale is now to take place it is recommended that a fresh process is commenced with district valuation reports and appropriate notices in the press and proper consultation prior to a decision being made by Cabinet to sell the open space land if it is considered this is the appropriate way forward.

**Stuart Evans**

**Legal Director**

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