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Lichfield, Staffordshire WS13 6YU**

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Wednesday, 13 July 2022

Dear Sir/Madam

AUDIT AND MEMBER STANDARDS COMMITTEE

A meeting of the Audit and Member Standards Committee has been arranged to take place **THURSDAY, 21ST JULY, 2022 at 6.00 PM IN THE COUNCIL CHAMBER** District Council House, Lichfield to consider the following business.

Access to the Council Chamber is via the Members' Entrance.

The meeting will be live streamed on the Council's [YouTube channel](#)

Yours faithfully

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

Christie Tims
Chief Operating Officer

To: Members of Audit and Member Standards Committee

Councillors Spruce (Chair), Ho (Vice-Chair), Cross, Grange, Norman, Robertson, Silvester-Hall, White and M Wilcox



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AGENDA

1. Apologies for Absence
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AUDIT AND MEMBER STANDARDS COMMITTEE

20 APRIL 2022

PRESENT:

Councillors Spruce (Chair), Ho (Vice-Chair), Grange, Norman, Silvester-Hall, White, M Wilcox and Sohal (External Auditor)

Observer:

Officers in Attendance: Jane Irving, Will Stevenson, Anthony Thomas, Christie Tims, Andrew Wood

Also Present: Kirsty Lees (External Auditor), Avtar Sohal (External Auditor) Councillor Rob Strachan (Cabinet Member for Finance, Procurement and Revenues & Benefits)

97 APOLOGIES FOR ABSENCE

There were apologies from Councillor Robertson.

98 DECLARATIONS OF INTEREST

There were no declarations of interest during this item. However, Councillor White subsequently declared a non-pecuniary interest during Item 11 (*Audit Plan (including Planned Audit Fee 2021/22)*) as the individual responsible for appointing the chairs of the Staffordshire pensions committee and Staffordshire pensions panel.

99 MINUTES OF THE PREVIOUS MEETING

The Minutes of the Meeting held on 3 February 2022, previously circulated, were taken as read and approved as a correct record.

100 ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

Anthony Thomas (Head of Finance & Procurement) presented the report to the committee. It was noted that the report was similar to the previous year, with a relatively small number of changes highlighted within. Mr Thomas also highlighted that the Critical Accounting Judgements within the report were naturally subject to a degree of subjectivity involved with a reliance of surveyor's analysis. The committee were informed that later reports from the external auditors would also discuss some of the information covered in this item. However, these reports would be approaching the data from differing perspectives.

Members asked if the authority had received any preliminary views from actuaries as to what their analysis or assumptions would be in relation to the pension scheme. It was confirmed that nothing had been received so far.

Following members questions surrounding the calculation of average useful lives in relation to assets it was agreed that officers will look at disaggregating land value and building value to provide greater transparency.

Mr Thomas confirmed to members that recommendation 2.3 (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) was a delegation that would no longer be needed.

RESOLVED: (1) The committee agreed to remove recommendation 2.3 from the report.

(2) The committee approved the Council's proposed Accounting Policies and also approved the Council's approach to the Critical Accounting Judgements and Key Sources of Estimation Uncertainty.

101 CHAIR OF THE AUDIT COMMITTEE'S ANNUAL REPORT TO COUNCIL

Andrew Wood (Audit Manager) presented the report to the committee. Mr Wood highlighted that the attendance table would be updated following the meeting. The report details assurances in relation to internal audit, external audit, inspections, financial management, risk management and corporate governance.

The Chair noted that the authority had recently undergone a corporate peer challenge review, the results of which were largely positive. The Chair paid tribute to all committee members, citing this committee as the most effective he has worked on.

RESOLVED: The committee endorsed the Annual report of the Audit & Member Standards Committee 2021/22 and authorised the Chair to circulate the report to all Councillors.

102 ANNUAL REPORT OF THE AUDIT & MEMBER STANDARDS COMMITTEE

Mr Wood presented the report to the committee. He confirmed any weakness noted have been discussed with management and recommendations raised. It was noted that 82% of the plan has been completed at year end against a target of 90%, with a customer satisfaction score of 4.7 out of 5. The committee were assured that the irregularity mentioned in Appendix 1 had been investigated and the audit report in relation to this was currently being finalised, ready for circulation.

Members raised the importance of scrutiny in relation to payment card standards. These comments were taken on board and payment card standards will be included in an upcoming audit review.

RESOLVED: The committee noted the Internal Audit's Annual Report, including results for the quarter to 31 March 2022.

103 INTERNAL AUDIT PLAN, CHARTER & PROTOCOL 2022/23

The committee were informed that leadership team had been consulted on the Internal Audit Plan and that audit resources were focused into the higher risk areas of the council's arrangements. Mr Wood explained plans to conduct a review of internal processes, which will report back in July 2022. Changes to the charter and protocol were minor and highlighted in throughout.

Mr Wood assured the committee of his belief that the department has sufficient resources. He noted that whilst they are a small team, they operate in a larger environment and knowledge pool that can be drawn on regularly. He also explained that the number of audit days was determined by a variety of factors including report

preparation, briefing, field work, drafting and signoff. However, these time scales are indicative, and days not utilised would be held in contingency for any additional instances that may arise later.

Members raised concerns about the possibility for fraud when providing payments for refugees. It was clarified that when dealing with these payments, judgements would not be taken on face value. Details of compliance would be required and issues noted at other councils would be focused on. The existing framework designed for Covid-19 grants will be built upon and further assurances can be provided to committee. However, members also highlighted that the authority has legal obligations, but also moral obligations on this matter.

RESOLVED: Members approved the 2022/23 proposed internal audit plan, charter and protocol.

104 RISK MANAGEMENT UPDATE

The committee were informed that monthly meetings had taken place with leadership team to update the risk register accordingly. SR1 has been rescored 6 to 9 in relation to uncertainty over the supply of goods and increasing energy costs. In relation to SR3, leadership team is continuing to monitor leavers from the authority to ensure resources are maintained. SR7 has also been rescored from 6 to 9 due to geopolitical risks. Whilst there has been a perceived increase in cyber security risks, the authority is working to ensure this is adequately managed. Members were informed that the authority is looking an external operator to test the security of existing services.

Members asked if there had been any consideration as to how the authority would continue supplying general services to residents in the event of a general war. Mr Wood stated that this has not been discussed specifically with leadership team, but he would subsequently take the issue forward with them.

The committee were assured that there are robust arrangements in place to remove staff from council systems when they leave the work force.

Mr Wood also confirmed that he has received the full support and respect of leadership when conducting his work.

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

105 ANNUAL GOVERNANCE STATEMENT

Mark Hooper (Governance Manager & Monitoring Officer) presented the report to the committee. Mr Hooper highlighted a number of presentational changes undertaken this year in order to make the document more accessible. The Chair highlighted this as a very thorough document.

RESOLVED: (1) Members approved the Annual Governance Statement.
(2) Members delegated authority to the Chair and the Governance Manager to make further minor amendments to the Annual Governance Statement, prior to the inclusion of the final version in the Statement of Accounts.

(3) Members approved the Local Code of Corporate Governance for 2022/23.

106 THE ANNUAL AUDIT REPORT FOR LICHFIELD DISTRICT COUNCIL

This report was presented to the committee by Avtar Sohal (External Auditors) who noted that this report replaces the previous value for money commentary. The committee were informed that nothing had been identified as a significant weakness, although Covid-19 was brought into the report due to its significance as a national issue. In terms of strength, Mr Sohal stated LDC was at the upper end of councils his team are working with.

Members questioned the absence of the Overview & Scrutiny committee from the report and recommended that this be looked at very soon.

Members also questioned the description of £100,000 as a “*small cost*” in the report.

RESOLVED: Members noted the contents of the Annual Audit report.

107 AUDIT PLAN (INCLUDING PLANNED AUDIT FEE 2021/22)

Councillor White declared a non-pecuniary interest as the individual responsible for appointing the chairs of the Staffordshire pensions committee and Staffordshire pensions panel.

Kirsty Lees (External Auditors) took the committee through select highlights of the report. She highlighted that this year, the finance team will be using new ledger system for the first time, which naturally heightened the risk level compared to the previous year. Value for money 2021/22 did not identify any risks or significant weakness, however, members were assured that if any are identified throughout the audit, the council will be informed.

Mr Thomas confirmed that internally there has been no adverse reaction from the implementation of the new ledger system.

RESOLVED: Members noted the contents of the Audit Plan.

108 INFORMING THE AUDIT RISK ASSESSMENT - LICHFIELD DISTRICT COUNCIL

Ms Lees presented the report to committee, explaining that management had previously been asked questions to inform audit planning. It was requested that members confirm the responses in this report are in line with their existing knowledge of the council.

RESOLVED: Members considered the responses enclosed and noted the contents of the report.

109 ACCOUNTING ESTIMATE MANAGEMENT SUMMARY

It was acknowledged by all that the contents of this report had been effectively covered during previous items. No further questions were raised by members.

RESOLVED: Members noted the contents of the Accounting Estimate Management Summary.

110 WORK PROGRAMME

Members noted that this was the last Audit meeting of the existing calendar and paid tribute to the committee Chair. The Chair and members also paid tribute to the work of Anthony Thomas and all officers involved with this committee.

RESOLVED: Members noted the contents of the work programme.

(The Meeting closed at 7.32 pm)

CHAIRMAN

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Annual Treasury Management Report

Cabinet Member for Finance and Commissioning

Date: 21 July 2022
Agenda Item: 4
Contact Officer: Anthony Thomas
Tel Number: 01543 308012
Email: Anthony.thomas@lichfielddc.gov.uk
Key Decision? YES
Local Ward Members : Full Council

Agenda Item 4

Lichfield
district council

AUDIT AND MEMBER STANDARDS COMMITTEE

1. Executive Summary

- 1.1 The report covers the Treasury Management performance for the financial year 2021/22.
- 1.2 The Capital Programme actual spend at **£4,741,426** was **(£1,669,574)** lower than the Approved Budget of **£6,411,000** with under spending on the Coach Park **(£293,225)**, dual stream recycling **(£266,600)** and the loan to the Council Development Company **(£675,000)** being the most significant projects.
- 1.3 Income from Capital Receipts at **(£515,335)** was higher than the Approved Budget of **(£296,000)** by **(£219,335)** due mainly to additional Bromford Right to Buy Sales achieved at the end of the financial year.
- 1.4 The funding of the Capital Programme in 2021/22 reflects the actual expenditure of **(£4,741,426)**. This includes lower funding from capital receipts because the use of funding from other sources, that have more restrictions, was prioritised.
- 1.5 The borrowing need of **£2,541,593** was **(£205,407)** lower than the Revised Budget of **£2,747,000** due to an underspend on the new Leisure Centre project which is to be funded by borrowing.
- 1.6 Minimum Revenue Provision at **£615,998** was in line with the Approved Budget of **£663,000** with the element related to finance leases marginally lower than budget.
- 1.7 Assets less liabilities on the Balance Sheet at **£48,285,320** is **£25,735,320** higher than the budget of **£22,550,000** and this variance is offset in Total Equity (Usable and Unusable Reserves). These variances are explained at 3.20 and 3.21 however; are in the main related to a decrease in the Long Term Pension Liability assessed by the Pension Fund Actuary that is statutorily offset by a reduction in the Unusable Pension Reserve.
- 1.8 Investments at **£49,367,957** were **£13,651,957** higher than the Approved Budget of **£35,716,000**. This was due to higher working capital (amounts owed to other bodies or grants received in advance of payment) and higher unapplied grants and contributions. This is also reflected in the lower liability benchmark of **(£38,242,000)** compared to the Approved Budget of **(£22,081,000)** shown at **APPENDIX B**.
- 1.9 The net treasury position was in line with the Approved Budget.
- 1.10 The Council's investments achieved a risk status of **A+**, which was more secure than the aim of **A-**, and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.
- 1.11 The report confirms the Council was compliant with all Treasury Limits and Prudential Indicators for 2021/22.

2. Recommendations

- 2.1 To review the report and issues raised within.
- 2.2 To review the actual 2021/22 Prudential Indicators contained within the report.

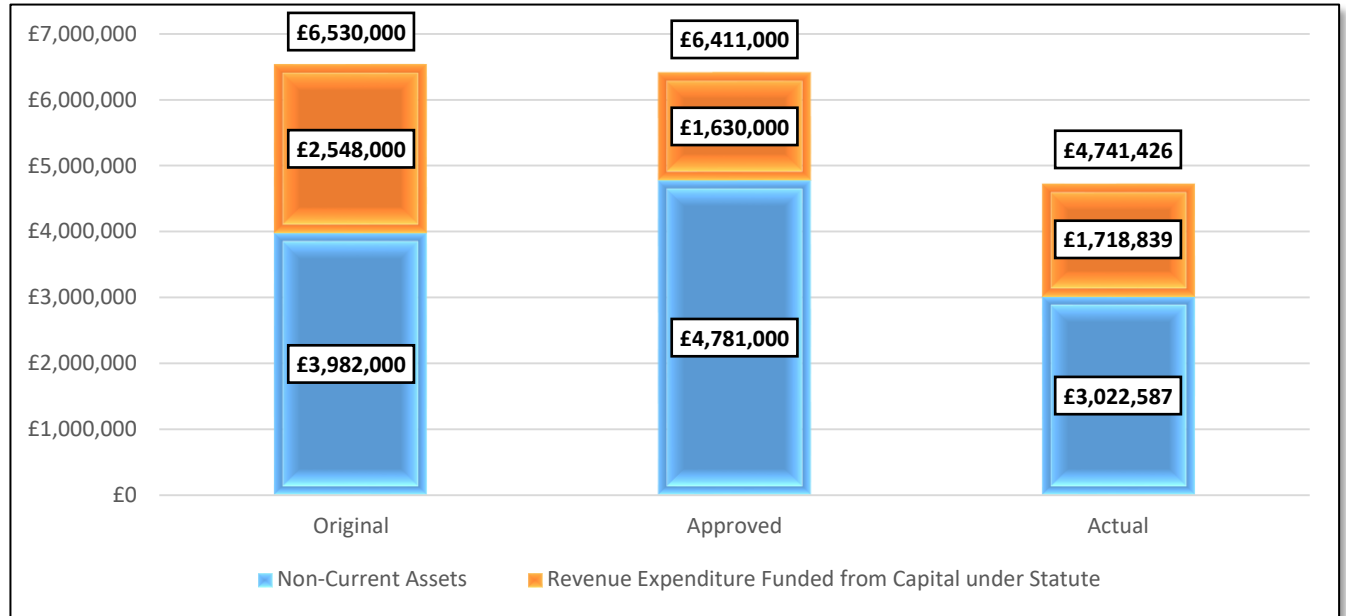
3. Background

The Capital Programme and Treasury Management

- 3.1 This Annual Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2021/22 and the actual Prudential Indicators for 2021/22.
- 3.2 Treasury Management is defined as: *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 3.3 Overall responsibility for Treasury Management remains with the Council. No Treasury Management activity is without risk; the effective identification and management of risk are integral to our Treasury Management objectives.
- 3.4 Our Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year. We report regularly to the Cabinet and Audit and Member Standards Committee on Treasury policy; strategy and activity.
- 3.5 This report is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential code and
- presents details of capital spend, capital financing, borrowing and investment transactions;
 - reports on the risk implications of Treasury decisions and transactions;
 - gives details of the outturn position on Treasury Management transactions in 2021/22;
 - confirms compliance with Treasury limits and Prudential Indicators.
- 3.6 The performance of the Treasury Management function should be measured against the investment objectives of **Security** (the safe return of our monies), **Liquidity** (making sure we have sufficient money to pay for our services) and **Yield** (the return on our investments) contained in Statutory Guidance.
- 3.7 In addition, external borrowing is considered against the objectives of it being **affordable** (the impact on the budget and Council Tax), **prudent** and **sustainable** (over the whole life).

The Capital Programme

3.8 A summary of the Capital Programme performance from Budget to the Actual for 2021/22 is shown in detail at **APPENDIX A** and in the chart below:



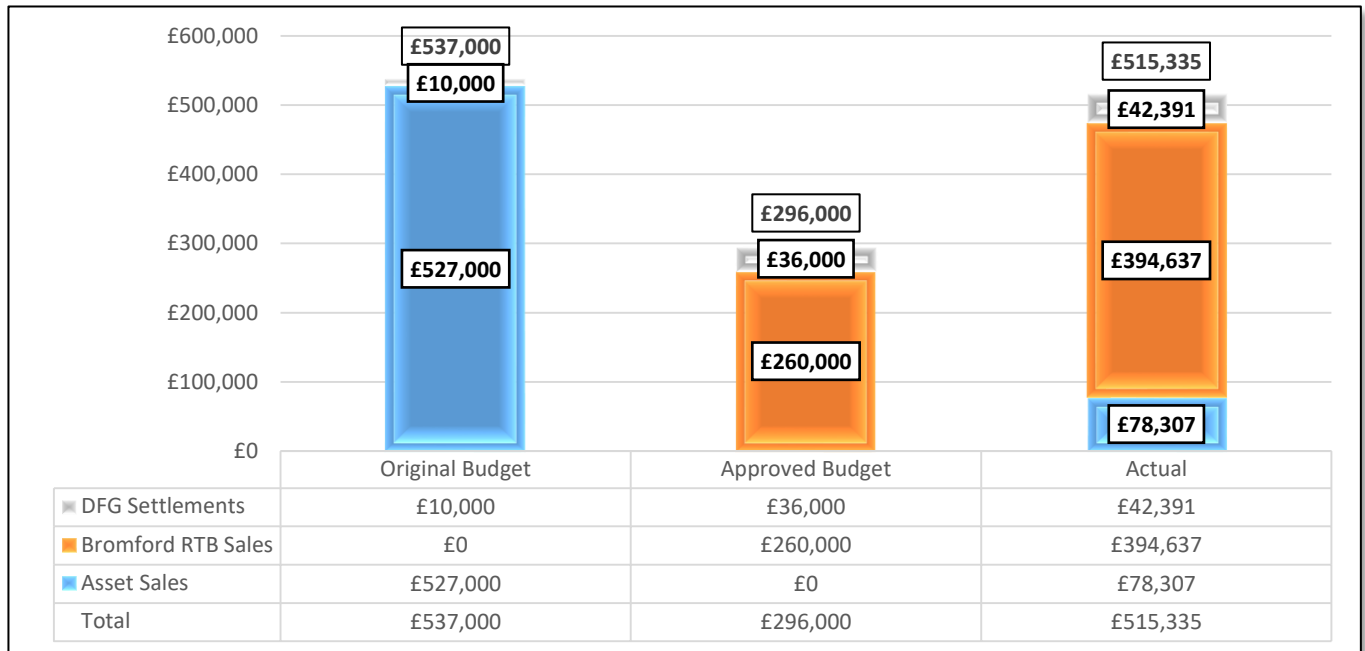
3.9 Capital expenditure was **£4,741,426** and this is **(£1,669,574)** less than the Revised Budget of **£6,411,000**.

3.10 There were variances compared to the Approved Budget related to the following:

	Variances	
	Slippage	Other
* Accessible Homes (Disabled Facilities Grants) - reflects delivery performance on the Support for Independent Living in Staffordshire Partnership	£311,000	
* Friary Grange (Short Term) – slipped to 22/23, reactive budget, spent as and when required	(£158,000)	
* New Leisure Centre – slipped to 22/23, awaiting decisions on project	(£175,000)	
* Other Projects	(£213,000)	£145,480
Enabling People Total	(£235,000)	£145,480
* Dual Stream Recycling – Blue bags received in April	(£267,000)	
* Loan to Council Development Company – delayed until 2022/23	(£675,000)	
* Other Projects	(£132,000)	(£44,266)
Shaping Place Total	(£1,074,000)	(£44,266)
* Coach Park - acquisition was not completed and therefore the enhancement works did not take place	(£293,000)	
* Other Projects		(£74,786)
Developing Prosperity Total	(£293,000)	(£74,786)
* Beacon Park Equipment Storage - project delayed until 2022/23	(£125,000)	
* Asset Maintenance projects – Overspend on office project to be taken from Property Planned Maintenance 22/23 budget	124,000	
* Other Projects	(£47,000)	(£46,002)
A Good Council Total	(£48,000)	(£46,002)
Total Variance	(£1,650,000)	(£19,574)
	(£1,669,574)	

Capital Receipts

3.11 The budget and actual capital receipts received are shown below:

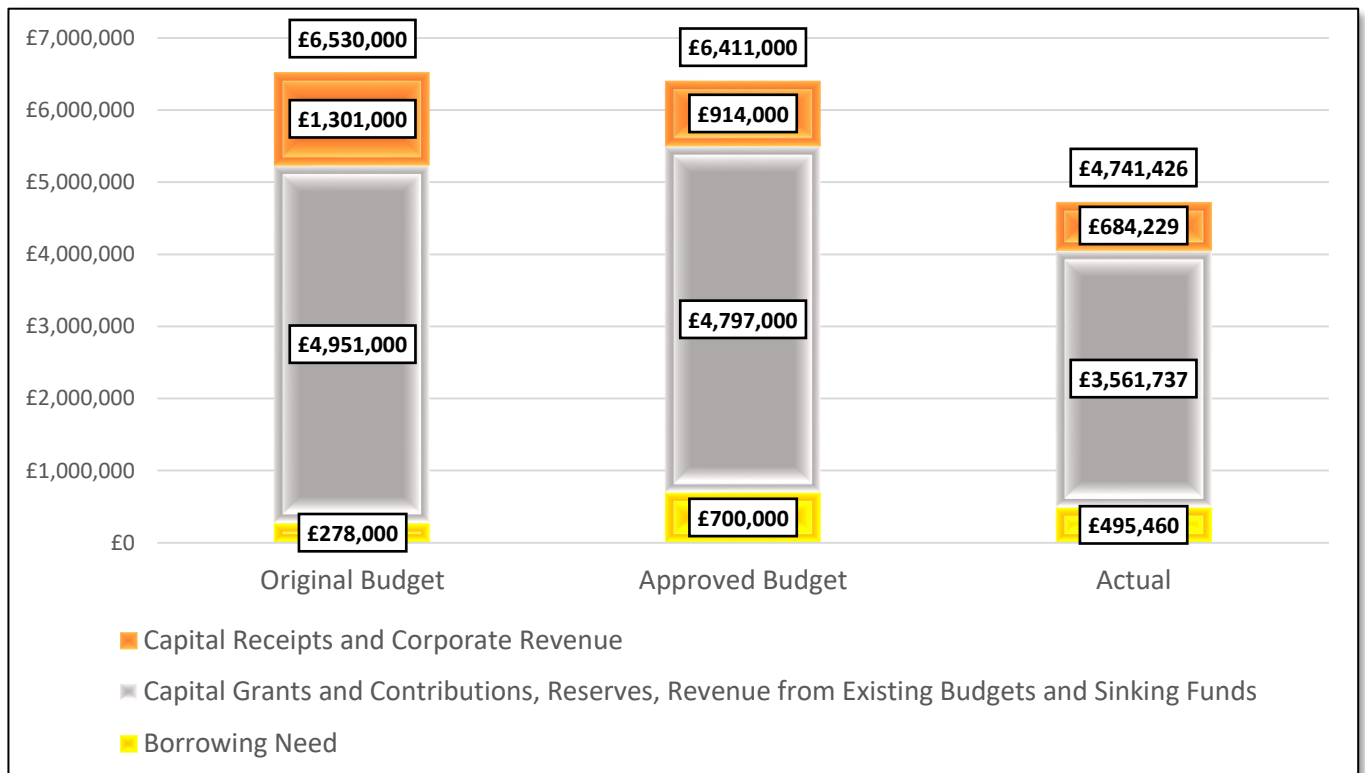


3.12 Capital receipts were **(£219,335)** higher than the Approved Budget. The main reason is that Bromford RTB Sales were higher than estimated.

3.13 These additional capital receipts, under the policy approved by Council on 14 July 2020, will be earmarked towards capital investment to support delivery of the Housing, Homelessness and Rough Sleeping Strategy.

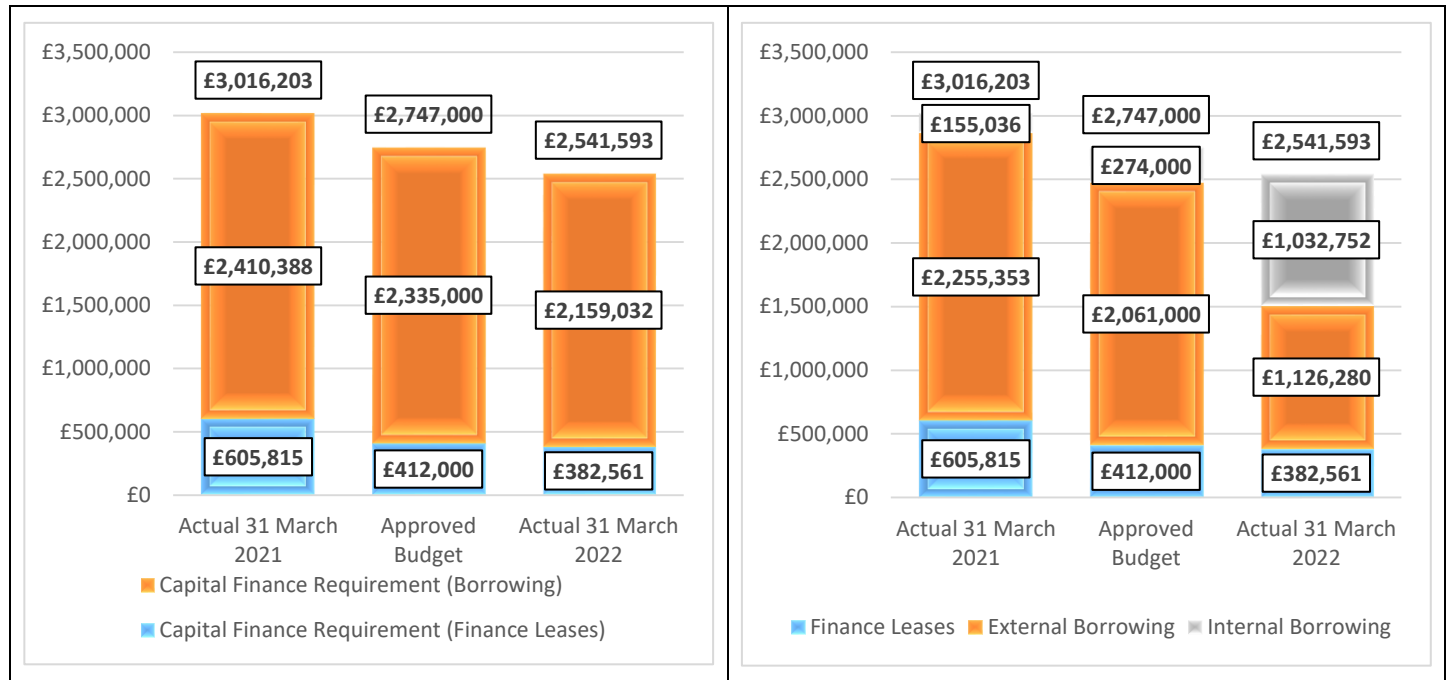
The Funding of the Capital Programme

3.14 The budgeted and actual sources of funding for the Capital Programme are shown below:



The Capital Financing Requirement (Borrowing Need) and its Financing

3.15 The actual and Budgeted Borrowing Need and its financing for 2020/21 and 2021/22 is shown below:



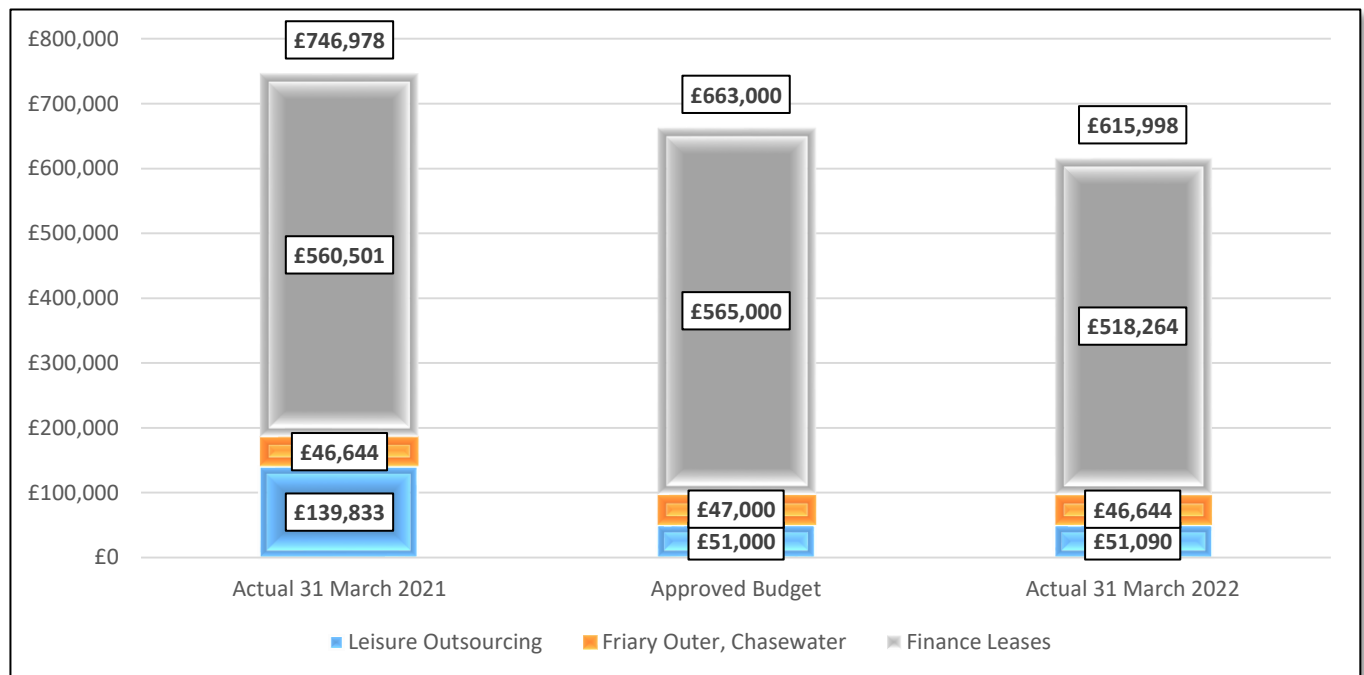
3.16 The external borrowing has reduced in March 2022 due to the early repayment of a PWLB loan.

3.17 The Liability Benchmark (the lowest risk level of borrowing) was (£38,242,000) and is lower compared to the Approved Budget of (£22,081,000) as shown at APPENDIX B. This is due to higher useable reserves and working capital.

3.18 It indicates that the Council does not currently need to externally borrow to fund its Capital Financing Requirement.

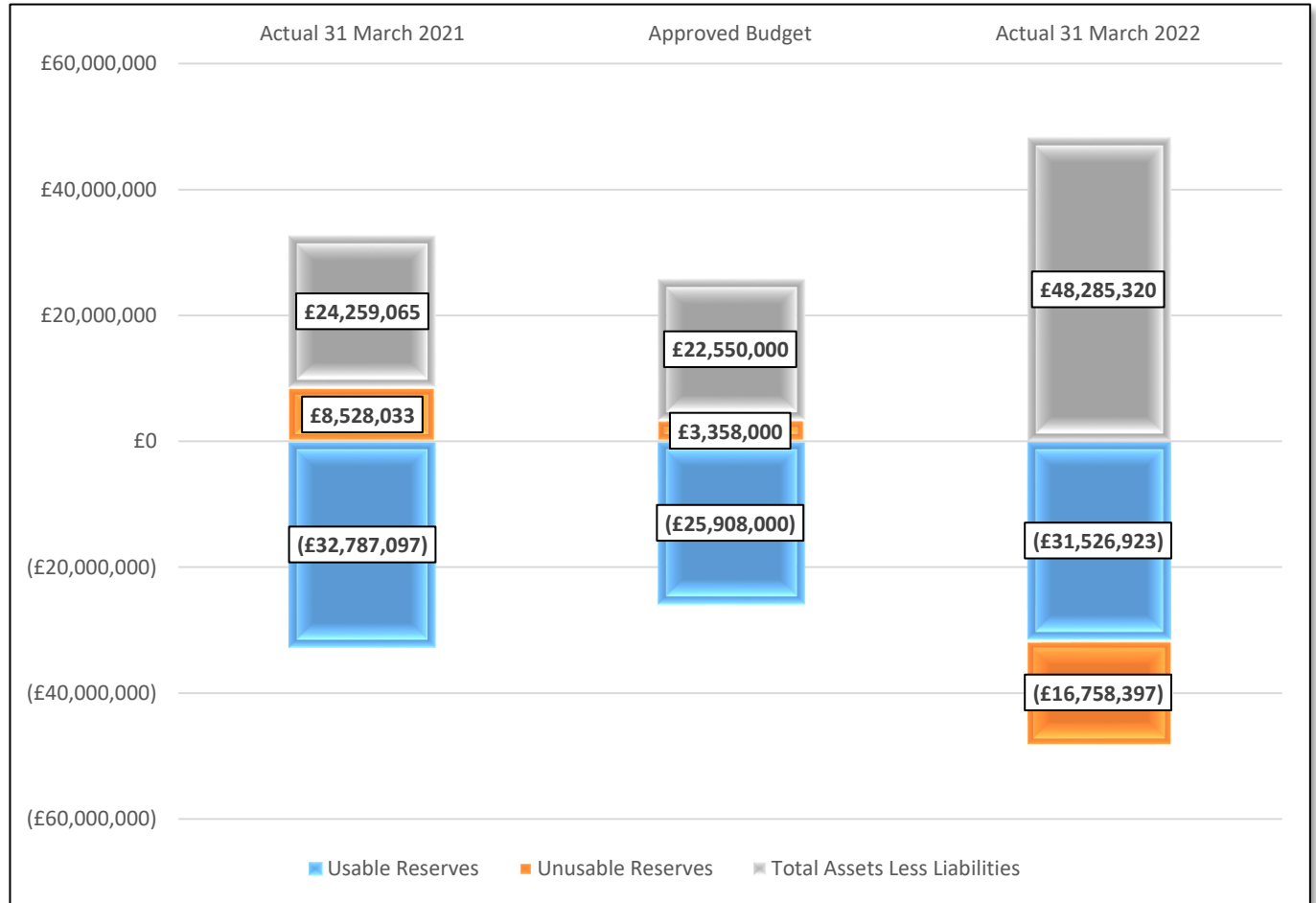
Minimum Revenue Provision in 2021/22

3.19 The Minimum Revenue Provision charged to revenue in 2020/21, budgeted in 2021/22 and the actual in 2021/22 is shown below:



The Balance Sheet

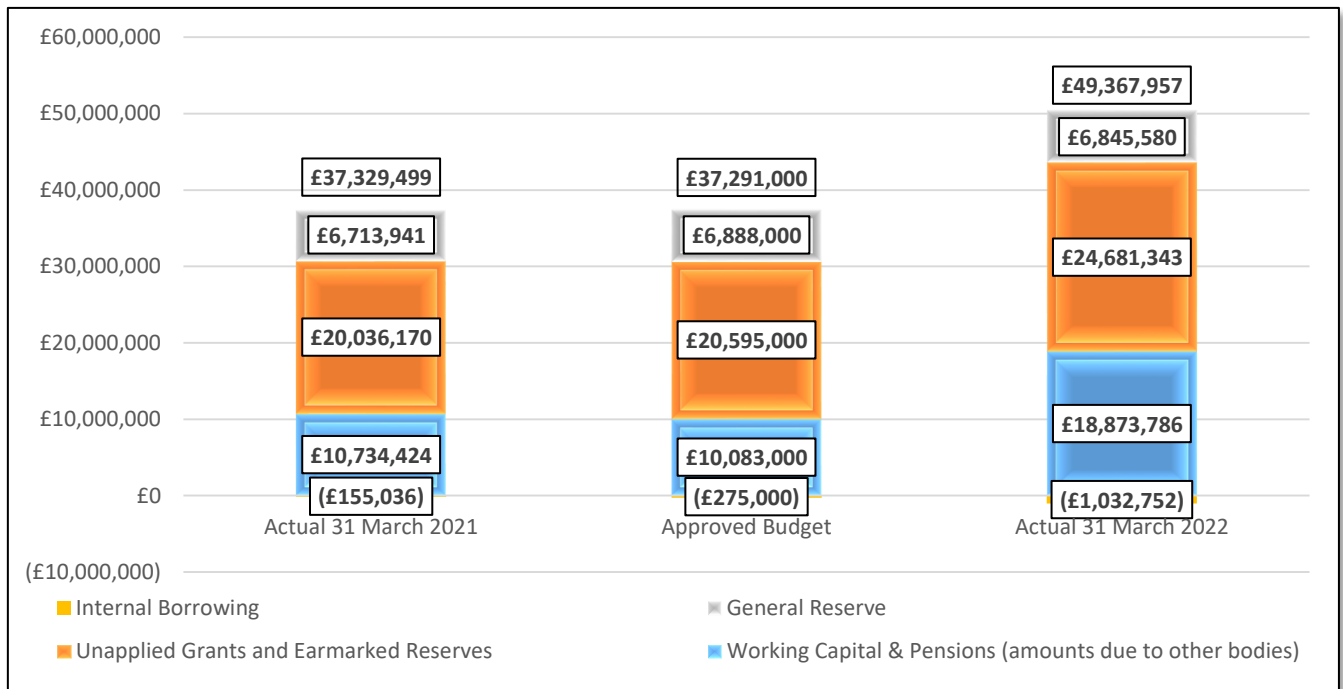
3.20 The actual Balance Sheet for 2020/21 together with the budgeted and actual Balance Sheet for 2021/22 are shown in detail at **APPENDIX B** and are summarised below:



3.21 The main reasons for the variance between the budgeted and actual Balance Sheet for 2021/22 are:

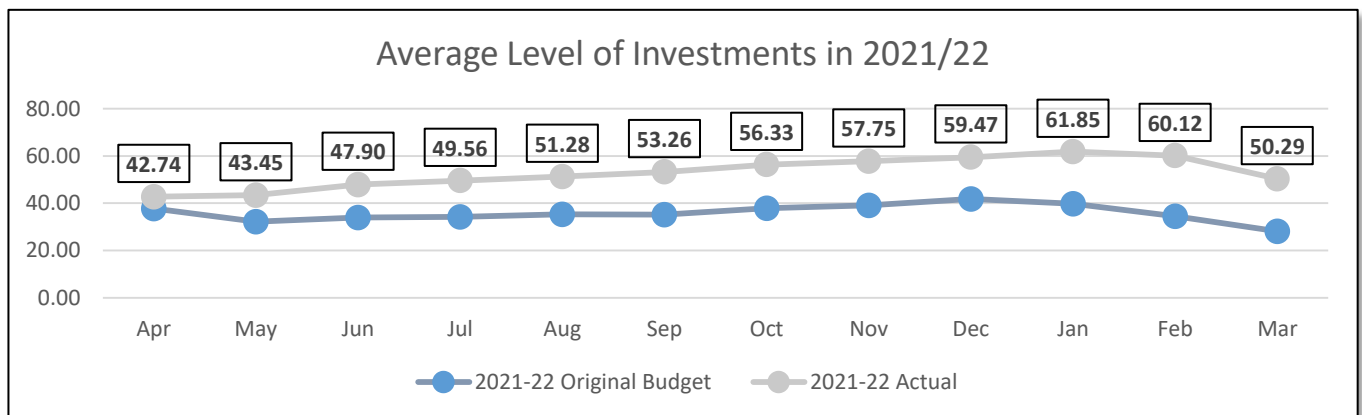
<u>Area</u>	<u>Pensions</u> £000	<u>Non Pensions</u> £000	<u>Total</u> £000
Lower long Term Liability assessed by the Actuary	19,119		19,119
Higher Investments as a result of higher working capital and reserves		15,228	15,228
Higher Non-current assets based on Valuer assessment		912	912
Higher Working capital including Council Tax Rebate £5.289m and Compliance and Recovery Fund £1.930m		(9,790)	(9,790)
Other		266	266
Total Assets less Liabilities	19,119	6,616	25,735
Higher Earmarked Reserves including risk and recovery		(4,269)	(4,269)
Higher Capital Receipts and Burntwood Sinking Fund		(519)	(519)
Higher Unapplied Capital Grants		(873)	(873)
Lower General Reserves		42	42
Total Usable Reserves		(5,619)	(5,619)
Lower Pensions Reserve to match the pension liability	(19,174)		(19,174)
Higher Other Reserves including Revaluation Reserve		(942)	(942)
Total Unusable Reserves	(19,174)	(942)	(20,116)

3.43 The level of investments and the sources of cash are shown in the chart below:



Cash Flow Forecasts

3.44 The graph below shows the average investment levels (in £m) throughout the 2021/22 financial year compared to the Original budget:



3.45 The cash flow variance is due to lower spend than forecast together with additional Government grants received in advance of spend taking place.

3.46 The Treasury Management Performance for 2021/22 for both investment income and borrowing was:

Treasury Management	2021/22			
	Revised Budget		Actual	
	Investment Income	Borrowing	Investment Income	Borrowing
Average Balance	£52.1m	£1.9m	£52.8m	£1.9m
Average Rate	0.75%	2.20%	0.80%	2.20%
Gross Investment Income	(£391,000)		(£423,797)	
Pooled Fund Transfer to Reserves	£120,000		£93,981	
External Interest		£48,000		£58,256
Internal Interest		£4,000		£826
Minimum Revenue Provision (less Finance Leases)		£46,000		£97,733
Net Treasury Position	(£271,000)	£98,000	(£329,816)	£156,816
	(£173,000)		(£173,000)	

Investment Strategy

3.47 The Council undertakes investments for three broad purposes:

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

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

3.49 The government guidance requires the approval by Council of an Investment Strategy Report to increase the transparency around service and commercial investment activity. The Council approved its Investment Strategy Report on **16 February 2021**.

Service Investments

3.50 There was one investment of a service nature budgeted to take place in 2021/22. The investment and net return included in the Approved Budget is detailed below:

	Original Budget	Revised Budget	Actual	Variance
Approved Loan to the Local Authority Company	£675,000	£675,000	£0	(£675,000)
Net Income	£0	£0	£0	£0
Net Return	0.00%	0.00%	0.00%	

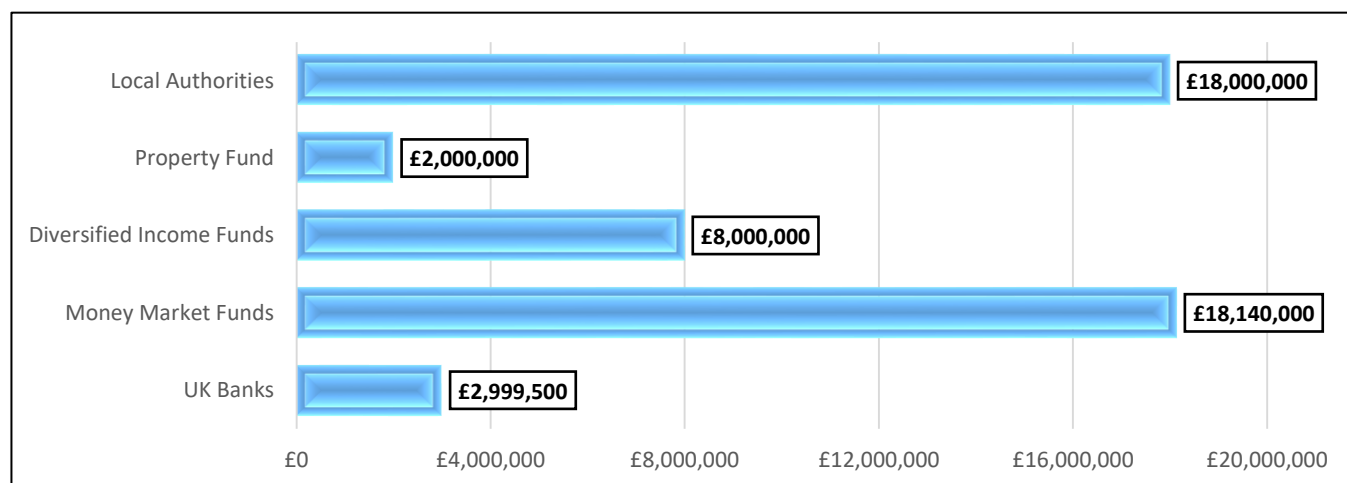
Commercial Investments

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

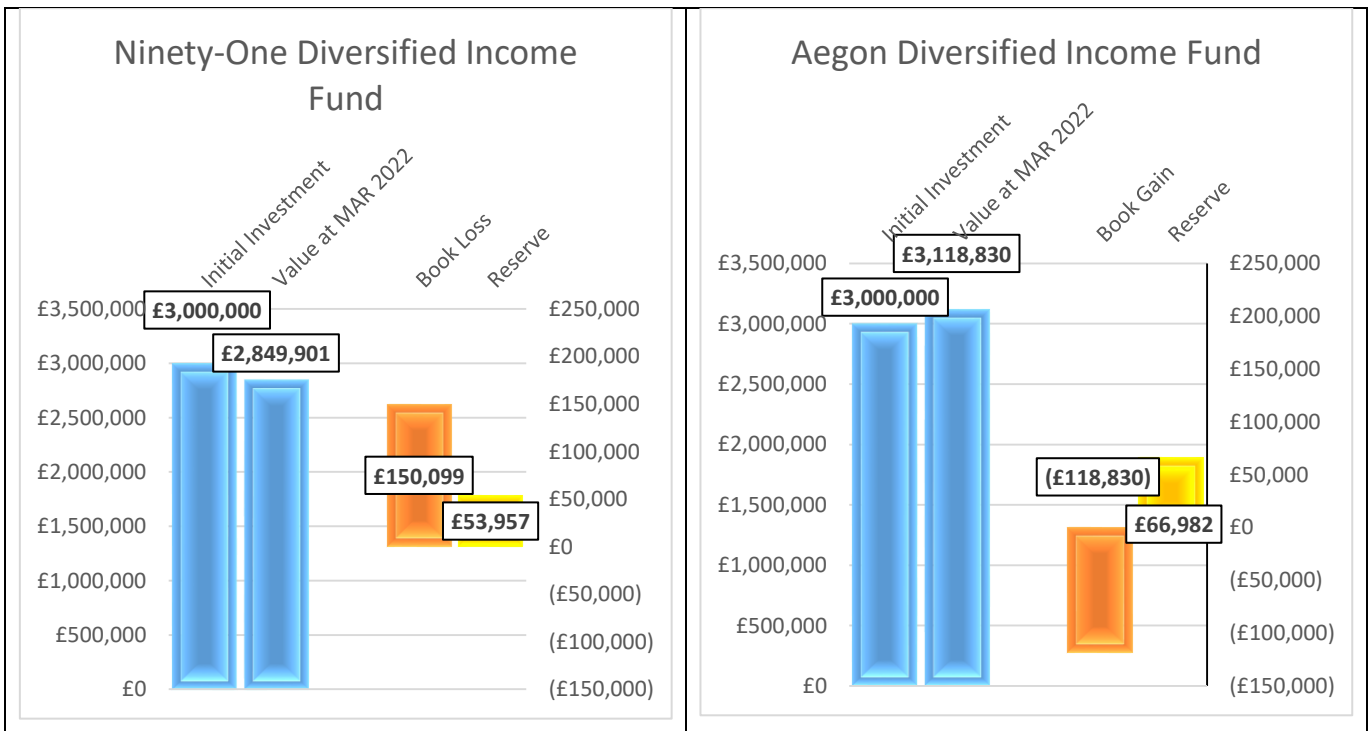
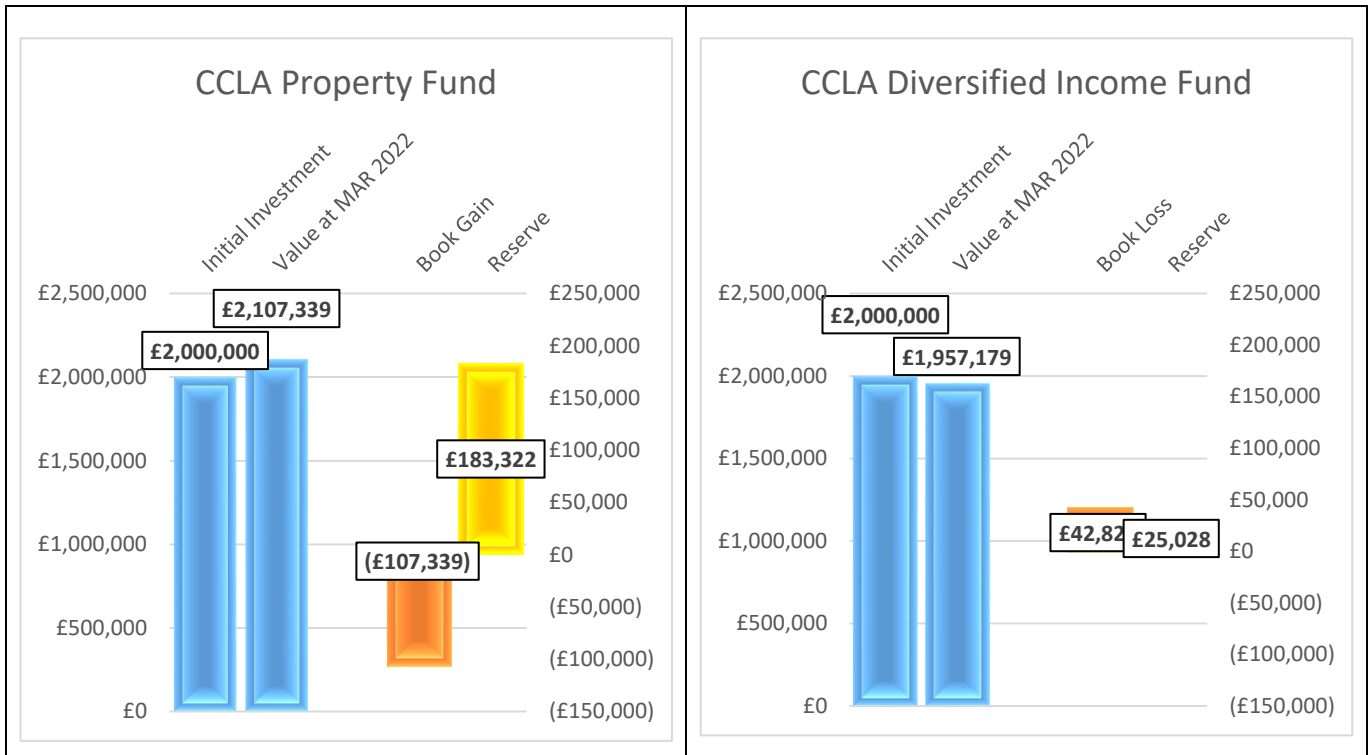
Treasury Management Investments

The Security of Our Investments

3.52 The investments the Council had at the 31 March 2022 of **£49.14m** (with the property fund and diversified income funds valued at their original investment value), by type and Country, are summarised below and in detail at **APPENDIX C**:



3.53 The current value of the Property Fund and Diversified Income Fund investments, together with the value of the earmarked reserve at the end of 2021/22 intended to offset reductions in value, is shown below:



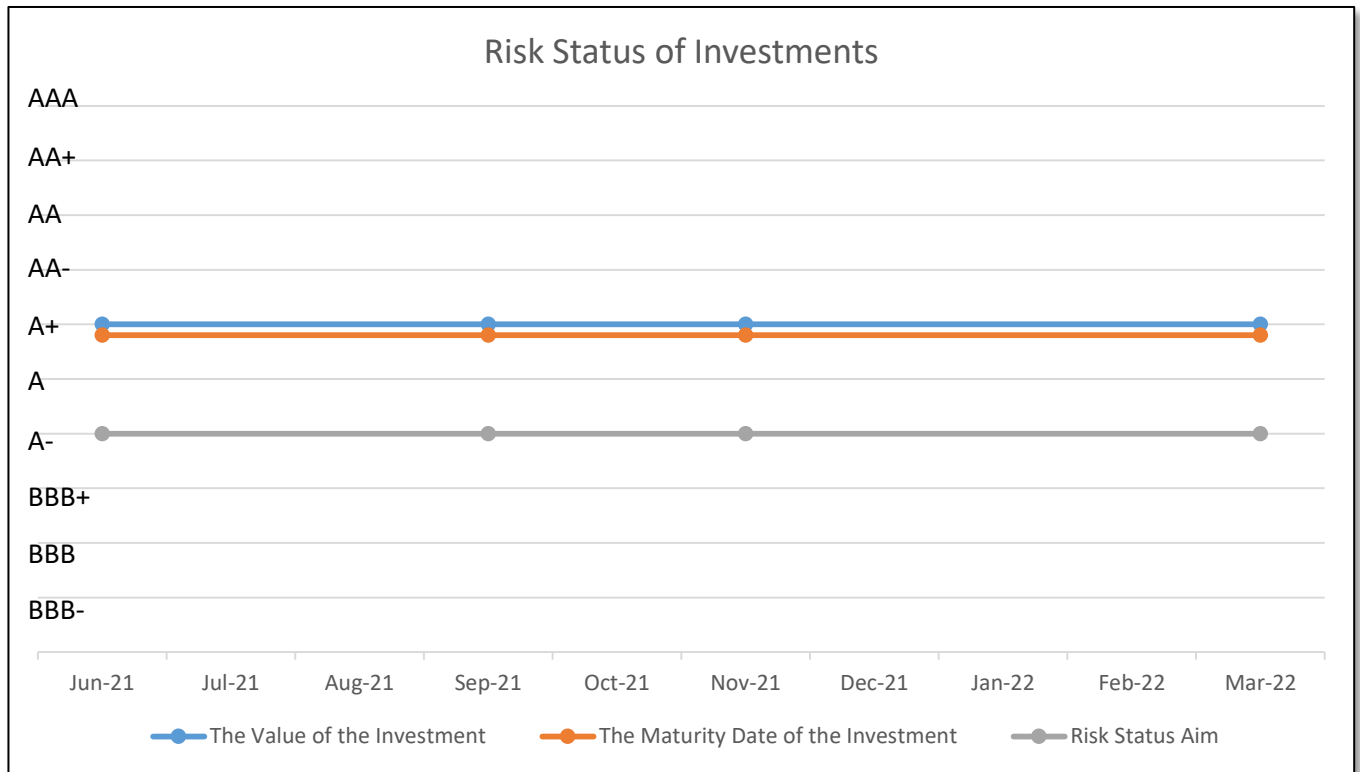
3.54 Overall in terms of strategic investments, there is a 'book gain' of (£33,249) and the earmarked reserve to manage volatility risk is £329,290.

3.55 In April 2022, the Council invested a further £2m in each of the Ninety One and Aegon Diversified Income Funds to take the total investment level for Strategic Investments to £14m in line with the approved level in the Treasury Management Strategy Statement.

3.56 The Council's portfolio size (with the property fund and diversified investment funds valued at their current values of **£10.2m**), average credit score, diversification and exposure to 'Bail in' risk compared to Arlingclose Clients is shown below:

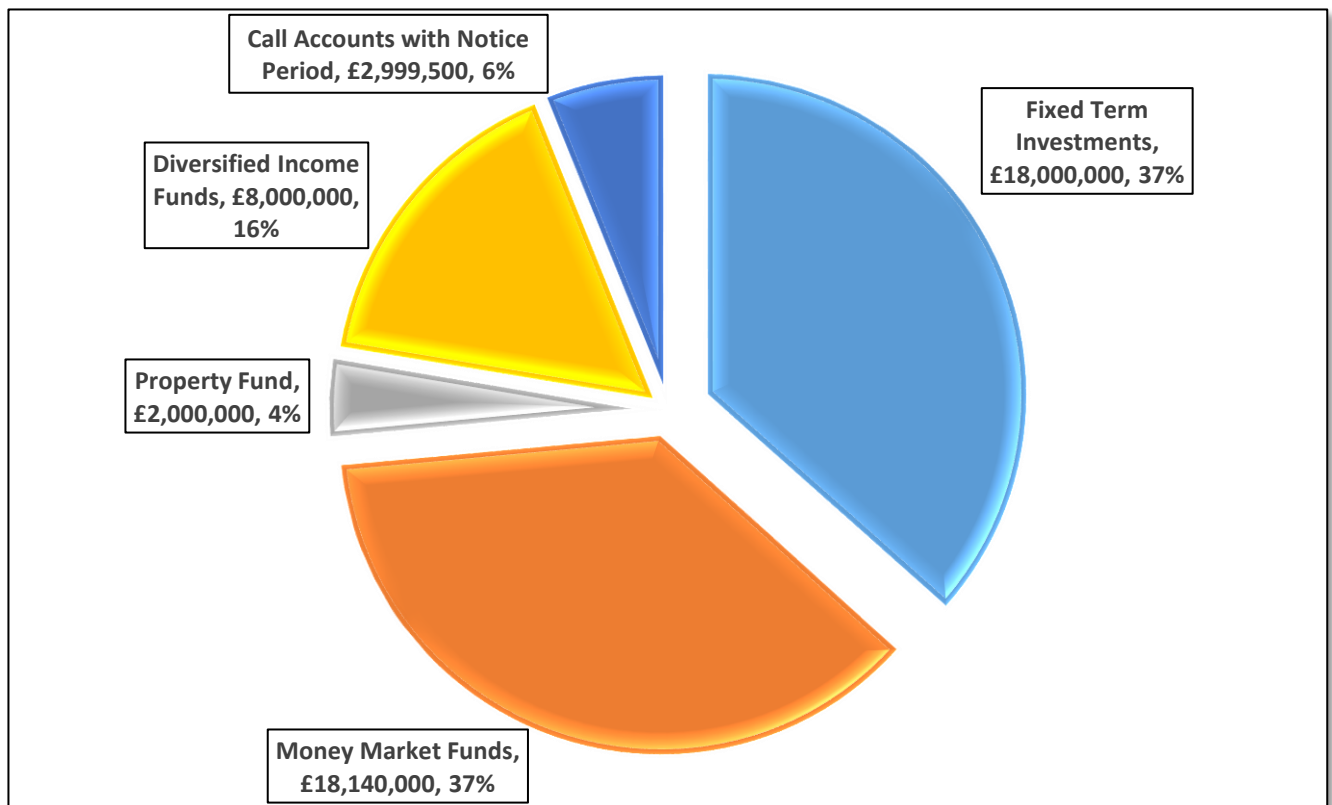


3.57 Our aim for the risk status of our investments was **A-** or higher. The risk status based on the length of the investment and the value from June 2021 to March 2022 is summarised in the graph below:

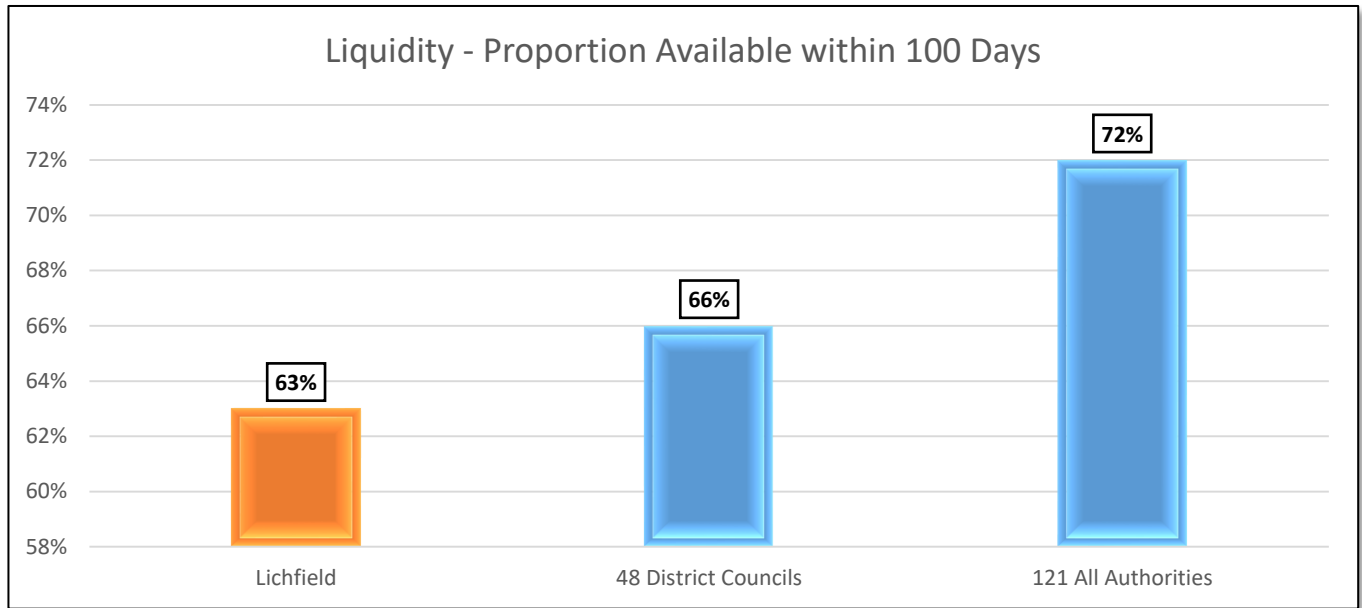


The Liquidity of our Investments

3.58 The Council did not have to temporarily borrow during 2021/22. It retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type are shown below:

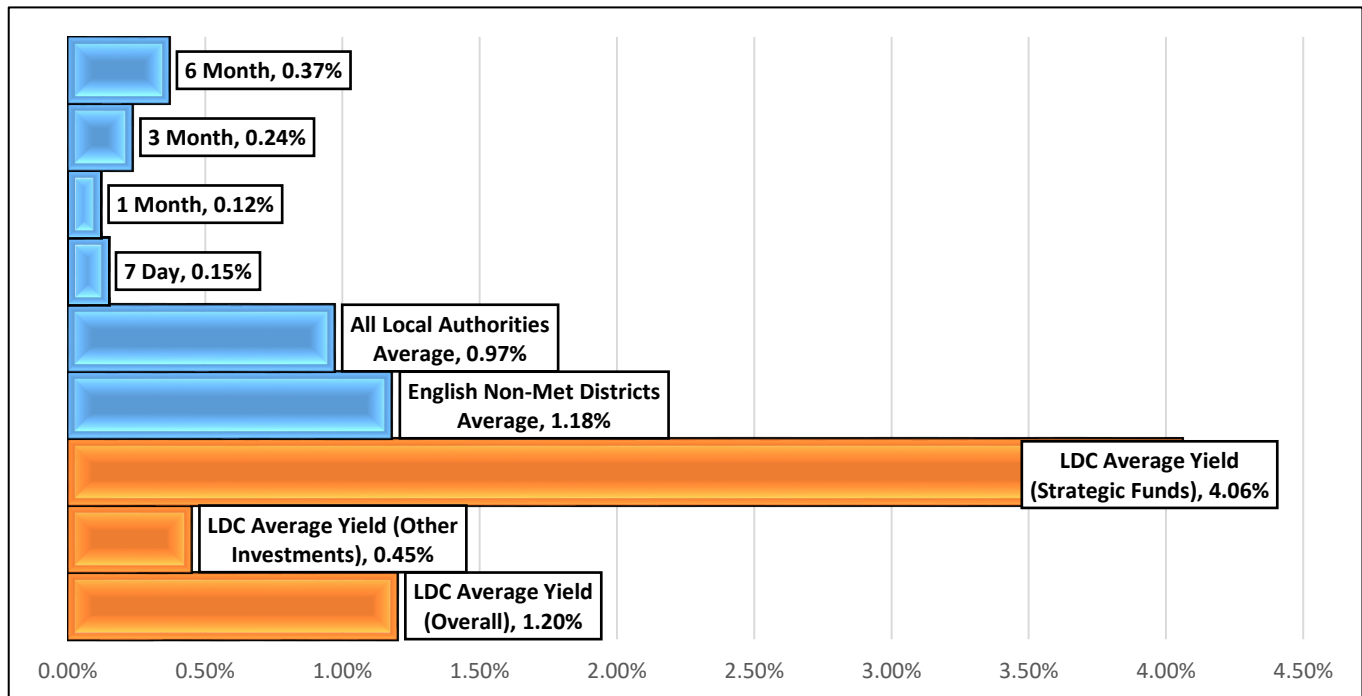


3.59 The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is below:



The Return or Yield of our Investments

3.60 The yield the Council was achieving as at 31 March 2022 compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown below:



3.61 This graph shows the rate achieved on 31 March 2022, whereas the table at 3.25 shows the average yield for the whole financial year.

External Borrowing

3.62 At the end of the year, the Council had one long-dated PWLB loan totalling **£1,126,280**. The other loan was paid back early on 31 March 2022. The remaining loan's rate is **2.59%** with **18.5** years to maturity. This is shown in detail at **APPENDIX C**.

Consultation

Consultation is undertaken as part of the Strategic Plan and with Leadership Team.

Financial Implications

- We can confirm that the Council has complied with its Prudential and Local Indicators for 2021/22; these were originally approved by Council at its meeting on 16 February 2021 and were fully revised and approved by Council on 22 February 2022.
- In compliance with the requirements of the CIPFA Code of Practice this report provides members with a Summary Report of the Treasury Management Activity during 2021/22.
- None of the other Prudential and Local Indicators have been breached. The Prudential and Local Indicators are summarised in the table below:

Capital Strategy Indicators

Prudential Indicators

Indicators	2020/21 Actual	2021/22 Original	2021/22 Revised	2021/22 Actual	Compliant
Capital Investment					
Capital Expenditure (£m)	£3.264	£6.530	£6.411	£4.741	✓
Capital Financing Requirement (£m)	£3.016	£2.444	£2.747	£2.542	✓
Gross Debt and the Capital Financing Requirement					
Gross Debt	(£2.862)	(£2.167)	(£2.473)	(£1.509)	✓
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	✓
Total Debt					
Authorised Limit (£m)	£6.591	£15.435	£15.435	£3.204	✓
Operational Boundary (£m)	£6.591	£7.007	£7.007	£3.204	✓
Proportion of Financing Costs to Net Revenue Stream (%)	5%	5%	6%	5%	✓

Local Indicators

Indicators	2020/21 Actual	2021/22 Original	2021/22 Revised	2021/22 Actual	Compliant
Replacement of Debt Finance or MRP (£m)	(£0.747)	(£0.561)	(£0.663)	(£0.616)	✓
Repayment of Burntwood Leisure Centre Loan	(£0.542)	(£0.000)	(£0.306)	(£0.306)	✓
Capital Receipts (£m)	(£0.000)	(£0.537)	(£0.036)	(£0.121)	✓
Housing Capital Receipts (£m)	(£0.434)	£0.000	(£0.260)	(£0.395)	✓
Liability Benchmark (£m)	£25.033	£11.755	£22.081	£38.242 ¹	✓
Treasury Management Investments (£m)	£37.330	£23.813	£34.140	£49.368	✓

Treasury Management Indicators

Prudential Indicators

	Lower Limit	Upper Limit	As at 31/03/22	Compliant
Refinancing Rate Risk Indicator				
Under 12 months	0%	100%	5.41%	
12 months and within 24 months	0%	100%	5.41%	
24 months and within 5 years	0%	100%	16.22%	
5 years and within 10 years	0%	100%	27.03%	
10 years and within 20 years	0%	100%	45.95%	✓
20 years and within 30 years	0%	100%	0%	
30 years and within 40 years	0%	100%	0%	
40 years and within 50 years	0%	100%	0%	
50 years and above	0%	100%	0%	

¹ Updated compared to the Report to Cabinet on 7 June 2022 due to more up to date information being available

Indicators	2020/21 Actual	2021/22 Original	2021/22 Revised	2021/22 Actual	Compliant
Principal Sums invested for periods longer than a year (£m)	£8.000	£10.000	£10.000	£10.000	✓

Local Indicators					
Indicators	2020/21 Actual	2021/22 Original	2021/22 Revised	2021/22 Actual	Compliant
Balance Sheet Summary and Forecast					
Borrowing Capital Financing Requirement	£2.410	£2.336	£2.334	£2,160	✓
Internal (over) Borrowing	£0.155	£0.277	£0.274	£1.033	✓
Investments (or New Borrowing)	£37.330	£23.813	£34.140	£49.368 ²	✓
Liability Benchmark	£25.033	£11.755	£22.081	£38.242 ³	✓

	Target	2021/22 Actual	Compliant
Security			
Portfolio average credit rating	A-	A+	✓
Liquidity			
Temporary Borrowing undertaken	£0.000	£0.000	✓
Total Cash Available within 100 days (maximum)	90%	78%	✓

Approved by Section 151 Officer	Yes
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Legal Implications	No specific legal implications. The recommended Medium Term Financial Strategy, is part of the Budget Framework and will therefore require the approval of Full Council.
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Approved by Monitoring Officer	Yes
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Contribution to the Delivery of the Strategic Plan	The MTFS underpins the delivery of the Strategic Plan.
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Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
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Crime & Safety Issues	There are no additional Crime and Safety Issues.
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Environmental Impact	There are no additional Environmental Impacts. CIPFA is undertaking a consultation that includes the potential for Environmental, Social and Governance (ESG) of counterparties to form part of the revised Treasury Management Code.
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GDPR/Privacy Impact Assessment	There are no additional GDPR/Privacy Impact Assessment Impacts.
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² Updated compared to the Report to Cabinet on 7 June 2022 due to more up to date information being available

³ Updated compared to the Report to Cabinet on 7 June 2022 due to more up to date information being available

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
Strategic Risk SR1 - Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan				
A	Council Tax is not set by the Statutory Date of 11 March 2023	Likelihood : Green Impact : Red Severity of Risk : Yellow	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax Requirements.	Likelihood : Green Impact : Red Severity of Risk : Yellow
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	Likelihood : Yellow Impact : Red Severity of Risk : Red	To closely monitor the level of appeals. An allowance for appeals has been included in the Business Rate Estimates.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
C	The review of the New Homes Bonus regime	Likelihood : Red Impact : Red Severity of Risk : Red	The Council responded to the recent consultation. Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2022/23 £400,000 is included with the balance transferred to general reserves. At this stage, no income is assumed from 2023/24 onwards.	Likelihood : Red Impact : Yellow Severity of Risk : Yellow
D	The increased Localisation of Business Rates and the Review of Needs and Resources	Likelihood : Red Impact : Red Severity of Risk : Red	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Likelihood : Red Impact : Red Severity of Risk : Red
E	The affordability and risk associated with the Capital Strategy	Likelihood : Yellow Impact : Red Severity of Risk : Red	An estates management team has been recruited to provide professional expertise and advice in relation to property and to continue to take a prudent approach to budgeting.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
F	Sustained higher levels of inflation in the economy	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow	To maintain a watching brief on economic forecasts, ensure estimates reflect latest economic projections and where possible ensure income increases are maximised to mitigate any additional cost.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape				
G	The financial impact of COVID-19 is not fully reimbursed by Government and exceeds the reserves available resulting in a Section 114 notice	Likelihood : Yellow Impact : Red Severity of Risk : Yellow	The use of general and earmarked reserves to fund any shortfall	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
H	The Council cannot achieve its approved Delivery Plan for 2022/23	Likelihood : Yellow Impact : Red Severity of Risk : Red	There will need to be consideration of additional resourcing and/or reprioritisation to reflect the ongoing impact of the pandemic	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
I	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	Likelihood : Yellow Impact : Red Severity of Risk : Red	The MTFS will be updated through the normal review and approval process	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
J	Government and Regulatory Bodies introduce significant changes to the operating environment	Likelihood : Red Impact : Red Severity of Risk : Red	To review all proposed policy changes and respond to all consultations to influence outcomes in the Council's favour	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow

Background Documents	<ul style="list-style-type: none">• CIPFA Code of Practice for Treasury Management in the Public Services• The Prudential Code for Capital Finance in Local Authorities• The Treasury Management Strategy Statement (TMSS) 2021/22 – Audit and Member Standards Committee 3 February 2021• Mid-Year Treasury Management Report – Audit and Member Standards Committee 11 November 2021• The Treasury Management Strategy Statement (TMSS) 2022/23 – Audit and Member Standards Committee 3 February 2022
Relevant web link	

Capital Programme Performance in 2021/22

Project	Original Budget	Approved Budget	Actual	Variance
New Build Parish Office/Community Hub	92,000	0	0	0
Armitage with Handsacre storage container	6,000	6,000	5,700	(300)
Armitage War Memorial and surrounding area	120,000	120,000	120,000	0
Installation of artificial grass at Armitage	3,000	3,000	0	(3,000)
Burntwood LC CHP Unit	0	64,000	(4,835)	(68,835)
Friary Grange - Short Term Refurbishment	240,000	209,000	50,754	(158,246)
Replacement Leisure Centre	278,000	328,000	152,917	(175,083)
Beacon Park Pathway	0	37,000	36,500	(500)
Burntwood Leisure Centre - Decarbonisation	532,000	443,000	425,400	(17,600)
Accessible Homes (Disabled Facilities Grants)	1,272,000	921,000	1,231,709	310,709
Home Repair Assistance Grants	22,000	6,000	5,185	(815)
Decent Homes Standard	147,000	0	0	0
Energy Insulation Programme	22,000	0	0	0
DCLG Monies	212,000	0	0	0
Unallocated S106 Affordable Housing Monies	429,000	496,000	588,479	92,479
Burntwood Park Resurfacing	0	11,000	11,170	170
Burntwood Park Play Equipment	0	75,000	0	(75,000)
Burntwood Park Fencing	0	30,000	36,500	6,500
Enabling People Total	3,375,000	2,749,000	2,659,480	(89,520)
Canal Towpath Improvements (Brereton & Ravenhill)	36,000	44,000	43,656	(344)
Loan to Council Dev Co.	675,000	675,000	0	(675,000)
Lichfield St Johns Community Link	35,000	0	0	0
Staffordshire Countryside Explorer	44,000	44,000	0	(44,000)
Lichfield Public Conveniences	0	40,000	0	(40,000)
Vehicle Replacement Programme (Waste)	0	437,000	407,633	(29,367)
Bin Purchase	150,000	240,000	195,188	(44,812)
Dual Stream Recycling	0	329,000	62,400	(266,600)
Vehicle Replacement Programme (Other)	108,000	128,000	127,643	(357)
Upper St John St & Birmingham Road Improvements	7,000	0	0	0
The Leomansley Area Improvement Project	3,000	3,000	0	(3,000)
Cannock Chase SAC	44,000	44,000	57,539	13,539
Welcome Back Fund - Park Furniture	0	0	16,675	16,675
Burntwood Public Conveniences	0	45,000	0	(45,000)
Shaping Place Total	1,102,000	2,029,000	910,734	(1,118,266)
Multi Storey Car Park Refurbishment Project	250,000	259,000	198,219	(60,781)
Vehicle Replacement Programme (Car Parks)	10,000	0	0	0
Birmingham Road Site - Coach Park	625,000	300,000	6,775	(293,225)
Birmingham Road Site - Short Term Redevelopment	0	13,000	970	(12,030)
Car Parks Variable Message Signing	32,000	0	0	0
Old Mining College - Refurbish access and signs	13,000	0	0	0
City Centre Strat and Interpretation S106	0	0	(1,750)	(1,750)
St. Chads Sculpture (Lichfield City Art Fund)	5,000	5,000	5,000	0
Developing Prosperity Total	935,000	577,000	209,214	(367,786)
Equipment Storage	0	125,000	0	(125,000)
Property Planned Maintenance	289,000	0	0	0
New Financial Information System	225,000	225,000	199,296	(25,704)
Depot Sinking Fund	11,000	0	0	0
Carbonisation Project - District Council House	0	263,000	268,528	5,528
IT Infrastructure	35,000	108,000	83,553	(24,447)
ICT Hardware	165,000	5,000	4,570	(430)
IT Innovation	205,000	18,000	16,950	(1,050)
District Council House Repair Programme	188,000	0	0	0
Building a Better Council	0	150,000	85,069	(64,931)
Committee Audio-Visual Hybrid Meeting Platform	0	0	18,409	18,409
First Floor Office Refit	0	162,000	285,623	123,623
Good Council Total	1,118,000	1,056,000	961,998	(94,002)
Capital Programme Total	6,530,000	6,411,000	4,741,426	(1,669,574)

APPENDIX A

Funding Source	Original Budget	Approved Budget	Actual to Date	Variance
Capital Receipts	1,301,000	914,000	684,229	(229,771)
Borrowing Need - Borrowing and Finance Leases	278,000	700,000	495,460	(204,540)
Capital Grants and Contributions	3,071,000	2,385,000	2,733,425	348,425
Reserves, Existing Revenue Budgets and Sinking Funds	1,880,000	2,412,000	828,312	(1,583,688)
Capital Programme Total	6,530,000	6,411,000	4,741,426	(1,669,574)

	Original Budget	Approved Budget	Actual to Date	Variance
Non-Current Assets	3,982,000	4,781,000	3,022,587	(1,758,413)
REFCUS	2,548,000	1,630,000	1,718,839	88,839
Capital Programme Total	6,530,000	6,411,000	4,741,426	(1,669,574)

The Council's Balance Sheet

	Type	2020/21 Actual £000s	2021/22 Actual £000s	2021/22 Approved Budget £000s	Variance to Approved Budget £000s
Non-Current Assets	ASSET	44,575	48,033	47,121	912
Equity Investment in Local Authority Company	ASSET	225	225	225	0
Long Term Debtors	DEBT	165	143	165	(22)
Long Term Investment (Company Loan)	LOAN	0	0	675	(675)
Investments	INV	37,289	49,368	34,140	15,228
Borrowing	BOLE	(2,255)	(1,126)	(2,060)	934
Finance Leases	BOLE	(606)	(383)	(412)	29
Working Capital	CRED	(13,580)	(23,176)	(13,386)	(9,790)
Pensions	CRED	(41,554)	(24,799)	(43,918)	19,119
TOTAL ASSETS LESS LIABILITIES		24,259	48,285	22,550	25,735

<u>Unusable Reserves</u>					
Revaluation Reserve	REV	(10,131)	(11,897)	(10,131)	(1,766)
Capital Adjustment Account	CAP	(31,653)	(33,819)	(35,143)	1,324
Deferred Credits	CRED	(47)	(47)	(47)	(0)
Pension Scheme	CRED	43,821	25,962	45,136	(19,174)
Benefits Payable During Employment Adjustment Account	CRED	460	409	460	(51)
Collection Fund	CRED	6,037	2,863	3,457	(594)
Available for Sale Financial Instruments Reserve	CRED	41	(228)	(374)	146
<u>Usable Reserves</u>					
Unapplied Grants and Contributions	UGER	(3,618)	(4,057)	(3,184)	(873)
Usable Capital Receipts	UGER	(3,042)	(2,863)	(2,408)	(455)
Sinking Funds	UGER	(64)	(64)	0	(64)
Earmarked Reserves - Unrestricted	UGER	(15,145)	(12,652)	(9,994)	(2,658)
Earmarked Reserves - Restricted	UGER	(4,204)	(5,044)	(3,433)	(1,611)
General Fund Balance	GEN	(6,714)	(6,846)	(6,888)	42
TOTAL EQUITY		(24,259)	(48,285)	(22,550)	(25,735)

Reserves Available to cover Investment Losses	(21,859)	(19,498)	(16,882)	(2,616)
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Summary					
Capital Funding	CAP	(31,653)	(33,819)	(35,143)	1,324
Revaluation Reserve	REV	(10,131)	(11,897)	(10,131)	(1,766)
Borrowing and Leasing	BOLE	(2,861)	(1,509)	(2,473)	964
Non-Current Assets	ASSET	44,800	48,258	47,346	912
Investments	INV	37,289	49,368	34,140	15,228
Unapplied Grants & Earmarked Reserves	UGER	(26,073)	(24,681)	(19,019)	(5,662)
General Reserve	GEN	(6,714)	(6,846)	(6,888)	42
Long Term Debtors	DEBT	165	143	165	(22)
Long Term Investment (Company Loan)	ASSET	0	0	675	(675)
Working Capital & Pensions	CRED	(4,822)	(19,018)	(8,672)	(10,346)
Total		0	0	0	0
Internal Borrowing		155	1,033	274	759

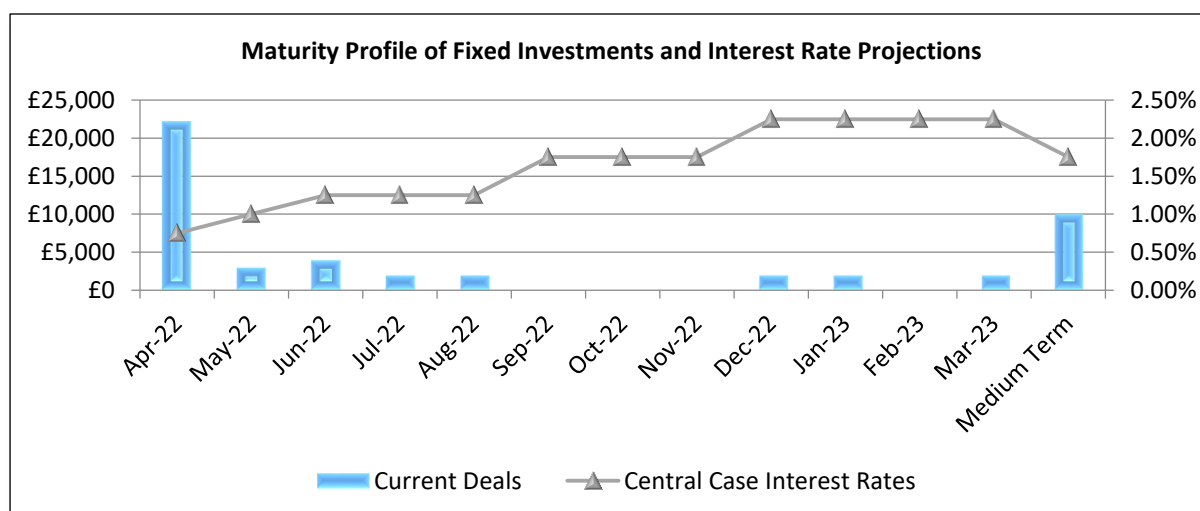
Liability Benchmark					
Capital Financing Requirement (Borrowing)		2,410	2,160	2,334	(173)
Working Capital		(4,657)	(18,875)	(8,507)	(10,368)
Usable Reserves		(32,787)	(31,527)	(25,907)	(5,620)
Minimum Level of Investments		10,000	10,000	10,000	0
Total		(25,034)	(38,242)	(22,081)	(16,161)

Investments in the 2021/22 Financial Year

The table below shows a breakdown of our investments at the end of March 2022:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
Money Market Funds						
Legal & General	£4,000,000	01-Apr-22	Instant Access	0.54%	0	N/A
Federated	£3,820,000	01-Apr-22	Instant Access	0.40%	0	N/A
Insight	£1,320,000	01-Apr-22	Instant Access	0.36%	0	N/A
BNP Paribas MMF	£4,000,000	01-Apr-22	Instant Access	0.50%	0	N/A
CCLA MMF	£5,000,000	01-Apr-22	Instant Access	0.47%	0	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	3.64%	N/A	No
Ninety-One Diversified Income Fund	£3,000,000	N/A	N/A	3.52%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	2.39%	N/A	No
Aegon Diversified Income Fund	£3,000,000	N/A	N/A	4.97%	N/A	No
Fixed Term Investments						
Monmouthshire Council	£2,000,000	28-Apr-22	28	0.10%	LOCAL	
Ashford Borough Council	£2,000,000	19-Apr-22	19	0.07%	LOCAL	
Cheltenham Borough Council	£2,000,000	12-May-22	42	0.05%	LOCAL	
Eastleigh Borough Council	£2,000,000	08-Jun-22	69	0.07%	LOCAL	
Moray Council	£2,000,000	22-Aug-22	144	0.20%	LOCAL	
Surrey Heath Borough Council	£2,000,000	15-Jun-22	76	0.10%	LOCAL	
Conwy County Borough Council	£2,000,000	23-Jan-23	298	0.30%	LOCAL	
Folkestone and Hythe District Council	£2,000,000	09-Mar-23	343	0.95%	LOCAL	
North Lanarkshire Council	£2,000,000	21-Dec-22	265	0.85%	LOCAL	
Call Accounts with Notice Period						
Santander	£1,000,000	04-Jul-22	95	0.55%	A	
Lloyds	£1,000,000	04-Jul-22	95	0.03%	A+	
HSBC	£999,500	01-May-22	31	0.72%	A+	
Total Investments	£49,139,500					

The maturity profile of these investments at 31 March 2022, compared to our Treasury Management advisor Arlingclose interest rate forecasts, is shown in the graph below:



External Borrowing

Source	Loan Amount	Maturity Date	Interest Rate	Outstanding Balance as at 31 March 2022
Public Works Loan Board	£1,522,000	08-Apr-40	2.59%	£1,126,280

Chartered Institute of Public Finance and Accountancy (CIPFA) Resilience Index

Cabinet Member for Finance and Commissioning

Date: 21 July 2022
 Agenda Item: 5
 Contact Officer: Anthony Thomas
 Tel Number: 01543 308012
 Email: Anthony.thomas@lichfielddc.gov.uk
 Key Decision? **NO**
 Local Ward: Full Council
 Members



Audit and Member Standards

1. Executive Summary

- 1.1. The latest CIPFA resilience Index for 2022 shows the Council’s performance compared to a range of measures associated with financial risk.
- 1.2. The timing of the release of the index followed the release of Department for Levelling Up, Housing and Communities (DLUHC) statistics (i.e. Revenue Outturn 2020-21 on 27th January 2022).
- 1.3. The data compares the Council to nearest statistical neighbours and all District Councils.

2. Recommendations

- 2.1. The Committee note the results of the CIPFA Resilience Index for 2022.

3. Background

- 3.1. CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management and provide a common understanding within a Council of their financial position.
- 3.2. The Index shows a Council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over a number of years, public consultation and technical stakeholder engagement.
- 3.3. The index is designed to support and improve discussions surrounding local authority financial resilience by showing a Council’s performance against a range of measures associated with financial risk.
- 3.4. There are eight indicators of financial stress for District Councils and these are explained below (the Assistant Director - Finance and Commissioning’s commentary on specific indicators is shown in red):

Indicators of Financial Stress	Explanation of the Indicator	What does each Indicator show
Reserves sustainability measure	How long an authority’s reserves will last if they continue drawing them down at the same rate	This measure shows the ratio of the current level of reserves and the average change in reserves in the past three years. The longer an authority’s reserves will last, the less risk – reductions may also be due to planned reductions such as use to fund capital expenditure
Level of reserves	Earmarked + unallocated general reserves	Lower levels of reserves imply higher risk
Change in reserves	Percentage change in reserves over the past three years	Negative changes imply higher risk – reductions may also be due to planned reductions such as use to fund capital expenditure

Gross external debt	Level of gross external debt	The higher the gross debt level, the higher the risk – high debt results in higher fixed debt costs that will need to be serviced from often reducing revenue budgets
Fees and charges	Total fees and charges as a proportion of service expenditure	The higher the ratio the lower the risk (income) - the Council has in theory a greater influence over the level of income through pricing policy
Council tax	Council tax requirement/net revenue expenditure	Higher the ratio the lower the risk (income) - the Council has a greater influence over the level of income through housing growth in the Local Plan and setting the Council Tax
Business rates	Percentage growth in business rates above the baseline	This indicator is based on the level of business income growth the Council has achieved compared to the Government Set Baseline from 2013/14 (uprated annually by inflation). It assesses the level of risk exposure to for instance a Business Rate reset as part of Local Government Finance reform or decline in the local economy. A Business Rate reset would redistribute growth in the wider Local Government Sector primarily to Upper Tier Authorities based predominantly on Adult Social Care and Children’s Services assessed need. The higher the ratio the higher the risk - the greater the risk exposure if there is a Business Rate Reset or decline in the local economy
Auditors VFM assessment	Auditors VFM assessment	In 2018/19 and 2019/20 the External Auditor provided a single VFM assessment. However from 2020/21, the VFM assessment forms part of the Annual Audit Report and is focussed on three areas: <ul style="list-style-type: none"> • Financial sustainability; • Governance and; • Improving Economy, Efficiency and Effectiveness.

3.5. The CIPFA Resilience Index provides comparisons against both nearest statistical neighbours and all District Councils. The nearest statistical neighbours identified are:

South Staffordshire	Hinckley and Bosworth
Hambleton	Broadland
Maldon	Babergh
Melton	Stroud
South Ribble	Mendip
Staffordshire Moorlands	Stafford
Mid Devon	

3.6. The results of the last three CIPFA Resilience Index statistical releases are shown in the table below compared to nearest statistical neighbours and all District Councils:

Indicators of Financial Stress	Nearest Neighbours			District Councils		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Reserves sustainability measure	Medium Risk	Medium Risk	Medium Risk	Lower Risk	Lower Risk	Medium Risk
Level of reserves	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Medium Risk
Change in reserves	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Lower Risk
Gross external debt	Lower Risk	Lower Risk	Medium Risk	Lower Risk	Lower Risk	Lower Risk
Fees and charges	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Medium Risk
Council tax	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Lower Risk
Business rates	Higher Risk	Higher Risk	Lower Risk	Higher Risk	Medium Risk	Medium Risk
Auditors VFM assessment	Unqualified	Unqualified	No risks or significant weaknesses identified in all three areas	Unqualified	Unqualified	No risks or significant weaknesses identified in all three areas

3.7. There is further commentary and explanation provided for those indicators where the Council is shown as medium or higher risk:

Indicators of Financial Stress	Commentary
Reserves sustainability measure	<p>Trend:</p> <ul style="list-style-type: none"> • Nearest Neighbours = stable at medium risk. • District Councils = increase to medium risk in 2020/21. <p>Reserves are an important element of financial resilience, however reserve figures for the 2022 Resilience Index cannot be taken at face value in the same way they might have been in the past due to COVID. This is especially true of this measure, where the use of reserves will have been dependent on the level of COVID impact on each individual Council's expenditure and income.</p>
Level of reserves	<p>Trend:</p> <ul style="list-style-type: none"> • Nearest Neighbours = stable at lower risk. • District Councils = increase to medium risk in 2020/21. <p>It is likely that the different levels of risk are because nearest statistical neighbours have relatively lower levels of reserves compared to the wider group of all District Councils.</p>
Gross external debt	<p>Trend:</p> <ul style="list-style-type: none"> • Nearest Neighbours = increase to medium risk in 2020/21. • District Councils = stable at lower risk. <p>This shows the level of debt (borrowing and finance leases) and given the Council is reducing its debt level, the move to medium risk is more likely to reflect nearest neighbours reducing their levels of debt at a faster pace.</p>
Fees and charges	<p>Trend:</p> <ul style="list-style-type: none"> • Nearest Neighbours = stable at lower risk. • District Councils = increase to medium risk in 2020/21. <p>The Councils ratio, of fees and charges to service expenditure, has reduced in 2020/21 due predominantly to reductions in car parking income. This will have had an impact on the Councils position relative to all District Councils where some will be less reliant on income from fees and charges.</p>
Business rates	<p>Trend:</p> <ul style="list-style-type: none"> • Nearest Neighbours = reduction to lower risk in 2020/21. • District Councils = stable at medium risk. <p>To manage inherent business rate related risks, the Medium Term Financial Strategy assumes only a proportion of business rate growth is retained by the Council.</p>

Alternative Options	No alternative options.
Consultation	The Chief Financial Officer is provided with a pre-release version to check the information is correct prior to publication.
Financial Implications	The CIPFA Resilience Index is part of the CIPFA Financial Management Code and informs the Chief Financial Officer's Section 25 Report on the level of reserves as part of the Medium Term Financial Strategy.
Approved by Section 151 Officer	Yes

Legal Implications	No specific legal implications.
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	The MTFS underpins the delivery of the Strategic Plan.
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Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
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Crime & Safety Issues	There are no additional Crime and Safety Issues.
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Environmental Impact	There are no additional environmental impacts.
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GDPR/Privacy Impact Assessment	There are no additional GDPR/Privacy Impact Assessment impacts.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	If compliance with the CIPFA Financial Management Code is not demonstrated, the Council's financial sustainability could be brought into question which in turn could result in a negative impact on its reputation with stakeholders.	Likelihood : Yellow Impact : Red Severity of Risk : Yellow	<p>The Finance Team contains experienced qualified Accountants and Accounting Technicians who are required to undertake regular Continuing Professional Development in line with the requirements of their qualifications.</p> <p>The Council has a strong, effective Leadership Team supported by experienced officers.</p> <p>There is also the role played by both Internal and External Audit both of which offer challenge and ensure compliance with laws and regulations (the challenges presented by COVID-19 on capacity and priorities are also having to be considered).</p>	Likelihood : Green Impact : Yellow Severity of Risk : Green

Background documents The CIPFA Financial Management Code – Audit and Member Standards Committee 12 November 2020 CIPFA Resilience Index – Audit and Member Standards Committee 22 July 2021.

Relevant web links

INTERNAL AUDIT QUARTER 1 PROGRESS REPORT



Cabinet Member for Finance & Commissioning

Date: 21 July 2022
 Agenda Item:
 Contact Officer: Andrew Wood
 Tel Number: 01543 308030
 Email: andrew.wood@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 Quarterly Progress Report for the quarter ending 30 June 2022 (**Appendix 1**).

2. Recommendations

- 2.1 To note Internal Audit’s Quarterly Progress Report, including results for the quarter to 30 June 2022.

3. Background

- 3.1 This report comprises Internal Audit’s progress report for the period to 30 June 2022 (to Quarter 1) (**Appendix 1**).
- 3.2 Quarter 1 audit work performance has identified that 10% of the Audit Plan has been completed against profiled completion of 22.5%. There have been a number of factors which have impacted on the delivery of audits. Attributable factors include; ongoing completion of audits from the previous year 2021/22, grant assurance work (Test & Trace Support payments, Energy Rebates, Rough Sleeper Initiative and Protect & Vaccinate).
- 3.3 As Committee will be aware and reported in November 2021, we procured both a general auditor (TIAA) and IT auditor services (E-tec). TIAA’s contract with the Council ended in March 2022 and we are currently procuring further resources via a NHS Framework Agreement. E-Tec are currently providing a second years IT Audit Plan as agreed by this committee in April 2022. The progress against the current plan is reflected in **Appendix 1**.
- 3.4 The Audit Plan continues to be reviewed and takes into account the maintenance of audit standards and compliance with Public Sector Internal Standards requirements it is anticipated that that we will complete 90% of the plan by 31 March 2023.
- 3.5 Due to the current vacancies and organisational change being undertaken within the Council there is a risk that we will not fully complete the anticipated plan for 2022/23. The Audit Manager will work with senior management and continue to review current work plans to ensure that completion of the audit plan against target is achieved and will provide updates to Committee and liaise with the Assistant Director Finance & Commissioning (Section 151).

Alternative Options	N/A
Consultation	N/A
Financial Implications	The audit service has been delivered within budget during the year.

Approved by Section 151 Officer	Approved
Legal Implications	None
Approved by Monitoring Officer	Approved.
Contribution to the Delivery of the Strategic Plan	Delivery of the audit plan contributes to all aspects of the District Council's Strategic Plan.
Equality, Diversity and Human Rights Implications	No equality, diversity or human rights implications arising from this report.
Crime & Safety Issues	None arising.
Environmental Impact	None arising.
GDPR/Privacy Impact Assessment	None required.

Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A Significant / high risk systems of internal control fail and go undressed. Audit Manager	Likelihood: Yellow Impact: Red Severity: Red	The audit planning process ensures that audit resources are directed to areas of most significant /highest risk.	Likelihood: Green Impact: Yellow Severity: Yellow
B Failure to complete the Audit Plan for 2022/23 due to organisational change and management vacancies. Leading to the failure by Audit Manager to provide an audit opinion at the end of financial year.	Likelihood: Yellow Impact: Red Severity: Red	Regular management meetings with Section 151 Officer to discuss plan arrangements. Review of Audit Plan and reporting of material changes to Senior Management and Audit & Member Standards Committee.	Likelihood: Green Impact: Yellow Severity: Yellow

Background documents	Audit Plan and Charter approved by Audit & Member Standards Committee 20 April 2022.
Relevant web links	

Appendix 1

Internal Audit Progress Report (To Quarter 1)
July 2022



Contents

01 Introduction

02 Internal Audit Work Undertaken

03 Opinion

04 Follow Up

05 Performance of Internal Audit

Appendices

01 Summary of Internal Audit Work Undertaken

02 Assurance and Recommendation Classifications

If you have any questions about this report, please contact Andrew Wood, Audit Manager andrew.wood@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, re-interpretation, amendment and/or modification.

01 INTRODUCTION

BACKGROUND

This report summarises internal audit activity and performance for the period to 30 June 2022.

SCOPE AND PURPOSE OF INTERNAL AUDIT

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

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

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

ACKNOWLEDGEMENTS

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

02 INTERNAL AUDIT WORK UNDERTAKEN

The internal audit plan for 2022/23 was approved by the Audit & Member Standards Committee in April 2022. The plan is for a total of 20 audits.

Quarter one work has been centred on completing the remaining audits from the 2021/22 audit plan, grant assurance work, committee reports and risk management work. Performance indicators (Section 05) show there is a reduced coverage of the plan during quarter one (10% achieved against a profiled 22.5%) Historically quarter 1 coverage is low, attributable factors include reduced availability of staff (final accounts, Covid related work, other work priorities, staff leave etc.) and implementing new system processes/ changes delaying audit commencement.

The contract with TIAA has now concluded and we are reviewing the current audit resource with the prospect of looking to ensure resources are available using a NHS Framework Agreement.

IT Audit provision is currently being provided by E-Tec Business Services and the planned work is currently in progress as outlined below. Performance against internal audits KPI's is at section 05.

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

03 OPINION

SCOPE OF THE OPINION

In giving an opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the council is a reasonable assurance that there are no major

weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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

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

INTERNAL AUDIT OPINION

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

SPECIFIC ISSUES

No specific issues have been highlighted during the period.

FRAUD & IRREGULARITY

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

CONSULTANCY & ADVICE

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters. During the period to 30 June 2022, the following was undertaken:

- Attending homelessness review panel
- Review of changing place agreement
- Review of external funding procedures
- Consultancy on Energy Rebate process
- Test and Trace assurance statement
- Protect and Vaccinate assurance statement
- Beacon Park Investigation Internal Audit Report

04 FOLLOW UP

Internal audit follow up all high priority actions and those arising from no and limited overall assurance, manager's confirmation applies to the rest. There were five high priority recommendations due to be followed up during the period, of which none were implemented (see KPI section 05).

There were no limited or no assurance audits to follow up during the period.

Currently there are 114 outstanding recommendations at 30 June 2022, shown in the table below:

Action Priority Rating	Total Open Actions at 1 April 2022	Actions Raised Since April 2021	Total Overall	Total Closed out at 30 June 2022	Total Open at 30 June 2022	% Implemented in the period
High	5	0	0	0	5	0%
Medium	68	5	73	0	73	0%
Low	34	4	38	2	36	5%

05 PERFORMANCE OF INTERNAL AUDIT

Compliance with professional standards

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

Conflicts of interest

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

Performance of internal audit

Internal audit quality assurance

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

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


Performance Measures

- Complete 90% (profiled 22.5%) of the audit plan – 10%
- 100% Draft reports issued within 6 weeks of start date -100%
- 100% Closure meetings conducted within 5 days of completion of audit work -- 100%
- 100% draft reports to be issued within 10 working days of closure meeting – 100%
- 100% of all high priority actions are implemented at follow up - 0%
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – N/A
- Achieve an average customer satisfaction score of 4 or more – 100% (3 out of 4 CSQ's returned)

APPENDIX 01: SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Procurement	Risk based review covering the adequacy and effectiveness of controls around procurement systems in place across the council, including the work of central Procurement Team and departments.	Q3		
	NNDR	Risk based review of NNDR including assurance over the adequacy of controls around maintenance of systems, recording of data, RV reconciliation and billing/discounts and reliefs.	Q2		
	Housing & Council Tax Benefit	Risk based review of the adequacy of controls surrounding awarding of Housing & Council Tax Benefits to ensure with the correct assessment and awarding of benefit.	Q2		
	Allocations of Awards/ Planning Obligations Section 106	Risk based review of systems in place for the allocation of funding via Section 106 and the compliance with planning obligations.	Q4		
Strategic & Operational Risks	Strategic Risk Register	Risk based review of the adequacy and effectiveness of the controls in place to mitigate the Council's	Q1-Q4		

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		strategic risks.			
	Project Management – Being a Better Council	Programme assurance based review of project management arrangements in place for the delivery of BABC themes and projects. To review methodology used and controls to ensure project delivery.	Q1-Q4		
	Safeguarding	Risk based review of safeguarding arrangements. To review the controls in place and ensure compliance with these controls. Scoping and brief to be discussed and agreed with Safeguarding lead.	Q2		
	Housing Applications	Risk based review of housing applications. To include the review of applications made and ensuring compliance with agreed controls.	Q3		
	Environmental Health – Food Inspections	Risk based review Environmental Health – Food Inspections. To include the review of compliance with national guidelines and legal requirements. To ensure that appropriate arrangements are in place for the inspection of food premises within the District.	Q3		
	Licensing – ex Taxi (other)	Risk based review of controls in place for effective delivery of Council Licensing arrange	Q4		
	Development Management	Risk based review of Development Management Performance to	Q4		


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Performance	include system based review of new systems.			
	Elections	Risk based review of elections processes and in particular financial returns.	Q1		
	Climate Change	Risk based review looking at the Council's preparation to de-carbonisation / climate change agenda.	Q2		
ICT Page 43	Data Protection / GDPR	Risk Based review on Council's Data Protection and GDPR compliance	Q2-4	In progress	
	PCI DSS	Assurance review of PCI DSS compliance			
	IT System Security	Risk based review of Council systems to ensure preparedness and responsiveness to both internal and external threats to the Council's IT infrastructure		In progress	
	IT Disaster Recovery	Risk based of Council's Disaster Recovery arrangements			
Governance, Fraud & Other Assurance	Disabled Facilities Grant	Assurance statement	Q3		
	Covid Grant assurance	Assurance work on Covid-19 grants	Q1 and Q2	<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"> For each grant a policy was developed which was available to applicants. The policy included the background for the grant with the link to government guidance and eligibility criteria. 	 Substantial Assurance No recommendations

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> • Grant schemes were published on the Council's website, social media and direct correspondence to businesses. • Application was via an on-line form which included the required information to confirm eligibility. The application forms were downloaded into a spreadsheet for monitoring and processing. • Evidence was provided, such as financial accounts to verify loss of income/ profit. • Internal checks of eligibility were undertaken against the Council's business rates system to verify rateable values. • Checks were undertaken by the Economic Development Officer and also the Business Analyst (Finance). Anti-fraud/ corruption measures were undertaken using 'Spotlight' the government tool used to assess grant applicants. Internal assurance/ pass/ fail checks were undertaken. • For the High Street Business Growth Grant, a confirmation of the grant awarded was sent to the applicant. The letter was signed by the applicant as agreeing to the terms and conditions. • A grant checklist (High Street Business Growth) was completed and signed as approved by the Interim Director – Economic Growth and Development. 	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>Of a random sample of 3 grants awarded, testing noted the following:</p> <ul style="list-style-type: none"> - Additional Restrictions Grant (High Street Business Growth Grant). A grant application had been revised and additional money had been requested towards the project. A revised grant checklist had not been completed to confirm approval by the Interim Director, Economic Growth and Development. In addition, an invoice had not been received (one month) after the second payment had been made. The invoice confirms that the grant money had been spent in line with the project application. - Additional Restrictions Grant (greater than 51,001). No exceptions. - Additional Restrictions Grant (Leisure and direct supply chain). No exceptions. 	
	Housing Benefit Memorandum of Understanding	Assurance statement to enable the Chief Finance Officer sign off to DWP.	Q4	Work completed and assurance statement submitted	Complete
	Counter Fraud	Work to support the mitigation of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.	Q1-Q4	Ongoing	
	Annual Audit Opinion	Production of the Annual Audit Opinion.	Q2		
	Management and	Management, planning and	Q1-Q4	Ongoing	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Planning	assurance reporting to Leadership Team and Audit & Member Standards Committee.			
	Ad hoc/ Consultancy / Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.	Q1-Q4	Ongoing	
	Risk Management	Supporting the Council's risk management systems.	Q1-Q4	In progress	
	NFI	Compliance with and review of data matches	Q1- Q4	In progress	
Additional Assurance Reviews requested by Management	Protect and Vaccinate	Assurance review to enable sign off by the Chief Executive and S151 Officer		Work completed and assurance statement submitted	Complete
	Test and Trace	Assurance review to enable sign off by the Chief Executive		Work completed and assurance statement submitted	Complete
20/22 Planned Audits finalised	Payroll	Assurance based review on the effectiveness of payroll controls following the transition from Stafford Borough Council to Stoke City Council, the new payroll agency provider.		<p>Overall the audit confirmed that payroll transactions at the Council are being processed accurately, efficiently and with the correct authorisation.</p> <p>The following areas of good practice were identified during the course of the audit:</p> <ul style="list-style-type: none"> • Systems validations are in place to ensure all input data is complete. • Records of hours worked and allowances paid are properly certified prior to payment. • BACS payments are authorised by Finance. • There is adequate budget monitoring by Finance and budget holders. 	 <p>H-0 M-3 L-2</p> <p>Reasonable Assurance</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> • Robust access permissions have been established to prevent unauthorised access within the system. • Via the SLA with SCC adequate contingency arrangements are in place to ensure continuity of payroll. • The Council maintains a Retention of Documents Schedule which clearly lays out both the period of retention and the reason why, i.e. Legal, Audit, Commercial. <p>Some areas for improvement were identified. The checklists which provide guidance for payroll processing tasks require updating with reference to the new system. Variations to payroll data are processed by the Senior HR Advisor who also checks and confirms all transactions have been correctly actioned, no other officers are involved to provide segregation. Additional training should be provided to other HR officers in the absence of the Senior HR Advisor. The View Leaver Report run within MyView did not list all leavers, this could be a software or training issue. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p>	

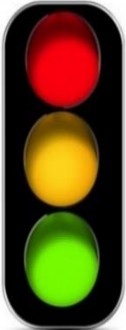
Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Debtors	Risk based review covering the adequacy and effectiveness of controls around debtors, including account set up / amendment, invoice requisitioning, invoicing, fees and charges and recovery. To accommodate the change to the new Civica Financials Live financial system.		<p>The Debtors System is designed with controls in place to mitigate the major risks and which were found to be adequate and effective. Civica Financials was introduced in October 2021. Training was provided to staff and a suite of guidance notes developed. Testing noted that invoices raised were agreed back to source documentation, including Service Level Agreements, Leases, Price lists etc. Invoices, credit notes and refunds were independently requested and processed by the Corporate Recovery Team. There had been no write offs processed since October 2021. Income received through the E-payments system had been correctly and promptly allocated against the debt. A review of the suspense account noted a current balance of £1220.23 relating to 5 recent receipts dating between September 2021 and March 2022. Debtor reconciliations are completed automatically within the Civica system.</p> <p>Some weaknesses in control were found. A Corporate Debt Policy is in draft format and requires review and finalisation. Due to Covid and related tasks, such as grant administration, debt recovery action has been limited. In addition, debt reporting to Managers has not been completed since September 2021. The debtors reconciliation at March 2022 is showing a variance that requires</p>	 <p>H-0 M-3 L-2</p> <p>Reasonable Assurance</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				investigating. Finally from the sample tested, there were some delays in raising invoices after the service/ supply was provided. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.	

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.

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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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Public Sector Internal Audit Standards / Quality Assurance & Improvement Programme



Cabinet Member for Finance & Commissioning

Date: 21 July 2022
 Agenda Item:
 Contact Officer: Andrew Wood
 Tel Number: 01543 308030
 Email: andrew.wood@lichfielddc.gov.uk
 Key Decision? **No**
 Local Ward **Full Council**
 Members

**Audit and
Member
Standards
Committee**

1. Executive Summary

- 1.1 To report to the Audit & Member Standards Committee on Internal Audit’s compliance with the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance & Improvement Programme (QAIP). In addition, a summary will be provided in respect of the External Quality Assessment that will be required to be completed during 2022/2023.

2. Recommendations

- 2.1 That the Committee notes Internal Audit’s compliance with the PSIAS (Appendix 1) and the QAIP (Appendix 2).

3. Background

- 3.1 The PSIAS has been in place since April 2013. Internal Audit’s compliance with the PSIAS is required under the Accounts & Audit Regulations 2015. The PSIAS require that Internal Audit comply with professional best practice and assess themselves against the requirements on an annual basis and that an External Quality Assessment (EQA) should be completed at least every 5 years.
- 3.2 An EQA was last completed in 2017 and was reported to this Committee. The next EQA is due during 2022/2023. The Audit Manager (Shared Service) is currently reviewing the current providers of the EQA service; Robin Pritchard, Institute of Internal Auditors and CIPFA to undertake a procurement exercise. The EQA costs will be shared with Tamworth Borough Council and it is expected that due to economies of scale this will provide savings to both Councils. The results of the EQA will be reported to Audit & Member Standards Committee with any appropriate action plans and recommendations included. The results of the EQA will then be fed into the QAIP for 2023/2024.
- 3.3 As required for the annual self-assessment, Internal Audit operations have been reviewed by the Shared Audit Manager against the standards as specified in the code. An overview of current compliance with the PSIAS is attached at **Appendix 1** which shows Internal Audit operations as being compliant with this code.

- 3.4 Part of the requirement of the PSIAS is for the Shared Audit Manager to develop a QAIP. Under the QAIP, quality should be assessed at both an individual audit engagement level as well as a broader operational level. A well-developed QAIP is to ensure that quality is built in to, rather than on to, the way Internal Audit operates.
- 3.5 The QAIP should conclude on the quality of the Internal Audit activity and lead to recommendations for appropriate improvements. It is an evaluation of:
- conformance with Definition of Internal Auditing, the Code of Ethics and the Standards;
 - the adequacy of the Internal Audit activity’s charter, goals, objectives, policies and procedures;
 - the contribution to the organisation’s governance, risk management and control processes;
 - completeness of coverage of the entire audit universe;
 - compliance with applicable laws, regulations, and government or industry standards to which the Internal Audit activity may be subject;
 - the risks affecting the operation of the Internal Audit activity itself;
 - the effectiveness of continuous improvement activities and adoption of best practices; and
 - whether the Internal Audit activity adds value, improves the organisation’s operations, and contributes to the attainment of objectives.
- 3.6 Attached as **Appendix 2** is the Quality Assurance & Improvement Programme (QAIP). No actions have been carried forward from last year’s QAIP and no further actions have been identified this year.
- 3.7 A recent CIPFA publication identified the ‘untapped potential’ in relation to the provision of Internal Audit and its role in supporting public service organisations to achieve their goals and corporate objectives. The findings of the report were gained from a sample of over 800 respondents and in summary the conclusions are identified below;
- Agility around the delivery of services, especially in respect of adapting to global trends and areas of risk;
 - Use of technology in service delivery;
 - People focussed with changes in demographics;
 - Climate change and carbon reduction initiatives;
 - Increasing financial pressures; and
 - Demonstrating stewardship of public funds.

Internal Audit provides independent assurance which requires the relevant level of resources and also the relevant capacity and capability to deliver. The EQA provides an overview of these arrangements. In addition, Internal Audit need to work in conjunction and support the governance, risk, control and assurance frameworks. These requirements are constantly evolving and a professional team of auditors enables this provision.

Alternative Options	None.
Consultation	The Council’s Section 151 Officer has been consulted on the PSIAS and QAIP.
Financial Implications	None, EQA from existing budgets.

Approved by Section 151 Officer	Approved.
Legal Implications	None identified.
Approved by Monitoring Officer	Approved
Contribution to the Delivery of the Strategic Plan	Delivery of an effective internal audit contributes to all aspects of the Council's Strategic Plan.
Equality, Diversity and Human Rights Implications	None arising.
Crime & Safety Issues	None.
Environmental Impact	None.
GDPR/Privacy Impact Assessment	None required.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	<p>Significant / high risk of non compliance with the PSIAS which leads to non compliance with the Accounts & Audit Regulations.</p> <p>Audit Manager (Shared Service)/ Assistant Director Finance & Commissioning – Section 151 Officer</p>	<p>Likelihood: Green Impact: Red Severity: Red</p>	<p>Regular review of the QAIP to ensure full compliance with the PSIAS.</p> <p>External Quality Assessment against the standards every 5 years and annual self-assessment.</p>	<p>Likelihood: Green Impact: Yellow Severity: Yellow</p>

Background documents	Public Sector Internal Audit Standards
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Relevant web links	<p>https://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards</p> <p>https://www.cipfa.org/services/networks/better-governance-forum/internal-audit-documentation/internal-audit-untapped-potential</p>
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Public Sector Internal Audit Standards Compliance Overview

Mission Statement, Definition of Internal Auditing and Code of Ethics

Mission Statement & Definition of Internal Auditing



Integrity



Objectivity



Confidentiality



Competency









Performance Standards

1000 – 1322 Attribute Standards




1000 – 1110 Purpose, Authority and responsibility

Purpose, Authority, and Responsibility	
Recognising Mandatory Guidance in the Internal Audit Charter	








1110 – 1130 Independence and Objectivity

Organisational Independence	
Independence and Objectivity	
Direct Interaction with the Board	
Chief Audit Executive Roles Beyond Internal Auditing	
Individual Objectivity	
Impairment to Independence or Objectivity	

1210 – 1230 Proficiency and Due Professional Care

Proficiency	
Due Professional Care	
Continuing Professional Development	

1300 – 1322 Quality Assurance and Improvement Programme (QAIP)

Quality Assurance and Improvement Programme (QAIP)	
Requirements of the Quality Assurance and Improvement Programme	
Internal Assessments	
External Assessments	
Reporting on the Quality Assurance and Improvement Programme	
Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	
Disclosure of Non-conformance	


2000 – 2600 Performance Standards

2000 – 2060 Managing the Internal Audit Activity



Managing the Internal Audit Activity	
Planning	
Communication and Approval	

Resource Management	
Policies and Procedures	
Coordination	
Reporting to Senior Management and the Board	






2070 External Service Provider and Organisational Responsibility for Internal Audit

External Service Provider and Organisational Responsibility for Internal Audit	






2100 – 2130 Nature of Work

Nature of Work	
Governance	
Risk Management	
Control	








2200 – 2240 Engagement Planning

Engagement Planning	
Planning Considerations	
Engagement Objectives	
Engagement Scope	
Engagement Resource Allocation	
Engagement Work Programme	

2300 – 2340 Performing the Engagement

Performing the Engagement	
Identifying Information	
Analysis and Evaluation	
Documenting Information	
Engagement Supervision	

2400 – 2440 Communicating Results

Communicating the Results	
Criteria for Communicating	
Qualities of Communications	
Errors and Omissions	
Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"	
Engagement Disclosure of Non-conformance	
Disseminating Results	

2450 Overall Opinions

Overall Opinions	
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2500 Monitoring Progress

Monitoring Progress



2600 Communicating the Acceptance of Risks

Communicating the Acceptance of Risks



Appendix 2

Internal Audit Quality Assurance & Improvement Programme

1 Introduction

Internal Audit's Quality Assurance Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders (the Board, Senior Management, the External Auditor and Operational Managers etc) that Internal Audit:

- conforms with the Definition of Internal Auditing, the Code of Ethics and the Standards;
- has an adequate Internal Audit Activity's Charter, Goals, Objectives, Policies and Procedures;
- contributes to the organisations governance, risk management and control processes;
- has complete coverage of the audit universe;
- complies with applicable laws, regulations and other standards that the internal audit activity may be subject to;
- has identified the risks affecting the operation of the internal audit activity itself;
- has an effective continuous improvement activity in place and adopts best practice; and
- adds value to improve the organisations operations and contributes the attainment of the organisations objectives.

The Chief Audit Executive (CAE), who at the Council is the Shared Audit Manager with Tamworth Borough Council, is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consultancy and those engagements delivered by a third party. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

The QAIP is reviewed on an annual basis.

2 Internal Assessments

Internal Assessments are made up of both ongoing reviews and periodic reviews.

Ongoing reviews

Ongoing reviews provide assurance that the processes in place are working effectively to ensure that quality is delivered on an audit by audit basis. This includes continuous monitoring of:

- Engagement planning and supervision (preapproval of the audit scope, innovative best practices, budgeted hours, and assigned staff).
- Standard working practices (including working paper procedures, sign off, report review, checklists to ensure that the audit process has been followed).
- Feedback from other clients and stakeholders.
- Analysing performance metrics to measure audit plan completion and stakeholder value.

Periodic reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, the quality of the audit work and supervision, policies and procedures supporting the internal audit activity, the added value to the organisation and the achievement of performance standards.

Periodic assessments will be conducted through:

- Working paper reviews for conformance to the definition of Internal Auditing, the Code of Ethics, the Standards, and internal audit policies and procedures
- Self-assessment of the internal audit activity with objectives established as part of the QAIP components – Governance, Professional Practice and Communication

- Review of internal audit performance measure and benchmarking of best practices. Periodic activity and performance reporting to the board and other stakeholders as deemed necessary.
- Annual self-review of conformance to the PSIAS.

The periodic self assessment should identify the quality of ongoing performance and opportunities for improvement and to check and validate the objectives and criteria used in the QAIP. The self assessment will be completed on an annual basis and the results reported to the Board and Senior Management.

3 External Assessment

The External Assessment will consist of a broad scope of coverage that includes the following:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and internal audit's Charter, plans, policies, procedures, practices, and any applicable legislative and regulatory requirements.
- Expectations of Internal Audit as expressed by the Board and Senior Management.
- Integration of the Internal Audit activity into the governance process.
- The mix of staff knowledge, experiences, and disciplines, including use of tools and techniques, and process improvements.
- A determination whether Internal Audit adds value and improves the Council's operations.

An external assessment will be conducted every five years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The format of the external assessment will be agreed with the Board.

4 Assessment scale

The scale to assess the level of conformance of the Internal Audit activity with the standards is as follows:

Generally Conforms/Partially Conforms/Does Not Conform.
(IIA Quality Assessment Manual Scale).

5 Reporting on the Quality Programme

Internal Assessments – reported to the Board and Senior Management on an annual basis. The internal assessment report will be accompanied by a written action plan in response to significant findings and recommendation contained in the report.

External Assessments – reported to the Board and Senior Management. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow up – The CAE will implement appropriate follow up actions to ensure that recommendations made in the reports and action plans developed are implemented in a reasonable timeframe.

Quality Assurance & Improvement Programme			
Ongoing Monitoring of Performance			
Activity	Frequency	Responsibility	Reporting
Review of the audit universe	Annual	Shared Audit Manager	N/A
Identification of risks affecting the operation of the Internal Audit Service	Quarterly	Shared Audit Manager	N/A

Review of audit engagements	Each engagement	Shared Audit Manager / Principal Auditor. Where audit engagements are delivered by a third party, their Quality Review processes will be used, with all final reports requiring sign off from Shared Audit Manager.	N/A
Progress against the audit plan	Quarterly	Shared Audit Manager / Principal Auditor	Quarterly report to Audit & Member Standards Committee
Progress against Key Performance Indicators	Quarterly	Shared Audit Manager / Principal Auditor	Quarterly report to Audit & Member Standards Committee
Discuss performance of internal audit activity	Monthly	Shared Audit Manager and Head of Finance & Procurement	Annual report to Audit & Member Standards Committee
Customer survey/questionnaire	For each engagement	Shared Audit Manager/ Principal Auditor	Annual report to Audit & Member Standards Committee
Review of Internal Audit Charter, policies & procedures	Annual	Shared Audit Manager	Annual report to Audit & Member Standards Committee
Personal Development Review	Annual	Appropriate line manager	Documentation to HR
Continuous improvement activity and adoption of best practice	Continuous	Shared Audit Manager / Principal Auditor	Annual report to the Audit & Member Standards Committee
Identification of added value to the authority's operations	Continuous	Shared Audit Manager / Principal Auditor	Annual report to the Audit & Member Standards Committee
Periodic Self Assessments			
Self assessment against the Public Sector Internal Audit Standards (PSIAS)	Annual	Shared Audit Manager	Annual report to the Audit & Member Standards Committee
Compliance with applicable laws, regulations and other standards that the	Continuous review	Shared Audit Manager	Report to Audit & Member Standards Committee when applicable

Internal Audit activity may be subject to			
Benchmarking review of Internal Audit Services	When practical	Shared Audit Manager	Report to Audit & Member Standards Committee
External Assessments			
Assessment against the PSIAS	Every 5 years	Shared Audit Manager and external reviewer	Report to the Audit & Member Standards Committee

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Risk Management

Cabinet Member for Finance & Commissioning

Date: 21 July 2022
 Agenda Item:
 Contact Officer: Andrew Wood
 Tel Number: 01543 308030
 Email: andrew.wood@lichfielddc.gov.uk
 Key Decision? No
 Local Ward Full Council
 Members



Audit and 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 Strategic Risk Register was considered by Leadership Team on 22nd June 2022 and is detailed at **Appendix 1** The key changes since the Committee's last risk update (April 2022) are:
 - **SR1** (Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan). The risk has been regular reviewed by Leadership Team and has a rating of 9 (3 Likelihood x 3 Impact) from 6 (2 Likelihood x 3 Impact). Whilst the MTFs was approved, 22nd February 2022 there are ongoing uncertainty over the supply of goods and services and increasing energy costs. This risk will be reviewed monthly by Leadership Team.

This is the only strategic risk that is currently above the Council's risk appetite. However, over time and in response to funding settlements this migrates between being above and below the risk appetite threshold.
 - **SR2** (Resilience of teams to effectively respond to a further serious disruption to services). Leadership Team are currently monitoring the situation and this risk is now more generic in relation to being not specifically focussed on 'Covid-19'.

- **SR3** (Capacity and capability to deliver / adapt the new strategic plan to emerging landscape) Leadership Team are currently monitoring the situation with regards to leavers from the authority. This however now includes areas of Strategic Risk 8 (which has been removed from the register) and is being reviewed via a data driven approach to highlight areas of concern and ensures resources are maintained to deliver Council priorities and services.
- **SR4** (Failure to meet governance and/or statutory obligations e.g., breach of law)). The mitigating controls have been reviewed in respect of the embedding of both Procurement and Governance Teams into the authority. The Council is also transitioning into the provision of a Data Protection Officer employed internally to the Council.
- **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). Leadership Team are monitoring the situation together with **SR2**. The score for this risk has been increased from 4 (L2 x I2) to 6 (L2 x I3). There is an increased risk due to the current geo-political impacts.
- **SR7** (Threat to the Council’s ICT systems of a cyber-attack). This risk has been re-evaluated due to the current geopolitical situation and the perceived risks from ‘state’ players in this area and the impacts encountered by the Council. Due to the robustness of current mitigating actions in place we Leadership Team have re-evaluated this risk and the current score has been decreased from 9 (L3 x I3) to 6 (L2 x I3). However, it has been agreed by Leadership Team to keep this risk under review to ensure that if issues escalate the Council proactively manages this risk.

At the Audit & Member Standards Committee meeting in April 2022, comments were received in relation to the wider possibility of armed conflict which may affect both the country and district. This was discussed and reviewed by Leadership Team, at this time an additional risk was not required.

- **SR8** (Being a Better Council – the Council is not able to deliver the key priorities of the strategic plan) Leadership Team discussed this risk at their meeting on 22nd June 2022. Due to the overarching nature of this risk the mitigating controls were also included with strategic risks **SR2 & SR3** therefore Leadership Team have asked for a rationalised version of the strategic risk register and the removal of this risk.
- Updates to mitigating controls, actions and lines of assurance have been updated on the Register where applicable.
- ‘Other Horizon Scanning Risks Arising at June 2022’ (at the end of the register) are risks which are not strategic risks currently, but that need a ‘watching brief’ have been reviewed and updated.

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

3.5 The Council’s 8 strategic risks at June 2022 are shown below:

likelihood				
			SR1	
		SR6	SR2, SR3, SR4, SR5, 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.

3.6 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).
- Quarterly update meetings have been scheduled with Heads of Service and Audit Manager (Shared Service).
- 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).
- At this stage, no sub strategic risks need to be escalated to the strategic risk register

Alternative Options	There are no alternative options.
Consultation	Leadership Team receive monthly updates on Strategic Risk Register
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.
Approved by Section 151 Officer	Approved.
Legal Implications	None identified.
Approved by Monitoring Officer	Approved

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	Sound risk management ensuring a consistent and robust approach all equality, diversity and human rights issues and their implications to the Council.
Crime & Safety Issues	None.
Environmental Impact	Risk arising from climate change and the green agenda are considered by management and Leadership Team.
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 law (e.g., Health & Safety, GDPR, procurement, Safeguarding).

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Failure to manage known risks and opportunities proactively. Leadership Team	Likelihood: Green Impact: Red Severity: Red	Strategic risks are closely monitored by the Audit & Member Standards Committee, Cabinet Member and Leadership Team. Reports to Audit & Member Standards Committee provide assurance that active steps are being taken to control risks.	Likelihood: Green Impact: Yellow Severity: Green

Background documents	Risk Management Policy – updated and approved by Audit & Member Standards Committee 11 November 2021.
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Relevant web links	
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Appendix 1: Strategic Risk Register – June 2022

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	SR1 Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan. The risk is influenced by: <ul style="list-style-type: none"> The spending review. Local Government Finance Reform including New Homes Bonus, Business Rates and the Fair Funding Review. Other Government Policy announcements impacting on Local Government such as the Call for Evidence on Business Rates and Procurement Policy Notes. Funding of Council's headline priorities and the shortfall of funding. Inflationary pressures on procurement of services, cost of living/fuel/construction 	16 (L4xI4)	<ul style="list-style-type: none"> Prudent estimates for Business Rates and New Homes Bonus based on modelling provided by Local Government Finance experts. Risk assessed minimum level of reserves set at £1.6m. Routine budget monitoring reported to Leadership Team, Cabinet and Strategic (OS) Committee. Requirements of the new CIPFA Financial Management Code, information contained in the CIPFA Resilience Index and benchmarking reports from LG Futures. Confirmation and Implementation of financial settlement. 	9 (L3xI3)	4 (L2xI2)	<ul style="list-style-type: none"> Update of the Medium Term Financial Strategy Responsibility: Assistant Director Finance & Commissioning will commence in July 2022 and approved February 2023 Outcome of Government Financial Settlement – single year. 	1st Line: <ul style="list-style-type: none"> Approved Medium Term Financial Strategy including the Capital Strategy covering 5 years plus a 25 year capital investment model. A longer term financial plan covering a 25 year horizon for revenue budgets. Approved Treasury Management Strategy. Production of monthly budget reports to Managers. Procurement Strategy
							2nd Line: <ul style="list-style-type: none"> Leadership team review of 3, 6, 8 and 12 month reports to Cabinet and Strategic (OS) Committee. Mid-year and outturn Treasury Management reports to Audit and Member Standards Committee. Initial assessment of LDC's level of compliance with the FM Code to Audit and Member Standards Committee 12/11/2020.

Appendix 1: Strategic Risk Register – June 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
	<p>and replacement fleet vehicles.</p> <p>Owner: Assistant Director - Finance & Commissioning (Section 151)</p>						<ul style="list-style-type: none"> • CIPFA Resilience Index with comparative information to nearest statistical neighbours and all District Councils. • Cabinet and Leadership Team are undertaking work to look at options to address the Funding Gap. <p>3rd Line:</p> <ul style="list-style-type: none"> • External Audit – going concern test and sign off of financial statements 2020/21. Unqualified VFM assessment. • Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income Management 20/21 – reasonable assurance, Procurement 20/21 limited assurance • LGA Corporate Peer Challenge

Appendix 1: Strategic Risk Register – June 2022

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 73	SR2 Resilience of teams to effectively respond to a further serious disruption to services (e.g. multiple layer disruption arising from flooding and other disruptive events). New people into organisation. Owner: Leadership Team	8 (L2x14)	<ul style="list-style-type: none"> • Mutual aid assistance • Local Resilience Forum (LRF). • Tested business continuity arrangements in place. • Strong links with the Staffordshire CCU and wider LRF. • Actively engaged in ongoing Local Resilience Forum response and recovery work streams. • Experienced (from previous waves / national lockdowns re Covid-19) Leadership Team and supporting teams in place to respond. • Clear structure and plan in place for Covid-19 waves. • Strategic and tactical flood planning work across LRF, to assist in our response and the 	6 (L2x13)	6 (L2x13)	<ul style="list-style-type: none"> • Tasks completing and move away from initial Pandemic response, move to Being a Better Council. 	1st Line: <ul style="list-style-type: none"> • Day to day business continuity plans in place. • Training programme.
							2nd Line: <ul style="list-style-type: none"> • Annual Report to Leadership Team. • CCU test of arrangements feedback. • Response and learning from recent incident at Ridware House. • Report on recovery plan Overview & Scrutiny (O&S). • Approval of Climate Change Strategy.
							3rd Line: <ul style="list-style-type: none"> • Internal Audit of business continuity 2019/20 – reasonable assurance, ICT – remote working 20/21 – reasonable assurance. • Flash Covid-19 Risk Assurance Business Continuity, Emergency Planning and

Appendix 1: Strategic Risk Register – June 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 74			multi-agency response to such events. This includes identifying 'at risk' areas in the District and specific actions required.				Recovery 20/21 substantial assurance
							3rd Line: <ul style="list-style-type: none"> 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 External Audit – going concern test and sign off of financial statements 2020/21. Unqualified VFM assessment.
A good council, developing prosperity, shaping place,	SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape. Upcoming pay settlement Of pay claim for 2022/2023.	6 (L2x13)	<ul style="list-style-type: none"> Regular review of progress against delivery plan outcomes and prioritisation process agreed between Leadership Team and Cabinet. 	6 (L2x13)	4 (L2x12)	<ul style="list-style-type: none"> Implementation of Being a Better Council. Commissioned Partner (via ESPO framework) – Lambert Smith Hampton, 	1st Line: <ul style="list-style-type: none"> Day to day business / service planning, financial planning and performance management. Completion of PDRs. 2nd Line:

Appendix 1: Strategic Risk Register – June 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility/ Timescale	3 Lines of Assurance
enabling people	Owner: Leadership Team		<ul style="list-style-type: none"> • Robust project management. • People strategy. • Communications to all staff. • PDRs linked to Strategic and Delivery Plans. • Recruitment activity. • PDR completion leading to identifying training and development needs. • Monitoring resource demands. • Mental health / wellbeing systems in place. • Being a Better Council and implementation of Better Led, Better Equipped. • Upcoming Community Power Strategy to increase capacity to deliver. • Data collection on monthly leavers reviewed by LT. • New Strategic Plan to 2050. 			<p>provision of client side advice (and resource) in a range of areas including Regeneration, Leisure, Housing, Economic Development and Planning – in place and underway.</p> <ul style="list-style-type: none"> • Management oversight and robust project management requirements for delivery of Better Council. 	<ul style="list-style-type: none"> • Delivery Plan reported 6 monthly to Cabinet and shared with Overview & Scrutiny. • Quarterly updates to LT on Belonging and Wellbeing Strategy. <p>3rd Line:</p> <ul style="list-style-type: none"> • Internal Audits of People Strategy and Workforce Development 2019/20 – reasonable assurance, Performance Management 19/20 – substantial assurance. • Inclusion in Audit Plan for reviews against delivery of themes. • LGA Corporate Peer Challenge follow up

Appendix 1: Strategic Risk Register – June 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility/ Timescale	3 Lines of Assurance
A good council	<p>SR4: Failure to meet governance and / or statutory obligations e.g. breach of the law (e.g. Health & Safety, GDPR, procurement, Safeguarding), lack of openness/ transparency in decision making, breach of the constitution. This could lead to fines as well as reputational damage.</p> <p>Subsidy Control Framework and self-assessment risks subject to challenge. Arrangements in process of being developed, requirement to build in operation and awareness training.</p> <p>Risk of failure to retain documentation in a manner to allow both storage and retrieval.</p>	9 (L3x13)	<ul style="list-style-type: none"> Regularly reviewed constitution, policies and procedures. Meta compliance policy training, testing and acceptance systems. Training and awareness for all staff and members. Effective Overview and Scrutiny and Audit & Member Standards Committee oversight. Codes of Conduct. Internal audit. Dedicated Monitoring Officer Roles of Section 151 Officer and Monitoring Officer. Shared legal services. Procurement Team. Governance Team with additional capacity being recruited. Transition to internal DPO. 	6 (L2x13)	6 (L2x13)		<p>1st Line:</p> <ul style="list-style-type: none"> Day to day processes and Local Code of Governance Forward plans/committee work plans/ delivery plan and service planning. Use of Mod Gov and publication scheme. <p>2nd Line:</p> <ul style="list-style-type: none"> Annual reports to Audit and Member Standards Committee. Regular reports to leadership team. Transparency data publication. Completed review of document storage. Procurement Team in place and operating. <p>3rd Line:</p> <ul style="list-style-type: none"> RIPA, ICO and Ombudsman reports/returns. External audit of Annual Governance Statement as part of the financial statements.

Appendix 1: Strategic Risk Register – June 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 77	Owner: Chief Operating Officer		<ul style="list-style-type: none"> Review of document storage and filing systems. Electronic retention of documentation. Sealed documents held in fire proof room. Education and development of Service Managers to support teams with advice and guidance. Meta Compliance training. 				<ul style="list-style-type: none"> 2019/20 – adequate assurance, GDPR follow up 2019/20 – limited assurance, Transparency code follow up Procurement 20/21 limited assurance – follow up. External investigations and lessons learnt exercises to address internal control weaknesses.
	A good council, developing prosperity, shaping place,	SR5: Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area, for example, the UK withdrawal from the European Union / Covid-19 crisis, results in an increase in unemployment, business closures coupled with emergence of higher	9 (L3x13)	<ul style="list-style-type: none"> Financial assistance from Government to businesses and the public (Grants, Test & Trace Support Payments) particularly in terms of furlough scheme end Oct 20, potential further implications for individuals and businesses arising from potential local lockdowns. 	6 (L2x13) was 4 (L2x12)	4 (L2x12)	<ul style="list-style-type: none"> Continued delivery of immediate actions to support high street economy and business (including visitor economy and hospitality sector). Further government support – the Welcome back Fund - received to extend timescales and assist with the reopening of high streets and

Appendix 1: Strategic Risk Register – June 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility/ Timescale	3 Lines of Assurance
Page 78	<p>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.</p> <p>Local Enterprise Partnership review and residual role around support. Ongoing relationship change leading to potential increase in future opportunities.</p> <p>Owner: Leadership Team</p>		<ul style="list-style-type: none"> Prosperity is a key theme in the new Strategic Plan. Economic Development Strategy is in place. Council's effective presence on the Local Enterprise Partnerships. Strong partnership working e.g. Lichfield District Board, Staffs CC, Birmingham Chambers. Burntwood Business Community LGA, DCN, New burdens funding. Partnership influences built into business case considerations. Work with redundancy task force Continue to develop and improve the business contact and relationships locally. Development of Wellbeing indicators at ward level for both activity and response. 			<p>support to local businesses through to March 2022. Additional spend on a variety of projects currently in process of being identified.</p> <ul style="list-style-type: none"> Economic Development, Finance and Revenues and Benefits Services distributing government grants to support businesses impacted by Covid-19 pandemic. 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>3rd Line:</p> <ul style="list-style-type: none"> Internal Audit of Economic Development Partnership Arrangements 2017/18 – adequate assurance, Tourism 2019/20 – reasonable assurance, Housing Benefits – overpayments 2017/18 – adequate assurance, Housing Benefits – verification and performance 2016/17 – substantial assurance, Housing Benefits and Council Tax Relief 20/21 substantial assurance

Appendix 1: Strategic Risk Register – June 2022

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"> • Economic Prosperity Action Plan in place. • Cost of living issues mitigated and offset by Tourism. 			<ul style="list-style-type: none"> • 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. • Council continues to be a member of the County Redundancy Task Group identifying impacts of Covid-19 on local employment levels and particular demographic groups and agreeing responses. Interim Director of Regeneration/LT • Implementation of Being a Better Council – Better Led, Better Equipped and Better Performing. 	

Appendix 1: Strategic Risk Register – June 2022

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"> UKSPF exploring further funding streams with LUF2 	
A good council, enabling people Page 80	SR6: Failure to innovate and build on positives / opportunities / learning arising (including from the Covid-19 situation) to maximise outcomes for the Council, e.g. technological solutions Owner: Leadership Team	9 (L3x13)	<ul style="list-style-type: none"> Refurbishment and reorganisation of office spaces. Cyber security e-learning. Engagement Strategy. Capture best practice Reinforce a culture of innovation. Belonging and Wellbeing Strategy. Virtual committee meetings. Business cases required for all major projects. Drive to find ongoing efficiencies as part of service / financial planning process. Customer promise. 	4 (L2x12)	1 L1x11	<ul style="list-style-type: none"> IT Strategy and options appraisals. 	1st Line: <ul style="list-style-type: none"> ICT hardware replacement programme providing the right equipment for mobile and flexible working. Ongoing monitoring of customer (internal and external) feedback.
							2nd Line: <ul style="list-style-type: none"> Monitoring of Lichfield Connects contact levels, trends and reporting on complaints and compliments to Leadership Team.
							3rd Line: <ul style="list-style-type: none"> Local Government Ombudsman. Flash Covid-19 Risk Assurance Staff Wellbeing 20/21 substantial assurance Flash Covid-19 Risk Assurance Productivity and Governance 21/22 substantial assurance

Appendix 1: Strategic Risk Register – June 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility/ Timescale	3 Lines of Assurance
A good council	<p>SR7: Threat to the Council's ICT systems of a cyber-attack following dramatic increase in remote working which if successful could result in loss of data / loss of access to applications – which may incur fines / reputational damage.</p> <p>Increased number of sophisticated 'phishing' attacks with increased time taken to investigate and remediate. Move away from purely email to other platforms such as 'Teams'.</p> <p>Failure by staff to complete ICT training and the take up of MFA.</p> <p>Owner: Chief Executive</p>	3 (L1xI3)	<ul style="list-style-type: none"> • Use of firewalls and virus protection to manage cyber security, including penetration testing. • Strong access level controls (including remote access). • Training and regular awareness raising to staff of risks. • Digital strategy. • PSN compliance checklist. • Revision of Service Business Continuity Plans. • IT Auditor provision resourced from August 2021. • Adoption of multi-factor authentication. • Development of monthly reports from software 	6 L2xI3 Was 9 (L3xI3)	2 (L1xI2)	<ul style="list-style-type: none"> • 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. • Review mandatory training requirements. • Reminder to staff to complete training and 	<p>1st Line:</p> <ul style="list-style-type: none"> • Day to day operation of ICT Training programme for all staff. • Up to date versions of software and implement all IT security patches. • Awareness Training/Meta Compliance. • Maintenance of PSN Compliance.
							<p>2nd Line:</p> <ul style="list-style-type: none"> • Regular monitoring and reporting on security issues to Leadership Team. • External penetration testing. • Full Council wide adoption of multi-factor authentication.

Appendix 1: Strategic Risk Register – June 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility/ Timescale	3 Lines of Assurance
Page 82			supplier for follow up of staff not completing mandatory ICT training.			awareness. Re-run Awareness Training/Meta Compliance • Completion of PSN Compliance checklist	3rd Line: <ul style="list-style-type: none"> ICT Audit Procurement to review risk environment. ICT Audit Needs Assessment completed. Review of Microsoft 365 2021/22 IT Remote Access 2021/22 IT Website 2021/22. Increase in the amount of IT Audit days from 20 to 40 for 2022/23.
							2nd Line: <ul style="list-style-type: none"> Regular monitoring of delivery targets by Programme Board to deliver themes.
							3rd Line: <ul style="list-style-type: none"> Inclusion in Audit Plan for reviews against delivery of themes. LGA Corporate Peer Challenge follow up

Key to 3 lines of assurance:	
1st Line	Day to day operations of internal control systems

Appendix 1: Strategic Risk Register – June 2022

2 nd Line	Management oversight and monitoring controls
3 rd Line	Independent assurance from Internal / external audit and other independent assurance sources (e.g. HSE, BFI)

Other Horizon Scanning Risks Arising June 2022:	
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 Council activities via the Government’s legislative timeframes and planning activities arising from the Planning Bill detailed in the Queen’s Speech.	
Risks arising from staff leaving key posts including retention and recruitment, review at June 2022 meeting.	
Elections review by Association of Electoral Administrators (AEA) and challenge around legislation in the reduction of time for provision of elections (Voter Registration no guidance until November 2022).	
To balance the delivery of service specific objectives against the priorities and demands from Members/Cabinet to ensure continued alignment with Strategic Plan.	
Legal Shared Service – capacity and resilience	
Disabled Facilities Grants	
Impact of withdrawal of government support measures (furlough), Universal Credit and implications for businesses and residents.	
Impact of current geopolitical situation in terms of global unrest and conflict	
Impact of Ukraine families within the District and potential claims for homelessness, failure of scheme	

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AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2022/23

Item	21 July 2022	21 Sept 2022	30 Nov 2022	2 Feb 2023	23 Mar 2023	19 April 2023	Comments
FINANCE							
Annual Treasury Management Report	√						
Mid-Year Treasury Management Report			√				
Accounting Policies and Estimation Uncertainty						√	
Statement of Accounts		√*	√*				*Dependent on when External Auditors complete the audit and issue their opinion. The deadline for 2021/22 accounts is 30 November. It is proposed that this will change to 30 September 2022 for the financial years 2022/23 to 2027/28 to match the next External Audit contract period.
Treasury Management Statement and Prudential Indicators				√			
Audit & Member Standards Committee Practical Guidance*							*Only relevant if there is updates to guidance so may not be needed
CIPFA Financial Management Code*							*Only relevant if there is updates to guidance so may not be needed
CIPFA Resilience Index	√						
Local Audit Update*							*Only relevant if there is updates to guidance so may not be needed
Overview of the Council's Constitution in respect of Contract and Financial Procedure Rules*							*Only relevant if there is updates to guidance so may not be needed
Annual report on Exceptions and Exemptions to Contract Procedure Rules 2021/22	√*						*Will be circulated as a briefing paper
INTERNAL AUDIT							
Chair of the Audit Committee's Annual Report to Council						√	
Annual Report for Internal Audit (including year-end progress report)						√	
Internal Audit Plan, Charter & Protocol 2023/24						√	

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2022/23

Internal Audit Progress Report	√		√	√		*	*Included in the 'Annual Report for Internal Audit'
Review of the Effectiveness of the Audit & Member Standards Committee						√	
Quality Assurance and Improvement Programme /Public Sector Internal Audit Standards	√						
Risk Management Update	√		√	√		√	
Counter Fraud Update Report including Counter Fraud & Corruption/Whistleblowing/Anti-Money Laundering/ Prevention of Tax Evasion Policies			√				
GOVERNANCE & PERFORMANCE							
Annual Governance Statement						√	
GDPR/Data Protection Policy			√				
Annual Report of the Monitoring Officer – Complaints		√					Potentially circulated as a briefing paper
The Annual letter for Lichfield District Council from the Local Government Ombudsman			√				Potentially circulated as a briefing paper
RIPA reports policy and monitoring		√					
Terms of Reference							
EXTERNAL AUDITOR							
Audit Findings Report for Lichfield District Council 2021/2022		√*	√*				*This will depend on when the External Auditors complete the audit and issue their opinion. The deadline for 2021/22 accounts is 30 November 2022.
The Annual Audit report for Lichfield District Council for 2021/22			√				
Audit Plan (including Planned Audit Fee 2022/23)						√	
Informing the Audit Risk Assessment - Lichfield District Council						√	
Audit Committee LDC Progress Report and Update – Year Ended 31 March 2023				√			

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2022/23

Private meeting with the Internal and External Auditors		√		√		√	

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