

# Public Document Pack

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**District Council House, Frog Lane  
Lichfield, Staffordshire WS13 6YU**

Customer Services 01543 308000  
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Tuesday, 22 November 2022

Dear Sir/Madam

## **AUDIT AND MEMBER STANDARDS COMMITTEE**

A meeting of the Audit and Member Standards Committee has been arranged to take place **WEDNESDAY, 30TH NOVEMBER, 2022 at 6.00 PM IN THE COMMITTEE ROOM** District Council House, Lichfield to consider the following business.

Access to the Committee Room 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, M Wilcox and Sohal (External Auditor)



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## AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of the Previous Meeting 3 - 6
4. **Mid-Year Treasury Management and Local Audit Update Report** 7 - 26  
*(Report of the Assistant Director Finance & Commissioning)*
5. **Internal Audit Progress Report** 27 - 132  
*(Report of the Audit Manager)*
6. **Risk Management Update** 133 - 150  
*(Report of the Audit Manager)*
7. **Counter Fraud Update Report including Counter Fraud & Corruption/Whistleblowing/Anti-Money Laundering/ Prevention of Tax Evasion Policies** 151 - 230  
*(Report of the Audit Manager)*
8. **GDPR/Data Protection Policy** 231 - 244  
*(Report of the Compliance and Data Protection Officer)*  
*Appendix B to follow as a supplementary*
9. Work Programme 245 - 248



## **AUDIT AND MEMBER STANDARDS COMMITTEE**

**29 SEPTEMBER 2022**

**PRESENT:**

Councillors Spruce (Chair), Ho (Vice-Chair), Cross, Grange, Robertson and White

Officers in Attendance: Laura Brentnall, Simon Fletcher, Mark Hooper, Will Stevenson, Anthony Thomas, Andrew Wood

Also Present: Kirsty Lees (External Auditor), Councillor Rob Strachan (Cabinet Member for Finance and Commissioning)

**10 APOLOGIES FOR ABSENCE**

There were apologies from councillors Norman, M Wilcox and Silvester-Hall.

**11 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**12 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 21 July 2022, previously circulated, were taken as read and approved as a correct record.

**13 LEADERSHIP TEAM RESPONSE TO QUESTIONS RAISED AT THE PREVIOUS MEETING**

This item follows a request by the committee at the previous meeting to seek follow up answers on several questions. Overall, 6 questions were taken to Leadership Team, reviewed and the formulated responses distributed to members. The committee had also requested the attendance of the Chief Executive to answer and subsequent questions.

Simon Fletcher (Chief Executive) thanked the committee for the invitation and shared their concerns regarding some priority recommendations in the internal audit. He reassured members that these matters were being taken very seriously and that Leadership Team takes a thorough line-by-line approach to scrutinising risk register priority recommendations. Mr Fletcher confirmed that whilst there have been issues recruiting key posts within the organisation, the strategic decision to hold certain positions vacant could now be reduced from a period of 3 months to 1 month. He also confirmed the successful recruitment of a new individual to the talent acquisition role. In responses to member questions, Mr Fletcher confirmed that he was not in favour of relaxing the scheme of delegation and his priority was to fill the vacant posts instead.

Members highlighted that last year, unfinished items were subsequently pushed into this year's Audit Plan and hoped that this would not be repeated this year. Andrew Wood (Audit Manager) said he was optimistic and estimated that a minimum 90% of the plan will be completed. Whilst Mr Wood could not completely rule out the possibility of an audit that rolls into next year, he was confident in completion being achieved near the start of April 2023. Mr Wood highlighted that at this stage last year, completion was roughly 6%, whereas this year it stands at roughly 22%.

Responding to members questions on recruitment, Anthony Thomas (Assistant Director Finance & Commissioning) cited a general aging of the local government workforce, alongside increased agile working removing the need to work locally, as causing a number of recruitment issues. He noted working conditions and salary as potential incentives to drive recruitment. Beyond that, increased training and development of staff would be an essential step. Mr Fletcher added that approaches to recruitment, such as seeking and acquiring talent rather than waiting for applicants would be key.

Following members questions on the risk management update, Mr Fletcher confirmed this was reviewed thoroughly by Leadership Team. He confirmed that Leadership Team will now be seeing internal audit recommendations more frequently and will be creating star chambers to discuss performance with managers in more depth. Mr Thomas added that the horizon scanning section allows the authority to flag any unforeseen or live risks.

Members expressed concern at the number of amber risks on the register that are close to becoming red. They asked that their hope to see a few of these risk levels reduced in the next update be noted. Members highlighted the importance of the Audit & Member Standards committee as the only form of democratic oversight of the risk register and the responsibility they had to constituents as a result. Mr Fletcher expressed his appreciation of the committee and letters previously received from the Chair. The Chair thanked the Chief Executive for his support.

**RESOLVED:** The committee noted the response from Leadership Team to the questions raised at the previous meeting and were satisfied with the answers received to subsequent questions.

#### **14 RIPA REPORTS POLICY AND MONITORING**

Mark Hooper (Governance Manager & Monitoring Officer) presented the report. He confirmed as part of the annual report to ensure compliance within the code of practice, that no covert surveillance or covert human intelligence sources had been used for the 2021-2022 financial year. Mr Hooper also confirmed there were no uses currently awaiting approval. He explained that the report contained minor changes of policy this year, to increase resilience and account for changing posts. Issues surrounding social media will be addressed in ongoing training.

In response to member questions on the potential usage of these powers in cases of uncollected business rates, Fletcher confirmed that in instances of an open and established business, there was often no need for covert action when a direct approach can be taken much more easily. Mr Thomas added that in council tax cases, a proactive approach is preferred, including contacting residents, establishing payment plans, etc.

**RESOLVED:** The committee noted the RIPA monitoring report for the 2021-2022 financial year and approved the updates to the Corporate Policy and Procedure for RIPA as set out in Appendix 1 of the report.

#### **15 VERBAL UPDATE ON THE AUDIT FINDINGS REPORT FOR LICHFIELD DISTRICT COUNCIL 2021/2022**

The verbal update was given by Kirsty Lees (External Auditor). She confirmed that the Audit Findings Report for Lichfield District Council 2021/2022 was close to completion, though highlighted issues in utilising the new ledger provided by a third party. She understood that the Finance Team have struggled with recruitment and retention of staff but wanted to express thanks for their continued support in responding to queries and providing required information. Ms Lees confirmed that the report will be presented at a special committee on 23rd of November. She confirmed that she had written to the Chair, informing him of the report being

delayed. She had been informed at the start of September that the pension audit was on track to be completed on time.

Members requested an additional update be added to the agenda of November 30th, to discuss the impact of the OBR report due to be published shortly before this meeting.

**RESOLVED:** The committee noted the information and thanked the External Auditors for the verbal update.

## **16 WORK PROGRAMME**

**RESOLVED:** Members noted the contents of the work programme for the 2022/23 year.

## **17 EXCLUSION OF PUBLIC AND PRESS**

**RESOLVED:** “That as publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted, the public and press be excluded from the meeting for the following items of business, which would involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972”

IN PRIVATE

## **18 JOINT VENTURE**

Mr Fletcher and Mr Thomas provided the committee with a verbal update on the proposed joint venture to deliver a cinema for Lichfield. Responding to members questions on the timescale of these plans, Mr Thomas anticipated the plan would go to cabinet in October, before going to council later that month.

**RESOLVED:** The committee noted the information and thanked Mr Fletcher and Mr Thomas for the verbal update

(The Meeting closed at 6.56 pm)

CHAIR

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# Mid-Year Treasury Management and Local Audit Update Report

Cabinet Member for Finance and Commissioning

Date: 30 November 2022  
Agenda Item:  
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 projected mid-year (30 September 2022) Treasury Management performance in 2022/23 and provides an update on the recent Public Sector Audit Appointments procurement.
- 1.2 Capital expenditure is projected to be **£11,572,000** and this is **(£271,000)** lower than the Approved Revised Budget of **£11,843,000**.
- 1.3 There is projected to be **(£1,074,000)** capital receipts received in 2022/23 compared to the Approved Budget of **(£880,000)**. The increase is related to the Council's share of Right to Buy receipts based on the latest projections provided by Bromford Housing Association.
- 1.4 The funding of the Capital Programme in 2022/23 reflects the projected expenditure of **£11,572,000**.
- 1.5 The Capital Financing Requirement (Borrowing Need) and its financing is projected to be in line with the Approved Budget.
- 1.6 Minimum Revenue Provision at **£429,204** is projected to be lower than the budget of **£460,000** by **(£31,000)** due to the finance lease element being lower than budgeted.
- 1.7 The Balance Sheet projections indicate:
  - Total assets less liabilities are projected to be **£20,095,000** higher than the budget principally due to the reassessment of the pension long term obligation by the Actuary at 31 March 2022.
  - Usable reserves are projected to be **£631,000** lower than budget due principally to lower than projected general reserves.
  - Unusable reserves are projected to be **(£20,726,000)** lower than budget due principally to the projected increase in the statutory Pension Reserve to offset the increase in the pension obligation.
  - Investment balances at the 31 March 2023 will be **£37,554,000** and these are **£6,618,000** higher than the Original Budget of **£30,936,000**. This is due to a higher level at 31 March 2022 and higher than projected level of unapplied grants and earmarked reserves that is offset by lower than projected working capital in 2022/23.
- 1.8 The Council was required to approve an Investment Strategy Report for 2022/23 to comply with the requirements of statutory guidance issued by the Government in January 2018. This report focuses on Treasury Management investments as well as how the authority invests its money to support local services and earns investment income from commercial investments. Monitoring information on Service and Commercial investments is provided in this mid-year report.
- 1.9 The Council's treasury investments achieved a risk status of **AA-** (excluding the four long-dated pooled funds) that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.
- 1.10 The report confirms the Council is compliant with all Treasury Limits and Prudential Indicators for 2022/23.

## 2. Recommendations

- 2.1 To review the report and issues raised within.
- 2.2 To review the Prudential Indicators contained within the report.

## 3. Background

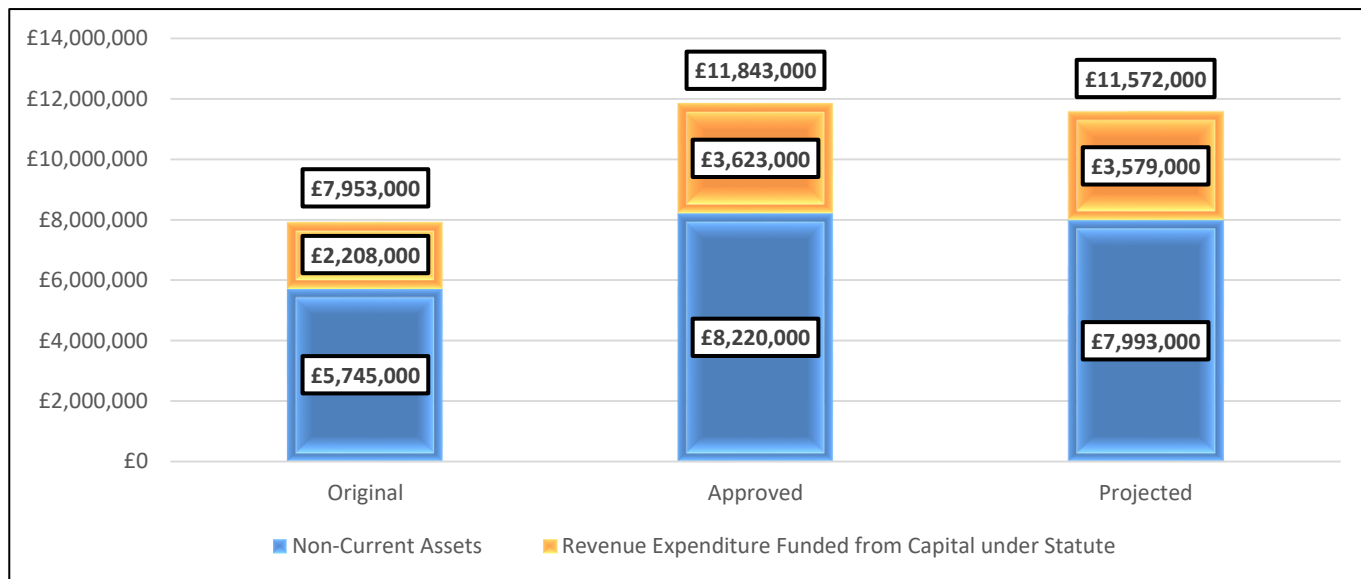
### The Capital Programme and Treasury Management

- 3.1. This Mid-Year Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2022/23 and the projected Prudential Indicators for 2022/23.
- 3.2. Treasury Management is defined as: *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 3.3. Overall responsibility for Treasury Management remains with the Council. No Treasury Management activity is without risk; the effective identification and management of risk are integral to our Treasury Management objectives.
- 3.4. Our Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annual Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year.
- 3.5. We report quarterly to the Cabinet on Treasury activity and this report to Audit and Member Standards will provide more information on capital financing, Balance Sheet projections and Prudential Indicators.
- 3.6. This report is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code and
  - a) presents details of capital spend, capital financing, borrowing and investment transactions;
  - b) reports on the risk implications of Treasury decisions and transactions;
  - c) gives details of the mid-year position on Treasury Management transactions in 2022/23;
  - d) confirms compliance with Treasury limits and Prudential Indicators
- 3.7. The performance of the Treasury Management function should be measured against the hierarchy of investment objectives of **Security** (the safe return of our monies), **Liquidity** (making sure we have sufficient money to pay for our services) and **Yield** (the return on our investments).
- 3.8. 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).

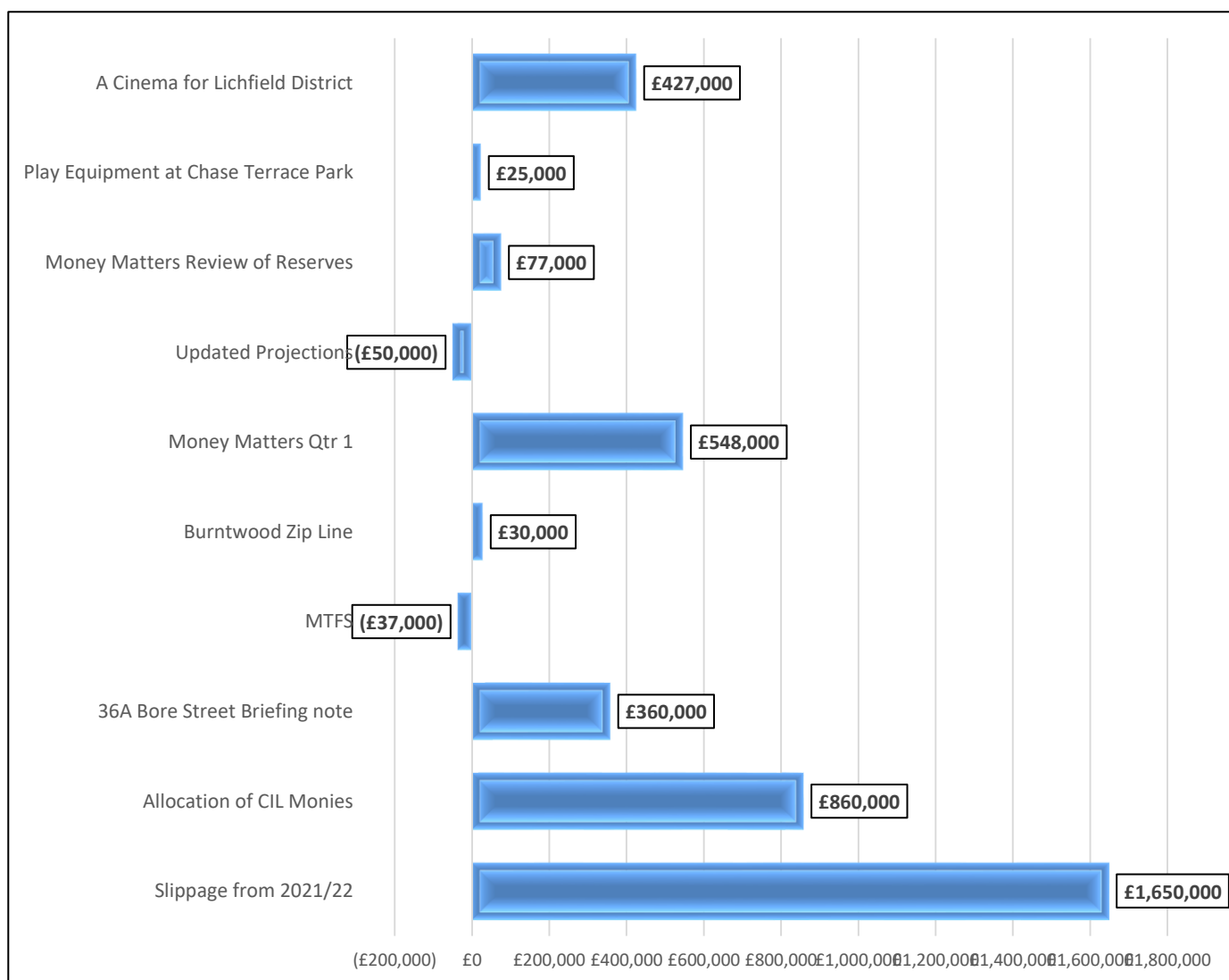


## The Capital Programme

3.9. A summary of the Capital Programme performance showing the Original Budget, Approved Budget and the Projected Actual for 2022/23 is shown in detail at **APPENDIX A** and in the chart below:



3.10. The reasons for the budgetary increase of **£3,890,000** between the Original budget of **£7,953,000** and the Approved budget of **£11,843,000** are shown below:



3.11. Capital expenditure is projected to be **£11,572,000** which is **(£271,000)** lower than the Approved Revised Budget of **£11,843,000**.

## Capital Receipts

3.12. The Original Budget, Approved Budget, and projected capital receipts received in the first six months are shown below:

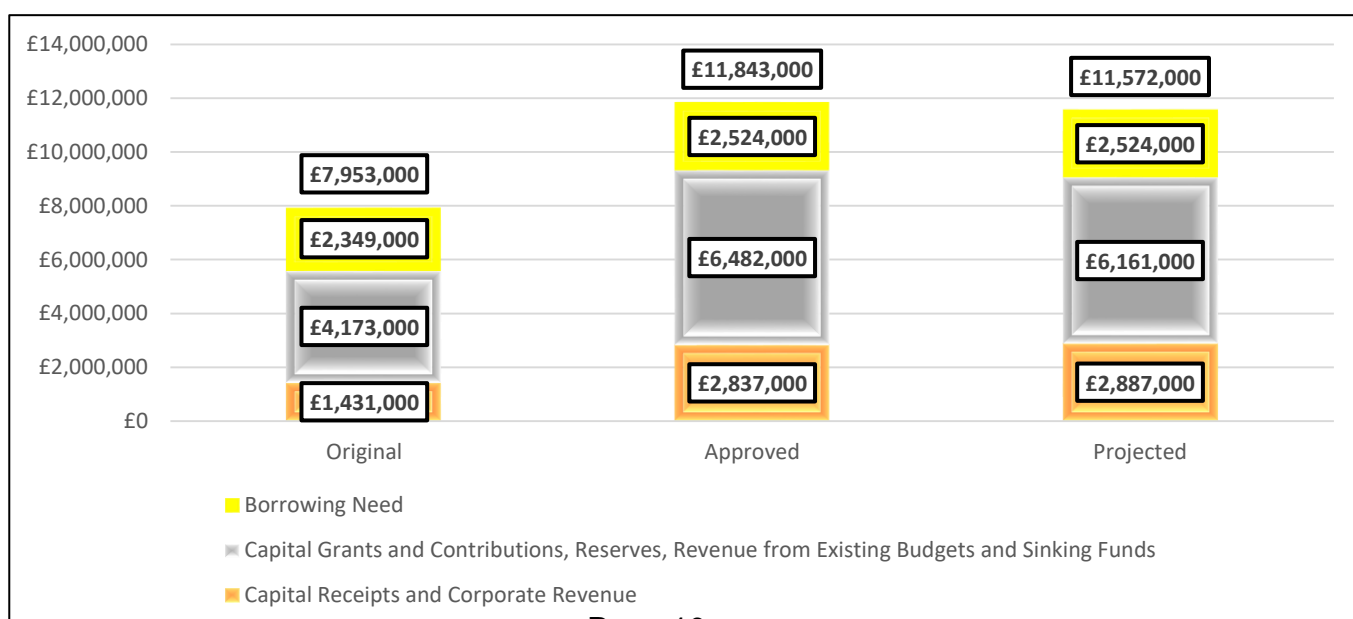


3.13. There is projected to be **(£1,074,000)** capital receipts received in 2022/23 compared to the Approved Budget of **(£880,000)**.

3.14. The increase is related to the Council's share of Right to Buy receipts based on the latest projections provided by Bromford Housing Association.

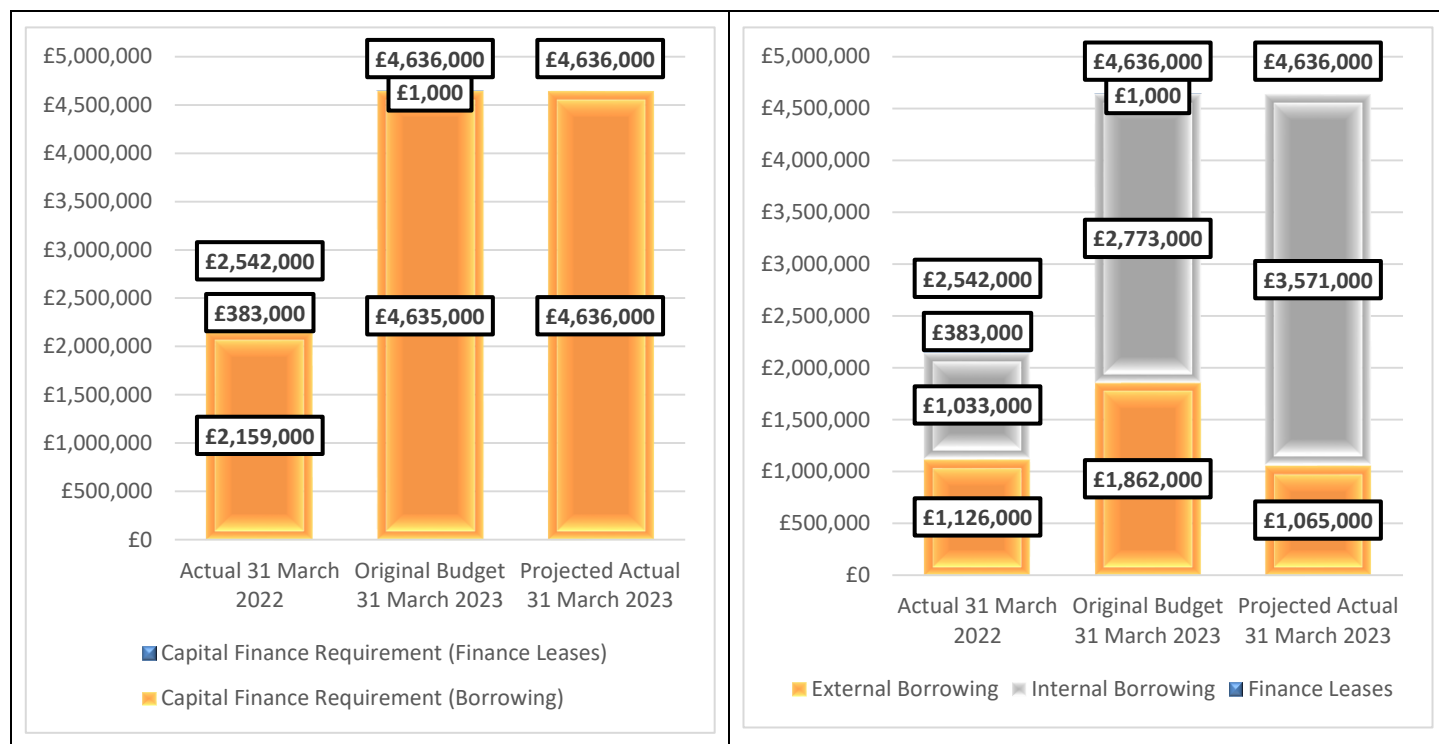
## The Funding of the Capital Programme

3.16. The Original Budget, Approved Budgeted and actual sources of funding for the Capital Programme are shown in detail at **APPENDIX A** and below:



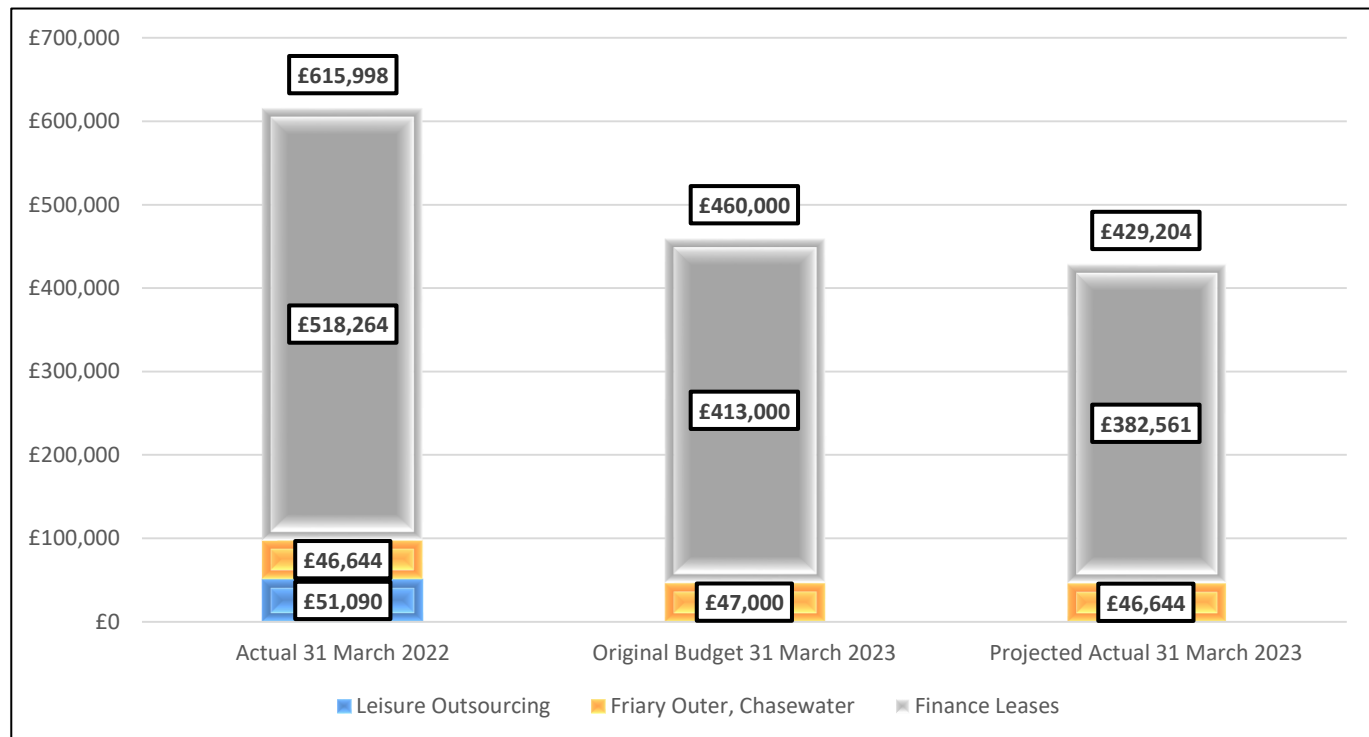
## The Capital Financing Requirement (Borrowing Need) and its Financing

3.17. The actual for 2021/22, Original Budget and Projected Actual for 2022/23 of the Borrowing Need, together with its financing is shown below:



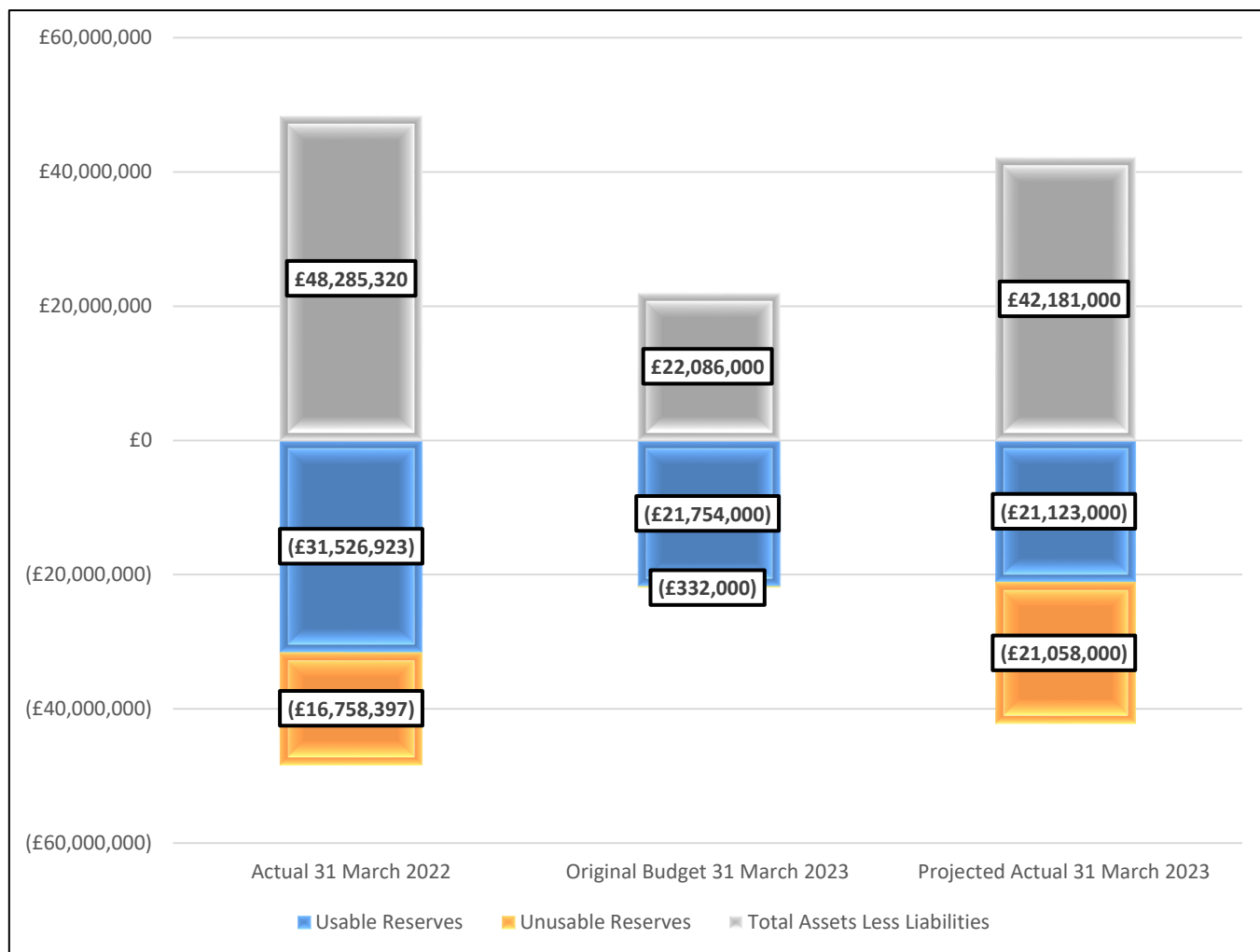
## Minimum Revenue Provision

3.18. The Minimum Revenue Provision charged to revenue in 2021/22, the Original Budget for 2022/23 and the projected actual in 2022/23 is shown below:



## The Balance Sheet

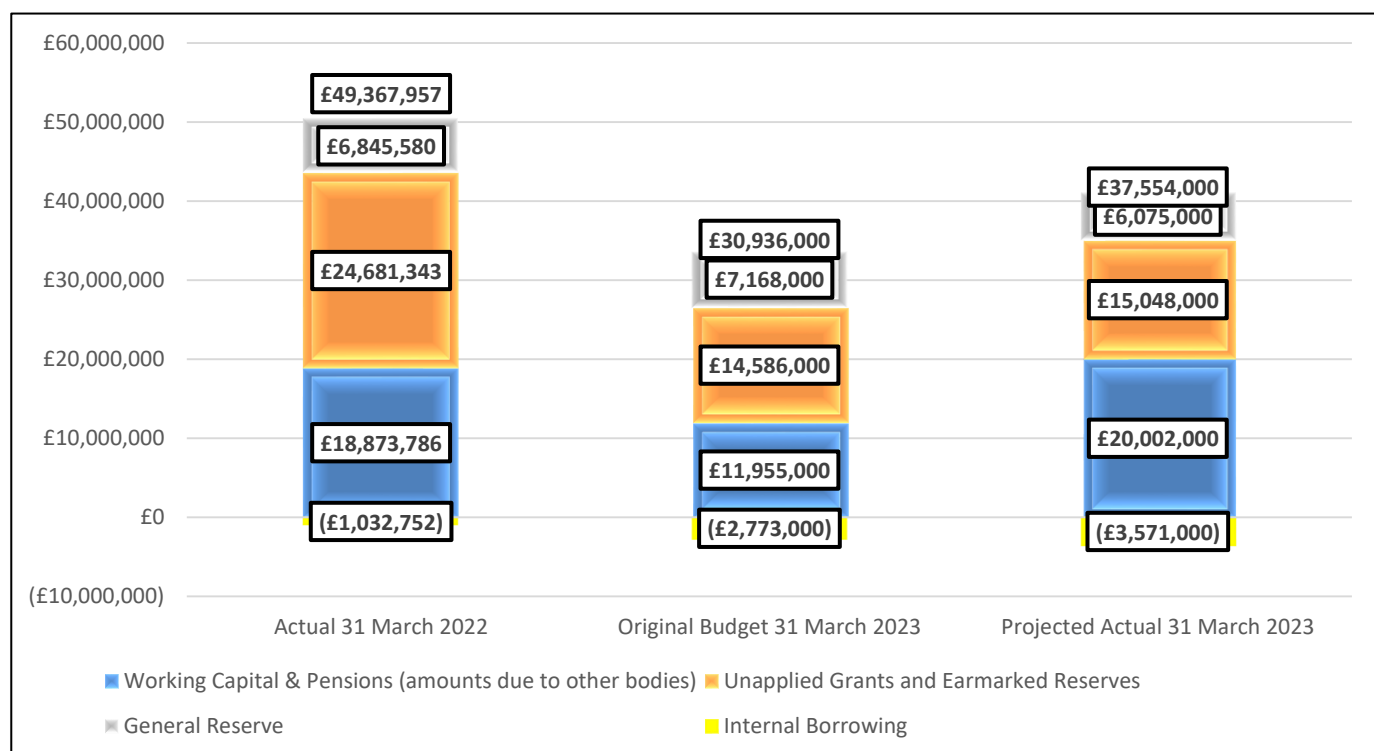
3.19. The Balance Sheet Projections for 2022/23 compared to the Original Budget are shown in detail at **APPENDIX B** and in summary below:



3.20. The main reasons for the variances between the budgeted and projected Balance Sheet for 2022/23 are:

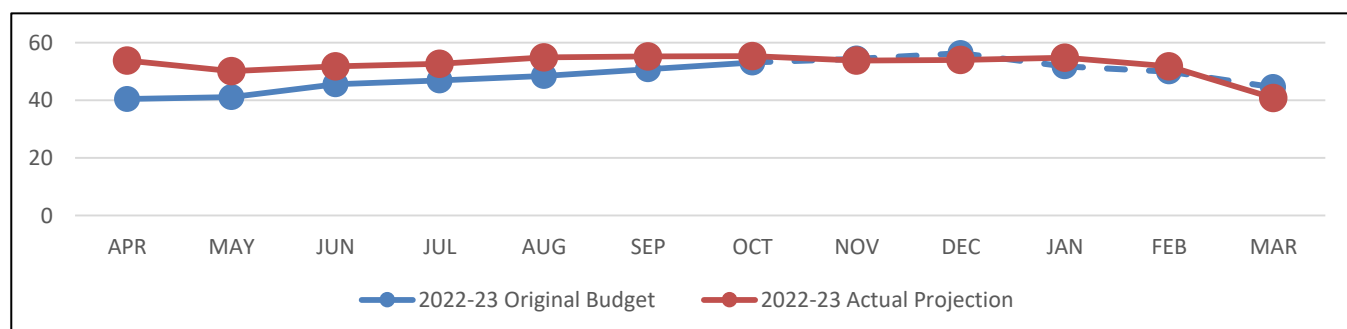
Area	Pensions £000	Non Pensions £000	Total £000
Lower long term liability assessed by the Actuary	20,967		20,967
Higher projected spend on non-current assets including slippage from 2021/22 and approvals during the financial year such as the cinema development		2,281	2,281
Higher investments as a result of higher working capital and reserves		6,618	6,618
Lower working capital that reflects the actual level at 31 March 2022		(10,020)	(10,020)
Other		249	249
<b>Total Assets less Liabilities</b>	<b>20,967</b>	<b>(872)</b>	<b>20,095</b>
Higher earmarked reserves		(292)	(292)
Lower General Reserves based on Money Matters 3 Months		1,093	1,093
Other		(170)	(170)
<b>Total Usable Reserves</b>		<b>631</b>	<b>631</b>
A decrease in the Council's share of the deficit in the Collection Fund reserve due to a higher Council Tax surplus and lower Business Rates deficit in 2021/22 together with improved projections in the first 3 months of 2022/23.		(742)	(742)
The statutory reserve to offset the lower long term liability assessed by the Actuary	(19,749)		(19,749)
Higher level in the Capital Revaluation and Adjustment accounts that reflects the actual level at 31 March 2022		(1,766)	(1,766)
Adjustment to Available for Sale Reserve based on current strategic investment values		1,571	1,571
Other		(40)	(40)
<b>Total Unusable Reserves</b>	<b>(19,749)</b>	<b>(977)</b>	<b>(20,726)</b>

3.21. The actual, Original Budget and Projected Actual sources of cash that make up investments on the Balance Sheet (including the financial instruments reserve) are shown in detail in **APPENDIX B** and in summary below:



## Cash Flow Forecasts

3.22. The graph below compares the Original Budget for average investment levels in 2022/23 with the actual/projected levels.



3.23. Investment income and borrowing costs are shown below:

Treasury Management	2022/23					
	Original Budget		Approved Budget		Projected	
	Investment Income	Borrowing	Investment Income	Borrowing	Investment Income	Borrowing
Average Balance	£48.63m	£1.08m	£52.42m	£1.08m	£52.42m	£1.08m
Average Rate for 22/23	1.12%	2.59%	2.05%	2.59%	2.64%	2.59%

Gross Investment Income	(£390,000)		(£1,073,230)		(£1,384,000)	
Property Fund Transfer to Reserves	£0		£15,000		£15,000	
DIF Transfer to Reserves	£0		£85,000		£85,000	
Temporary Loan transfer to Reserves	£0		£0		£310,770	
External Interest		£44,000		£74,500		£74,500
Internal Interest		£1,000		£1,000		£1,000
Minimum Revenue Provision (less Finance Leases)		£47,000		£47,000		£47,000
<b>Net Treasury Position (6 Months)</b>	<b>(£390,000)</b>	<b>£92,000</b>	<b>(£973,230)</b>	<b>£122,500</b>	<b>(£971,000)</b>	<b>£122,500</b>
	<b>(£298,000)</b>		<b>(£850,730)</b>		<b>(£850,730)</b>	

## Investment Strategy

3.24. 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.**

3.25. The Government has recognised in recent Department of Levelling Up, Housing and Communities (DLUHC) 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.

3.26. The DLUHC 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 **22 February 2022.**

### Service Investments

3.27. There are two significant approved investments of a service nature and the investment and net return either included in the Approved Budget or projected are detailed below:

	Approved Budget				
	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Approved Loan to the LWMTS<sup>1</sup></b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>
Projected use of the Facility	£56,565	£0	£0	£0	£0
Projected year-end balance	£45,252	£33,939	£22,626	£11,313	£0
Net Income	£2,263	£2,263	£2,263	£2,263	£2,263
Net Return	4.00%	4.00%	4.00%	4.00%	4.00%
<b>Approved Loan to the Joint Venture</b>	<b>£892,000</b>	<b>£3,566,000</b>	<b>£5,349,000</b>	<b>£5,349,000</b>	<b>£5,349,000</b>
Net Income (still to be validated & agreed)	TBD	TBD	TBD	TBD	TBD
Net Return (still to be validated & agreed)	TBD	TBD	TBD	TBD	TBD

### Commercial Investments

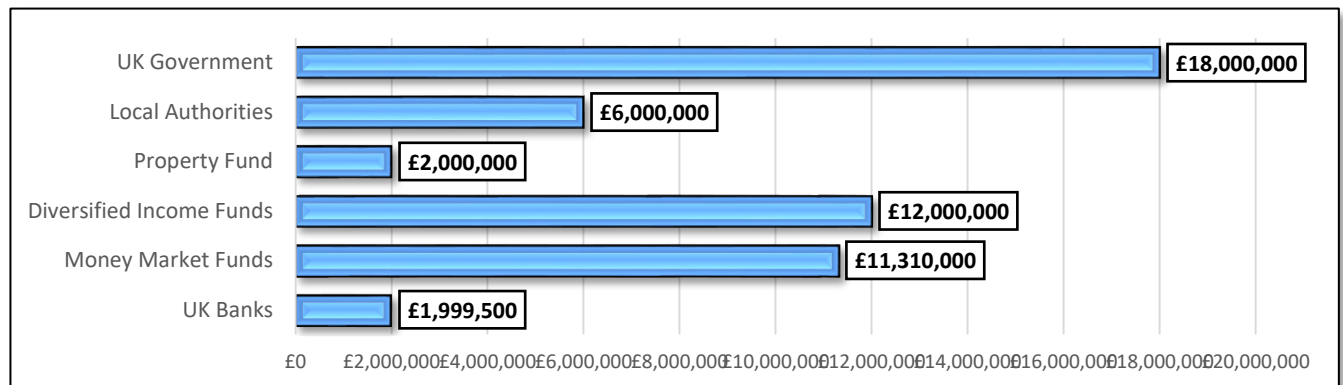
3.28. No commercial investments are currently planned.

<sup>1</sup> The Review of Reserves Report to Cabinet on 6 September 2022 approved by Council on 18 October 2022 updated the loan to the Company to a level of up to **£150,000.**

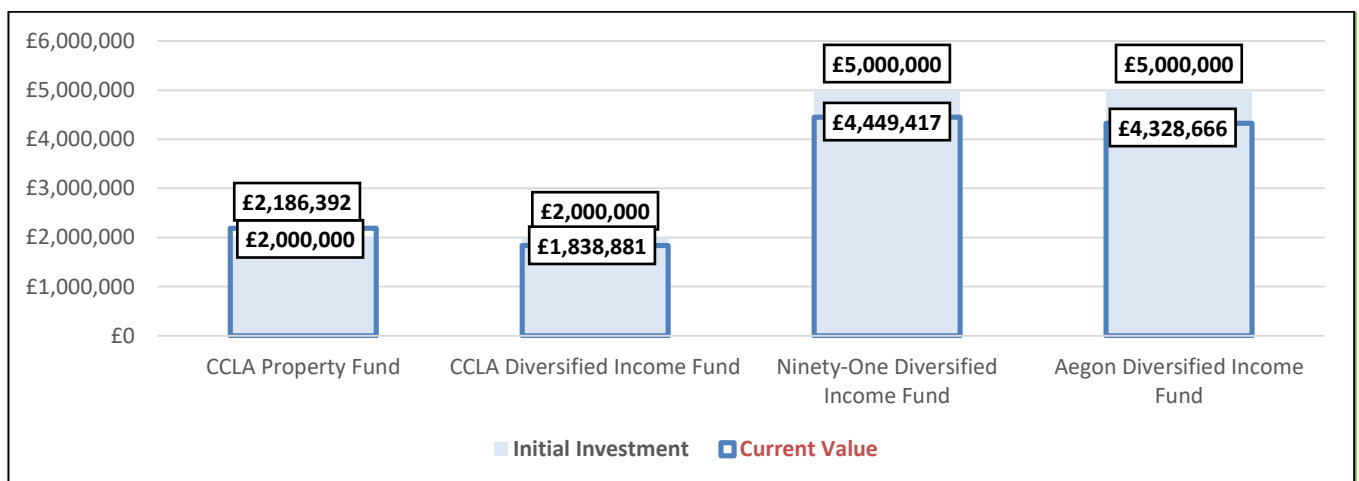
## Treasury Management Investments

### The Security of Our Investments

- 3.34. The investments the Council had at the 30 September 2022 of **£51.31m** (with the property and diversified income funds valued at original investment of £2.00m or £5.00m) by type and Country are summarised in the graph below and are shown in more detail at **APPENDIX C**:

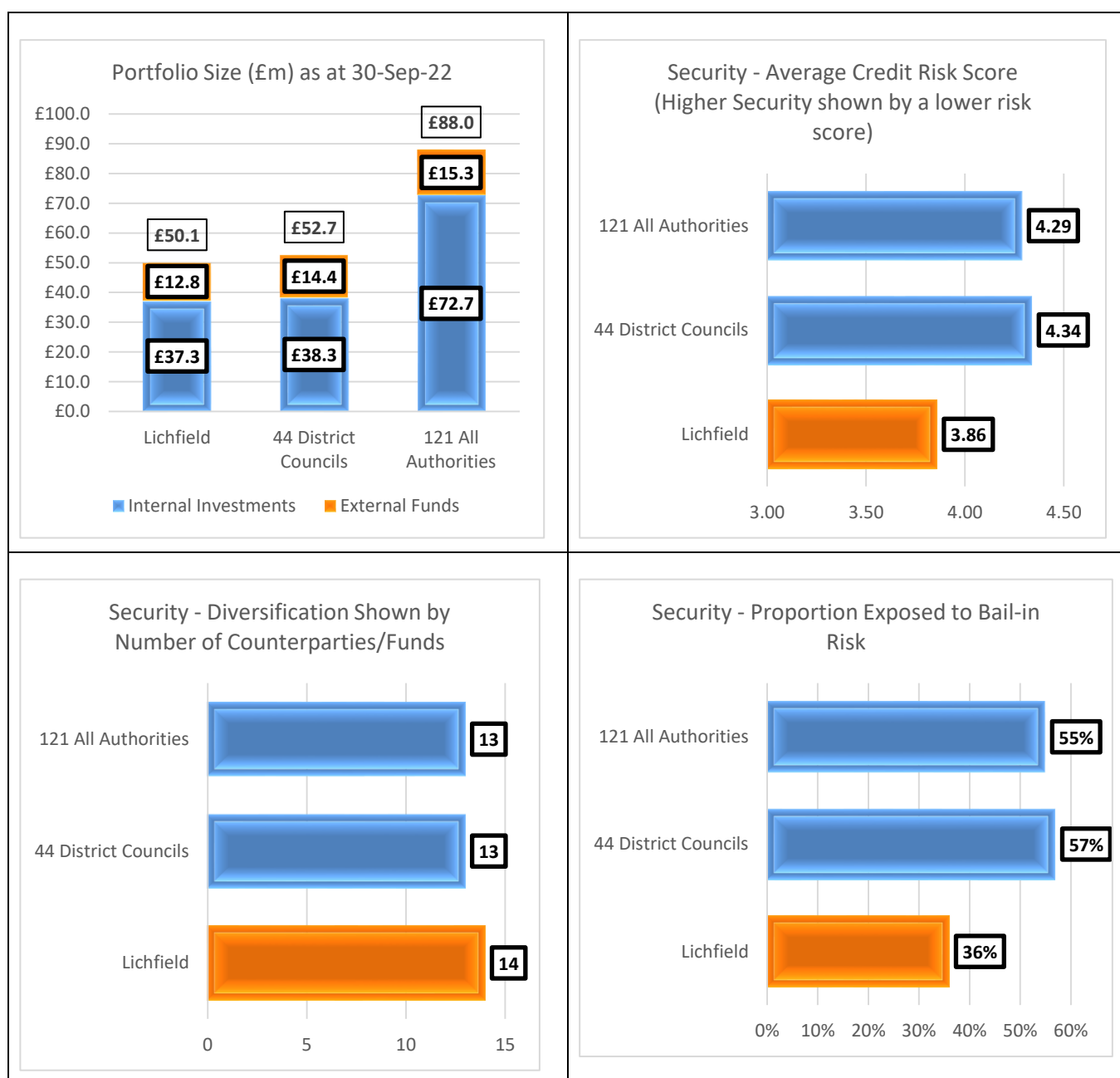


- 3.35. The current values of the Property Fund and the Diversified Income Fund together are shown below:



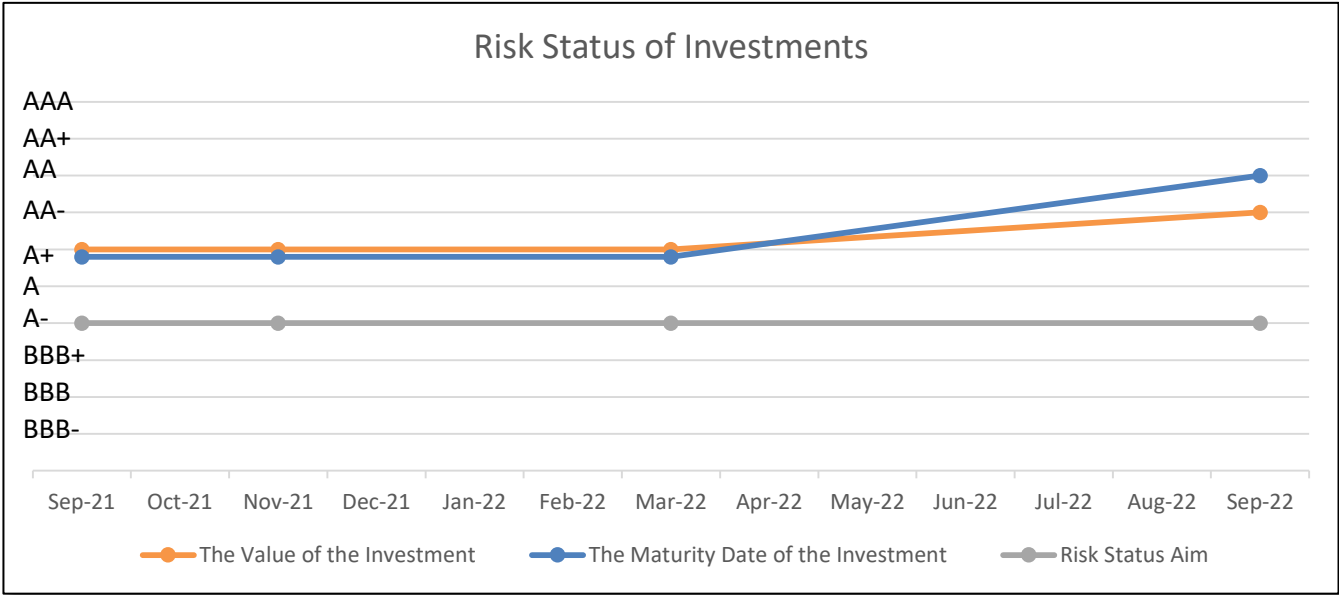
- 3.36. Overall in terms of strategic investments there is a 'book loss' of **£1,196,644** and the earmarked reserve to manage volatility risk is projected to be **(£740,290)**.
- 3.37. The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.
- 3.38. Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields i.e. a fall in bond prices and decline in the value of sterling. Bonds form a component of the Council's multi-asset funds
- 3.39. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years, but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

- 3.40. CCLA announced in mid October the notice period for redemptions would be increased from 90 days to 6 months for the property fund. The extension is not a suspension of dealing and that the manager is adopting a cautious stance prompted by the current uncertainty in the property markets and that quarterly distributions are unaffected. This fund is viewed as a longer-term investment in the Council's portfolio and we are not contemplating its sale at the current time.
- 3.41. It is also important to note that the current statutory IFRS9 override is scheduled to end on 31 March 2023, the Government is currently consulting on a potential extension and the Council responded on 16 August 2022. This override currently means that any gain or loss on strategic fund investments is accounted for on the Balance Sheet until it is realised through a sale.
- 3.42. In the event this statutory override is not renewed, any gain or loss will need to be transferred to revenue and managed through reserves until disposal. To manage the inherent volatility with these long term investments, the Council had previously established a Strategic Investment Volatility Reserve.
- 3.43. The Council's portfolio size (with the Property and Diversified Income Funds valued at its current value of £12.8m), average credit score, diversification and exposure to 'Bail in' risk compared to Arlingclose Clients is shown below:



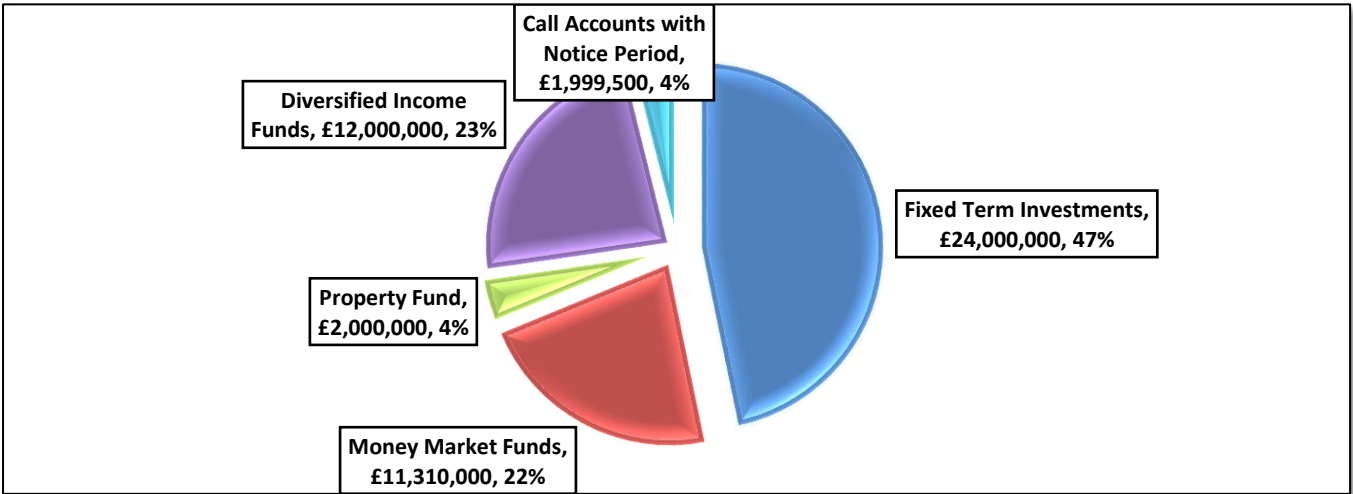


3.44. Our aim for the risk status of our investments was A- or higher. The risk status based on the length of the investment and the value for a 13 month period is summarised in the graph below:

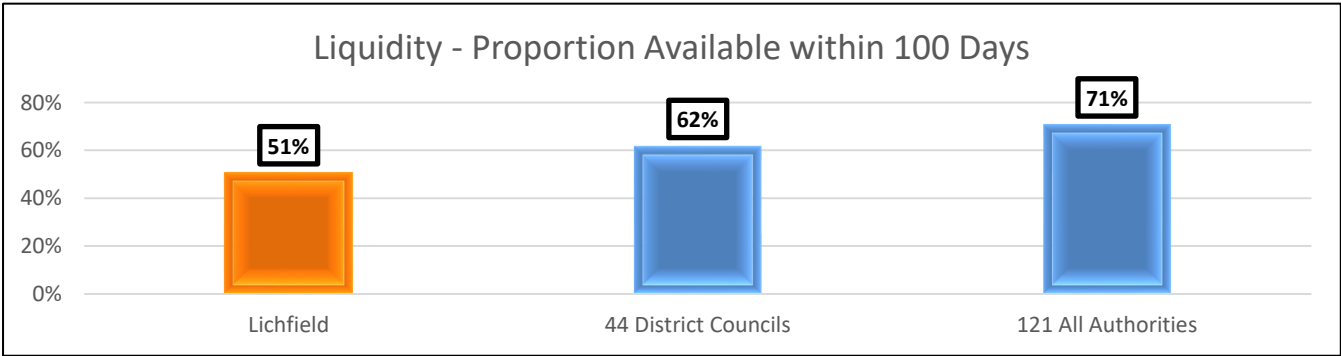


**The Liquidity of our Investments**

3.45. The Council has not had to temporarily borrow during 2022/23 and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type (with the property and diversified income funds at their original values of £2m or £5m) are shown below:

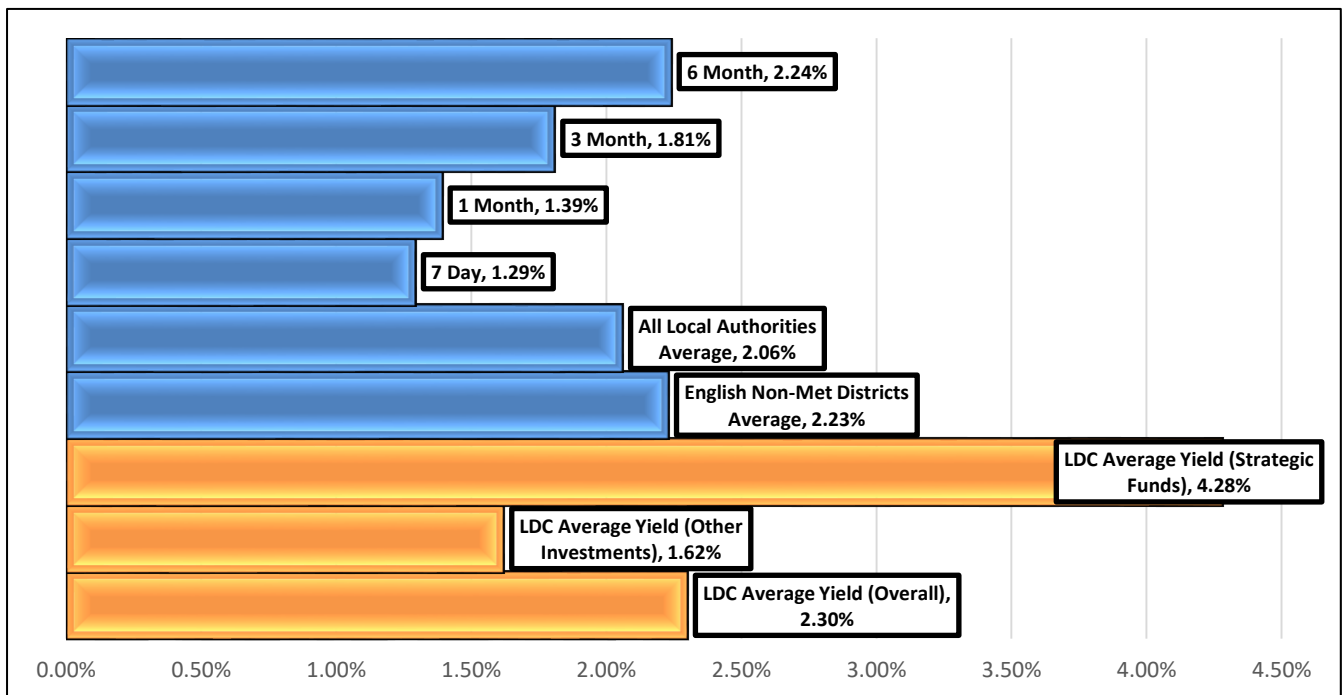


3.46. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:



### The Return or Yield of our Investments

3.47. The yield the Council achieved compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) is shown below:



### External Borrowing

3.48. The Council currently has one external loan with the Public Works Loans Board with **£1,065,400** outstanding and this is shown in detail at **APPENDIX C**.

### Local Audit Update

- 3.49. At the beginning of October 2023 PSAA announced the results of the latest procurement covering the five year period 2023/24 to 2027/28.
- 3.50. The firm identified for Lichfield District Council is one of the new entrants and is subject to the outcome of a consultation exercise.
- 3.51. This procurement has secured sufficient audit capacity to appoint auditors to all relevant local bodies (99% of eligible bodies joined the procurement). However the audit fees will need to increase by an estimated level of **150%**.
- 3.52. The auditing profession is still managing and adapting to high profile issues in the corporate sector. This has led to a number of government commissioned reviews and reform proposals some of which are still to be finalised and legislated. These issues have also contributed to the growing recruitment and retention problems faced by all firms.
- 3.53. Local audit also has sector specific challenges:
- The local audit market lacks competition (10 firms are registered, 3 chose not to bid and contracts were entered into with six of the remaining suppliers).
  - Only **9% of 2020/21 audit opinions were delivered by the deadline of 30 September 2021 – 35% are still outstanding** 12 months later.

- 3.54. Many of these problems were identified previously in the Redmond Review however the situation has become more precarious since 2020. It is important that when the next procurement takes place in five years it is undertaken against a more stable backcloth.
- 3.55. Therefore improvements will need to be identified including:
- Attracting new suppliers to the market.
  - Developing a mixed economy potentially with an element of the workforce directly employed by the public sector.
  - Working to simplify the accounting code and gearing audit requirements to the sector.
  - Focusing on timeliness of audit opinions to provide assurance.
- 3.56. It is increasingly important that timely and strong independent audit is provided given the challenges faced by the sector moving forward.

Alternative Options		There are no alternative options.																																																																																		
Consultation		Consultation is undertaken as part of the Strategic Plan and with Leadership Team.																																																																																		
Financial Implications	<b>Projected Prudential indicators (PI) 2022/23:</b>																																																																																			
	<ul style="list-style-type: none"><li>• We can confirm that the Council is compliant with its Prudential Indicators for 2022/23; these were originally approved by Council at its meeting on 22 February 2022 and will be fully revised and approved by Council on 28 February 2023.</li><li>• 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 2022/23.</li><li>• None of the other Prudential Indicators have been breached. The Prudential Indicators are summarised in the table below:</li></ul>																																																																																			
	<table><tr><th colspan="6">Capital Strategy Indicators</th></tr><tr><th colspan="6">Prudential Indicators</th></tr><tr><th>Indicators</th><th>2021/22 Actual</th><th>2022/23 Original</th><th>2022/23 Approved</th><th>2022/23 Projected</th><th>Compliant</th></tr><tr><td><u>Capital Investment</u></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Capital Expenditure (£m)</td><td>£4.741</td><td>£7.953</td><td>£11.843</td><td>£11.572</td><td>✓</td></tr><tr><td>Capital Financing Requirement (£m)</td><td>£2.542</td><td>£4.636</td><td>£4.636</td><td>£4.636</td><td>✓</td></tr><tr><td><u>Gross Debt and the Capital Financing Requirement</u></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Gross Debt</td><td>(£1.509)</td><td>(£1.863)</td><td>(£1.066)</td><td>(£1.066)</td><td>✓</td></tr><tr><td>Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement</td><td>No</td><td>No</td><td>No</td><td>No</td><td>✓</td></tr><tr><td><u>Total Debt</u></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Authorised Limit (£m)</td><td>£3.204</td><td>£15.238</td><td>£15.238</td><td>£1.509</td><td>✓</td></tr><tr><td>Operational Boundary (£m)</td><td>£3.204</td><td>£6.811</td><td>£6.811</td><td>£1.509</td><td>✓</td></tr><tr><td>Proportion of Financing Costs to Net Revenue Stream (%)</td><td>5%</td><td>4%</td><td>4%</td><td>3%</td><td>✓</td></tr></table>						Capital Strategy Indicators						Prudential Indicators						Indicators	2021/22 Actual	2022/23 Original	2022/23 Approved	2022/23 Projected	Compliant	<u>Capital Investment</u>						Capital Expenditure (£m)	£4.741	£7.953	£11.843	£11.572	✓	Capital Financing Requirement (£m)	£2.542	£4.636	£4.636	£4.636	✓	<u>Gross Debt and the Capital Financing Requirement</u>						Gross Debt	(£1.509)	(£1.863)	(£1.066)	(£1.066)	✓	Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	✓	<u>Total Debt</u>						Authorised Limit (£m)	£3.204	£15.238	£15.238	£1.509	✓	Operational Boundary (£m)	£3.204	£6.811	£6.811	£1.509	✓	Proportion of Financing Costs to Net Revenue Stream (%)	5%	4%	4%	3%	✓
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Treasury Management Indicators					
Prudential Indicators					
	2021/22 Actual	Lower Limit	Upper Limit	2022/23 Projected	Compliant
<b><u>Refinancing Rate Risk Indicator</u></b>					
Under 12 months	5%	0%	100%	6%	✓
12 months and within 24 months	5%	0%	100%	6%	
24 months and within 5 years	16%	0%	100%	17%	
5 years and within 10 years	27%	0%	100%	29%	
10 years and within 20 years	46%	0%	100%	43%	
20 years and within 30 years	0%	0%	100%	0%	
30 years and within 40 years	0%	0%	100%	0%	
40 years and within 50 years	0%	0%	100%	0%	
50 years and above	0%	0%	100%	0%	

	2021/22 Actual	2022/23 Original	2022/23 Approved	2022/23 Projected	Compliant
<b>Indicators</b>					
Principal Sums invested for periods longer than a year (£m)	£10.000	£15.000	£15.000	£14.000	✓

Local Indicators					
	2021/22 Actual	2022/23 Original	2022/23 Approved	2022/23 Projected	Compliant
<b>Indicators</b>					
	£m	£m	£m	£m	
<b><u>Balance Sheet Summary and Forecast</u></b>					
Borrowing Capital Financing Requirement	£2.160	£4.636	£4.636	£4.636	✓
Internal (over) Borrowing	£1.033	£2.773	£3.571	£3.571	✓
(Investments) or New Borrowing	(£49.368)	(£30.936)	(£36.199)	(£37.554)	✓
Liability Benchmark	(£38.242)	(£19.075)	(£25.136)	(£26.490)	✓

	2021/22 Actual	Target	2022/23 Actual
<b><u>Security</u></b>			
Portfolio average credit rating	A+	A-	AA-
<b><u>Liquidity</u></b>			
Temporary Borrowing undertaken	£0.000	£0.000	£0.000
Total Cash Available within 100 days (maximum)	78%	90%	51%

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.

Equality, Diversity and Human  
Rights Implications

There are no additional Equality, Diversity or Human Rights implications.

Crime & Safety Issues

There are no additional Crime and Safety Issues.

Environmental Impact

There are no additional Environmental Impacts.

## GDPR/Privacy Impact Assessment

There are no GDPR/Privacy Impact Assessment Issues.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
<b>Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of Finance</b>				
A	Council Tax is not set by the Statutory Date of <b>11 March 2023</b>	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 consultation. 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	A property team has been recruited via the Company 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
<b>Strategic Risk SR3: Capacity and capability to deliver / strategic plan to the emerging landscape</b>				
G	The Council cannot achieve its approved Delivery Plan for 2023/24	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
H	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
I	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

- Medium Term Financial Strategy (Revenue and Capital) 2021-2026 (MTFS) – Cabinet 8 February 2022
- Money Matters: 2021/22 Review of Financial Performance against the Financial Strategy – Cabinet 7 June 2022
- Local Council Tax Support Scheme Review – Cabinet 5 April 2022
- Medium Term Financial Strategy (MTFS) – Cabinet 11 July 2022
- Local Council Tax Support Scheme Permission to Consult – Cabinet 11 July 2022
- Money Matters: 2022/23 Review of Financial Performance against the Financial Strategy –

Cabinet 6 September 2022

- Money Matters: Review of Reserves – Cabinet 6 September 2022
- Lichfield District Youth Council – Policy Proposal – Cabinet 6 September 2022
- Joint Venture – A cinema for Lichfield District – Cabinet 11 October 2022
- Medium Term Financial Strategy (Revenue and Capital) 2023-27 – Cabinet 11 October 2022

Relevant web links

## Capital Programme Performance in 2022/23

Project		Original Budget	Approved Budget	Actual to Date	Projected Actual	Variance
New Build Parish Office/Community Hub	R	92,000	92,000	0	92,000	0
Replacement Canopy and artificial grass at Armitage	R	0	3,000	0	3,000	0
Burntwood Leisure Centre Sinking Fund Projects	A	0	69,000	0	69,000	0
Friary Grange - Short Term Refurbishment	R	0	158,000	6,577	158,000	0
Replacement Leisure Centre	A	2,349,000	2,524,000	3,700	2,524,000	0
Burntwood Leisure Centre - Decarbonisation Scheme	A	0	18,000	(38,552)	18,000	0
Accessible Homes (Disabled Facilities Grants)	R	1,654,000	1,343,000	11,729	1,343,000	0
Home Repair Assistance Grants	R	4,000	0	0	0	0
Decent Homes Standard	R	147,000	97,000	0	97,000	0
DCLG Monies	R	212,000	0	0	0	0
Unallocated S106 Affordable Housing Monies	A	334,000	382,000	800	242,000	(140,000)
Burntwood Park Play Equipment	A	0	75,000	74,000	75,000	0
Conversion of 36a Bore Street	A	0	576,000	0	576,000	0
Streethay Community Centre	R	0	600,000	0	600,000	0
Changing Places Fund (LDC)	A	0	62,000	0	62,000	0
Changing Places Fund (NMA)	R	0	32,000	0	32,000	0
Play Equipment at Chase Terrace Park	A	0	25,000	0	25,000	0
Zip Wire in Burntwood	A	0	30,000	0	30,000	0
<b>Enabling People Total</b>		<b>4,792,000</b>	<b>6,086,000</b>	<b>58,254</b>	<b>5,946,000</b>	<b>(140,000)</b>
Loan to Council Dev Co.	A	0	150,000	0	150,000	0
Lichfield St Johns Community Link	R	35,000	35,000	0	35,000	0
Staffordshire Countryside Explorer	R	0	44,000	42,681	44,000	0
Lichfield Public Conveniences	A	0	40,000	0	40,000	0
Bin Purchase	A	150,000	150,000	0	150,000	0
Dual Stream Recycling	A	0	267,000	16,162	267,000	0
Vehicle Replacement Programme (Other)	A	229,000	229,000	74,665	186,000	(43,000)
Env. Improvements - Upper St John St & Birmingham Road	R	7,000	7,000	0	7,000	0
The Leomansley Area Improvement Project	R	0	3,000	0	3,000	0
Burntwood Public Conveniences	A	0	45,000	392	45,000	0
Falkland Road Fosseyway Canal Walk	R	0	260,000	0	260,000	0
<b>Shaping Place Total</b>		<b>421,000</b>	<b>1,230,000</b>	<b>133,899</b>	<b>1,187,000</b>	<b>(43,000)</b>
Vehicle Replacement Programme (Car Parks)	A	10,000	10,000	0	0	(10,000)
Coach Park	A	1,137,000	807,000	0	807,000	0
Car Parks Variable Message Signing	A	150,000	150,000	0	150,000	0
Old Mining College - Refurbish access and signs	R	13,000	13,000	0	13,000	0
Pay on Exit System at Friary Multi Storey	A	150,000	150,000	31,996	93,000	(57,000)
Birmingham Road Site Enabling Works	A	0	535,000	0	535,000	0
Cinema Development	R	0	892,000	0	892,000	0
Incubator Space	A	0	354,000	92,787	354,000	0
Card Payment in All Car Parks	A	100,000	100,000	41,914	123,000	23,000
Electric Vehicle Charge Points	A	80,000	80,000	0	80,000	0
Car Park Barriers	A	36,000	36,000	0	36,000	0
<b>Developing Prosperity Total</b>		<b>1,676,000</b>	<b>3,127,000</b>	<b>166,696</b>	<b>3,083,000</b>	<b>(44,000)</b>
Property Planned Maintenance	A	230,000	206,000	196,239	206,000	0
New Financial Information System	A	44,000	44,000	0	0	(44,000)
IT Infrastructure	A	0	300,000	23,732	300,000	0
Building a Better Council	A	600,000	665,000	268,748	665,000	0
Committee Audio-Visual Hybrid Meeting Platform	A	90,000	85,000	0	85,000	0
Construction Inflation Contingency	A	100,000	100,000	0	100,000	0
<b>Good Council Total</b>		<b>1,064,000</b>	<b>1,400,000</b>	<b>488,719</b>	<b>1,356,000</b>	<b>(44,000)</b>
<b>Approved Budget</b>		<b>7,953,000</b>	<b>11,843,000</b>	<b>847,568</b>	<b>11,572,000</b>	<b>(271,000)</b>
Asset	A	5,745,000	8,220,000	786,581	7,993,000	(227,000)
REFCUS (Revenue Expenditure funded from Capital Under Statute)	R	2,208,000	3,623,000	60,987	3,579,000	(44,000)

Funding Source	Original Budget	Approved Budget	Projected Actual	Variance
Capital Receipts	1,331,000	2,737,000	2,787,000	50,000
Corporate Revenue	100,000	100,000	100,000	0
Borrowing Need - Borrowing and Finance Leases	2,349,000	2,524,000	2,524,000	0
Capital Grants and Contributions	3,030,000	4,118,000	3,978,000	(140,000)
Reserves, Existing Revenue Budgets and Sinking Funds	1,143,000	2,364,000	2,183,000	(181,000)
<b>Capital Programme Total</b>	<b>7,953,000</b>	<b>11,843,000</b>	<b>11,572,000</b>	<b>(271,000)</b>

## Balance Sheet Projections

(May not sum due to rounding)

	2021/22 Actual £000s	2022/23 Original £000s	2022/23 Projected £000s	2022/23 Variance £000s
Non-Current Assets	48,033	51,125	53,406	2,281
Equity Investment in Local Authority Company	225	225	225	0
Long Term Debtors	143	165	143	(22)
Long Term Debtors (Company Loan)	0	675	150	(525)
Investments	49,367	30,936	37,554	6,618
Borrowing	(1,126)	(1,863)	(1,065)	798
Finance Leases	(383)	(1)	0	1
Working Capital	(23,176)	(12,688)	(22,708)	(10,020)
Pensions	(24,799)	(46,490)	(25,523)	20,967
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>48,284</b>	<b>22,086</b>	<b>42,181</b>	<b>20,095</b>

<u>Unusable Reserves</u>				
Revaluation Reserve	(11,897)	(10,131)	(11,897)	(1,766)
Capital Adjustment Account	(33,819)	(37,258)	(37,247)	11
Deferred Credits	(47)	(47)	(47)	0
Pension Scheme	25,962	46,490	26,741	(19,749)
Benefits Payable During Employment Adjustment Account	409	460	409	(51)
Collection Fund	2,863	528	(214)	(742)
Available for Sale Financial Instruments Reserve	(228)	(374)	1,197	1,571
<u>Usable Reserves</u>				
Unapplied Grants and Contributions	(4,057)	(2,452)	(2,563)	(111)
Usable Capital Receipts	(2,859)	(1,087)	(1,146)	(59)
Burntwood Leisure Centre Sinking Fund	(69)	0	0	0
Earmarked Reserves - Unrestricted	(12,653)	(8,427)	(7,067)	1,360
Earmarked Reserves - Restricted	(5,043)	(2,620)	(4,272)	(1,652)
General Fund Balance	(6,846)	(7,168)	(6,075)	1,093
<b>TOTAL EQUITY</b>	<b>(48,284)</b>	<b>(22,086)</b>	<b>(42,181)</b>	<b>(20,095)</b>

Capital Funding	(33,819)	(37,258)	(37,247)	11
Revaluation Reserve	(11,897)	(10,131)	(11,897)	(1,766)
Borrowing and Leasing	(1,509)	(1,863)	(1,066)	797
Non-Current Assets	48,258	51,350	53,631	2,281
Investments	49,367	30,936	37,554	6,618
Unapplied Grants & Earmarked Reserves	(24,681)	(14,586)	(15,048)	(462)
General Reserve	(6,846)	(7,168)	(6,075)	1,093
Long Term Debtors	143	165	143	(22)
Long Term Debtors (Company Loan)	0	675	150	(525)
Working Capital & Pensions	(19,016)	(12,120)	(17,899)	(5,779)
<b>Balance Sheet Summary Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Internal Borrowing</b>	<b>1,033</b>	<b>2,773</b>	<b>3,571</b>	<b>798</b>

Capital Financing Requirement (Borrowing)	2,159	4,636	4,636	0
Working Capital, Pensions and Long Term Debtors	(18,873)	(11,955)	(20,002)	(8,047)
Usable Reserves	(31,527)	(21,754)	(21,123)	631
Minimum Level of Investments	10,000	10,000	10,000	0
<b>Liability Benchmark</b>	<b>(38,242)</b>	<b>(19,075)</b>	<b>(26,490)</b>	<b>(7,415)</b>



## Investments in the 2022/23 Financial Year

The table below shows a breakdown of our investments at the 30 September 2022:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
<b>Money Market Funds</b>						
Invesco Aim	£4,000,000	01-Oct-22	Instant Access	1.86%	0	N/A
Federated	£1,830,000	01-Oct-22	Instant Access	1.80%	0	N/A
BNP Paribas MMF	£480,000	01-Oct-22	Instant Access	1.10%	0	N/A
CCLA MMF	£5,000,000	01-Oct-22	Instant Access	1.75%	0	N/A
<b>Strategic Funds</b>						
CCLA Property Fund	£2,000,000	N/A	N/A	3.59%	N/A	No
Ninety-One Diversified Income Fund	£5,000,000	N/A	N/A	4.27%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	2.53%	N/A	No
Aegon Diversified Income Fund	£5,000,000	N/A	N/A	5.91%	N/A	No
<b>Fixed Term Investments</b>						
Conwy County Borough Council	£2,000,000	23-Jan-23	115	0.30%	LOCAL	
Folkestone and Hythe District Council	£2,000,000	09-Mar-23	160	0.95%	LOCAL	
North Lanarkshire Council	£2,000,000	21-Dec-22	82	0.85%	LOCAL	
Debt Management Office	£6,000,000	19-Oct-22	19	0.94%	UK Government	
Debt Management Office	£4,000,000	21-Nov-22	52	1.53%	UK Government	
Debt Management Office	£4,000,000	19-Jan-23	111	1.90%	UK Government	
Debt Management Office	£4,000,000	20-Feb-23	143	2.50%	UK Government	
<b>Call Accounts with Notice Period</b>						
Santander	£1,000,000	03-Jan-23	95	1.53%	A	
HSBC	£999,500	31-Oct-22	31	2.00%	A+	
<b>Total Investments</b>	<b>£51,309,500</b>					

<b>Strategic Investments Volatility Reserve</b>	
Opening Balance 01/04/2022	329,290
Approved Transfers 2022/23	100,000
Projected Transfers Qtr 2	311,000
<b>Projected Closing Balance 31/03/2023</b>	<b>740,290</b>

<b>Fund Book Gains/(Losses)</b>	
CCLA Property Fund	£186,392
CCLA Diversified Income Fund	(£161,119)
Ninety-One Diversified Income Fund	(£550,583)
Aegon Diversified Income Fund	(£671,334)
<b>Net Book Loss as at 30/09/2022</b>	<b>(£1,196,644)</b>

<b>Projected Shortfall</b>	<b>(£456,354)</b>
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## External Borrowing

The Council currently has one external loan:

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Equal Instalment of Principal (EIP)	£1,065,400	2.59%	17.5	£110,062
<b>TOTAL BORROWING</b>	<b>£1,065,400</b>	<b>2.59%</b>	<b>17.5</b>	<b>£110,062</b>

For information, current rates for a similar loan are **c4.98%** (excluding any discounts) from the Public Works Loans Board.

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# INTERNAL AUDIT QUARTER 2 PROGRESS REPORT



Cabinet Member for Finance & Commissioning

Date: 30 November 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 September 2022 (**Appendix 1**).

## 2. Recommendations

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

## 3. Background

- This report comprises Internal Audit's progress report for the period to 30 September 2022 (to Quarter 2) (**Appendix 1**).
- Quarter 2 audit work performance has identified that 25% of the Audit Plan has been completed against profiled completion of 50%. Appendix 1 details the current position with each audit, those allocated to BDO/IT Auditor and current progress i.e., briefing and scoping completed and fieldwork started with anticipated start dates. 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).
- As Committee will be aware and reported in July 2022, we procured both a general auditor (BDO) and IT auditor services (E-tec). BDO in October 2022 have started scoping and briefing audits with management, on site work is expected shortly and the Audit Manager is liaising with the BDO Audit Director to ensure that this progresses in a timely manner. The progress against the current plan is reflected in **Appendix 1**.
- 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. To inform this process the quarterly progress report contains a profile of the audit plan and the number of completed audits. It is anticipated that due to issues identified during the year and a request from management that we will roll the licensing audit to 2023/24 and undertake a review of agency recruitment during 2022/23.
- The Audit Manager will work with senior management and continue to review current work plans to ensure that 90% 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).
- At the conclusion of Quarter 3 and in preparation for the Audit Plan for 2023/24 a review of current resourcing will be undertaken. The contracts for both BDO and E-Tec Business Services will conclude as at 31 March 2023. Issues around the recruitment of a Senior Auditor remains an issue, not only locally but also nationally, therefore consideration is needed to extend/re-procure these resources for a 2 year period. This provides continuity of service and reduces the time required to bring individual contractors up

to speed with the audit plan and council systems.

- At the end of October 2022 CIPFA published an update to their guidance in respect of Audit Committees. The documentation published is contained within **Appendices 2, 3, 4 and 5** on this report. The appendices include self-assessment questionnaires which will be circulated to Committee members for completion as part of the committees review into its effectiveness in time for reporting to the April 2023 meeting of this committee.
- The CIPFA Position Statement replaces that introduced in 2018 and is considered best practice for authorities to adopt. The position statement outlines the role of the committee in respect of the following core functions;
  - Maintenance of governance, risk and control arrangements;
  - Financial and governance reporting;
  - Establishing appropriate and effective arrangements for audit and assurance;
  - Audit committee membership;
  - Engagement and outputs; and
  - Impact.
- Within the guidance issued it is identified that consideration should be put into place regarding the use of Independent or Co-opted members to the committee to provide a widening of skills available to the committee and close any potential 'knowledge gaps' which the committee feels are required to be addressed. CIPFA has updated its self-assessment questionnaires and as outlined above is a starting point to identify these skills gaps.

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 2)  
October 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](mailto: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, reinterpretation, amendment and/or modification.



## 01 INTRODUCTION

### BACKGROUND

This report summarises internal audit activity and performance for the period to 30 September 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 Leadership Team, 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.

Much of quarter two work has been centred on procuring general auditor services, organising and implementing audit plan and provision of assurance services in terms of business grants and other ad-hoc work as identified below. Performance indicators (Section 05) show that we have completed 25% of the audit plan (25% against a profiled 50%). As outlined previously to committee we have now procured the services of BDO for the completion of general audit work. During October 2022 BDO have been contacting management within the Council to scope audits in Quarters 3 and 4 of 2022/2023. We have significant number of audits to be completed in Quarter 3 and our profiled completion of the plan is 85%. It is anticipated that a number of the scheduled audits will roll into Quarter 4, however we have 15% of the plan scheduled for completion during Quarter 4. A profile is shown below;

	Q1	Q2	Q3	Q4
No of planned audits	4	6	7	3
No of audits completed	2	3	-	-
Cumulative	4	10	15	20
Profile %	22.5%	50%	85%	100%

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

One matter of fraud or irregularity have been reported during the year. Also see the fraud update on this Committee's agenda.

#### CONSULTANCY & ADVICE

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters. During the period to 30 September 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 127 outstanding recommendations at 30 September 2022, shown in the table below:

Action Priority Rating	Total Open Actions at 1 April 2022	Actions Raised Since April 2022	Total Overall	Total Closed out at 30 Sept 2022	Total Open at 30 Sept 2022	% Implemented in the period
High	5	2	7	2	5	29%
Medium	68	17	85	5	80	6%
Low	34	10	44	2	42	5%

Following comments received from Audit & Member Standards Committee the Audit Manager reports monthly to Leadership Team regarding the currently outstanding audit recommendations. As part of the reporting we include management comments in relation to the high priority audit recommendations. As at 30<sup>th</sup> September 2022 and reported to Leadership Team, the latest position regarding high priority recommendations is contained in the table contained in **Appendix 02** of this report. This additional information contains graphical representation of the numbers of outstanding audit recommendations over time.

## 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 50%) of the audit plan – 25%
- 100% Draft reports issued within 6 weeks of start date -75%
- 100% Closure meetings conducted within 5 days of completion of audit work - 75%
- 100% draft reports to be issued within 10 working days of closure meeting – 75%
- 100% of all high priority actions are implemented at follow up - 29%
- 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% (6 issued 5 returned)
- Added value – Annual measure

## 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	In progress	
	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	Audit scoped and briefed by BDO	
	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	Allocated to BDO for completion, request for scoping and briefing meeting arranged.	


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Strategic & Operational Risks	Strategic Risk Register	Risk based review of the adequacy and effectiveness of the controls in place to mitigate the Council's strategic risks.	Q1-Q4		
	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	In progress	
	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	Audit scoped and briefed by BDO	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Licencing – ex Taxi (other)	Risk based review of controls in place for effective delivery of Council Licencing arrange	Q4		
	Development Management Performance	Risk based review of Development Management Performance to include system based review of new systems.	Q4	Allocated to BDO for completion, request for scoping and briefing meeting arranged	
	Elections	Risk based review of elections processes and in particular financial returns.	Q1	Allocated to BDO for completion, request for scoping and briefing meeting arranged	
	Climate Change	Risk based review looking at the Council's preparation to de-carbonisation / climate change agenda.	Q2	Allocated to BDO for completion, request for scoping and briefing meeting arranged	
ICT	Data Protection / GDPR	Risk Based review on Council's Data Protection and GDPR compliance	Q2-4	Draft report	
	PCI DSS	Assurance review of PCI DSS compliance		Audit scoped and briefed, fieldwork to begin January 2023.	
	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		Draft report	
	IT Disaster Recovery	Risk based of Council's Disaster Recovery arrangements		Audit scoped and briefed, fieldwork to commence 21 November 2022.	
Governance, Fraud & Other Assurance	Disabled Facilities Grant	Assurance statement	Q3	Work completed and Assurance Statement submitted	
	Covid Grant assurance	Assurance work on Covid-19 grants	Q1 and Q2	The system for payment of Covid-19 related business grants was found to be robust. A number of good practice areas were noted:	


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> <li>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.</li> <li>Grant schemes were published on the Council's website, social media and direct correspondence to businesses.</li> <li>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.</li> <li>Evidence was provided, such as financial accounts to verify loss of income/ profit.</li> <li>Internal checks of eligibility were undertaken against the Council's business rates system to verify rateable values.</li> <li>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.</li> <li>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.</li> </ul>	<p>Substantial Assurance</p> <p>No recommendations</p>




Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> <li>A grant checklist (High Street Business Growth) was completed and signed as approved by the Interim Director – Economic Growth and Development.</li> </ul> <p>Of a random sample of 3 grants awarded, testing noted the following:</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- Additional Restrictions Grant (greater than 51,001). No exceptions.</li> <li>- Additional Restrictions Grant (Leisure and direct supply chain). No exceptions.</li> </ul>	
	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	Q1-Q4	Ongoing	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		awareness training, pro-active fraud exercises and reactive investigations.			
	Annual Audit Opinion	Production of the Annual Audit Opinion.	Q2		
	Management and Planning	Management, planning and assurance reporting to Leadership Team and Audit & Member Standards Committee.	Q1-Q4	Ongoing	
	Ad hoc / Consultancy / Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.	Q1-Q4	Ongoing	
	Risk Management	Supporting the Council's risk management systems.	Q1-Q4	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
21/22 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"> <li>Systems validations are in place to ensure all input data is complete.</li> <li>Records of hours worked and allowances paid are properly certified prior to payment.</li> </ul>	 <p>H-0 M-2 L-2</p> <p>Reasonable Assurance</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> <li>• BACS payments are authorised by Finance.</li> <li>• There is adequate budget monitoring by Finance and budget holders.</li> <li>• Robust access permissions have been established to prevent unauthorised access within the system.</li> <li>• Via the SLA with SCC adequate contingency arrangements are in place to ensure continuity of payroll.</li> <li>• 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.</li> </ul> <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.</p> <p>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.</p> <p>Civica Financials was introduced in October 2021. Training was provided to staff and a suite of guidance notes developed.</p> <p>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.</p> <p>There had been no write offs processed since October 2021.</p> <p>Income received through the E-payments system had been correctly and promptly allocated against the debt.</p> <p>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.</p> <p>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>

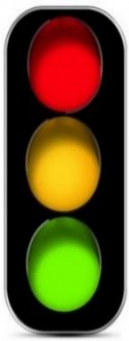
Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				investigating. Finally from the sample tested, there were some delays in raising invoices after the service/ supply was provided. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.	
	Council Tax	Risk based review of council tax including assurance over the adequacy of controls around the maintenance of systems recording taxable properties and liable persons, billing, discounts and reliefs, collection, refunds and write offs.		<p>The council tax system is designed well with controls in place to mitigate against the risks. Assurance can be given that the design of controls is adequate and the controls were found to be operating effectively.</p> <p>The I-World System maintains a record for each account of the total amount of Council Tax Charge for the year depending upon the band allocated to the relevant properties, income due to be received and any discounts/exemption if applicable. In addition it maintains a record of all transactions relating to bills issued, refunds made and income received, including if any reminder letters have been sent or summons issued.</p> <p>Sample testing of property additions/amendments confirmed that in all cases the correct amendment had been made and in a timely manner as per the Valuation Office Amendment Lists.</p> <p>Sample testing relating to discounts/exemptions, refunds, arrears and write-offs was also conducted. In all cases appropriate documentation had been</p>	 <p>H-0 M-3 L-3</p> <p>Reasonable Assurance</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>maintained to support the transactions and, where appropriate, action relating to arrears had occurred.</p> <p>Some areas for improvement were identified. No reconciliation between payments on the I-World System and the General Ledger has occurred pertaining to the current financial year. This is because a new finance system (Civica Finance) was implemented in October 2021. The reconciliations should have been done monthly but there are no procedure notes in place for the new system. However, a reconciliation sheet has recently been formulated and a reconciliation conducted.</p> <p>A monthly reconciliation should be conducted between (i) the total cash as per the I-World system report and (ii) the amount as per the Cashier Report from the cash receipting system. Once the reconciliation has been produced it should be signed and verified by either the Income Manager or the Deputy Income Manager. For a sample of reconciliations reviewed it was noted that there had been a considerable delay in the reconciliation being conducted.</p> <p>A monitoring timetable for arrears is produced mainly relating to small balances, Default Arrangement and Pending on hold settlements/suppressed. These are at present not being actively monitored.</p>	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				Procedure notes across the system require review and updating, if applicable. Implementation of the recommendations in the action plan will enhance arrangements and address these risks.	

## ASSURANCE AND RECOMMENDATION CLASSIFICATIONS

Overall Audit Assurance Opinion	Definition
<b>Substantial</b>	There is a sound system of internal control designed to achieve the organisation's objectives. The control processes tested are being consistently applied.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	Significant weakness in the design and application of controls mean that no assurance can be given that the organisation will meet its objectives in this area.

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



## Appendix 2

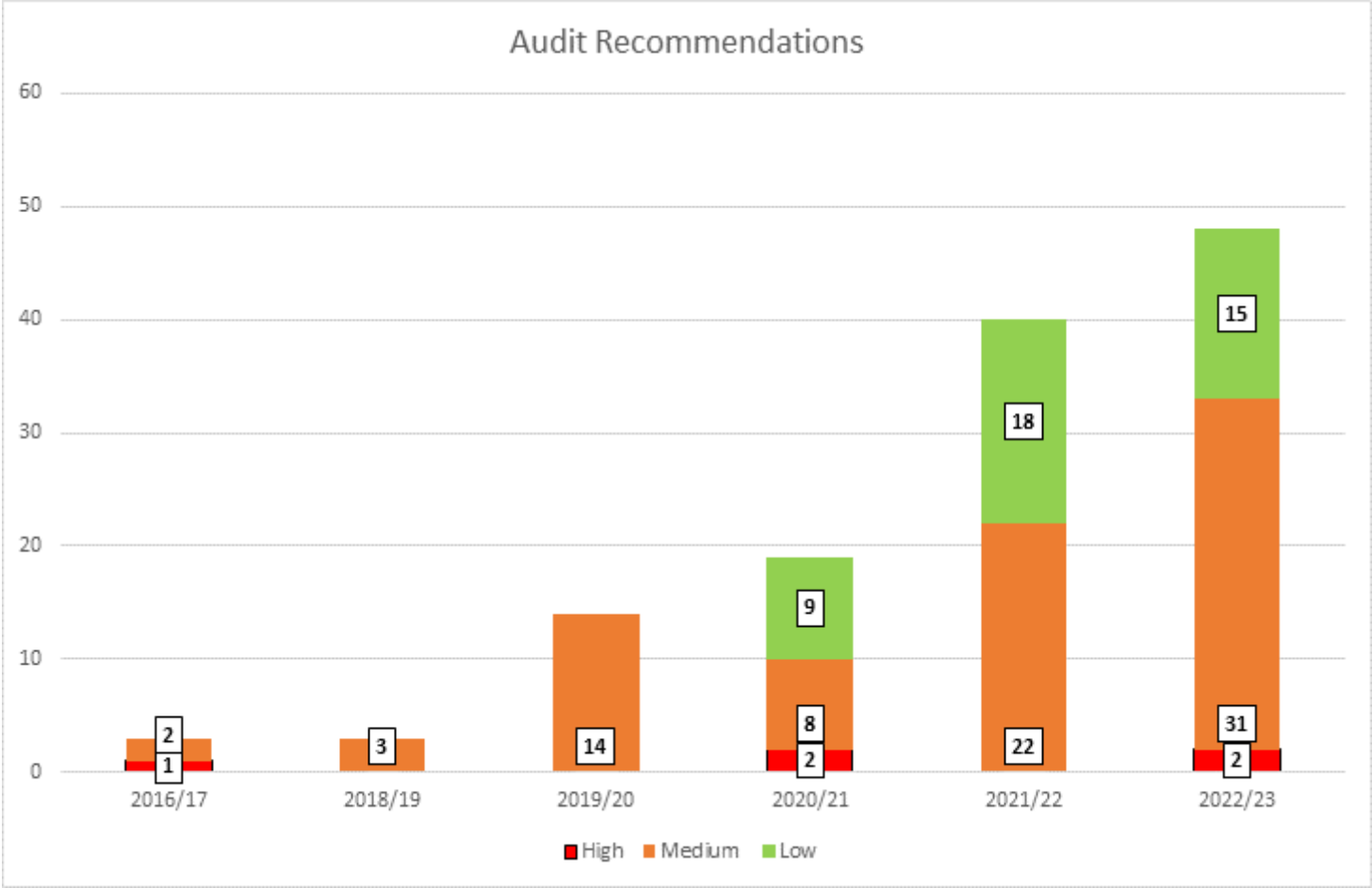
### Listing of currently outstanding high priority audit recommendations

<u>Code</u>	<u>Audit</u>	<u>Year</u>	<u>Recommendation</u>	<u>Follow Up</u>	<u>Responsible Officer</u>
1617 EPAY 01	Epayments	2016/17	The relevant PCI Self Assessment Questionnaire (SAQ) should be completed and submitted to the sponsoring bank	<p>Currently outstanding and being addressed.</p> <p>PCI DSS Audit in line for review during 2022/23.</p> <p>The council are implementing Call Secure Plus in January 2023 which removes spoken card data from the council's environment and is a major element of the council's journey to full PCI compliance. The council is also putting in place additional and transformational IT support from December 2022 onwards, which will address all remaining PCI related IT considerations, and an action plan will be established in December 2022/January 2023 to provide a roadmap to full PCI compliance. As part of this, the council's PCI policy will be reviewed and renewed and the council will attest its PCI compliance with its acquiring bank.</p>	Lizzie Barton - Assistant Director of Customer, Residents and Business

<u>Code</u>	<u>Audit</u>	<u>Year</u>	<u>Recommendation</u>	<u>Follow Up</u>	<u>Responsible Officer</u>
1920 PROP 03	Property Leases and Charges	2019/20	It should be investigated whether the leases identified were finalised and if there is a signed copy.	The Property team are reviewing every lease as we work through the asset register alongside our daily workload. We are highlighting and dealing with issues as we work through and identify issues. The full review will be completed by April 2023. Part of the review is also looking at all PPM compliance for tenants. Where a lease has not been signed, it will be reviewed and signed by both parties, if within 12 months of renewal signing will wait for the renewal of the lease.	Andrew Rowbotham - Director of Operations / Property Services and Estates Manager
1920 PROP 04	Property Leases and Charges	2019/20	Rent Reviews should be completed on time. The findings of the review should be communicated with the Corporate Debt Recovery team and evidence should be retained to support the change in rent charged	Rent Reviews dates are all marked on the asset register and take place on time. We are currently working through 2 scheduled reviews and one for New Look at 23/24 Market Street. We work closely with debt recovery and the income team on rent increase and arrears that are owed.	Andrew Rowbotham - Director of Operations / Property Services and Estates Manager
2122 B. Park Invest 07	Beacon Park Investigation	2022/23	Park drivers should be provided with guidance on the personal use of Council vehicles and the Council's driving at work policy. They should sign to confirm receipt and understanding of the requirements.	Recommendation due 30 September 2022 to be followed up with management at outstanding audit recommendation meeting.  Follow up audit in progress.	Lyn Hammant – Historic Parks Manager

<u>Code</u>	<u>Audit</u>	<u>Year</u>	<u>Recommendation</u>	<u>Follow Up</u>	<u>Responsible Officer</u>
2122 B. Park Invest 12	Beacon Park Investigation	2022/23	The recruitment process should ensure that all employment references are reviewed and dates are agreed to the candidate pack.	Recommendation due 30 September 2022 to be followed up with management at outstanding audit recommendation meeting.  Follow up audit in progress.	Lyn Hammant – Historic Parks Manager

Analysis of number of audit recommendations outstanding as at 30<sup>th</sup> September 2022 by financial year raised



## CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

### Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

### Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

**The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.**

## CIPFA's Position Statement 2022: Audit committees in local authorities and police

### Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

### Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

## Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

### Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

### Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

### Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and conformance to professional standards
  - support effective arrangements for internal audit
  - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

### Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.



## Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

## Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

# Audit committees:

practical guidance for  
local authorities and police

2022 edition

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# Introduction

This section is aimed at officers responsible for guiding the audit committee. It will also be a useful reference guide for an audit committee member wanting to develop greater understanding of the committee's role or access additional resources.

It identifies the underpinning legislation, regulations, guidance or resources that the committee should be referencing in its operations.

It is a supplement to the guides *Audit committee member in a local authority* and the *Police audit committee member* and should be read in conjunction with the appropriate guide. It includes information for both authorities and police bodies.



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# Core functions of the audit committee

## MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

### Good governance

*Delivering Good Governance in Local Government: Framework* (CIPFA/Solace 2016) is principles based and informs the approach to good governance adopted by police, local authorities and fire and rescue authorities. CIPFA recommends that each authority develops a local code of governance setting out how it applies the principles in practice.

CIPFA's **Financial Management Code** (FM Code) also attributes responsibility for the Framework to the authority's leadership team. This supports the principle of assurance in the FM Code.

Other useful resources for evaluating governance and identifying governance risks include the research resource co-ordinated by the Centre for Governance and Scrutiny, **The governance risk and resilience framework**. This sets out the risks to good governance and can be used as part of the evaluation process for the annual governance statement (AGS) or as part of other governance development work. Further information on the AGS is included in **Accountability and the annual report**.

Where an authority is found to have failed in its statutory obligations to provide best value, the government has the power to intervene. The audit committee is one of the mechanisms an authority should have in place to identify, escalate and oversee the improvement of any governance weaknesses.

In Wales, the **Local Government and Elections (Wales) Act 2021** provides for intervention by Welsh ministers to increase the extent to which a council is meeting the performance requirements.

### Key references

**Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016) ('the Framework') sets the standard for governance in UK local government bodies. The Framework is supported by guidance notes for each sector (CIPFA/Solace, 2016) as follows.

- **Delivering Good Governance in Local Government: Guidance Notes for English Authorities**
- **Delivering Good Governance in Local Government: Guidance Notes for Scottish Authorities**
- **Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities**
- **Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales**

Accounts and audit regulations (various according to location in the UK)

The governance risk and resilience framework (Centre for Governance and Scrutiny, 2021)

## Ethical values

As part of the annual governance review, the audit committee should consider how effectively the **Seven Principles of Public Life** are supported and whether the arrangements in place to achieve Principle A of the governance framework are fit for purpose:

*Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.*

Authorities have a standards committee to oversee member conduct and review complaints. This is not a function of the audit committee and combining the two committees should be avoided.

The standards framework for elected members in England was established by the **Localism Act 2011**. English local authorities have a statutory duty to promote and maintain high standards of conduct, and the audit committee should consider assurances on the discharge of this responsibility and be satisfied that there are arrangements in place. The Committee on Standards in Public Life last reviewed standards in local government in 2019. The report recommended some amendments to the Act, but in its 2022 response, the Department for Levelling Up, Housing and Communities (DLUHC) did not commit to these. This remains an active topic that the audit committee should be aware of, and it should understand the steps its authority is taking to promote and ensure good ethical arrangements are in place.

The **Public Sector Internal Audit Standards** (PSIAS) include the ethical framework as a specific area of governance for internal audit work.

Whistleblowing arrangements support the development of ethical conduct and greater transparency and help authorities ensure compliance with the **Public Interest Disclosure Act 1998**. As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the committee may wish to review the effectiveness of the whistleblowing arrangements.

### Useful resources

**Upholding Standards in Public Life** (Committee on Standards in Public Life, 2021)

## Risk management

In determining the audit committee's responsibilities towards risk management, authorities should have regard to the responsibilities of other committees such as scrutiny committees and the specific responsibilities of those charged with governance in relation to risk management. Where a local authority establishes a separate risk committee, then its roles and responsibilities need to be considered in determining the role of the audit committee.

Police audit committees are directed in the **Financial Management Code of Practice for the Police Forces of England and Wales** (FMCP) (Home Office, 2018) to advise the PCC and the chief constable on the adoption of appropriate risk management arrangements.

Welsh local authority and English combined authority audit committees are required to review and assess risk management arrangements.

## Internal controls

Internal control arrangements will be informed by service requirements and guidance specific to individual areas.

## Financial management

Regarding financial management arrangements, CIPFA's FM Code is a helpful resource to guide and evaluate the adequacy of financial management. The results of the assessment should be shared with the audit committee.

Audit committees in local authorities in Wales and in combined authorities are required to review and scrutinise the authority's financial affairs. Robust arrangements for financial control, understanding financial risks and longer-term financial planning will provide assurance to the committee. The review of financial statements also supports this objective. Care should be taken to not overlap with financial scrutiny. Tasks such as budget monitoring should not be undertaken by the committee.

## Value for money and best value arrangements

Making best use of resources is a key objective for all local authorities and is part of the Framework. One of the behaviours and actions that underpin Principle C of the Framework is "delivering defined outcomes on a sustainable basis within the resources that will be available." When the AGS is prepared, the adequacy and effectiveness of arrangements to secure value for money (VfM) should be included, as per CIPFA guidance.

One specific area of activity for the committee will be consideration of the external auditor's wider work, as set out in the codes of audit practice and other guidance adopted by national audit bodies as follows.

- **England:** statutory value for money commentary as defined by the [National Audit Office](#).
- **Scotland:** periodic reviews of best value from [Audit Scotland](#).
- **Wales:** annual improvement reports from [Audit Wales](#).
- **Northern Ireland:** a review of arrangements for the use of resources from [Northern Ireland Audit Office](#).

When the external auditor raises concerns about VfM, the audit committee should ensure there is a robust action plan to address the issues raised. A significant VfM failing is likely to lead to a formal recommendation or report in the public interest. In addition to the work of the auditor, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement.

The [Cities and Local Government Devolution Act 2016](#) requires the audit committee of a combined authority to review and assess the economy, efficiency and effectiveness of resource use in discharging the authority's functions. By reviewing the adequacy of the authority's arrangements, including aspects such as performance management, financial planning and procurement, the audit committee will be able to report and make recommendations to fulfil this responsibility. Where risks to value for money are identified to the audit committee – for example, through the work of internal audit – those concerns need to be escalated for management action.

## Countering fraud and corruption

The audit committee should include counter fraud and corruption within its agenda. This should not be limited to an update to the committee on a significant case of fraud or corruption. The audit committee's responsibility to have oversight of arrangements means that they should be able to judge whether the authority's arrangements are fit for purpose

CIPFA's [Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014) sets out the counter fraud standards for public sector organisations. Sector-specific strategies such as [fighting fraud and corruption locally](#) should also be considered, along with [Integrity matters](#)

(HMICFRS, 2015). The committee should understand the level of fraud risk the authority is exposed to and the implications for the wider control environment.

The audit committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the **Bribery Act 2010**.

The CIPFA guidance on the AGS recommends that the adequacy of counter fraud arrangements is evaluated and reported on in the AGS with reference to the *Code of Practice on Managing the Risk of Fraud and Corruption*. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice. The audit committee may also refer to the Internal Audit Standards Advisory Board's (IASAB) guidance on **internal audit's role in counter fraud** (2017), which sets out internal audit's responsibility to provide assurance to the organisation on how it manages fraud risk.

### **Partnership governance, collaborations and subsidiaries**

Ensuring that the audit committee has oversight of significant collaboration arrangements or the governance arrangements for the authority's partnerships is important. This is an area of assurance that should be planned as new arrangements are established as well as considered regularly.

Guidance is available in CIPFA publications, including **Successful Collaborations in the Public Services: The Role of Internal Audit** (2021). This highlights some of the governance risks that should be considered in collaborative arrangements, together with the role of internal audit. It highlights the need for the audit committee's oversight of internal audit to extend to their work on collaborations.

CIPFA's **Effective Governance of Collaboration in Policing** (2021) provides an overview of the nature of collaborations in policing and guidance on governance for those arrangements, and other relevant guidance is included in **Principles for section 151 officers working with LEPs** (2018).

Recently, authorities that have the general power of competence have established trading companies to operate more commercial activities, including delivery of services and commercial investments. Some authorities have experienced difficulties with these activities, so the governance, oversight and risk management arrangements in them are likely to be of considerable interest to the audit committee. CIPFA has issued new guidance in 2022 in **Local Authority Owned Companies: A Good Practice Guide**.

In addition to reviewing assurances over partnerships, the committee may choose to develop its own partnership arrangements with the audit committees of partner organisations. This could involve planning and co-ordinating agendas or developing forums to share ideas or briefings. More established partnerships could lead to the development of a shared audit committee between partner authorities or a joint committee.

## FINANCIAL AND GOVERNANCE REPORTING

### Financial reporting

Local authority financial statements should follow the professional practices set down in the **Code of Practice on Local Authority Accounting in the United Kingdom** (CIPFA/LASAAC). The responsible financial officer is required by statutory provision to sign the statements to confirm that they have been properly prepared and are ready for audit prior to the commencement of the period for the exercise of public rights. These are the unaudited accounts. Currently, deadlines are subject to change because of the COVID-19 pandemic (and because of difficulties resourcing local audit in England). Therefore, it will be important to check the current regulations applicable.

At the time of publication, the latest regulations were as follows.

- In England, **The Accounts and Audit (Amendment) Regulations 2021**. This amends the Accounts and Audit Regulations 2015.
- In Wales, **The Accounts and Audit (Wales) (Amendment) Regulations 2018**. This amends the Accounts and Audit (Wales) Regulations 2014.
- In Scotland, **The Local Authority Accounts (Scotland) Regulations 2014**.
- In Northern Ireland, **The Local Government (Accounts and Audit) (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020**. This amends the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

Further details about the requirements of the regulations are in Appendix A.

Prior to the current period of disruption, there had been a trend to reduce the elapsed time from the end of the financial year to the publication of audited statements. For example, under the 2015 regulations for English authorities and policing bodies, in practice, the latest date by which the statements would need to be confirmed (by the responsible finance officer) is 31 May, as the 30 working day period for the exercise of public rights must include the first ten days of June. In CIPFA's view, the timely availability of the statements is important for transparency and accountability.

Under the regulations, Scottish and Northern Irish authorities must all ensure that the financial statements are signed off by the chief financial officer (CFO) by 30 June. The Accounts and Audit (Wales) (Amendment) Regulations 2018 require preparation and publication to be completed by 15 June. Authorities have had flexibility to delay due to COVID-19, but deadlines will revert to those specified in regulations at an appropriate point.

CIPFA recommends that it is good practice for the accounts and the AGS to be reviewed by the audit committee prior to the commencement of the external audit. The committee will also review them at the completion of the audit prior to publication. Authorities will formally approve the financial statements after the completion of the external audit.

The date the statements must be published by is set down in government regulations. Prior to COVID-related amendments, the latest date for publication was 31 July for English authorities. Scottish and Welsh authorities must publish by 30 September, and Northern Irish authorities must publish by 31 October. These dates are intended to reflect the target for the completion of the audit. However, meeting the deadline is not a statutory requirement for the auditor; auditors will aim to meet this date, but their primary concern is to complete the audit to the required auditing standard.

The financial statements are the most technical aspect of the audit committee's remit and one that can be daunting for those elected members with no prior experience of financial reporting or

external audit. The differences in financial reporting practice in the accounts can also be daunting for those used to the presentation of company accounts. Additional attention should therefore be paid to this area when evaluating training needs.

## Annual governance statements

Legislation requires local authorities, fire and rescue authorities and police bodies to prepare an AGS and to report publicly on the effectiveness of governance and control (see Appendix A for details of the legislative requirements). The AGS should be reviewed and then approved by an authority body prior to being signed by the leading member and the authority's chief executive. Typically, audit committees undertake the role of reviewing the AGS prior to approval.

Statutory and professional guidelines will determine when the AGS goes before the audit committee for review. These are set out in **Financial reporting** and in more detail in Appendix A. CIPFA recommends that the AGS is first reviewed by members of the audit committee at an earlier stage to allow comments and contributions to be made. The AGS must be current at the time it is published, so the audit committee should review it before final approval.

When the AGS is taken to the audit committee for review, it provides an opportunity to sense check the content, ensuring it is consistent with other information and is understandable to a lay reader.

The audit committee should be made aware of any updates to guidance on the AGS issued by CIPFA.

In March 2022, CIPFA's Practice Oversight Panel published an **advisory note on governance**. The note emphasises the importance of ensuring that annual reviews of governance and the AGS are robust. An effective audit committee is one important aspect of ensuring adequate internal challenge.

## Other accountability reports

The audit committee may be asked to comment on or review other accountability reports. If this is consistent with the purpose of the committee, then it may be appropriate – for example, if the report included extracts from the financial statements or AGS. It should always be clear whether the committee is being asked to formally endorse any report and consider whether this involves duplication with the work of other committees.

## SUPPORTING ARRANGEMENTS FOR AUDIT AND ASSURANCE

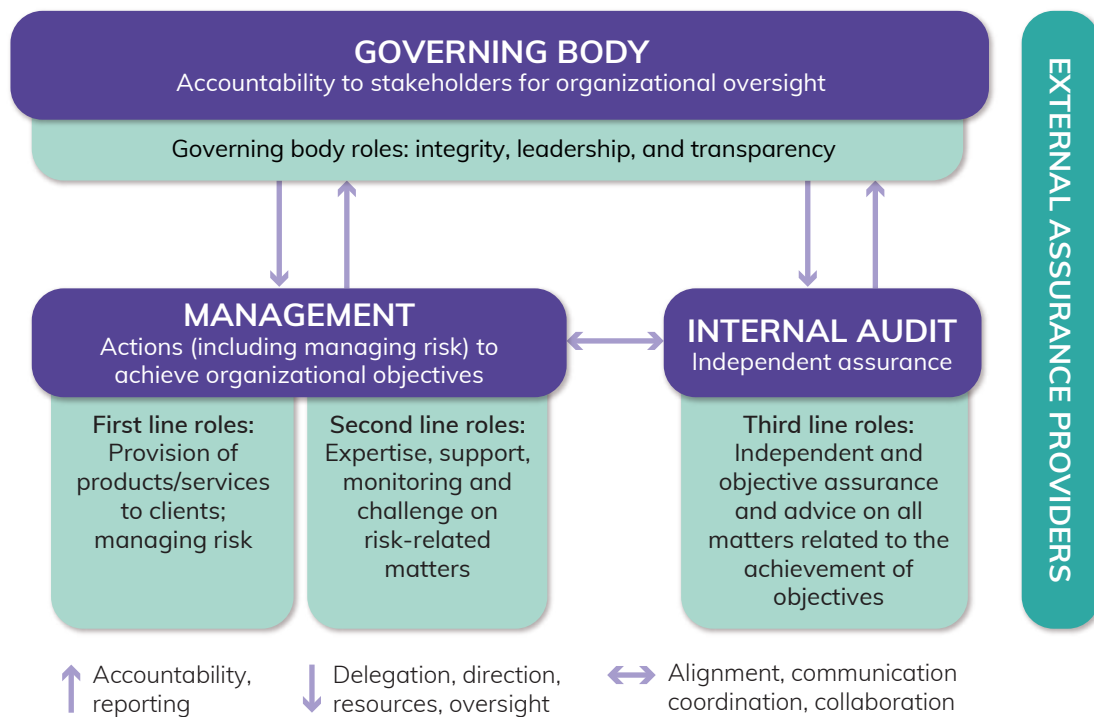
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### Assurance frameworks and assurance planning

The organisation's leadership team should establish arrangements to provide them with assurance. The purpose of assurance is to provide greater certainty over the operation of internal control arrangements and the implementation of policies and decisions. In practice, an organisation will have a range of different means of obtaining assurance, some of which will already be embedded in management arrangements. Taken together, the suite of assurances forms the framework of assurance for the organisation. Some organisations have taken steps to map or summarise their arrangements in diagrammatic or tabular form.

CIPFA is in the process of establishing more detailed guidance for leadership teams on assurance frameworks, including high-level principles to define assurance frameworks. The purpose of this will be to raise awareness of assurance and the different forms it can take. Developing CIPFA guidance will include the **Three Lines Model** developed by the Institute of Internal Auditors (IIA).

Figure 1: The IIA's Three Lines Model



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Having a good understanding of different sources of assurance is important:

- for managers and the leadership team, to have confidence in how things work in practice
- for the audit committee, to help them fulfil their responsibilities
- for internal auditors, to inform risk assessments, supplement the direct independent audit work the team undertakes, and to inform the head of internal audit's annual opinion.

As well as understanding the organisation's arrangements for obtaining assurance, the audit committee should ensure that it receives the assurances necessary to support its annual report and to play its part in reviewing the AGS. While internal audit and external audit will be significant contributors to the overall assurance, the committee will need to be proactive in specifying additional areas where assurance is needed.

## External audit

Audit committees have a role to play in relation to the appointment of external auditors. This role varies between England, Scotland, Wales and Northern Ireland, primarily due to the change in appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the **Local Audit and Accountability Act 2014**.

In Scotland, Wales and Northern Ireland, national audit agencies are responsible for the audits of local bodies. In England, authorities have the option to appoint auditors themselves via means of an auditor panel (individually or jointly with other bodies) or through Public Sector Audit Appointments (PSAA), which has been established by the Local Government Association (LGA) and specified as an 'appointing person' under the 2014 Act. For further information on auditor panels and the role of the audit committee, see CIPFA's **Guide to Auditor Panels** (2015).



The audit committee's role in appointment is generally to express an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, PSAA appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel, which will oversee the local appointment process. Where the audit committee members meet the requirements of an auditor panel as defined in regulations supporting the 2014 Act, then the committee can operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

## Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process. For this reason, there is extensive guidance from the Financial Reporting Council (FRC) for external auditors on the need to safeguard independence and objectivity. These rules apply to all auditors across all sectors. In addition, the national audit bodies issue guidance to auditors on safeguarding integrity, objectivity and independence. It is an important role for an audit committee to help guard against threats to independence and to satisfy itself that the external auditor's independence is safeguarded. The critical issue of independence will be considered when the external auditor is appointed, but the audit committee's role will be to monitor on an annual basis, or more often when required.

Each year, the external auditor will disclose to the committee an assessment of whether it is independent. This disclosure should include any significant facts that could impact, or be seen to impact on, independence and objectivity, together with any safeguards put in place. The audit committee should use this opportunity to discuss with the external auditor their assessment of threats to independence and any safeguards. The table below summarises the potential threats that external auditors need to consider and manage.

### Understanding the potential threats to external independence

#### Self-interest threat

This is where there are, or are perceived to be, financial or other interests that could impact on the actions of the external auditor. The potential fees from provision of non-audit or additional services to the audited body could fall within this category.

#### Self-review threat

This is where the audit could include a review of work performed or services or advice provided by the same firm or team.

#### Management threat

This is where the auditor has become involved in or associated with decision making at the audited body.

#### Advocacy threat

This is where the auditor has taken on an advocacy role for the audited body or supports the management in an adversarial or promotional context.

#### Familiarity (or trust) threat

This is where familiarity or close personal relationships mean that the external auditor is insufficiently questioning or accepting in forming audit judgements.

#### Intimidation threat

This is where the conduct of the external auditor is influenced by fear or threats from individuals in the audited body.

Full details of the threats are set out in the [Revised Ethical Standard 2019](#) (FRC).

## Receiving and considering the work of external audit

The timetable of external audit work will be shaped by the appropriate Code of Audit Practice under which the audit is being undertaken and the appropriate regulations of the nation.

From time to time, there may be disruption to the routine timetable of audit. For example, the impact of the pandemic and recent difficulties experienced in England by local audit firms have contributed to delays. Where this is the case, the audit committee should actively monitor changes to timetables and audit plans, supporting good communication between the auditor and the authority to manage difficulties in the best possible way. Those officers responsible for liaising with the external auditor should ensure the audit committee is kept informed and any difficulties drawn to their attention at an appropriate stage.

One of the recommendations of the Redmond Review ([Independent review into the oversight of local audit and the transparency of local authority financial reporting](#)) was that the external audit annual report should be submitted to full council by the external auditor. The rationale behind the recommendation was that there were examples where serious issues raised with the audit committee by the external auditor were not then escalated to full council. As all councillors are “charged with governance”, they should be aware of serious issues and the overall results of the audit.

In addition, full council is more visible to the public than the audit committee, so it supports greater transparency. When this recommendation was considered by the stakeholder group advising DLUHC, it was considered important for the audit committee to receive the external auditor’s reports, allowing more in-depth discussion and formulation of recommendations for action in response to issues raised. It suggested that the annual report should be presented to full council in the way suggested by Sir Tony to improve transparency and strengthen the governance response, but it should also be accompanied by a report from the audit committee setting out its suggested response to the report. This was discussed in the technical consultation issued in July 2021 and CIPFA would support this approach.

Although the specific recommendation related to English local authorities, CIPFA would recommend that authorities in the rest of the UK also consider adopting a similar approach, if they do not do so already.

## Supporting the quality and effectiveness of the external audit process

The audit committee should support the quality and effectiveness of the external audit process:

- at the planning stage, understanding and commenting on external audit plans, assessment of risks and proposed areas of focus, and deployment of audit effort in response to identified risks
- during the external audit process, including:
  - assessing whether the external auditor has a good understanding of the authority
  - how the external auditor has responded to areas of audit risk
  - actions taken to safeguard independence and objectivity
- at the reporting and finalisation stages:
  - ensuring there is feedback from key people such as the CFO and the head of internal audit on the conduct of the audit
  - supporting the auditor’s annual report to the full council, PCC, chief constable or other body as appropriate on the results of its considerations with the audit committee report.

In monitoring the quality of the external audit provision, the audit committee should be briefed on any relevant issues around quality that emerge from the regulation of external audit – for example, the quality reports from the FRC and contract monitoring reports from PSAA. Links to useful resources are provided at the end of the section.

There should be an opportunity for the audit committee to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship.

### Supporting audit quality

The audit committee should be an advocate for high audit quality. Ensuring that quality is maintained provides confidence in the audit opinion and recommendations. In its interactions with the auditors, the committee should be alert to the culture of the auditor and its regard for quality, its customer focus and how the firm creates a positive audit culture. The FRC's recent report **What Makes a Good Audit?** (2021) highlights the importance of governance and leadership in the audit firm.

*Senior leadership must live and drive the right values, ethics and behaviours that support high audit quality throughout the firm. There must be a clear link between remuneration/ promotion and audit quality. Learning from audit inspections (internal and external) must be shared across the audit practice and understood, including the sharing of good practice identified within the firm or from external reviews. There must also be an emphasis on the public interest role of audit. At the larger firms, Independent Non-Executives (INEs) already have an important role to play in holding leadership to account for improving audit quality and for driving an appropriate culture and mindset within audit.*

*What Makes a Good Audit? (FRC, 2021)*

The committee should ask about the auditor's approach to audit quality, including the support and training provided to the team on specialist areas within the scope of the audit. This is a particular consideration in England where audits are undertaken by a firm, as the team may not consist of auditors with extensive local audit experience. It should be noted that the key audit partner must have that experience and knowledge. This was an issue raised by the Redmond Review, and work to improve and support auditors is ongoing. For the firms, achieving improvements in this area is challenging, given wider issues around shortages of appropriate skilled auditors.

The audit committee needs to work with auditors and key officers to ensure that there is a shared understanding of objectives, expectations and outcomes from the audit. It is likely that the committee members will need support and training to improve their knowledge and understanding in this area unless they have had prior experience.

Where there are difficulties in the relationship between auditor and client, the audit committee should seek to support and resolve in an objective way that helps the delivery of a quality and timely audit.

### Assessing audit quality

In determining the committee's role in reporting on external audit, CIPFA has taken account of requirements in other sectors. The **UK Corporate Governance Code** (FRC, 2018) expects the audit committee to report annually on its assessment of the independence and effectiveness of external audit. The audit committee annual report should also include a section on external audit. This is addressed in **Independence and accountability**.

The FRC published **Audit Quality: Practice Aid for Audit Committees** in 2019 to help support audit committees. It should be noted that this is not tailored to audit committees in local

government, but some general principles remain relevant for an authority committee. Suggested good practice would be to consider the following areas:

- How the auditor interacts with the audit committee. Examples could include how auditors respond to questions or challenge from the committee and whether communications are open, constructive, informative and regular.
- Evidence from management. For example, the audit committee could ask management for evidence where auditors have challenged judgements and estimates.
- Asking auditors how they have demonstrated professional scepticism.
- Considering how well the auditor has met the agreed audit plan and addressed the risks it has identified.
- The quality of the audit report. For example, is it helpful and does it avoid generic 'boiler plate' content?

The audit committee should also review reports and assessments on their contracted auditor. The national audit bodies publish external reviews of their quality arrangements, and the FRC publishes an annual report of the local audit quality reviews undertaken for each firm. The committee should consider the conclusions on audit quality and areas for improvement and discuss with the auditor if appropriate. In England, PSAA may also publish reviews of interest to the committee on their monitoring of the audit contracts and satisfaction surveys, etc.

#### References and useful resources

**Financial audit quality arrangements** (Audit Wales)

**Major Local Audits: Audit Quality Inspection** (FRC, 2021)

**Managing audit quality** (PSAA)

**Quality of public audit in Scotland annual report 2021/22** (Audit Scotland)

**Quality assurance review 2021 executive summary** (Northern Ireland Audit Office)

## Internal audit

The audit committee has a clear role in relation to oversight of the authority's internal audit function. From 1 April 2013, internal auditors throughout local and central government and health have had to follow the PSIAS, and for local government bodies, the **Local Government Application Note (LGAN) for the UK PSIAS** (CIPFA, 2019). All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015, the Accounts and Audit (Wales) Regulations 2014, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 must make provision for internal audit in accordance with the PSIAS and LGAN.

The PSIAS include the mission of internal audit, code of ethics, definition of internal auditing and the core principles for the professional practice of internal auditing, and together these highlight the importance of effective internal audit to those in the organisation who are responsible for governance.

In its adoption of the PSIAS and LGAN, each authority should consider which committee or individual is the most appropriate to fulfil the role of the board in relation to internal audit. In determining the functional reporting arrangements of internal audit, the authority will need to bear in mind the need to preserve the independence and objectivity of internal audit as required by the PSIAS. It is for these reasons that in the LGAN, CIPFA expressed an expectation that the audit committee would fulfil the role of the board usually.

The role of the audit committee in relation to internal audit is to:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit within the assurance framework.

Those audit committees that operate under the Local Authority Accounts (Scotland) Regulations 2014 and the Accounts and Audit (Wales) Regulations 2014 must conduct a review of the effectiveness of their internal audit annually (Appendix A includes details of the relevant regulations). The audit committee should consider internal audit's quality assurance and improvement programme (QAIP) when conducting such a review.

The **CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations** (2019) states that engagement between the head of internal audit and the audit committee is a crucial component of delivering an effective internal audit service. For the head of internal audit to operate an effective internal audit arrangement, the authority has a responsibility to ensure that they can operate effectively and perform their core duties. This responsibility exists regardless of the method of delivery of internal audit, whether in-house, outsourced or through some form of shared arrangement. The audit committee plays an important role in supporting the effectiveness of those arrangements in accordance with the CIPFA statement.

The committee should develop sufficient understanding of the effectiveness of internal audit and its adherence to professional standards. While helping to ensure that the right organisational arrangements are in place to support the internal audit service, the committee should also hold internal audit to account for the following:

- Conformance with professional standards.
- Effective management of resources.
- Focus on risks and assurance needs.
- Delivery of required outputs.
- Impact.

In 2022, CIPFA published **Internal audit: untapped potential** – a research report examining how internal audit supports public sector organisations and opportunities for the future. It features the results of an extensive survey that included management clients and audit committee members, as well as internal auditors. Included within are recommended topics that audit committee members should consider and discuss with their head of internal audit to help ensure that their organisation is getting the best out of internal audit.

# Guiding the audit committee – wider functions

## WIDENING THE WORK OF THE COMMITTEE

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This chapter sets out relevant guidance where additional responsibilities are brought within the scope of the committee. The scope should not be extended so broadly that the committee effectively becomes a joint committee with other priorities. The areas covered in the guidance are relevant as a result of legislation or other standards.

## WALES

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Governance and audit committees in Wales will need to have regard to the Local Government and Elections Wales Act 2021 in agreeing their terms of reference and conducting business.

The significant difference is the requirement to review the draft self-assessment or panel assessment report and make recommendations. The performance assessments are a new requirement introduced by the 2021 Act. Statutory guidance has been produced in **Performance and governance of principal councils** (2021).

In undertaking this role, CIPFA recommends distinguishing between the committee and the performance monitoring that scrutiny committees will have undertaken, which will be a contributory part of the self-assessment.

To enable the committee to perform its role effectively, members will need to be briefed on the requirements of the Act and supporting statutory guidance.

## TREASURY MANAGEMENT

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CIPFA's **Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes** (2021) requires all local authorities to adopt four clauses defining responsibilities for treasury management.

It is possible for the audit committee to be nominated to undertake the scrutiny role.

*This organisation nominates (name of responsible body/committee) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.*

Where the audit committee has been nominated, it should be aware that it needs to undertake a scrutiny role in accordance with the Treasury Management Code, in addition to any oversight of governance, risks and assurance matters relating to treasury management that it would consider as an audit committee. It is not appropriate for the audit committee to undertake any of the other roles outlined in the Treasury Management Code clauses, as these are executive and decision-making roles rather than a scrutiny role.

Treasury management is a specialist area, so it is likely that committee members will require training, guidance and support when undertaking scrutiny. Specific areas of knowledge and skills are identified in Appendix C, and these can be used to support a training needs assessment and to plan development.

## SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES

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Where an authority has undergone an external inspection, peer review or other intervention, an improvement programme will be developed. It will be important for the audit committee to play its part in supporting the effective implementation of agreed actions.

The primary role of the committee is to receive assurances that implementation of the programme is on track. The programme will have links to external audit reports, future audit risk assessments and the AGS, so it is important that the committee is aware of the overall progress. A significant programme may have a dedicated board that can provide an update to the committee to fulfil its assurance needs.

There may be aspects of the programme that directly link to the work of the committee – for example, the adequacy of financial management arrangements or internal audit. In such cases, the committee may be more actively involved in monitoring progress.

# Independence and accountability

## INTRODUCTION

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CIPFA is keen that each local authority or police body adopts an audit committee model that achieves its purpose and functions successfully. CIPFA's recommended best practice is intended to support the development of effective arrangements and should not be regarded merely as a compliance checklist.

For a local authority, in CIPFA's view, it is best practice for the audit committee to report directly to council rather than to another committee, as the council itself most closely matches the body of 'those charged with governance.' In the police sector, both the PCC and chief constable are separate corporations sole, so each will fulfil the role of 'those charged with governance.'

In establishing the audit committee within the governance structure of the authority, three key elements should be considered:

- Any statutory guidance applicable to the sector.
- Independence from the executive and political allegiances.
- How the structure of the committee can support its effective operation.

Each of these elements is considered in more detail in the following sections.

## SECTOR AND DEVOLVED GOVERNMENT GUIDANCE

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The local authority and police sectors are subject to differing laws and regulations according to both sector and devolved national governments. Those affecting audit committees are set out in Appendix A. While there is broad similarity in the guidance across the UK, there are differences because of specific statutory guidance and regulations, including:

- statutory requirements for audit committees in Wales
- statutory requirements for combined authorities to establish an audit committee
- statutory guidance underpinning the operation of police audit committees in England and Wales.

Audit committees in Wales have a clear statutory role established by the **Local Government (Wales) Measure 2011** and updated in the **Local Government and Elections (Wales) Act 2021**. The Welsh Government has provided statutory guidance on the implementation of the measure's requirements, and local authorities in Wales must have regard to this guidance.

The Cities and Local Government Devolution Act 2016 requires combined authorities to establish an audit committee where at least one member must be appointed as an independent member.

The Home Office's **Financial Management Code of Practice for the Police Forces of England and Wales** (the FMCP) (2018) requires PCCs and chief constables to establish an independent audit committee. This is an advisory committee to both the PCC and the chief constable, both of whom are established as a corporation sole.



The **Policing and Crime Act 2017** enables a PCC in England (following local consultation and approval from the secretary of state) to take on the governance of their local fire and rescue service(s) to become a PCC fire and rescue authority (PCC FRA). The 2018 edition of the FMCP includes guidance concerning audit committees in this event.

Those supporting audit committees should be aware of other regulations, including the appropriate accounts and audit regulations for England, Scotland, Wales and Northern Ireland. These regulate functions such as internal audit and the timing of the AGS review and the accounts. These functions should be undertaken by the audit committee, and the committee should have regard to the regulations.

## STRUCTURE AND INDEPENDENCE

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### Ensuring a dedicated audit committee

In some local authorities, the audit committee has been combined with other committees. CIPFA recommends that the audit committee should have no other functions, and explicitly no decision-making role. The most common combinations adopted by authorities have been an audit and scrutiny committee or audit and standards committee. CIPFA recommends these are separated.

Sometimes the audit committee is given a different title, such as 'governance and audit' or 'audit and risk' committee. This would not be a problem if the terms of reference are consistent with the **CIPFA Position Statement**. Care should be taken to not delegate additional responsibilities that conflict with or dilute the audit committee focus.

The Centre for Governance and Scrutiny published **Audit committees and scrutiny committees: working together** (2021) to help understand the difference between scrutiny and audit committees. CIPFA contributed to the resource to help ensure it was consistent with its 2018 guidance on audit committees. It helps scrutiny members understand how the audit committee role is different but complementary and identifies opportunities for the committees to work constructively together.

### Committee size

Police audit committees should follow the FMCP guidance on a committee size of three to five members. In determining size, consider the quorum for meetings, as three allows little flexibility for meeting quorum at every scheduled meeting.

The sections on **Membership** and **Accountability** cover the composition of the committee between elected members and co-opted independents in an authority.

Committee size and composition are subject to legislation in some local authorities but not all.

Appendix A sets out the legislation for Wales and combined authorities in England.

In sectors outside local government, it is typical for audit committees to have fewer than six members. Among local authorities, there is a range of practice, including some committees that exceed ten members. In the sector, it can be harder to achieve the depth of knowledge and experience that is desirable with a small number, but equally it can be difficult to provide training and development for a large group.

CIPFA's recommendation is that a committee size of no more than eight members should be established. This allows sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

CIPFA also recommends that the use of substitutes on the committee is avoided. Substitute members are less likely to have received relevant training. It also disrupts the continuity of the committee, where committee members can build on information received in previous meetings. We have found that where committee members are regularly substituted, it is an indication of lack of engagement with the committee's purpose and agenda.

## Audit committees for collaborations

Where an authority has a significant level of joint or collaborative working, there may be some value in considering the constitution of a shared audit committee. This will be particularly appropriate if there is a shared management team and single functions for finance, audit and risk management. There will need to be a formal agreement that sets out how the balance of representation between the partners will be decided, reporting lines and how the chair will be selected.

## Delegated decision making and voting rights

Currently, some authorities have delegated decisions such as the approval of the financial statements to the audit committee. This takes the audit committee beyond its advisory role. It also means that authorities will need to have regard to Section 13 of the **Local Government and Housing Act 1989**, which relates to the voting rights of non-elected committee members. Independent members cannot vote on matters for decision, whereas making recommendations to another decision-making body would not be impacted.

CIPFA recommends that the audit committee remains an advisory committee and does not have delegated powers.

## ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

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In planning the number and timing of meetings and the committee agendas, key dates in the reporting and audit cycle will be important. In addition, the need for the committee to meet the expectations of auditing standards (both internal and external audit) in providing appropriate oversight will mean space on agendas should be found for these topics.

The CIPFA *Statement on the Role of the Head of Internal Audit in Public Service Organisations* (2019) emphasises the importance of organisational support for the role, including direct reporting lines to the audit committee and good engagement between the committee and head of internal audit. Providing the facility for private meetings between the head of internal audit and the audit committee will signal the importance of maintaining the independence of internal audit.

While private meetings between the committee and internal and external audit help to build a trusted relationship, those concerned should always make sure that the meeting is not used as a substitute for escalating governance concerns with responsible officers. The private meeting should always be in accordance with other principles of good practice – non-political and supporting transparent and accountable good governance.

Ensuring there is good support for the committee in agenda planning, minute taking, guidance and communications will help to build member confidence in the committee.

Providing a protocol about access to information that includes provision for co-opted independents will help to ensure clarity for both the committee members and officers. Members need to be confident that they have sight of relevant information in a timely way. There may be operational reasons why information is not immediately available or has to be treated in confidence, but it is important to explain this adequately.

## ACCOUNTABILITY AND THE ANNUAL REPORT

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CIPFA has recommended that the audit committee should produce an annual report since the 2013 edition of this guidance. In this latest edition, the annual report is given greater prominence and has been included in the Position Statement. The report should be used to provide accountability to those charged with governance on compliance with the Position Statement and performance and provide assurance over the areas within its terms of reference.

The timing of the report will need to take account of whether there will be changes in committee membership – for example, because of elections or rotation of committee members at annual meetings. The conclusions of the report can support the AGS.

It is for the committee chair to prepare the annual report in consultation with the members, although some support may be required to check accuracy or provide supporting information. Developing the report will ensure the committee is better placed for any future policy developments that might expect more from accountability disclosures.

# Membership and effectiveness

## COMPOSITION AND OPERATION OF THE COMMITTEE

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The composition of the committee will be one of the key factors in achieving a good audit committee. Some local government bodies will need to follow specific rules on composition. These are referenced below.

The composition of the audit committee for Welsh local authorities is determined by the Local Government and Elections (Wales) Act 2021, which requires local authority audit committees to have one-third lay members and a lay member as chair. The 2021 Act amended the Local Government Measure 2011, which established that only one of the committee's members may be from the council's executive, and this must not be the leader or the elected mayor.

Combined authorities in England are required to establish an audit committee by the Cities and Local Government Devolution Act 2016. The Act and the subsequent **Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017** require combined authority audit committees to include at least one independent member. The definition of independent is set out in Part 4 of the Order.

The FMCP determined that audit committees in policing must be composed solely of independent members.

## POLITICAL BALANCE

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One factor that is important for the success of the committee is ensuring a non-political approach to meetings and discussions. Any audit committee that is a properly constituted committee of a local authority will need to abide by the rules concerning political balance, as outlined in Section 15 of the Local Government and Housing Act 1989. When establishing a joint audit committee, the political balance of both authorities will need to be considered.

The **Local Government (Democracy) (Wales) Act 2013** inserted a requirement into the 2011 Measure for the audit committee to be politically balanced. This has not changed as a result of the 2021 Act.

The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 requires the audit committee to be politically balanced, taking into account the constituent councils.

Where the committee is strictly advisory and not subject to other requirements, full council can vote to waive the political balance requirement and specify other criteria to decide who should serve on the committee. For example, the selection of members with relevant knowledge and expertise could be prioritised.

The length of tenure of an elected representative on the committee will be influenced by the need to maintain political balance (if applicable) as well as other factors. In principle, establishing continuity on the committee is helpful to make the best of knowledge and experience. Some

rotation is also helpful to bring in a new perspective. CIPFA would suggest that two full terms on the committee would be a reasonable maximum.

## APPOINTING THE CHAIR OF THE COMMITTEE

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Unless there is specific legislation or guidance in place on the selection of the committee chair, authorities can determine their own approach. To try and emphasise the independence and apolitical nature of the committee, some authorities specify that the position should be occupied by an 'opposition' member. This approach may be appropriate for some but will not be possible for all authorities – for example, where there are few opposition members.

## CO-OPTED INDEPENDENTS

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### Definition of a co-opted independent or lay member

There are some definitions set out in legislation for some audit committees but not all.

The Local Government and Elections (Wales) Act 2021 defines a lay member as a person who:

- is not a member or an officer of any local authority
- has not been a member or an officer of any local authority in the last 12 months
- is not the spouse or civil partner of a member or officer.

Co-opted independent members of audit committees for combined authorities should be in accordance with the 2017 Order as follows.

- Not a member, co-opted member or officer of the authority.
- Not a member, co-opted member or officer of a parish council in the area of the principal authority.
- Not a relative or close friend of one of the above.
- Not a member, co-opted member or officer of the authority or parish council in the last five years.

There are no statutory definitions of 'independent' for audit committee members in local authorities in England, Scotland or Northern Ireland.

The independent members of the police audit committees in England and Wales must all be independent of the PCC and the force. The FMCP does not define this any further.

Where there is no established definition, authorities are recommended to establish their own policy before commencing recruitment. This will provide clarity to potential candidates and support the independence of the committee. CIPFA would suggest alignment to the combined authority requirements as the basis for a suitable policy.

As long as any requirements are met, it is possible for an individual to be a co-opted member of more than one local government body.

## MAKING BEST USE OF INDEPENDENT MEMBERS

There are some potential pitfalls to the use of independent members that should also be borne in mind.

- Over-reliance on the independent members by other committee members in local authorities can lead to a lack of engagement across the full committee.
- A lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports.
- Both independent members and officers/staff must try to establish an effective working relationship and appropriate protocols for briefings and access to information.

These factors should be considered when developing the committee structure and plans put in place to provide an appropriate level of support to the audit committee member.

### Role descriptions for co-opted independent members

Where the authority is recruiting members to co-opt onto the audit committee, a clear role description should be established. The following areas should be addressed:

- The role of the co-opted independent, including expected time commitment and location of meetings.
- The suggested appointment period and options for renewal (two terms would be a suggested maximum appointment period).
- The definition of 'independent' applicable to the role.
- Any restrictions or conflicts of interest that would make a candidate unsuitable. As the role is non-political and requires working with elected representatives in a local authority, it is recommended that candidates should not be political party members.
- Vetting requirements (particularly for police committee members).
- Desired knowledge, experience and skills.
- Remuneration and expenses.
- The expected conditions of engagement, including adherence to the authority's code of conduct, disclosure of interests, etc.

Consideration should also be given to attracting suitable candidates. While it is up to each authority to decide, authorities may want to consider the following:

- Selecting candidates beyond the local area. If candidates are able and willing to travel to attend the required meetings and supporting activities, then living outside the authority area should not be a barrier to suitability.
- Working with other authorities in the region to promote and support opportunities to be an independent member.
- Advertising nationally or using specialist agencies if professional knowledge and skills are required.
- Promoting the role through means in addition to advertising. For example, a change to the constitution of the audit committee could be part of a wider governance improvement programme that could be publicised locally or through council channels of communication.
- Council orientation and support that will be provided in the role.

- The opportunity for an informal discussion on the role with a senior officer or committee chair.
- Ensuring an easy application process (see below).

Under the combined authorities order, the vacancy must be publicly advertised.

## Selection process

The authority's HR team will be able to advise on the process for recruitment. Normal practice in recruitment for non-executive roles such as this will be a CV and supporting letter, and adopting this approach may assist in attracting candidates. This may be a deviation from the process of recruiting a member of staff, however, so early discussion with HR is advised.

The format of selection is for the authority to decide, but inclusion of the current committee chair in some way would be helpful for the candidate.

As well as a formal interview, candidates could be invited to meet the PCC, chief constable or deputy chief constable, senior councillors or officers to emphasise the value of the committee.

## Supporting members of the committee

Establishing a training programme and ongoing support for committee members is essential to ensure that they can confidently and effectively discharge their responsibilities. Establishing a budget will ensure that training can be ongoing rather than ad hoc.

Exact needs will depend on the composition of the committee and members' existing knowledge and experience. The following table sets out the core elements.

Development area	Core content	Target audience
<b>Induction – the authority</b>	<p>Introduction to the authority, including:</p> <ul style="list-style-type: none"> <li>• governance structures</li> <li>• plans, strategies and priorities of the authority</li> <li>• local government context.</li> </ul>	Primarily for co-opted independent members who are new to local government/police.
<b>Induction – the audit committee</b>	<ul style="list-style-type: none"> <li>• Terms of reference.</li> <li>• CIPFA Position Statement and guidance.</li> <li>• Key relationships – CFO, head of internal audit, external auditor, committee support.</li> </ul>	All members new to the committee.
<b>Core knowledge areas</b>	<p>Basic knowledge for all areas outlined in the knowledge framework.</p> <ul style="list-style-type: none"> <li>• Good governance and ethical framework</li> <li>• Risk management</li> <li>• Internal controls</li> <li>• Financial management</li> <li>• Value for money</li> <li>• Counter fraud and corruption</li> <li>• Partnerships and collaborations</li> <li>• Assurance framework</li> <li>• Financial reporting</li> <li>• Annual governance statement</li> <li>• Internal audit</li> <li>• External audit</li> <li>• Treasury management (where applicable)</li> <li>• Performance assessment (Wales) (where applicable)</li> </ul>	All members of the committee, tailored appropriately to existing knowledge.
<b>Briefings and guidance</b>	<p>Targeted support for members on:</p> <ul style="list-style-type: none"> <li>• aspects where members need additional support, eg guidance on understanding the financial statements</li> <li>• the development of more in-depth knowledge and understanding</li> <li>• ad hoc briefings on new developments in the sector (for example CIPFA’s audit committee update resource, horizon scanning updates from external auditors, etc)</li> <li>• updates on new developments or changes at the authority.</li> </ul>	<p>All members.</p> <p>Co-opted independent members.</p>
<b>Webinars, training and networking events</b>	<ul style="list-style-type: none"> <li>• Attending relevant webinars or events to develop more in-depth knowledge or updates.</li> <li>• Networking and sharing with audit committee members in other authorities to learn from others and build a network of support.</li> <li>• A range of formal events and webinars are available from a range of providers, eg regional forums.</li> </ul>	Chairs and all members



## Training needs analysis

It is helpful to undertake an analysis of training needs to identify which areas should be prioritised for training and support. Some of the core areas involve technical standards and are complex – for example, financial reporting, audit quality and treasury management. These will need regular attention to maintain committee effectiveness.

The knowledge framework can help with a training needs analysis. It can be done at any point, but the annual assessment should reflect on whether the analysis is up to date and the planned programme of support sufficient to address the priority areas.

## Impact and effectiveness

To develop the committee and provide assurance via the annual report, it is recommended that the committee is supported in a self-assessment. Alternatively, an independent review can be undertaken.

The appendices provide resources to support self-assessment and to encourage reflection on the impact that the committee has.

CIPFA has identified key indicators to inform the performance review of the audit committee. These indicators are all aspects of governance, risk, control and audit that are within the audit committee's scope of influence. While they are not solely within the control of the audit committee, weakness in these areas could indicate that the audit committee is failing to have sufficient impact.

## Problem solving

Where self-assessment indicates problems, or where those interacting with the committee report it to be under-performing, swift diagnosis and action should be planned. Appendix D highlights some areas of difficulty the committee might experience. Usually, problems arise because of misapprehension of the committee's role or inadequate training or support. Occasionally, behaviours from individual members can also contribute. These issues may be more difficult to resolve, especially if they are symptomatic of wider governance problems in the authority.

Significant weakness in the audit committee is likely to be highlighted by the external auditor as part of their governance review or as part of a peer review.

## APPENDIX A

# Sector and devolved government guidance

## PART 1: COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATING TO AUDIT COMMITTEES

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specific legislation or statutory guidance	<u><a href="#">Cities and Local Government Devolution Act 2016.</a></u> <u><a href="#">Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.</a></u>	<u><a href="#">Local Government (Wales) Measure 2011</a></u> as amended by the <u><a href="#">Local Government (Democracy) (Wales) Act 2013.</a></u> <u><a href="#">Local Government and Elections (Wales) Act 2021.</a></u>	<u><a href="#">Financial Management Code of Practice for the Police Forces of England and Wales (FMCP)</a></u> (Home Office, 2018).	Not applicable
Establishment of an audit committee	Required	Required	Required It is recommended that this should be a combined body for both PCC and chief constable.	No guidance
Composition of the audit committee	Committees must have at least one independent person as defined by guidance. The committee should reflect the political balance of the constituent authorities as far as is reasonably practical. The committee may not include an officer of the combined authority or a constituent council.	The committee must have lay persons comprise one-third of its members. The member appointed as the committee chair must be a lay person. The deputy chair must not be a member of the executive or an assistant to its executive. The committee must be politically balanced.	Police audit committees should comprise between three and five members who are independent of the PCC and the force.	No guidance

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
<b>Specified functions of the audit committee</b>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Review and assess the authority's risk management, internal control and corporate governance arrangements.</p> <p>Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions.</p> <p>Make reports and recommendations to the combined authority.</p>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Make reports and recommendations in relation to the authority's financial affairs.</p> <p>Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority.</p> <p>Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements.</p> <p>Review and assess the authority's ability to handle complaints effectively.</p> <p>Make reports and recommendations on the authority's ability to handle complaints effectively.</p> <p>Oversee the authority's internal and external audit arrangements.</p> <p>Review the financial statements prepared by the authority.</p>	<p>Consider the internal and external audit reports of both the PCC and the chief constable.</p> <p>Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices.</p>	No guidance
<b>Responsibilities of the audit committee in relation to external audit</b>	No guidance	Oversee external audit arrangements.	Review external audit reports.	No guidance

## PART 2: GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and audit regulations are statutory instruments issued by the UK or devolved governments. The various regulations impose requirements on 'relevant bodies' – eg a local authority, fire and rescue authority or police body – in relation to governance, internal control, financial reporting and internal audit.

The accounts and audit regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a link for each sector and/or region and the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic updates by the appropriate government body, and audit committee members should be made aware of any changes by their organisation.

<b>Local authorities in England (including combined authorities and fire and rescue authorities)</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit (England) Regulations 2015</u></a>
<b>Local authorities in Wales</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit Regulations (Wales) 2014</u></a> and the <a href="#"><u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u></a>
<b>Local authorities in Scotland</b>	
Relevant government guidance	<a href="#"><u>Local Authority Accounts (Scotland) Regulations 2014</u></a>
<b>Local authorities in Northern Ireland</b>	
Relevant government guidance	<a href="#"><u>Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015</u></a>
<b>Police in England</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit (England) Regulations 2015</u></a> (see also the statutory guidance <a href="#"><u>Financial Management Code of Practice for the Police Forces of England and Wales</u></a> (FMCP) (Home Office, 2018))
<b>Police in Wales</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit Regulations (Wales) 2014</u></a> and the <a href="#"><u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u></a> (see also the <a href="#"><u>FMCP</u></a> )

### Financial reporting deadlines

Amendments affecting the timetables for financial and governance reporting have been introduced to allow for difficulties caused by the COVID-19 pandemic, and in England, difficulties with local audit. Committee members are advised to check the latest positions.



# Suggested terms of reference – local authority

## INTRODUCTION

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This appendix contains suggested terms of reference for local authorities.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

## SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

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### Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

### Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance [or *insert appropriate governing body*] that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

### Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

## Financial and governance reporting

### Governance reporting

- To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

### Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

### External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

### **Internal audit**

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
  - regular reports on the results of the QAIP
  - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
  - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
  - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).



- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

# Suggested terms of reference – police

## INTRODUCTION

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This appendix contains suggested terms of reference for the audit committee of the PCC and chief constable. The police audit committee must ensure that its terms of reference are in accordance with the FMCP (Home Office, 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

## SUGGESTED TERMS OF REFERENCE – AUDIT COMMITTEE OF THE PCC AND CHIEF CONSTABLE

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### Governance

The terms of reference should set out the committee's position as an advisory committee to support the PCC and chief constable.

### Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance risk and control gives greater confidence to the PCC and chief constable that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

### Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the OPCC and force.

- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

## Financial and governance reporting

### Governance reporting

- To review the AGS prior to approval by the PCC and chief constable and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

### Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's reports to the PCC and the chief constable on issues arising from the audit of the accounts.

## Arrangements for audit and assurance

To consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

### External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise on commissions of additional work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

### **Internal audit**

- To recommend for approval the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To consider significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
  - regular reports on the results of the QAIP
  - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
  - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
  - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force, or where there are concerns about progress with the implementation of agreed actions.

- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### **Accountability arrangements**

- To report to the PCC and chief constable on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to the PCC and chief constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

# Audit committee members – knowledge and skills framework

## CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<b>Organisational knowledge</b>	<ul style="list-style-type: none"> <li>An overview of the authority's governance structures and decision-making processes.</li> <li>Knowledge of the organisational objectives and major functions of the authority.</li> </ul>	<ul style="list-style-type: none"> <li>This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers.</li> </ul>
<b>Audit committee role and functions</b>	<ul style="list-style-type: none"> <li>An understanding of the audit committee's role and place within the governance structures.</li> <li>Familiarity with the committee's terms of reference and accountability arrangements.</li> <li>Knowledge of the purpose and role of the audit committee.</li> </ul>	<ul style="list-style-type: none"> <li>This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.</li> <li>It will help the committee undertake a self-assessment and prepare its annual report.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Knowledge of the seven principles as outlined in <b><u>Delivering Good Governance in Local Government: Framework</u></b> (CIPFA/Solace, 2016).</li> <li>The requirements of the AGS.</li> <li>How the principles of governance are implemented locally as set out in the local code of governance.</li> </ul>	<ul style="list-style-type: none"> <li>The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework.</li> <li>The committee will plan the assurances it is to receive to adequately support the AGS.</li> <li>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</li> <li>The committee will receive audit reports and information on risks relating to governance.</li> </ul>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit	<ul style="list-style-type: none"> <li>• An awareness of the key principles of the PSIAS and the LGAN.</li> <li>• Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter.</li> <li>• How the role of the head of internal audit is fulfilled.</li> <li>• Details of the most recent external assessment and level of conformance with the standards.</li> <li>• Internal audit's strategy, plan and most recent annual opinion.</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards.</li> <li>• The audit committee will review the assurances from internal audit work and will review the risk-based audit plan.</li> <li>• The committee will also receive the annual report, including an opinion and information on conformance with professional standards.</li> <li>• In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.</li> <li>• The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan.</li> </ul>
Financial management and financial reporting	<ul style="list-style-type: none"> <li>• Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</li> <li>• An understanding of good financial management practice as set out in the CIPFA <b><u>Financial Management Code</u></b> (FM Code) and the level of compliance with it.</li> <li>• Knowledge of how the organisation meets the requirements of the role of the CFO as required by <b><u>The Role of the Chief Financial Officer in Local Government</u></b> (CIPFA, 2016) and <b><u>The Role of CFOs in Policing</u></b> (2021).</li> <li>• An overview of the principal financial risks the authority faces.</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewing the financial statements prior to publication, asking questions.</li> <li>• Receiving the external audit report and opinion on the financial audit.</li> <li>• Reviewing both external and internal audit recommendations relating to financial management and controls.</li> <li>• The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS.</li> </ul>
External audit	<ul style="list-style-type: none"> <li>• Knowledge of the role and functions of the external auditor and who currently undertakes this role.</li> <li>• Knowledge of the key reports and assurances that external audit will provide.</li> <li>• Familiarity with the auditor's most recent plan and the opinion reports.</li> <li>• Knowledge about arrangements for the appointment of auditors and quality management undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee will meet with the external auditor regularly and receive their reports and opinions.</li> <li>• Monitoring external audit recommendations and maximising the benefit from the audit process.</li> <li>• The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</li> </ul>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management	<ul style="list-style-type: none"> <li>Understanding of the principles of risk management, including how it supports good governance and decision making.</li> <li>Knowledge of the risk management policy and strategy of the organisation.</li> <li>Understanding of risk governance arrangements, including the role of members and of the audit committee.</li> <li>Knowledge of the current risk maturity of the organisation and any key areas of improvement.</li> </ul>	<ul style="list-style-type: none"> <li>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements.</li> <li>Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee.</li> <li>The committee should also review reports and action plans to develop the application of risk management practice.</li> </ul>
Counter fraud	<ul style="list-style-type: none"> <li>An understanding of the main areas of fraud and corruption risk that the organisation is exposed to.</li> <li>Knowledge of the principles of good fraud risk management practice in accordance with the <u>Code of Practice on Managing the Risk of Fraud and Corruption</u> (CIPFA, 2014).</li> <li>Knowledge of the organisation's arrangements for tackling fraud.</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy.</li> <li>An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.</li> </ul>
Values of good governance	<ul style="list-style-type: none"> <li>Knowledge of the Seven Principles of Public Life.</li> <li>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct).</li> <li>Knowledge of the whistleblowing arrangements in the authority.</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</li> <li>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.</li> </ul>
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> <li><u>Effective Scrutiny of Treasury Management</u> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> <li>regulatory requirements</li> <li>treasury risks</li> <li>the organisation's treasury management strategy</li> <li>the organisation's policies and procedures in relation to treasury management.</li> </ul> </li> </ul> <p>See also <u>Treasure your assets</u> (Centre for Governance and Scrutiny, 2017).</p>	<ul style="list-style-type: none"> <li>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</li> </ul>



## SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

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More specialist knowledge will add value to the committee, helping to ensure the committee is able to achieve a greater depth of understanding. Including members with specialist knowledge means there is an additional resource to support other members. Specialist knowledge may be demonstrated by professional qualification and prior work experience.

When reviewing the overall knowledge of audit committee members or when planning the appointment of co-opted independent members, it is helpful to look for opportunities to include the following specialisms:

- Accountancy, with experience of financial reporting
- Internal auditing
- Risk management
- Governance and legal
- Expert service knowledge relevant for the organisation
- IT systems and security

## CORE SKILLS

As well as technical knowledge, the following skills will enhance an audit committee member's aptitude to be on the committee.

Skills	Key elements	How the audit committee member is able to apply the skill
<b>Strategic thinking and understanding of materiality</b>	Able to focus on material issues and the overall position rather than being side tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.
<b>Questioning and constructive challenge</b>	Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
<b>Focus on improvement</b>	Ensuring there is a clear plan of action and allocation of responsibility.	The audit committee's outcome will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, the audit committee should seek assurances that appropriate action has been taken.
<b>Able to balance practicality against theory</b>	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.
<b>Clear communication skills and focus on the needs of users</b>	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience.
<b>Objectivity</b>	Evaluate information based on evidence presented, avoiding bias or subjectivity.	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views.
<b>Meeting management skills</b>	Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.



# Problem-solving difficulties with the audit committee

It is not uncommon for audit committees to face difficulties or barriers in fulfilling their potential effectiveness. Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

Areas of difficulty	Possible causes	Possible improvement options
<b>Lack of experience and continuity of knowledge among audit committee members.</b>	<ul style="list-style-type: none"> <li>Where turnover of membership is very frequent, it will be difficult for the committee to build up experience.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced level of support and training to members will be required. To enhance continuity, the authority should consider recruitment of independent members.</li> </ul>
<b>Audit committee members do not feel confident in their knowledge of particular areas.</b>	<ul style="list-style-type: none"> <li>Lack of training and support.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced level of support and training to members.</li> </ul>
<b>Independent members lack knowledge of the organisation and lack connections with key managers.</b>	<ul style="list-style-type: none"> <li>Poor induction.</li> <li>Limited opportunities to engage with the organisation outside of formal meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Improve induction.</li> <li>Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding.</li> </ul>
<b>Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion.</b>	<ul style="list-style-type: none"> <li>Lack of experience or skill in managing meetings by the chair.</li> <li>Committee members are unsure about their role.</li> <li>Poor support from the committee secretary.</li> </ul>	<ul style="list-style-type: none"> <li>Training and support.</li> <li>Develop a mentoring/coaching programme.</li> <li>Chair seeks feedback from meeting participants.</li> <li>Consider skills and experience in the selection of the chair.</li> <li>Provide training and guidance to committee members on their role.</li> <li>Improve committee support.</li> </ul>
<b>The audit committee spends too much time on minor details rather than underlying arrangements of governance, risk and control.</b>	<ul style="list-style-type: none"> <li>Agenda management fails to prioritise key areas.</li> <li>The chair does not intervene to keep the focus at an appropriate level.</li> </ul>	<ul style="list-style-type: none"> <li>Review the process of agenda development.</li> <li>Review the terms of reference and provide training.</li> <li>The chair seeks feedback from meeting participants.</li> <li>Provide the chair with committee management training.</li> </ul>

Areas of difficulty	Possible causes	Possible improvement options
The committee lacks focus, and members struggle to gain an overall understanding of their remit.	<ul style="list-style-type: none"> <li>Committee members have a range of objectives rather than focusing on governance, risk, control and audit matters.</li> <li>The committee is too large or lacks continuity because of regular attendance by substitutes.</li> <li>Infrequent attendance by senior officers.</li> </ul>	<ul style="list-style-type: none"> <li>Training and emphasis on the non-political and strategic focus of the committee.</li> <li>Reform of the committee structure to reduce membership and remove use of substitutes.</li> </ul>
Senior officers do not understand the work of the committee and are not sighted on its output.	<ul style="list-style-type: none"> <li>The audit committee fails to engage with other committees in the authority.</li> <li>Attendance is often limited to the CFO and the head of internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>Expand attendance at audit committee meetings – for example, invite heads of service when major risks or control issues are being discussed – and share the CIPFA guidance (FAQs) more widely.</li> </ul>
Elected representatives not directly involved with the committee have little understanding of its work and do not see its output.	<ul style="list-style-type: none"> <li>Committee recommendations are not directed to appropriate member bodies.</li> <li>Reporting arrangements are not effective.</li> <li>Wider induction arrangements do not cover the audit committee.</li> </ul>	<ul style="list-style-type: none"> <li>Invite newly elected members to attend audit committee meetings.</li> <li>Review reporting and accountability arrangements.</li> <li>Prepare an annual report that sets out how the committee has fulfilled its responsibilities.</li> <li>Share the CIPFA guidance (FAQs).</li> </ul>
Recommendations made by the audit committee are not actioned.	<ul style="list-style-type: none"> <li>A poor relationship between the committee and the executive or senior officers.</li> <li>The audit committee's recommendations are not adequately aligned to organisational objectives.</li> </ul>	<ul style="list-style-type: none"> <li>A senior officer provides internal facilitation to support improved relationships.</li> <li>Improve knowledge and skills among audit committee members.</li> <li>Ensure better engagement with appropriate managers or the executive at an earlier stage.</li> </ul>
The audit committee fails to make recommendations or follow up on issues of concern.	<ul style="list-style-type: none"> <li>A weak or inexperienced chair.</li> <li>Members are inexperienced or do not fully understand their role.</li> <li>Poor briefing arrangements prior to meetings.</li> <li>Committee reports fail to adequately identify the action required by the committee.</li> </ul>	<ul style="list-style-type: none"> <li>Provide guidance and support.</li> <li>Improve briefing to the chair prior to the meeting.</li> <li>Ensure reports contain clear recommendations.</li> </ul>
The audit committee strays beyond its terms of reference – for example, undertaking a scrutiny role.	<ul style="list-style-type: none"> <li>The terms of reference do not adequately scope the work of the committee.</li> <li>Misunderstanding about the role of the committee.</li> <li>Inadequate guidance from the committee secretary to the chair on its role.</li> </ul>	<ul style="list-style-type: none"> <li>Review the terms of reference and provide training and guidance.</li> </ul>

Areas of difficulty	Possible causes	Possible improvement options
Political points of view interfere with the work of the audit committee.	<ul style="list-style-type: none"> <li>• A lack of understanding about the role of the committee.</li> <li>• Difficulty separating the work of the committee from the wider politics of authority.</li> </ul>	<ul style="list-style-type: none"> <li>• Seek feedback from those interacting with the committee or external assessment.</li> <li>• Provide support or training for the chair.</li> <li>• Consider the role of independent members.</li> </ul>
A breakdown in the relationship between committee members and the executive, PCC or chief constable/deputy chief constable, or with senior management.	<ul style="list-style-type: none"> <li>• A lack of understanding about the role of the committee.</li> <li>• Differing perceptions on the value of the committee</li> <li>• Personality clashes.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the terms of reference and provide training and guidance.</li> <li>• A senior officer provides internal facilitation to support improved relationships.</li> <li>• Seek an external assessment or facilitation.</li> <li>• Change the chair or membership if the constitution or opportunity arises.</li> </ul>



# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

## Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.



Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
• compliance with the CIPFA Position Statement 2022	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• results of the annual evaluation, development work undertaken and planned improvements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• how it has fulfilled its terms of reference and the key issues escalated in the year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Functions of the committee</b>					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• financial management					
• value for money					
• ethics and standards					
• counter fraud and corruption					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

### Membership and support

<b>13</b> Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• A size that is not unwieldy and avoids use of substitutes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>14</b> Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>15</b> Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>16</b> Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>17</b> Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>18</b> Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>19</b> Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Effectiveness of the committee

<b>20</b> Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>21</b> Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>22</b> Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>23</b> Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Subtotal score</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Total score</b>					
<b>Maximum possible score</b>					<b>200**</b>

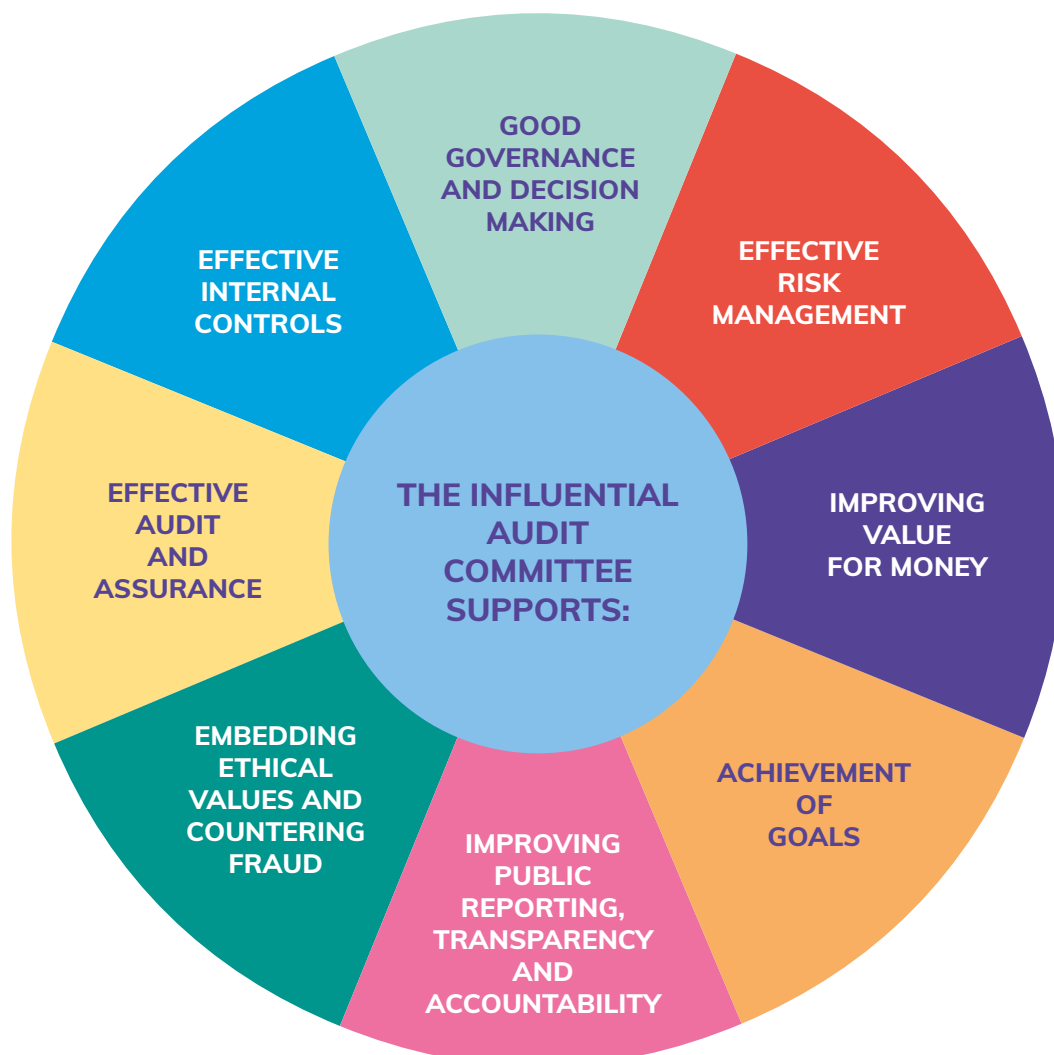
\*\* 40 questions/sub-questions multiplied by five.

# Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

**Figure 1: The influential audit committee**



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> <li>Supporting the development of a local code of governance.</li> <li>Providing a robust review of the AGS and the assurances underpinning it.</li> <li>Supporting reviews/audits of governance arrangements.</li> <li>Participating in self-assessments of governance arrangements.</li> <li>Working with partner audit committees to review governance arrangements in partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements.</li> <li>Local arrangements for governance have been clearly set out in an up-to-date local code.</li> <li>The authority's scrutiny arrangements are forward looking and constructive.</li> <li>Appropriate governance arrangements established for all collaborations and arm's-length arrangements.</li> <li>The head of internal audit's annual opinion on governance is satisfactory (or similar wording).</li> </ul>	
Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> <li>Encouraging ownership of the internal control framework by appropriate managers.</li> <li>Actively monitoring the implementation of recommendations from auditors.</li> <li>Raising significant concerns over controls with appropriate senior managers.</li> </ul>	<ul style="list-style-type: none"> <li>The head of internal audit's annual opinion over internal control is that arrangements are satisfactory.</li> <li>Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified.</li> <li>Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.</li> </ul>	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> <li>Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking.</li> <li>Monitoring improvements to risk management.</li> <li>Reviewing accountability of risk owners for major/ strategic risks.</li> </ul>	<ul style="list-style-type: none"> <li>A robust process for managing risk is evidenced by independent assurance from internal audit or external review.</li> </ul>	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> <li>Reviewing the adequacy of the leadership team's assurance framework.</li> <li>Specifying the committee's assurance needs, identifying gaps or overlaps in assurance.</li> <li>Seeking to streamline assurance gathering and reporting.</li> <li>Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.</li> </ul>	<ul style="list-style-type: none"> <li>The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.</li> </ul>	
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> <li>Reviewing and supporting external audit arrangements with focus on independence and quality.</li> <li>Providing good engagement on external audit plans and reports.</li> <li>Supporting the implementation of audit recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>The quality of liaison between external audit and the authority is satisfactory.</li> <li>The auditors deliver in accordance with their audit plan and any amendments are well explained.</li> <li>An audit of high quality is delivered.</li> </ul>	
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<ul style="list-style-type: none"> <li>Reviewing the audit charter and functional reporting arrangements.</li> <li>Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</li> <li>Actively supporting the quality assurance and improvement programme of internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment).</li> <li>The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <b><u>Statement on the Role of the Head of Internal Audit</u></b> (2019).</li> </ul>	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> <li>• Reviewing how the governance arrangements support the achievement of sustainable outcomes.</li> <li>• Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</li> <li>• Reviewing the effectiveness of performance management arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives.</li> <li>• The authority's arrangements to review and assess performance are satisfactory.</li> </ul>	
Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> <li>• Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee.</li> <li>• Considering how performance in value for money is evaluated as part of the AGS.</li> <li>• Following up issues raised by external audit in their value-for-money work.</li> </ul>	<ul style="list-style-type: none"> <li>• External audit's assessments of arrangements to support best value are satisfactory.</li> </ul>	
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> <li>• Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014).</li> <li>• Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</li> <li>• Assessing the effectiveness of ethical governance arrangements for both staff and governors.</li> </ul>	<ul style="list-style-type: none"> <li>• Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.</li> </ul>	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none"> <li>Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it.</li> <li>Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.</li> <li>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.</li> <li>Publishing an annual report from the committee.</li> </ul>	<ul style="list-style-type: none"> <li>The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.</li> <li>The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</li> <li>The authority has published its financial statements and AGS in accordance with statutory guidelines.</li> <li>The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.</li> </ul>	


## OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

## REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.





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10/2022

# Self-assessment of good practice

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Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

## Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions		Does not comply	Partially complies and extent of improvement needed			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none"><li>compliance with the CIPFA Position Statement 2022</li></ul>					
	<ul style="list-style-type: none"><li>results of the annual evaluation, development work undertaken and planned improvements</li></ul>					
	<ul style="list-style-type: none"><li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li></ul>					
Functions of the committee						
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements					
	Risk management arrangements					
	Internal control arrangements, including:					
	<ul style="list-style-type: none"><li>financial management</li><li>value for money</li><li>ethics and standards</li><li>counter fraud and corruption</li></ul>					
	Annual governance statement					
	Financial reporting					
	Assurance framework					
	Internal audit					
	External audit					
10	Over the last year, has adequate consideration been given to all core areas?					
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					
12	Has the committee met privately with the external auditors and head of internal audit in the last year?					

Good practice questions	Does not comply					Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of answers	0	1	2	3	5	

### Membership and support

**13** Has the committee been established in accordance with the 2022 guidance as follows?

- Separation from executive
- A size that is not unwieldy and avoids use of substitutes
- Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation

**14** Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?

**15** Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?

**16** Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?

**17** Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?

**18** Is adequate secretariat and administrative support provided to the committee?

**19** Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?

### Effectiveness of the committee

**20** Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?

**21** Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?

**22** Are meetings effective with a good level of discussion and engagement from all the members?

**23** Has the committee maintained a non-political approach to discussions throughout?

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
26 Do audit committee recommendations have traction with those in leadership roles?					
27 Has the committee evaluated whether and how it is adding value to the organisation?					
28 Does the committee have an action plan to improve any areas of weakness?					
29 Has this assessment been undertaken collaboratively with the audit committee members?					
<b>Subtotal score</b>					
<b>Total score</b>					
<b>Maximum possible score</b>					<b>200**</b>

\*\* 40 questions/sub-questions multiplied by five.

# Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

**Figure 1: The influential audit committee**



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<b>Promoting the principles of good governance and their application to decision making.</b>	<ul style="list-style-type: none"> <li>Supporting the development of a local code of governance.</li> <li>Providing a robust review of the AGS and the assurances underpinning it.</li> <li>Supporting reviews/audits of governance arrangements.</li> <li>Participating in self-assessments of governance arrangements.</li> <li>Working with partner audit committees to review governance arrangements in partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements.</li> <li>Local arrangements for governance have been clearly set out in an up-to-date local code.</li> <li>The authority's scrutiny arrangements are forward looking and constructive.</li> <li>Appropriate governance arrangements established for all collaborations and arm's-length arrangements.</li> <li>The head of internal audit's annual opinion on governance is satisfactory (or similar wording).</li> </ul>	

<b>Contributing to the development of an effective control environment.</b>	<ul style="list-style-type: none"> <li>• Encouraging ownership of the internal control framework by appropriate managers.</li> <li>• Actively monitoring the implementation of recommendations from auditors.</li> <li>• Raising significant concerns over controls with appropriate senior managers.</li> </ul>	<ul style="list-style-type: none"> <li>• The head of internal audit's annual opinion over internal control is that arrangements are satisfactory.</li> <li>• Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified.</li> <li>• Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.</li> </ul>
<b>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</b>	<ul style="list-style-type: none"> <li>• Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking.</li> <li>• Monitoring improvements to risk management.</li> <li>• Reviewing accountability of risk owners for major/strategic risks.</li> </ul>	<ul style="list-style-type: none"> <li>• A robust process for managing risk is evidenced by independent assurance from internal audit or external review.</li> </ul>
<b>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</b>	<ul style="list-style-type: none"> <li>• Reviewing the adequacy of the leadership team's assurance framework.</li> <li>• Specifying the committee's assurance needs, identifying gaps or overlaps in assurance.</li> <li>• Seeking to streamline assurance gathering and reporting.</li> <li>• Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.</li> </ul>	<ul style="list-style-type: none"> <li>• The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.</li> </ul>
<b>Supporting effective external audit, with a focus on high quality and timely audit work.</b>	<ul style="list-style-type: none"> <li>• Reviewing and supporting external audit arrangements with focus on independence and quality.</li> <li>• Providing good engagement on external audit plans and reports.</li> <li>• Supporting the implementation of audit recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>• The quality of liaison between external audit and the authority is satisfactory.</li> <li>• The auditors deliver in accordance with their audit plan, and any amendments are well explained.</li> <li>• An audit of high quality is delivered.</li> </ul>



<b>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</b>	<ul style="list-style-type: none"> <li>• Reviewing the audit charter and functional reporting arrangements.</li> <li>• Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</li> <li>• Actively supporting the quality assurance and improvement programme of internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment).</li> <li>• The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <a href="#">Statement on the Role of the Head of Internal Audit</a> (2019).</li> </ul>
<b>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</b>	<ul style="list-style-type: none"> <li>• Reviewing how the governance arrangements support the achievement of sustainable outcomes.</li> <li>• Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</li> <li>• Reviewing the effectiveness of performance management arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives.</li> <li>• The authority's arrangements to review and assess performance are satisfactory.</li> </ul>
<b>Supporting the development of robust arrangements for ensuring value for money.</b>	<ul style="list-style-type: none"> <li>• Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee.</li> <li>• Considering how performance in value for money is evaluated as part of the AGS.</li> <li>• Following up issues raised by external audit in their value-for-money work.</li> </ul>	<ul style="list-style-type: none"> <li>• External audit's assessments of arrangements to support best value are satisfactory.</li> </ul>
<b>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</b>	<ul style="list-style-type: none"> <li>• Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014).</li> <li>• Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</li> <li>• Assessing the effectiveness of ethical governance arrangements for both staff and governors.</li> </ul>	<ul style="list-style-type: none"> <li>• Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.</li> </ul>

**Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.**

- Working with key members/the PCC and chief constable to improve their understanding of the AGS and their contribution to it.
- Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.
- Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.
- Publishing an annual report from the committee.
- The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.
- The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.
- The authority has published its financial statements and AGS in accordance with statutory guidelines.
- The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.

## OVERALL QUESTIONS TO CONSIDER

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- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

## REPORTING RESULTS

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The outcome of the review can be used to inform the committee's annual report.

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## Risk Management

### Cabinet Member for Finance & Commissioning

Date:	30 November 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 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 2<sup>nd</sup> November 2022 and is detailed at **Appendix 1** The key changes since the Committee's last risk update (July 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 regularly reviewed by Leadership Team and has a rating of 9 (3 Likelihood x 3 Impact). Whilst the MTFS was approved, 22<sup>nd</sup> February 2022 there is ongoing uncertainty over the supply of goods and services, increasing energy costs and the impact on Local Government of the Autumn Statement on 17 November 2022. To reflect this opinion we have made specific reference to 'cost of living/fuel and construction costs' within the register. This risk has been 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 have continued to monitor this risk on a monthly basis and we agreed to remove COVID specific risks relating to the resilience of teams and inclusion of mitigation controls from **SR8**. This risk continues to be monitored in relation to teams being able to react and manage ongoing service delivery. Following discussions with Leadership Team we have increased the 'original score' from 8 (L2 x I4) to 12 (L3xI4), this reflects the ongoing risks affecting the council due to management changes. The current score remains within the risk appetite of the council 6 (L2xI3).
- **SR3** (Capacity and capability to deliver / adapt the new strategic plan to emerging landscape) Leadership Team are currently monitoring the situation with regards to the development of senior management team and 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. Due to the arrangements in place around appointment to strategic level roles and active recruitment this risk now reflects the target score of 4 (L2xI2) and the current score has been lowered from 6 (L2xI3) to 4 (L2xI2).
- **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 has also transitioned into the provision of a Data Protection Officer employed internally to the Council. It was agreed by Leadership Team that the target score be reduced from 6 (L2xI3) to 3 (L1xI3). During the period July to October 2022 Leadership Team continued to monitor this risk and reassessed the current score from 6 (L2xI3) to 3 (L1xI3).
- **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), however during the period July to October 2022 this risk was reassessed and the current score lowered from 6 (L2xI3) to 3 (L1xI3).
- **SR6** (Failure to innovate and build on positives/opportunities/learning arising (including from the Covid-19 situation) to maximise outcomes for the Council). This risk was discussed at Leadership Team at its meetings on 2<sup>nd</sup> November 2022 and it was decided and agreed by management to remove this risk from the council's strategic risk register. This was due to the implementation of council driven exercises in respect of Council Office refurbishment and implementation of 'agile' working. **This risk has therefore been removed from the risk register.**
- **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. During the period July to October 2022 the current score was increased to 12 (L3xI4), however at its meeting in November 2022 Leadership Team reduced the current score to 8 (L2xI4) Leadership Team continue to monitor both external information received and compare this to the affects which are impacting on the council's services. To date there have been no recorded incidents of Lichfield District Council specific cyberattacks. However the Council and Leadership Team continually review the situation and adjust the scoring and mitigating, as appropriate, to protect council assets and continued service delivery..
- **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 22<sup>nd</sup> 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. This risk has been removed from the risk register.
- Updates to mitigating controls, actions and lines of assurance have been updated on the Register where applicable.

- 'Other Horizon Scanning Risks Arising at October 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 7 strategic risks as at June 2022 are shown below:

likelihood				
			SR1	
		SR6	SR2, SR3, SR4, SR5, SR7	
Impact				

To provide clarity over the changes since June 2022 the table below shows the scoring of the 6 current strategic risks as at October 2022 with SR6 now removed (existing numbering of remaining strategic risks will be retained) and are shown below

likelihood				
			SR1	
		SR3	SR2, SR7	
			SR4, SR5	
Impact				

As outlined by the Council's Chief Executive at the last Audit & Member Standards Committee, Leadership Team take risk management extremely seriously and continually assess the risks faced by the Council. The overall aim to reduce the current scores by the use of mitigating control and robust management processes, progress has been made since the last Audit & Member Standards Committee meeting and strategic risks will continue to be reported quarterly.

- **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.
- **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 Leadership Team 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 – October 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 138	<b>SR1 Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.</b> The risk is influenced by: <ul style="list-style-type: none"> <li>The spending review.</li> <li>Upcoming affects arising from the Autumn Statement, ongoing sustainability.</li> <li>Local Government Finance Reform including New Homes Bonus, Business Rates and the Fair Funding Review.</li> <li>Other Government Policy announcements impacting on Local Government such as the Call for Evidence on Business Rates and Procurement Policy Notes.</li> <li>Funding of Council's headline priorities and the shortfall of funding.</li> </ul>	16 (L4xI4)	<ul style="list-style-type: none"> <li>Prudent estimates for Business Rates and New Homes Bonus based on modelling provided by Local Government Finance experts.</li> <li>Risk assessed minimum level of reserves set at £1.6m.</li> <li>Routine budget monitoring reported to Leadership Team, Cabinet and Strategic (OS) Committee.</li> <li>Requirements of the new CIPFA Financial Management Code, information contained in the CIPFA Resilience Index and benchmarking reports from LG Futures.</li> <li>Confirmation and Implementation of financial settlement.</li> </ul>	9 (L3xI3)	4 (L2xI2)	<ul style="list-style-type: none"> <li>Update of the Medium Term Financial Strategy <b>Responsibility: Assistant Director Finance &amp; Commissioning will commence in July 2022 and approved February 2023</b></li> <li>Outcome of Government Financial Settlement – single year.</li> </ul>	<b>1<sup>st</sup> Line:</b> <ul style="list-style-type: none"> <li>Approved Medium Term Financial Strategy including the Capital Strategy covering 5 years plus a 25 year capital investment model.</li> <li>A longer term financial plan covering a 25 year horizon for revenue budgets.</li> <li>Approved Treasury Management Strategy.</li> <li>Production of monthly budget reports to Managers.</li> <li>Procurement Strategy</li> </ul>
							<b>2<sup>nd</sup> Line:</b> <ul style="list-style-type: none"> <li>Leadership team review of 3, 6, 8 and 12 month reports to Cabinet and Strategic (OS) Committee.</li> <li>Mid-year and outturn Treasury Management reports to Audit and Member Standards Committee.</li> <li>Initial assessment of LDC's level of compliance with the FM Code to Audit and Member Standards Committee 12/11/2020.</li> </ul>

## Appendix 1: Strategic Risk Register – October 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 139	<ul style="list-style-type: none"> <li>Inflationary pressures on procurement of services, cost of living/fuel/construction and replacement fleet vehicles.</li> </ul> <p><b>Owner:</b> Assistant Director - Finance &amp; Commissioning (Section 151)</p>						<ul style="list-style-type: none"> <li>CIPFA Resilience Index with comparative information to nearest statistical neighbours and all District Councils.</li> <li>Cabinet and Leadership Team are undertaking work to look at options to address the Funding Gap.</li> </ul>
							<p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>External Audit – going concern test and sign off of financial statements 2020/21. Unqualified VFM assessment.</li> <li>Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income Management 20/21 – reasonable assurance, Procurement 22/23 substantial assurance</li> <li>LGA Corporate Peer Challenge</li> </ul>

## Appendix 1: Strategic Risk Register – October 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 140	<b>SR2 Resilience of teams to effectively respond to a further serious disruption to services</b> (e.g. multiple layer disruption arising from flooding and other disruptive events).  New people into organisation.  <b>Potential for power disruptions.</b>  <b>Affects to service delivery and office systems.</b>  <b>Owner: Leadership Team</b>	<b>12</b> (L3xI4)  <b>was</b> <b>8</b> (L2xI4)	<ul style="list-style-type: none"> <li>• <i>Mutual aid assistance</i></li> <li>• <i>Local Resilience Forum (LRF).</i></li> <li>• <i>Tested business continuity arrangements in place including office power generation.</i></li> <li>• <i>Strong links with the Staffordshire CCU, Risk Action Working Group and wider LRF.</i></li> <li>• <i>Active workshop on BCP to LT.</i></li> <li>• <i>Actively engaged in ongoing Local Resilience Forum response and recovery work streams.</i></li> <li>• <i>Experienced (from previous waves / national lockdowns re Covid-19) Leadership Team and supporting teams in place to respond.</i></li> <li>• <i>Clear structure and plan in place for Covid-19 waves.</i></li> <li>• <i>Strategic and tactical flood planning work</i></li> </ul>	6 (L2xI3)	6 (L2xI3)	<ul style="list-style-type: none"> <li>• Tasks completing and move away from initial Pandemic response, move to Being a Better Council.</li> </ul>	<b>1st Line:</b> <ul style="list-style-type: none"> <li>• Day to day business continuity plans in place.</li> <li>• <b>Regular BCP testing (generator)</b></li> <li>• Training programme.</li> </ul>
							<b>2nd Line:</b> <ul style="list-style-type: none"> <li>• Annual Report to Leadership Team.</li> <li>• CCU test of arrangements feedback.</li> <li>• Response and learning from recent incident at Ridware House.</li> <li>• Report on recovery plan Overview &amp; Scrutiny (O&amp;S).</li> <li>• Approval of Climate Change Strategy.</li> </ul>
							<b>3rd Line:</b> <ul style="list-style-type: none"> <li>• Internal Audit of business continuity 2019/20 – reasonable assurance, ICT – remote working 20/21 – reasonable assurance.</li> <li>• Flash Covid-19 Risk Assurance Business Continuity, Emergency Planning and</li> </ul>

## Appendix 1: Strategic Risk Register – October 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 141			<p>across LRF, to assist in our response and the multi-agency response to such events. This includes identifying 'at risk' areas in the District and specific actions required.</p> <ul style="list-style-type: none"> <li>Provision of Foodbank presence, Warm Spaces etc.</li> </ul>				Recovery 20/21 substantial assurance
							<p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income Management 20/21 – reasonable assurance, Procurement 20/21 limited assurance</li> <li>External Audit – going concern test and sign off of financial statements 2020/21. Unqualified VFM assessment.</li> </ul>
A good council, developing prosperity, shaping place,	<p><b>SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.</b></p> <p>Senior Leadership Team changes.</p>	6 (L2xI3)	<ul style="list-style-type: none"> <li>Regular review of progress against delivery plan outcomes and prioritisation process agreed between Leadership Team and Cabinet.</li> </ul>	4 (L2xI2)  Was 6 (L2xI3)	4 (L2xI2)	<ul style="list-style-type: none"> <li>Implementation of Being a Better Council.</li> <li>Commissioned Partner (via ESPO framework) – Lambert Smith Hampton,</li> </ul>	<p><b>1<sup>st</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Day to day business / service planning, financial planning and performance management.</li> <li>Completion of PDRs.</li> </ul> <p><b>2<sup>nd</sup> Line:</b></p>

## Appendix 1: Strategic Risk Register – October 2022

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

## Appendix 1: Strategic Risk Register – October 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
A good council	<b>SR4: Failure to meet governance and / or statutory obligations e.g. breach of the law</b> (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.	9 (L3xI3)	<ul style="list-style-type: none"> <li>Regularly reviewed constitution, policies and procedures.</li> <li>Training and awareness for all staff and members.</li> <li>Effective Overview and Scrutiny and Audit &amp; Member Standards Committee oversight.</li> <li>Codes of Conduct.</li> <li>Internal audit.</li> <li>Dedicated Monitoring Officer</li> <li>Roles of Section 151 Officer and Monitoring Officer.</li> <li>Shared legal services.</li> <li>Procurement Team.</li> <li>Governance Team with additional capacity being recruited.</li> <li>Transition to internal DPO.</li> <li>Review of document storage and filing systems.</li> <li>Electronic retention of documentation.</li> </ul>	3 (L1xI3)	3 (L1xI3)		<b>1<sup>st</sup> Line:</b> <ul style="list-style-type: none"> <li>Day to day processes and Local Code of Governance</li> <li>Forward plans/committee work plans/ delivery plan and service planning.</li> <li>Use of Mod Gov and publication scheme.</li> </ul>
	Subsidy Control Framework and self-assessment risks subject to challenge. Arrangements in process of being developed, requirement to build in operation and awareness training.						<b>2<sup>nd</sup> Line:</b> <ul style="list-style-type: none"> <li>Annual reports to Audit and Member Standards Committee.</li> <li>Regular reports to leadership team.</li> <li>Transparency data publication.</li> <li>Completed review of document storage.</li> <li>Procurement Team in place and operating.</li> <li>Internal DPO in place</li> </ul>
	Risk of failure to retain documentation in a manner to allow both storage and retrieval.  <b>Owner:</b> Chief Operating Officer						<b>3<sup>rd</sup> Line:</b> <ul style="list-style-type: none"> <li>RIPA, ICO and Ombudsman reports/returns.</li> <li>External audit of Annual Governance Statement as part of the financial statements.</li> </ul>

## Appendix 1: Strategic Risk Register – October 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 144			<ul style="list-style-type: none"> <li>Sealed documents held in fire proof room.</li> <li>Education and development of Service Managers to support teams with advice and guidance.</li> <li>Implementation of Tortara (May 2022)</li> </ul>				<ul style="list-style-type: none"> <li>2019/20 – adequate assurance, GDPR follow up 2019/20 &amp; 2022/23 (draft) – limited assurance, Transparency code follow up Procurement 20/21 limited assurance – follow up.</li> <li>Review of GDPR and agreed action place reported to A&amp;MS Committee.</li> <li>External investigations and lessons learnt exercises to address internal control weaknesses.</li> </ul>
	<p>A good council, developing prosperity, shaping place,</p> <p><b>SR5: Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area.</b></p> <p>Relating specifically to the effects of the 'cost of living crisis. This results in an increase in unemployment, business closures coupled with emergence of higher</p>	9 (L3xI3)	<ul style="list-style-type: none"> <li>Financial assistance from Government to businesses and the public (Grants, Test &amp; Trace Support Payments) particularly in terms of furlough scheme end Oct 20, potential further implications for individuals and businesses arising from potential local lockdowns.</li> </ul>	3 (L1xI3)	4 (L2xI2)	<ul style="list-style-type: none"> <li>Continued delivery of immediate actions to support high street economy and business (including visitor economy and hospitality sector).</li> <li>Further government support – the Welcome back Fund - received to extend timescales and assist with the reopening of high streets and</li> </ul>	<p><b>1<sup>st</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Day to day delivery of economic development, housing and health and wellbeing strategies.</li> <li>Development and inclusion of Being a Better Council</li> </ul> <p><b>2<sup>nd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Leadership team review of 3, 6, 8 and 12 month Money Matters reports to Cabinet, Strategic (OS) Committee.</li> <li>Health and Wellbeing Strategy delivery reports.</li> </ul>



## Appendix 1: Strategic Risk Register – October 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 145	<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>Including Ukraine families and Refugee dispersal within area.</p> <p><b>Owner:</b> Leadership Team</p>		<ul style="list-style-type: none"> <li>Prosperity is a key theme in the new Strategic Plan.</li> <li>Economic Development Strategy is in place.</li> <li>Council's effective presence on the Local Enterprise Partnerships.</li> <li>Strong partnership working e.g. Lichfield District Board, Staffs CC, Birmingham Chambers.</li> <li>Burntwood Business Community LGA, DCN,</li> <li>New burdens funding.</li> <li>Partnership influences built into business case considerations.</li> <li>Work with redundancy task force</li> <li>Continue to develop and improve the business contact and relationships locally.</li> <li>Development of Wellbeing indicators at ward level for both activity and response.</li> </ul>			<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"> <li>Implementation of Being a Better Council – Better Led, Better Equipped and Better Performing.</li> <li>UKSPF exploring further funding streams with LUF2</li> </ul>	<p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Internal Audit of Economic Development Partnership Arrangements 2017/18 – adequate assurance, Tourism 2019/20 – reasonable assurance, Housing Benefits – overpayments 2017/18 – adequate assurance, Housing Benefits – verification and performance 2016/17 – substantial assurance, Housing Benefits and Council Tax Relief 20/21 substantial assurance</li> </ul>

## Appendix 1: Strategic Risk Register – October 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"> <li>Economic Prosperity Action Plan in place.</li> <li>Cost of living issues mitigated and off set by Tourism.</li> <li>Ongoing Council Plans development.</li> </ul>				
A good council Page 146	<b>SR7: Threat to the Council's ICT systems of a cyber-attack</b> following dramatic increase in remote working which if successful could result in loss of data / loss of access to applications – which may incur fines / reputational damage.  Involvement of state players and their use of cyber warfare as part of a strategy to further agendas.  Increased number of sophisticated 'phishing' attacks with increased time taken to investigate and remediate. Move away from	4 (L1x14)	<ul style="list-style-type: none"> <li>Use of firewalls and virus protection to manage cyber security, including penetration testing.</li> <li>Strong access level controls (including remote access).</li> <li>Training and regular awareness raising to staff of risks.</li> <li>Digital strategy.</li> <li>PSN compliance checklist.</li> <li>Revision of Service Business Continuity Plans.</li> <li>IT Auditor provision resourced from August 2021.</li> <li>Adoption of multi-factor authentication.</li> </ul>	8 (L2x14)  was 12 (L3x14)	4 (L1x14)	<ul style="list-style-type: none"> <li>Review mandatory training requirements.</li> <li>Reminder to staff to complete training and awareness. Re-run Awareness Training/Meta Compliance</li> <li>Completion of PSN Compliance checklist</li> </ul>	<b>1<sup>st</sup> Line:</b> <ul style="list-style-type: none"> <li>Day to day operation of ICT Training programme for all staff.</li> <li>Up to date versions of software and implement all IT security patches.</li> <li>Awareness Training/Meta Compliance.</li> <li>Maintenance of PSN Compliance.</li> </ul>
							<b>2<sup>nd</sup> Line:</b> <ul style="list-style-type: none"> <li>Regular monitoring and reporting on security issues to Leadership Team.</li> </ul>

## Appendix 1: Strategic Risk Register – October 2022

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 147	<p>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><b>Owner:</b> Chief Executive</p>		<ul style="list-style-type: none"> <li><i>Development of monthly reports from software supplier for follow up of staff not completing mandatory ICT training.</i></li> </ul>				<ul style="list-style-type: none"> <li>External penetration testing.</li> <li>Full Council wide adoption of multi-factor authentication.</li> </ul>
							<p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>ICT Audit Procurement to review risk environment.</li> <li>ICT Audit Needs Assessment completed.</li> <li>Review of Microsoft 365 2021/22</li> <li>IT Remote Access 2021/22</li> <li>IT Website 2021/22.</li> <li>Increase in the amount of IT Audit days from 20 to 40 for 2022/23.</li> </ul>

## Appendix 1: Strategic Risk Register – October 2022

Key to 3 lines of assurance:	
1 <sup>st</sup> Line	Day to day operations of internal control systems
2 <sup>nd</sup> Line	Management oversight and monitoring controls
3 <sup>rd</sup> Line	Independent assurance from Internal / external audit and other independent assurance sources (e.g. HSE, BFI)
Other Horizon Scanning Risks Arising October 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.	
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.	
Impact of withdrawal of government support measures (furlough), Universal Credit and implications for businesses and residents.	

## Appendix 1: Strategic Risk Register – October 2022

### Strategic Risk Register – removed risks

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
A good council, enabling people	<b>SR6: Failure to innovate and build on positives / opportunities / learning arising (including from the Covid-19 situation) to maximise outcomes for the Council, e.g. technological solutions</b>  <b>Owner:</b> Leadership Team	9 (L3xI3)	<ul style="list-style-type: none"> <li>Refurbishment and reorganisation of office spaces.</li> <li>Cyber security e-learning.</li> <li>Engagement Strategy.</li> <li>Capture best practice</li> <li>Reinforce a culture of innovation.</li> <li>Belonging and Wellbeing Strategy.</li> <li>Virtual committee meetings.</li> <li>Business cases required for all major projects.</li> <li>Drive to find ongoing efficiencies as part of service / financial planning process.</li> <li>Customer promise.</li> </ul>	4 (L2xI2)	1 (L1xI1)	<ul style="list-style-type: none"> <li>IT Strategy and options appraisals.</li> </ul>	<b>1<sup>st</sup> Line:</b> <ul style="list-style-type: none"> <li>ICT hardware replacement programme providing the right equipment for mobile and flexible working.</li> <li>Ongoing monitoring of customer (internal and external) feedback.</li> </ul>
							<b>2<sup>nd</sup> Line:</b> <ul style="list-style-type: none"> <li>Monitoring of Lichfield Connects contact levels, trends and reporting on complaints and compliments to Leadership Team.</li> </ul>
							<b>3<sup>rd</sup> Line:</b> <ul style="list-style-type: none"> <li>Local Government Ombudsman.</li> <li>Flash Covid-19 Risk Assurance Staff Wellbeing 20/21 substantial assurance</li> <li>Flash Covid-19 Risk Assurance Productivity and Governance 21/22 substantial assurance</li> </ul>

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# INTERNAL AUDIT COUNTER FRAUD UPDATE

Cabinet Member for Finance & Commissioning



Date: 30 November 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 To provide the Committee with an update on counter fraud.

### 2. Recommendations

- 2.1 To endorse the contents of this Counter Fraud update report.

### 3. Background

- 3.1 The system of internal control is designed to manage risk (including fraud), to a reasonable level. It cannot eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should be realised, and to manage them efficiently, effectively and economically.
- 3.2 As well as operation of the overall system of control, counter fraud work this financial year has included National Fraud Initiative (NFI), the Cabinet Office's national data matching service. New matches continue to be received and processed. In addition, we have also been involved in grant assurance work (Test & Trace Support payments, Energy Rebates, Rough Sleeper Initiative and Protect & Vaccinate).
- 3.3 The Council's counter fraud plan is detailed at Appendix 5 of the Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes **Appendix 1** of this report.
- 3.4 There has been one irregularity identified within the operations at Beacon Park. A full investigation and review has been completed and reported to management and this committee. Internal Audit are working with management to ensure that all agreed recommendations are fully implemented.
- 3.5 There have been no 'whistleblowing' incidents reports during the year and this means that we have not had any reports for the last five years.
- 3.6 CIPFA have recently begun a consultation exercise in respect of Anti Corruption and the development of International Standards to support maintenance of high standards within the public sector. Once the consultation has been completed all the Council's Corruption and Fraud Policies will be subsequently reviewed to ensure compliance with these standards.
- 3.7 Committee will be aware that that its meeting on 12 November 2020 it was agreed that the review cycle for all Fraud Policies would be extended from annually to four years around elections cycle with a two year light touch review (unless there is a major change required in accordance with legislation/best practice) with minor amendments delegated to the Shared Head of Audit/Principal Auditor to undertake. In line with this delegation the Audit Manager have completed a refresh of the documents outlined below.
- Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes (**Appendix 1**)
  - Confidential reporting (Whistleblowing) Policy (**Appendix 2**)
  - Anti- Money Laundering Policy (**Appendix 3**)
  - Prevention of the Facilitation of Tax Evasion Policy (**Appendix 4**)

All changes and refreshed elements are highlighted in 'yellow' within the attached Appendices.

Alternative Options	N/A
Consultation	Consultation has taken place with appropriate Officers within the Council and Leadership Team.
Financial Implications	None directly identified however potential loss of assets and monies due to failure to comply with the Policies as defined.
Approved by Section 151 Officer	Approved
Legal Implications	Potential legal action/reporting to Police required.
Approved by Monitoring Officer	Approved
Contribution to the Delivery of the Strategic Plan	Safeguarding and protecting Council assets.
Equality, Diversity and Human Rights Implications	No equality, diversity or human rights implications arising from this report.
Crime & Safety Issues	Legal compliance with legislative requirements.
Environmental Impact	None arising.
GDPR/Privacy Impact Assessment	Legal compliance with legislative requirements.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	<p>The Council does not have in place approved policies and procedures that have been created to protect Council's assets</p> <p>The risk would impact on both governance and internal control processes within the Council.</p> <p>Assistant Director Finance and Commissioning (Section 151)</p>	<p>Likelihood: Yellow</p> <p>Impact: Red</p> <p>Severity: Red</p>	<p>Regular review and refresh of policies covering Fraud, Whistleblowing, Anti-Money Laundering and Tax Evasion based on good practice.</p> <p>These policies have been reviewed and updated to reflect current needs of governance and internal control requirements.</p>	<p>Likelihood: Green</p> <p>Impact: Yellow</p> <p>Severity: Yellow</p>
B	<p>Due to significant organisational change policies of the Council are not fully embedded in working</p>	<p>Likelihood: Yellow</p> <p>Impact: Red</p> <p>Severity: Red</p>	<p>Regular review and refresh of policies with communication to all staff and respective training delivered</p>	<p>Likelihood: Green</p> <p>Impact: Yellow</p> <p>Severity: Yellow</p>



	practices Assistant Director Finance and Commissioning (Section 151)			
C	Potential failure to report fraud and not comply with legislative requirements.  Assistant Director Finance and Commissioning (Section 151)	Likelihood: Yellow Impact: Red Severity: Red	Regular review and refresh of policies covering Fraud, Whistleblowing, Anti-Money Laundering and Tax Evasion based on good practice.  These policies have been reviewed and updated to reflect current needs of governance and internal control requirements.	Likelihood: Green Impact: Yellow Severity: Yellow

Background documents	
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Relevant web links	
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# **COUNTER FRAUD AND CORRUPTION POLICY STATEMENT, STRATEGY & GUIDANCE NOTES**

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*November 2022*

## Document Location

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

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

## Revision History

Revision Date	Version Control	Summary of changes
November 2020		Refresh
October 2021		Refresh
November 2022		Refresh

## Approvals

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

## Document Review Plans

This document is subject to a scheduled review every 4 years in accordance with the election cycles. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

## Distribution

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

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## **LICHFIELD DISTRICT COUNCIL**

### **COUNTER FRAUD AND CORRUPTION POLICY STATEMENT**

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

Chief Executive

Leader of the Council

# COUNTER FRAUD AND CORRUPTION STRATEGY

## 1.0 Introduction

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

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

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

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

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

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



Case 1 is where—

- (a) P offers, promises or gives a financial or other advantage to another person, and
- (b) P intends the advantage—
  - (i) to induce a person to perform improperly a relevant function or activity, or
  - (ii) to reward a person for the improper performance of such a function or activity.

Case 2 is where—

- (a) P offers, promises or gives a financial or other advantage to another person, and
- (b) P knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity. (The Bribery Act 2010)

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

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

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

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

associated policies.

- 1.5 The Council also expects that individuals and organisations (e.g. partners, suppliers/contractors and service users) which it comes into contact with, will act towards the Council with integrity and without actions involving fraud or corruption. The Council in turn will endeavour to ensure that all of its dealings will be on the same basis.
- 1.6 In administering its aims and responsibilities the Council is totally committed to deterring fraud and corruption, whether it is attempted on or from within the Council, and is committed to an effective counter fraud and corruption strategy designed to:
  - limit, as far as possible, the opportunities to commit fraudulent acts - **prevention**,
  - enable any such acts to be **detected** at an early stage, and
  - deal with any subsequent **investigations** in a prompt, thorough and professional manner.
- 1.7 Overall responsibility for dealing with fraud and corruption rests with the **Assistant Director – Finance & Commissioning**, who is the nominated Section 151 Officer having a statutory duty under Section 151 of the Local Government Act 1972 to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 1.8 Internal scrutiny of the Council's various activities occurs as a result of:-
  - the **Assistant Director – Finance & Commissioning (Section 151)** responsibilities and Section 114 Local Government Finance Act 1988 responsibilities,
  - the establishment of sound Internal Audit arrangements in accordance with the Accounts and Audit Regulations 2015, and
  - the responsibilities placed on the **Governance Manager and Monitoring Officer** under Section 5 of the Local Government and Housing Act 1989.
- 1.9 External scrutiny of the Council's various activities occurs as a result of involvement by:-
  - Local Government Ombudsman,
  - External Auditor,
  - Central Government Departments and Parliamentary Committees,
  - HM Revenues and Customs,
  - The Department for Work and Pensions
  - The general public.

1.10 This Counter Fraud and Corruption Strategy is based on a series of comprehensive and inter-related procedures designed to deter any attempted fraudulent or corrupt act. These cover:-

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

## **2.0 Objectives**

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

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

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

## **3.0 Roles and Responsibilities**

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

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

- Their risk register accurately reflects the risk of fraud and corruption including any emerging risks;
- Controls, including those in a computerised environment and for new systems and procedures, are effective and are properly maintained and documented;
- There is compliance with the Council's Financial Procedure Rules and associated guidance, Contract Procedure Rules and any other relevant codes of practice;
- Those engaged in countering fraud and corruption, have the appropriate authority, skills and knowledge to undertake this work effectively;

- That the necessary framework agreements to counter fraud are in place where the Council is working with other organisations either by way of contract or partnership. The Council will not knowingly enter into any contractual agreement with an organisation that fails to comply with its Code of Practice and/or other related procedures.
- Findings from fraud investigations lead to relevant system changes.

#### **4.0 Culture**

- 4.1 The Council has determined that the culture and ethics of the Authority are one of honesty and openness in all its dealings, with opposition to fraud and corruption. This strategy forms part of the governance arrangements for the authority.
- 4.2 The Council's Members and staff play an important part in creating and maintaining this culture. They are encouraged to raise any matters that concern them relating to the Council's methods of operation in accordance with this Counter Fraud & Corruption Strategy or the Council's Whistleblowing Policy.
- 4.3 The Council is committed to driving down all Fraud. Both public perception and organisational culture play key roles in achieving this aim. All Members and staff are therefore required to report any suspected or known frauds. Failure to do so may result in Disciplinary action.
- 4.4 Staff are required to declare any situation or transaction in which they may have an interest e.g. processing a relative's claim, appointing a member of staff. In such cases, staff will be removed from taking any further part in the transaction.
- 4.5 The Council's Whistleblowing Policy ensures that those raising concerns know they will be treated seriously and their concerns are properly investigated in a confidential and impartial manner. In raising concerns staff can be assured that they will be protected if the disclosure is made in the public's interest and will not affect their employment situation or future prospects with the Council.
- 4.6 Staff should raise their concerns with the Audit Manager (Shared Service), or in their absence with a member of the Internal Audit Team. Where staff feel unable to raise concerns with the Audit Manager (Shared Service), they can raise their concern with their line manager, who must immediately inform the Audit Manager (Shared Service). Under no circumstances should any investigations be undertaken by management.
- 4.7 In addition, a confidential reporting hotline (01543 308111) has been set up for staff and members of the public to report any concerns. Anyone using this facility should provide as much information as possible to ensure the concern can be properly investigated, including leaving your name and contact

number, if possible. Concerns made anonymously are much less powerful, but they will be considered in an appropriate manner.

- 4.8 Alternatively, use the Council's website 'Report It' function.
- 4.9 For housing benefit fraud issues, concerns should be raised by contacting the National Benefit Fraud hotline on 0800 854 440 or online at <https://www.gov.uk/report-benefit-fraud>.
- 4.10 Elected Members, suppliers, contractors, and the general public are also encouraged to report concerns through any of the above routes.
- 4.11 Unless there are good reasons to the contrary, any allegations received by way of confidential letters or telephone calls will be taken seriously and investigated in an appropriate manner. All allegations received in this manner should immediately be forwarded to the Audit Manager (Shared Service).
- 4.12 All concerns will be treated in confidence and every effort will be made not to reveal the identity of anyone reporting an incident or concern. At the appropriate time the council will discuss the role of the person reporting the matter as a witness and whether and how the matter can proceed with.
- 4.13 Formal reports will be issued aimed at addressing control weaknesses and these will be reported to the Audit & Member Standards Committee in the Audit Manager (Shared Service)'s progress report.
- 4.14 The Nolan Committee set out the seven guiding principles that apply to people who serve the public. The Council will develop our working behaviour around these principles, which are attached as Appendix 1.

## **5.0 Prevention**

### **5.1 Staff**

- 5.1.1 The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard temporary, agency and contract staff should be treated in the same manner as permanent staff. Service Managers are responsible for ensuring agencies engaged for the supply of temporary staff have rigorous vetting processes and that references are sought direct from previous clients with regard to the suitability and integrity of the candidate.
- 5.1.2 Employee recruitment is required to be in accordance with procedures laid down by the Council. Written references covering the known honesty and integrity of potential staff and where required, evidence of a licence to practice must always be obtained. All qualifications will be verified. There will be an open and fair policy of recruitment with no 'canvassing' or 'favouritism'.

- 5.1.3 Staff of the Council are expected to follow the Council's Code of Conduct, any Code of Conduct relating to their personal Professional Body and also abide by the terms and conditions of employment as set out in the Contract of Employment and the National Scheme of Conditions. The Council will report any known impropriety to the relevant Institution for them to consider appropriate disciplinary action.
- 5.1.4 Staff are reminded that they must comply within Section 117 of the Local Government Act 1972 which requires any interests in contracts that have been or are proposed to be entered into by the Council to be declared. The legislation also prohibits the acceptance of fees or rewards other than by means of proper remuneration. Details are described within the Code of Conduct.
- 5.1.5 Managers are required to observe the formal Disciplinary Policy & Procedure.
- 5.1.6 All staff are required to declare in a public register (held by the **Governance Manager and** Monitoring Officer) any offers of gifts or hospitality which are in any way related to the performance of their duties in relation to the Authority. Staff should also declare private work (paid or unpaid) etc., which if permitted must be carried out during hours when not employed on Council work, and should not be conducted from Council premises or use any Council equipment/assets.
- 5.1.7 The above matters are brought to the attention of staff via induction training and subsequently by internal communications.
- 5.1.8 Management at all levels are responsible for ensuring that staff are aware of the Authority's Financial Procedure Rules and Contract Procedure Rules, and that the requirements of each are being met. They are also responsible for ensuring that appropriate procedures are in place to safeguard the resources for which they are responsible, which include accounting control procedures, working manuals and operating procedures. Management must ensure that all staff have access to these rules and regulations and that staff receive suitable training.
- 5.1.9 Managers should strive to create an environment in which staff feel able to approach them with concerns they may have about suspected irregularities. If Managers and staff are unsure of the appropriate action they should consult with the Internal Audit Section.

## **5.2 Members**

- 5.2.1 Members are required to operate within: -
- Sections 49 - 52 of the Local Government Act 2000,
  - Local Authorities (Members' Interest) Regulations 1992 (S.I. 618)

- The National Code of Local Government Conduct
- Any local code or amendments agreed and
- The Council's Contract Procedure Rules and Financial Procedure Rules.

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

### 5.3 Systems

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

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

5.3.3 The Internal Audit Section assesses regularly the level of risk within the Council with a view to preventing fraud and corruption. Such assessments are discussed with **Assistant Directors** and Service Managers and, where appropriate, incorporated into work plans.

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

5.3.5 **Assistant Directors** and Service Managers will ensure that internal controls, including those in a computerised environment, are effectively maintained and documented and will investigate any potential weaknesses.

5.3.6 **Assistant Directors** and Service Managers must ensure that proportionate counter fraud measures are applied to new systems/procedures.

5.3.7 It is evident across the country that an increasingly wide variety of frauds are being perpetrated. The larger frauds may involve the creation of multiple

identities and false addresses, and involve different agencies. Staff are therefore encouraged to liaise with those other agencies, exchanging information (subject to GDPR) where possible and appropriate to help prevent and detect such fraud. It is important that arrangements exist, and are developed, to encourage the exchange of information with other agencies including:-

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

5.3.8 The Council has established formal procedures to respond to complaints received about any aspect of service delivery. Issues relating to fraud and corruption will be passed directly to the Audit Manager (Shared Service) . Specific guidance has also been issued to all staff in relation to Proceeds of Crime and Money Laundering. The **Assistant Director – Finance & Commissioning** as the Council's Money Laundering Reporting Officer.

5.3.9 The Council will involve the police to prosecute offenders where fraudulent or corrupt acts are discovered. This will be a matter for the **Assistant Director – Finance & Commissioning (Section 151)**, Governance Manager and Monitoring Officer and the Chief Executive to decide.

## **6.0 Detection and Investigation**

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

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

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

6.4 **Members of the Leadership Team** and Service Managers are required by Financial Procedure Rules to report all suspected instances of fraud and corruption to the Audit Manager (Shared Service). Early reporting is essential to the success of this strategy, and;

- ensures the consistent treatment of information regarding fraud and corruption,



- facilitates a thorough investigation of any allegation received by an independent unit (Internal Audit), and
  - ensures maximum protection of the Council's interests.
- 6.5 Suspicions that any transaction or dealing may involve the proceeds of crime should be reported to the **Assistant Director – Finance & Commissioning (Section 151)**, who will ensure such suspicions are reported to the appropriate authorities as required by the relevant Act.
- 6.6 The investigating officer will be appointed by the **Assistant Director – Finance & Commissioning (Section 151)**. The investigating officer will usually be an Internal Audit Officer. The investigating officer will;-
- inform the Section 151 Officer (**Assistant Director – Finance & Commissioning (Section 151)**) and Chief Executive, as necessary;
  - deal promptly and confidentially with the matter;
  - have unhindered access to employees, information and other resources as required for investigation purposes;
  - record all evidence received;
  - ensure that evidence is sound and adequately supported;
  - ensure security of all evidence collected;
  - liaise as necessary and appropriate with the relevant Director;
  - liaise as necessary with external agencies e.g. Police;
  - notify the Council's Insurance Officer, if appropriate; and,
  - implement Council Disciplinary Policy & Procedure where appropriate.
- 6.7 The Council can be expected to deal swiftly and thoroughly with any employee who attempts to defraud the Council or who is corrupt. The Council will deal positively with fraud and corruption or suspicions thereof.
- 6.8 There is a need to ensure that any investigation process is not misused and, therefore, any abuse such as raising unfounded malicious allegations may be dealt with as a disciplinary matter.
- 6.9 When it is found that fraud or corruption has occurred due to a break down in the Council's systems or procedures, the Council will ensure that appropriate improvements in systems of control are promptly implemented in order to prevent a reoccurrence.
- 6.10 Depending on the nature and anticipated extent of the allegations, the Internal Audit section will normally work closely with management and other agencies such as the police to ensure that all allegations and evidence is properly investigated and reported upon.
- 6.11 Procedures for dealing with the investigation of fraud and corruption are included in the Fraud Manual of the Audit Section.

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

## **7.0 Recovery, Sanctions & Redress**

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

## **8.0 Training & Awareness**

- 8.1 The Council recognises the importance of training in the delivery of high quality services. The Council supports the concept of fraud awareness training for Managers and for Staff involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. Staff who ignore such training and guidance may face the possibility of disciplinary action.

- 8.2 Specifically, awareness is raised by a combination of face-to-face awareness sessions, e-learning and publications about general and specific fraud issues.
- 8.3 Investigation of fraud and corruption centres around the Council's Internal Audit section. Staff engaged in this section, for the detection and prevention of fraud, are properly and regularly trained in all aspects of it. The training plans of the sections will reflect this requirement.
- 8.4 Regular training seminars will be provided for Members on a wide range of topics including declarations of interest and the Code of Conduct as detailed in the Constitution.
- 8.5 The Council will maintain an up to date awareness of the types of fraud that it may be exposed to, especially given the ongoing financial situation and the resourcefulness of potential fraudsters. It will review national developments and strengthen systems and procedures accordingly using the following key sources of information:

National Fraud Reports

National Anti-Fraud Network

Midlands Fraud Forum

Local Networking through Staffordshire and the Midlands (Staffordshire Counter Fraud Partnership)

Any other sources of fraud awareness/updates etc.

## **9.0 Sharing Information**

- 9.1 The Council is committed to working with other agencies in the detection and prevention of fraud.
- 9.2 There are a variety of arrangements in place, which facilitate the regular exchange of information between the District Council and other local authorities and agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators.
- 9.3 The District Council is a member of the National Anti-Fraud Network (NAFN). NAFN provides access to information relating to fraud within the public sector. Fraud intelligence is collated and circulated to members, and information services to assist in the more effective investigation of fraud are available. We make use of these services.
- 9.4 As technologies develop, there is an ever increasing need to take advantage of the processing and analysis of data stored across the Authority and beyond. This enables information and intelligence to be generated, which is a recognised means of preventing fraud and corruption.

- 9.5 The Cabinet Office has a Code of Data Matching Practice for its National Fraud Initiative (NFI), which is recognised by the Information Commissioner as complying with Data Protection legislation.
- 9.6 The District Council has a Fraud Hotline for reporting fraud suspected within the Council – 01543 308111. There are a number of ways in which the Internal Audit Team can be contacted to report concerns of fraud and corruption, all of which are outlined in Appendix 4.
- 9.7 Any action taken under this policy in respect of information must be GDPR compliant.

## **10.0 Implementing the Strategy**

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

Relevant Standards

Other best practice/statutory guidance as required

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

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

## **11.0 Conclusions**

- 11.1 The Council's systems, procedures, instructions and guidelines are designed to limit, as far as is practicable, acts of fraud and corruption. All such measures will be kept under constant review to ensure that they keep pace with developments in prevention and detection techniques regarding fraudulent or corrupt activity.
- 11.2 The Council will maintain a continuous review of all its systems and procedures through the Assistant Director – Finance & Commissioning (Section 151) and Internal Audit, in consultation with the Governance Manager and Monitoring Officer where required.

# COUNTER FRAUD AND CORRUPTION GUIDANCE NOTES

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

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

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

(This is not an exhaustive list.)

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

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

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

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

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

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

1.6 The Council has determined that it should have a culture of honesty and openness in all its dealings, with opposition to fraud and corruption. The Council’s Whistleblowing Policy does this by :-

- making it clear that vigilance is part of the job. Knowingly not raising concerns may be a serious disciplinary offence,
- recognising that early action may well prevent more worry or more serious loss/damage,
- making it safe and simple to convey critical information ensuring that any concern in this area is seen as a concern and not a grievance,
- encouraging information exchange, remembering that there are two sides to every story,
- providing a way in which concerns can be raised in confidence and not necessarily via the nominated line manager or supervisor,
- recognising the need for discretion,
- ensuring the anonymity of the individual, where possible, should this be preferred by the employee, and by protecting employers from reprisals.

1.7 Under the Enterprise and Regulatory Reform Act 2013, any disclosure made using the Whistleblowing Policy, within reasonable belief of the worker making the disclosure will only be protected if it is made in the public interest. More detail is found in the Whistleblowing Policy.

1.8 There is a need to ensure that any investigation process is not misused and, therefore, any abuse such as raising unfounded malicious allegations may be dealt with as a disciplinary matter.

## **2.0 Why Do We Need This Advice?**

2.1 It is important that you follow the advice given and do not try to handle the problem yourself, without expert advice and assistance. A badly managed investigation may do more harm than good. There are a number of internal and external processes which have to be followed to yield a satisfactory conclusion.

## **3.0 How To Recognise A Fraud**

3.1 Each employee must be aware of fraud and the areas within their responsibility where fraud may occur.

3.2 Fraud can happen wherever staff or independent contractors complete official processes and can take financial advantage of the Council. The risk of fraud is enhanced where staff or contractors are in positions of trust or responsibility and are not checked or subjected to effective monitoring or validation. Consequently the following areas are susceptible to fraud:-

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

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

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

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

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

#### **4.0 How To Prevent It**

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

4.2 Managers need to :-

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

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

### **Supervision**

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

### **Organisation**

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

### **Authorisation**

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

### **Personnel**

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

### **Segregation of Duties**

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

### **Physical**

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

### **Arithmetical Accuracy**

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

### **Management Functions**

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



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

## **5.0 What To Do On Suspecting A Fraud**

### **5.1 Action By Staff**

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

### **5.2 Action By Managers**

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

5.2.2 The Council is required to report any cases in which it is suspected that transactions involve the proceeds of crime. If staff or managers have any such suspicion, this should be reported immediately to the **Assistant Director of Finance & Commissioning (Section 151 Officer)**, who shall advise on the necessary action and ensure the matter is reported to the appropriate authorities.

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

## **6.0 What Happens To The Allegation**

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

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

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

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

## The Seven Principles of Public Life (Nolan Committee)

### **Selflessness**

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

### **Integrity**

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

### **Objectivity**

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

### **Accountability**

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

### **Openness**

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

### **Honesty**

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

### **Leadership**

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

### Statement of Expected Responsibilities

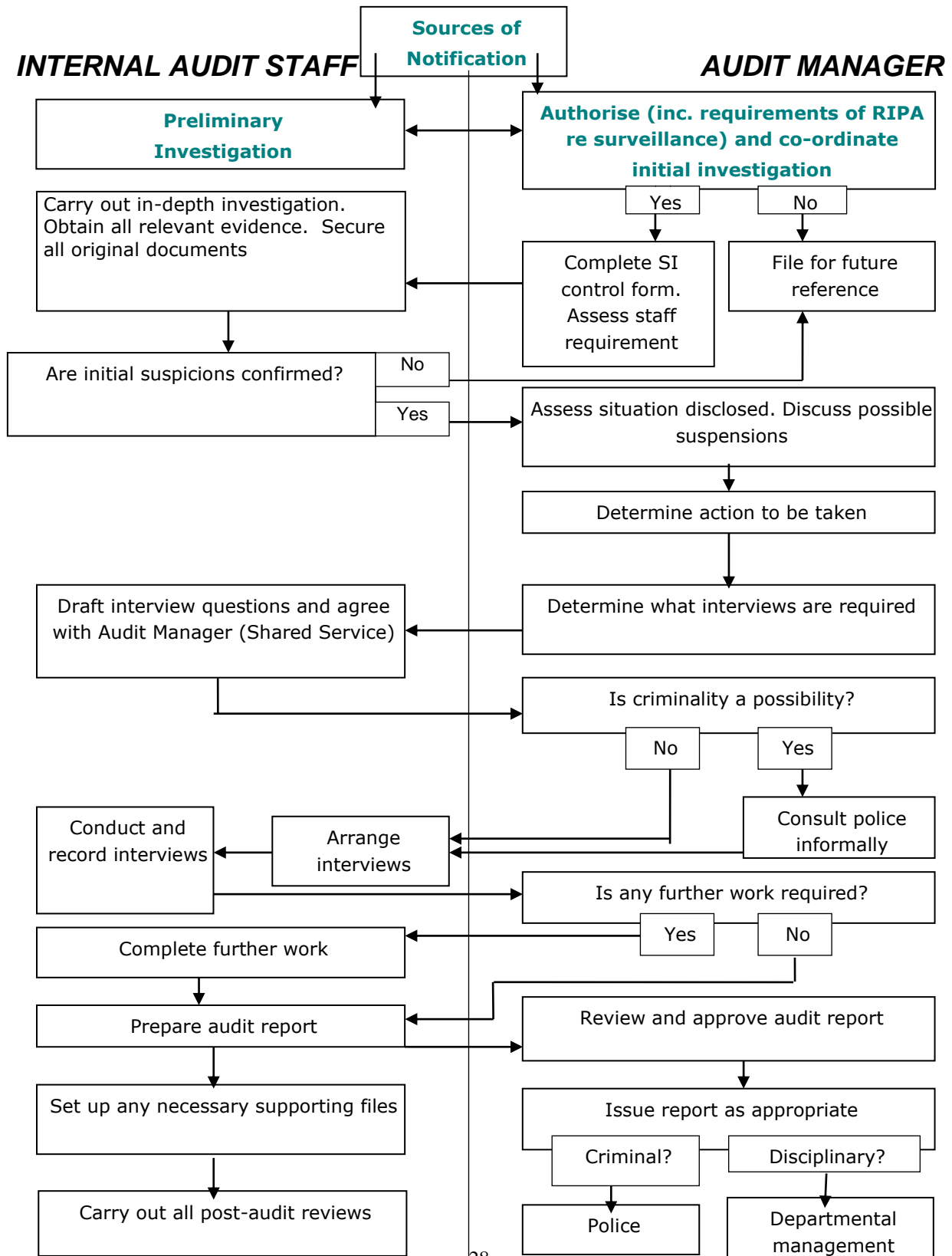
Stakeholder	Expected Responsibilities
Chief Executive	Ultimately accountable as Head of Paid Service for the effectiveness of the Council's arrangements for countering fraud and corruption as well as corporate governance.
Assistant Director – Finance & Commissioning (Section 151 Officer)	The Assistant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

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

	Manager (Shared Service).
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns or suspicions. To ensure that effective controls are in place to mitigate risks to the Council.

## Lichfield District Council

## Fraud Response Plan

**OPERATIONAL CONTROL**

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

### **To contact Internal Audit Services**

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

For all general issues:

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

### **To contact the Council's external auditor**

Write to:

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

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

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

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

**Frauds and cyber-crime can also be reported via:**

<https://www.actionfraud.police.uk/reporting-fraud-and-cyber-crime>



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

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

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

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

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

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

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

MANDATORY COUNTER FRAUD ARRANGEMENTS (STRATEGIC WORK)		
OBJECTIVE	RISK	PROGRESS
Attendance at relevant fraud forums/meetings to ensure that professional knowledge and skills are maintained.	Failure to ensure the completion of mandatory strategic work may mean that the professional knowledge and skills are not maintained to a high standard.	On-going
Completion and agreement of work plan		On-going
Regular meetings with the Assistant Director – Finance & Commissioning (Section 151)		On-going
Regular report of counter fraud work		On-going
Attendance at relevant training as required.		On-going



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# **Confidential Reporting (Whistleblowing) Policy**

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*October 2020*

## **Document Location**

This information can be produced on request in other formats and languages



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

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

## Revision History

Revision Date	Version Control	Summary of changes
November 2020		Refresh
October 2021		Refresh
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## Approvals

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

## Document Review Plans

This document is subject to a scheduled review every 4 years in accordance with the election cycles. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

## Distribution

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## **LICHFIELD DISTRICT COUNCIL**

### **CONFIDENTIAL REPORTING (WHISTLEBLOWING) POLICY**

#### **1. Policy Statement**

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

#### **2 Introduction**

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

(d) that the health or safety of any individual has been, is being or is likely to be endangered,

(e) that the environment has been, is being or is likely to be damaged, or

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

2.3 This policy is designed for workers. Workers include:

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

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

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

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

### **3 Aims and Scope of this Policy**

3.1 This policy aims to:

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

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

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

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

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

## **4 Safeguards**

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

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

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

## **5 Confidentiality**

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

## **6 Anonymous Allegations**

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

## **7 Untrue Allegations**

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

## **8 How to Raise a Concern**

- 8.1 You should raise your concern with the Audit Manager (Shared Service), or in their absence, a member of the Internal Audit Team. Where staff feel unable to raise concerns with the Audit Manager (Shared Service), they can raise their concern with their line manager, who must immediately inform the **Assistant Director – Finance & Commissioning (Section 151)**. Under no circumstances should any investigation be undertaken by management.
- 8.2 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 8.3 If the concern raised relates to fraud or corruption, then the matter will be reviewed and investigated by Internal Audit. If however, the concern relates to a management issue, then the matter will be recorded and forwarded onto the appropriate officer to deal with it.
- 8.4 Concerns are best raised in writing. You are invited to set out the background and history of the concern, giving names, dates and places where possible, and the reason why you are particularly concerned about the situation. If you do not feel able to put your particular concern in writing, you can telephone or meet the appropriate officer. The Officer notified of an individuals concern must record those concerns taking a statement where they feel it appropriate.
- 8.5 In addition, a confidential reporting hotline (01543 308111) has been set up for staff and members of the public to report any concerns. Anyone using this facility should provide as much information as possible to ensure the concern can be properly investigated, including leaving your name and contact

number, if possible.

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

**Audit Manager (Shared Service) Tel: 308230**

## 9 External contacts

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

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

Child Welfare & Protection	Children's Commissioner NSPCC

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

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

## 10 How the Council Will Respond

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

- 10.2 Where appropriate, the matters raised may:

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

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

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

- 10.5 Within ten working days of a concern being raised, the **Audit Manager** will write to you:

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

- 10.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matter raised, the potential difficulties



involved and the clarity of the information provided. If necessary, the Council will seek further information from you.

- 10.7 Where any meeting is arranged, you have the right, if you so wish, to be accompanied by a Union or professional association representative or a friend who is not involved in the area of work to which the concern relates.
- 10.8 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcome of any investigation.

## **11 The Responsible Officer**

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

## **12 How the Matter can be Taken Further**

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



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# **Anti Money Laundering Policy**

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November 2022

## Document Location

This document is held by Lichfield District Council, and the document owner is the Assistant Director – Finance & Commissioning (Section 151).

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

## Revision History

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November 2020	1.0	Refreshed Policy
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Audit & Member Standards Committee	Committee Approval	Yes
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## **LICHFIELD DISTRICT COUNCIL**

### **ANTI-MONEY LAUNDERING POLICY STATEMENT**

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

# **LICHFIELD DISTRICT COUNCIL ANTI-MONEY LAUNDERING POLICY**

## **1. Introduction**

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

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

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

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

## **2. Scope of the Policy**

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

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

## **3. Definition of Money Laundering**

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

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

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

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

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

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

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

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

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

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

#### **4. Requirements of the Money Laundering Legislation**

The main requirements of the legislation are:

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

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

## 5. The Money Laundering Reporting Officer (MLRO)

The Council has designated the **Assistant Director – Finance & Commissioning (Section 151)** as the Money Laundering Reporting Officer (MLRO). They can be contacted on 01543 308012 or by email on [anthony.thomas@lichfielddc.gov.uk](mailto:anthony.thomas@lichfielddc.gov.uk).

In the absence of the MLRO or in instances where it is suspected that the MLRO could be involved in suspicious transactions, concerns should be raised with the Chief Executive. They can be contacted on 01543 308001 or by email on [simon.fletcher@lichfielddc.gov.uk](mailto:simon.fletcher@lichfielddc.gov.uk).

## 6. Possible Signs of Money Laundering

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

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

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

## 7. Due Diligence Procedures

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

## **8. Land/Property Transactions**

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

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

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

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

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

## **9. Procedure for Reporting Suspicious Transactions**

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

The report must include as much detail as possible including:

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

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

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

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

## **10. Additional Guidance**

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

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

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

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

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

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

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

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

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

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

In cases where legal professional privilege may apply, the MLRO must liaise with the **Governance Manager and Monitoring Officer** to decide whether there is a reasonable excuse for not reporting the matter to the NCA.

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

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

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

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

## **12. Training**

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

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

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

## **13. Conclusions**

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

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

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

#### **14. Review**

This policy and associated procedure will be subject to a review every 4 years unless any changes or updates to any of the relevant legislation require that it is undertaken sooner.

**Role of the Money Laundering Report Officer – “MLRO”**

The duties of the Money Laundering Reporting Officer are:

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



## MONEY LAUNDERING – INTERNAL REPORTING FORM

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

### ***Instructions for Completion***

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

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

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

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

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

### **Main Subject (Person)**

Surname:		Forename(s):		Title:	

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

**Or**

**Main Subject (Company)**

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

**Bank Account Details**

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

**Other Information**



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

**Connected Subject Person (if any)**

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

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

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



## Declaration

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

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Name in  
Full: \_\_\_\_\_ Position: \_\_\_\_\_

## For Completion by the MLRO

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

### MONEY LAUNDERING AVOIDANCE AIDE MEMOIR

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



## Prevention of the Facilitation of Tax Evasion

Document Status: Final

Version: 01.02

Date: November 2022

Approved by Audit & Member Standards Committee - November 2022

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## Document Location

This document is held by Lichfield District Council, and the document owner is the **Assistant Director – Finance & Commissioning** (Section 151 Officer).

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

## Revision History

Revision Date	Version Control	Summary of changes
November 2020	1.0	New Policy
October 2021	1.01	Refresh
<b>November 2022</b>	<b>1.02</b>	<b>Refresh</b>

## Approvals

Name	Title	Approved
Audit & Member Standards Committee	Committee Approval	Yes
Leadership Team	Leadership Approval	Yes
<b>Assistant Director – Finance &amp; Commissioning</b> (Section 151 Officer) Approval	Policy Owner Approval	Yes

## Document Review Plans

This document is subject to a **full** scheduled review every 4 years in accordance with election cycles. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

## Distribution

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

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## **1. Prevention of the Facilitation of Tax Evasion Policy Statement**

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

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

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

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

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

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

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



## 2. What is Tax Evasion?

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

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

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

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

## 3. Examples of Tax Evasion

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

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

## 4. The Criminal Finances Act 2017

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

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

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

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

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

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

## **5. Penalties**

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

## **6. Policy Statement – Tax Evasion**

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

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

## **7. Objective of this policy**

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

The Council requires that all relevant persons:

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

## **8. Scope of this policy**

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

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

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

## **9. The Council's commitment to action**

The Council commits to:

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

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

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

## **10. Tax Evasion is not tolerated**

It is unacceptable to:

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

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

## **11. Staff responsibilities**

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

As individuals you must:

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

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

## **12. Raising a concern**

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

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

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

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

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

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

### **13. Other relevant policies**

Other relevant policies include:

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

### **14. Useful links**

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

### **15. Policy review**

The Assistant Director – Finance & Commissioning (Section 151 Officer) and the Council's Audit & Member Standards Committee will ensure the continuous review and amendment of this policy document, to ensure that it remains compliant with good practice and legislative requirements.

Responsible Officer: Assistant Director – Finance & Commissioning (Section 151)

Next Review date: November 2024

## Data Protection Policy and UK GDPR Update



Date: 30 November 2022

Agenda Item: Agenda Item 8

Officer Title: Laura Brentnall, Compliance & Data Protection Officer

Local Ward Members: N/A

**Audit and Member Standards Committee**

### 1. Executive Summary

- 1.1 This report seeks to update the Data Protection Policy and to update members on recent changes to the resourcing of data protection activities and audit actions contained within the Internal Audit Report issued separately to Members of the Committee.

### 2. Recommendations

- 2.1 To approve the updated Data Protection Policy to meet (UK GDPR) regulations as set out at Appendix A (changes highlighted in yellow) .
- 2.2 The committee note the action plan (Appendix B) to ensure all actions highlighted in a recent audit of GDPR are delivered in a timely manner and reported at future meetings as appropriate.

### 3. Background

- 3.1 The council is fully committed to complying with the requirements of the General Data Protection Regulations and the Data Protection Act (2018) and has appointed a new Compliance and Data Protection Officer to ensure the Authority prioritizes and delivers on this commitment.
- 3.2 As part of the Target Operating Model and in discussion with the previous DPO it was clear that sufficient internal resources were not previously available to co-ordinate and manage all of the likely changes required as we restructure our teams, data and use of systems.
- 3.3 A recent audit of the Council's Data Protection and UK GDPR Compliance that was conducted in July 2022 (prior to the appointment of the new DPO) reported limited assurance, with three high priority recommendations, eight medium recommendations and five low recommendations.
- 3.4 The new Data Protection Officer role was formally appointed on the 1 October 2022 and has already made significant progress in resolving four of the recommendations in full and initiated a detailed programme of work to deal with the remaining recommendations and wider improvement initiatives.
- 3.5 Remaining recommendations which will be resolved by March 2023 are:
  - Updating the Record of Processing Activity to confirm all data held and with whom it is shared – this needs full review in line with the changes brought about by the Target Operating Model and forming of new delivery teams.
  - New processing of personal data and changes to existing processes not considering potential impacts on data subjects – a programme of Data Subject Impact Assessments is to be developed alongside the transformation plans, including a clear process and oversight of documenting these considerations to be implemented by the ICT/Digital team as new processes are developed or existing processes reviewed.

- Rights of individuals to be informed – clear processes are being developed and staff will be trained to consistently apply them with of one to one meetings with data processors and a suite of e-learning training being deployed on a regular basis to inform and check understanding.
- Updates to the

3.6 The Compliance and Data Protection Officer will provide further briefings on the progress of the plan to the Audit & Member Standards Committee in advance of both the February 2023 and March 2023 committee meetings, recognising that members will be keen to ensure all recommendations are resolved as swiftly as possible. The Compliance and Data Protection Officer will provide updates to each Audit and Member Standards Committee up until the completion of the approved action plan.

3.7 Consistent training and reminders of the requirements of the General Data Protection Regulations (2018) and the Data Protection Act will be available to all staff and members and information hubs will be available in due course.

Alternative Options	None, the council must comply with these regulations, however the committee can choose not to receive ongoing reports and instead have briefings.
Consultation	We have ongoing support from South Staffordshire District Council legal team regarding current advice and guidance and a strong auditor who specialises in this area to highlight areas for development. The updated policy has also been signed off by the Audit advisor.
Financial Implications	None – the role is now funded within the TOM as a permanent post on establishment.
Contribution to the Delivery of the Strategic Plan	Data protection contributes to the sound running of the council.
Equality, Diversity and Human Rights Implications	None
Crime & Safety Issues	None
Environmental Issues	None
GDPR/Privacy Impact Assessment	Not required for this report. This policy ensures ongoing compliance and the processes to underpin such assessments.

	Risk Description	How We Manage It	Severity of Risk (RYG)
a)	Legal challenge if no process is in place	Ensure process is in place and regularly reviewed.	Green Likelihood – low / Impact -low
b)	Assurance of processes in place	Issues highlighted in the audits have been addressed.	Green Likelihood- low/ Impact -low
c)	Data Protection Officer capacity to develop and improve processes	New role appointed and action plan in place.	Green Likelihood – low/ impact - low



d)	Ongoing development of processes and practice during transformation work	Clear plan for digital transformation developed and regular review/compliance checks by DPO.	Green Likelihood – low/ impact - low
e)	Data Protection Policy no longer fit for purpose	Regular review of the policy and updated guidance from suitably qualified DPO.	Green Likelihood – low/ impact - low

Background documents:

Relevant web links

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

## Appendix A



### Data Protection Policy November 2022

Approved by:	<b>Leadership Team</b>
Approval date:	
Approved by:	<b>Audit &amp; Member Standards</b>
Approval date:	
Author/owner:	<b>Laura Brentnall</b>
Review frequency:	<b>2 Years</b>
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Location:	<b>Governance</b>

## Introduction

Lichfield District Council is committed to complying with the **General Data Protection Regulation (UK GDPR)**. This policy sets out the framework Officers and Members must abide by when handling personal data.

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

Further information can be found at: <https://ico.org.uk/>

## Purpose of policy

Protecting the confidentiality and integrity of personal data is something that the Council takes extremely seriously. The Council is exposed to large fines (depending on the nature and severity of the infringement) for failure to comply with the provisions of the GDPR. This is of particular importance now that data is stored electronically and available to officers who are homeworking as a result of the pandemic and continuing new ways of working.

### 1. Scope of policy

Both Officers and Members **must** comply with this policy when processing personal data on the Council's behalf.

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

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

We primarily provide services for local communities and the people who live in them. We also collect data about people world-wide who contact us requesting information about Lichfield District Council.

In order to provide these services, we must collect and use data about the people we provide services to. Data is also collected and used where we have a statutory duty to do so.

We collect data in a number of ways; verbally, paper, telephone, email, online forms, website cookies as well as other forms of image and voice recordings. This data may be collected from the data subject or may be gathered from other sources, we may need to occasionally ask other agencies or organisations for relevant data about the data subject to fulfil our legal responsibilities or to provide services. All data we obtain will be captured and stored in appropriate systems for the purpose or purposes specified.

### 2. How **this policy** relates to/underpins our strategic ambitions

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

## 3. Policy details

### 3.1 Common terms and application

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

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

The law (and this policy) applies to:

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

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

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

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

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

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

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

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

**Data Protection Officer (DPO)** is the designated person within an organisation that has responsibility for ensuring 'legal' compliance with GDPR, which relates only to personal data.

### 3.2 Commitment to the (General Data Protection) Principles

The Council is legally obliged to comply with data protection principles set out in the GDPR when handling your personal data. We will ensure we:

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

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

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

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

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

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

- (d) ensure that the personal data we process is **accurate** and, where necessary, **kept up to date**. Officers must check the accuracy of any personal data at the point of collection and at regular intervals afterwards. Officers must take all reasonable steps to destroy or amend inaccurate or out-of-date personal data.

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

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

- (f) process personal data (whatever the source) in a manner that ensures **appropriate security** of the same including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures. **This is elaborated upon in the Council’s information security policy/ procedures/guidelines.**

- (g) **Officers are accountable for and must be able to demonstrate that it complies with all the above principles. Officers should, always, be mindful of the need to be able to prove that processing is in accordance with the above principles.**

### 3.3 Member Responsibility

Members will receive, consider and share the personal data of residents as necessary during the course of their duties. Further guidance on how to do this safely and effectively can be found from the [Information Commissioner](#). You may also receive information about individuals as part of your role as a member of a committee or the cabinet. You may also receive information about local residents e.g. an extract of the electoral roll for the purposes of canvassing for your political party.

You MUST when dealing with personal data uphold the data protection principles as set out at 3.2.

### 3.4 Legal basis for processing ordinary personal data (article 6)

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

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

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

### 3.5 Special personal data (article 9)

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

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

Other grounds are potentially available.

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

### 3.6 Crime/offence data

To process personal data about criminal convictions or offences, the Council must have a lawful basis under article 6 (at 4.5 above) and legal authority or official authority. For further advice speak with the Data Protection Officer.

### 3.7 Your Rights

Individuals have rights when it comes to how the Council handles their personal data.

These include rights to:-

a. **The right to be informed**

You have the right to be informed about the collection and use of your personal data. We will normally do this by way of privacy notices on forms or on our website.

b. **The right of access**

You have the right to request access to the information we hold about you. The information requested will be provided free of charge, however, we may charge a reasonable fee if the request is considered “manifestly unfounded” or “excessive”. We may also charge a fee if you request further copies of information we have already provided to you

c. **The right to rectification**

You have the right to request that inaccurate personal information be rectified and incomplete personal information updated.

d. **The right to erasure**

You have a right to ask us to erase information about you. This right will only apply where:

- The personal data is no longer necessary for the purpose which we originally collected it for
- We are relying on consent as the lawful basis for holding the data and you withdraw that consent
- We are processing the data for direct marketing purposes and you object to that processing.
- The majority of processing carried out by the council is governed by legislation, which usually includes how long we have to keep your information. The right of erasure won't apply where we have a lawful reason to process your data and it is kept in accordance with our retention schedule.
- Where your information has been shared with others, we will endeavour to ensure they are aware of your request for erasure.

e. **The right to restrict processing**

You have the right to restrict the processing of your personal data where:

- you contest the accuracy of your personal data and the council needs to verify its accuracy before further processing takes place;
- the data has been unlawfully processed and you oppose erasure of the data and request restriction of its use instead;

f. **The right to data portability**

You have the right to ask for your personal information to be given back to you or another service provider of your choice in a commonly used format. This is called data portability. However, this only applies if we're using your personal information with consent (not if we're required to by law) and if decisions were made by a computer and not a human being. It's likely that data portability won't apply to most of the services you receive from the Council.

g. **Automated Decision Making**

You have the right to not be subject to a decision based solely on automated processing. You can ask to have any computer made decisions explained to you, and details of how we may have 'risk profiled' you.

#### **h. The right to object**

You have the right to object to the processing of your personal information.

The right to object only applies in certain circumstances.

Where personal data might lawfully be processed because processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority, a data subject should be entitled to object to the processing of any personal data relating to his or her particular situation. It should be for the Council to demonstrate that its compelling legitimate interest overrides the interests or the fundamental rights and freedoms of the data subject.

**Please note that the above rights are not absolute.** The Council can say no to your request. For full details of the rights, ground to exercise them and the exemptions available to the Council please see articles 12 to 23 of UK GDPR. If you wish to exercise a right please put your request in writing to our Data Protection Officer.

**To exercise your rights to access information we hold about you please use our [subject access request form](#) or for any other queries, please email [dpo@lichfielddc.gov.uk](mailto:dpo@lichfielddc.gov.uk)**

### **3.8 Restrictions**

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

### **3.9 Data protection by design and default**

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

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

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

### **3.10 Joint controllers**

Where the Council and another controller jointly determine why and how personal data should be processed the Council will be regarded as a 'joint controller'. If this is the case, then the appropriate Officer must work



with the 'opposite number' to determine the respective responsibilities of the controllers for compliance with GDPR about the exercise of any rights by an individual and the controllers' respective duties to provide a privacy notice. The arrangement must reflect the respective roles and relationships of the joint controllers towards the individual(s). The essence of the arrangement shall be made available to any individual.

### 3.11 Council use of data processors

These are external people/organisations who process personal data on our behalf to our order. Officers MUST ensure that any processor we use:

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

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

The contract MUST set out that:

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

### 3.12 Records of processing activities

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

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

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

### 3.13 Data protection impact assessments

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

**prior to the processing**, carry out an assessment of the impact of the envisaged processing operations on the individuals. **As part of this process Officers MUST seek the advice of the Data Protection Officer.** Further guidance exists as to when an impact assessment should be undertaken and how. In certain circumstances the Information Commissioner may need to be consulted.

### 3.14 Data Protection Officer (DPO)

The Council's designated DPO is **Laura Brentnall, Compliance & Data Protection Officer available via [dpo@lichfielddc.gov.uk](mailto:dpo@lichfielddc.gov.uk)**. The DPO MUST be involved, properly and in a timely manner, in all issues which relate to the protection of personal data. The Council will support the DPO in performing her [this list is not exhaustive] tasks:

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

### 3.15 Data Breaches

The Council does all it reasonably can to keep your personal data confidential, available for us and intact. However, if there should be a breach of your personal data such as its destruction, loss, alteration etc. then, if there is a risk of harm to you, the Council will report matters to the Information Commissioner's Office. We will tell them what has happened; how many people are affected; what the likely consequences are and what we are doing to make things better. In certain circumstances we will also provide this information to you.

## 5. Related policies and procedures

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

# Appendix B to Follow as Supplementary

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# AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2022/23

Item	21 July 2022	21 Sept 2022	30 Nov 2022	18 Jan 2023 Special	2 Feb 2023	23 Mar 2023	19 April 2023	Comments
<b>FINANCE</b>								
Annual Treasury Management Report	√							
Mid-Year Treasury Management and Local Audit Update Report			√					
Accounting Policies and Estimation Uncertainty							√	
Statement of Accounts				√*				*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	√*							*Circulated as a briefing paper
<b>INTERNAL AUDIT</b>								
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			√					
<b>GOVERNANCE &amp; PERFORMANCE</b>								
Annual Governance Statement							√	
GDPR/Data Protection Policy			√					
Annual Report of the Monitoring Officer – Complaints		√*						*Circulated as a briefing paper
The Annual letter for Lichfield District Council from the Local Government Ombudsman			√*					*Circulated as a briefing paper
RIPA reports policy and monitoring		√						
Terms of Reference								
<b>EXTERNAL AUDITOR</b>								
Audit Findings Report for Lichfield District Council 2021/2022				√				
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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