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Tuesday, 11 April 2023

Dear Sir/Madam

AUDIT AND MEMBER STANDARDS COMMITTEE

A meeting of the Audit and Member Standards Committee has been arranged to take place **WEDNESDAY, 19TH APRIL, 2023 at 6.00 PM IN THE COUNCIL CHAMBER** District Council House, Lichfield to consider the following business.

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

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

Yours faithfully

A handwritten signature in cursive script that reads 'Kerry Dove'.

Kerry Dove
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, Sohal (External Auditor) and Lees (External Auditor)



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AGENDA

1. Apologies for Absence
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AUDIT AND MEMBER STANDARDS COMMITTEE

23 MARCH 2023

PRESENT:

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

Officers in Attendance: Laura Brentnall, Will Stevenson, Anthony Thomas, Andrew Wood

Also Present: Councillor Rob Strachan (Cabinet Member for Finance and Commissioning), Robin Pritchard (Business Risk Solutions)

1 APOLOGIES FOR ABSENCE

Apologies were received from Councillor Spruce (Chair) and Councillor R. Cross.

2 DECLARATIONS OF INTEREST

There were no declarations of interest made.

3 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 02 February 2023, previously circulated, were taken as read and approved as a correct record.

4 PUBLIC SECTOR INTERNAL AUDIT STANDARDS EXTERNAL QUALITY ASSESSMENT

Andrew Wood (Audit Manager) presented the report for review and endorsement. He introduced Robin Pritchard who provided a presentation to the committee on the External Quality Assessment.

Mr Pritchard noted that the Internal Audit Team scored effectively the local government sector average, comparable to much larger teams in their group of peers. He praised Mr Wood and noted the good practice of internal audit. He confirmed further resources had been put in place to supplement internal audit team where necessary, including technology support. "Control risk" was a factor identified for enhanced focus going forward, with a focus on risk-based approval and communication to all stakeholders on the risk that council faces.

Members praised the Internal Audit team and confirmed the reassurance provided by the presentation was useful. They questioned if the timescales for the action plans were realistic. Mr Wood confirmed his belief that the timescales are appropriate for bringing that information forward on a quarterly basis in the quarterly progress report. The aim is to enact a thematic review across the council, rather than focusing on one single area. That change will be a learning exercise. Mr Wood also noted that through the feedback received at committee on the quarterly report and member efforts to push forward on the strategic risk register, he felt well supported by the committee.

In response to member questions Mr Pritchard noted that going forward, although the plan prioritises significant risk areas, the audit team would be covered by the arrangement with BDO to have back up support when needed. Mr Wood also confirmed that there were open and direct lines of communication with the committee Chair, Vice-Chair, Section 151 Officer and through them to the Chief Executive.

Mr Wood confirmed that the transfer of teams to Lichfield West Midlands Trading Services LTD (LWMTS) was being picked up as part of the 2023/2024 audit planning process and he will be proposing to look at that going forward.

RESOLVED - Members noted the report, presentation and endorsed the Action Plan in respect of the External Quality Assessment.

5 INTERNAL AUDIT PLAN, CHARTER & PROTOCOL 2023/24

Mr Wood presented the report. He noted that three audits had been deferred. He confirmed that Internal Audit continue to liaise with the council about operational risks. Going forwards, there is a desire to examine mitigating controls in Internal Audit and ensure they are in line with the strategic objectives of the council. This approach will bring internal audit service in line with the current system of best practice and will be developed over the course of the financial year.

Mr Wood confirmed that the arrangements in place around the management of major projects will be examined, with a number of those identified for greater scrutiny into the standards expected. In response to member concerns about LWMTS, Mr Wood agreed to look at potential conflicts of interest and how the company accepts services into its portfolio. He highlighted the commercial experience of BDO as useful support on this.

Members highlighted section 9 of the Internal Audit Charter and the requirement to “declare annually any potential conflicts of interest to the Audit Manager.” Members requested that any new conflicts of interest should be declared as soon as they occur, not annually. Mr Wood agreed he was happy to make the suggested changes to the Charter.

Members noted that the section on Report Distribution does not include the role of Chief Operating Officer and stated it would be sensible for the inclusion of this role as the individual responsible for monitoring performance. Mr Wood agreed with the suggestion, noting the council has been in an area of transition regarding these new roles. He confirmed he was happy to include this suggestion in the report.

RESOLVED – That subject to the amendments proposed by Councillor White and seconded by Councillor Norman, members considered and approved the 2023/24 proposed internal audit plan, charter and protocol.

6 REVIEW OF THE EFFECTIVENESS OF THE AUDIT & MEMBER STANDARDS COMMITTEE

Mr Wood presented the report on Audit & Member Standards committee effectiveness. He highlighted that the committee has an overall score of 198 out of 200 against the CIPFA guidelines; a high degree of performance against the good practice principles. This indicated that the committee is soundly based and has in place a knowledgeable membership. The appointment of a suitably qualified independent member to the Audit Committee was noted as something that should be considered to strengthen the role of the committee.

Members stated that whilst the committee is in a strong position currently, the professional training of those chosen for the committee should be considered during the composition of committees after the local elections to continue the current the skill level.

Mr Wood agreed it would be advisable to skills audits earlier rather than later.

RESOLVED - Members considered the attached self-assessment checklist and endorsed any actions to improve its effectiveness as appropriate.

7 WORK PROGRAMME

Members noted the contents of the work programme for the remainder of the 2022/23 municipal year.

(The Meeting closed at 7.04 pm)

CHAIR

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Proposed Accounting Policies, Critical Accounting Judgements, Key Sources of Estimation Uncertainty for the 2022/23 Statement of Accounts and Local Audit Update



Audit and Member Standards Committee

Cabinet Member for Finance and Commissioning

Date: 19 April 2023
 Agenda Item:
 Contact Officer: Jane Irving
 Tel Number: 01543 687547
 Email: Jane.irving@lichfielddc.gov.uk
 Key Decision? **NO**
 Local Ward Members All wards.

1. Executive Summary

- 1.1 Best practice recommends that the proposed Accounting Policies to be used to prepare the Council’s Statement of Accounts, should be approved by Audit and Member Standards Committee.
- 1.2 This report, therefore, sets out the Council’s proposed Accounting Policies to be adopted in completing the 2022/23 Statement of Accounts. It also details any changes that have been made to the Council’s 2021/22 Accounting Policies to ensure that they are relevant to the preparation of the Council’s 2022/23 Statement of Accounts.
- 1.3 This report, therefore, also highlights the Critical Accounting Adjustments and the Key Sources of Estimation Uncertainty that will be used in the production of the 2022/23 Statement of Accounts.

2. Recommendations

- 2.1 It is recommended that the Audit and Member Standards Committee approves the Council’s proposed Accounting Policies that will form part of the 2022/23 Statement of Accounts.
- 2.2 It is also recommended that the Committee approves the Council’s approach to the Critical Accounting Judgements and Key Sources of Estimation Uncertainty that will be considered in completing the 2022/23 Statement of Accounts.
- 2.3 To delegate to the Assistant Director – Finance and Commissioning (Section 151) the ability to make further changes to the accounting policies to reflect the subsequent release of new or updated guidance.
- 2.4 To note the appointment by Public Sector Audit Appointments (PSAA) of Azets Audit Services Limited as the Council’s external auditor for five years from 2023/24, with the appointment commencing on 1 April 2023 and their concurrent appointment by the Council to be the reporting accountant for the Housing Benefit Audit.

3. Background

Accounting Policies

- 3.1. The preparation of the Statement of Accounts is governed by the Accounts and Audit Regulations 2015. The format of the Accounts reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standards (IFRS), which is a set of evolving accounting rules used internationally to guide the formation of financial statements in the public and private sector. The evolving state means that new accounting standards are formed on a regular basis along with reinterpretations of existing standards. The Accounting Policies are therefore reviewed annually to ensure that they remain current and relevant.
- 3.2. Under Section 151 of the Local Government Act 1972, the appointed Chief Finance Officer is charged with the proper administration of the Council's financial affairs and as such must select suitable Accounting Policies and make judgements and estimates that are reasonable and prudent. However, it is considered good practice for the Audit and Member Standards Committee to have a chance to consider these Accounting Policies that are going to be applied to the Accounts in advance of their use.
- 3.3. The Council's Accounting Policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies have to be disclosed by way of a note to the Accounts. Only those policies that are directly relevant and material to the Council have been included.
- 3.4. The full list of Accounting Policies as produced in the Code of Practice for 2022/23 is shown in a table at **Appendix A**. For those Policies that are not adopted by the Council, a reason is provided within that table.
- 3.5. The Council's proposed Accounting Policies list for the 2022/23 Statement of Accounts is shown at **Appendix B**.
- 3.6. The Council has reviewed these Accounting Policies in line with the 2022/23 Code of Practice and no fundamental changes have been made. Minor amendments are highlighted in blue.

Request for Views: Deadline for Category 1 Authorities to make Draft Accounts Available for Public Inspection

- 3.7. Legislation detailed in Accounts and Audit (Amendment) Regulations 2022, requires the Council to prepare a Draft Statement of Accounts by 31 May (approved by the Council's Chief Finance Officer - the Assistant Director – Finance and Commissioning), a Committee of the Council to approve the Statement and for the Council to publish the Statement together with the Auditor's opinion by 30 September 2023.
- 3.8. The Department of Levelling Up, Housing and Community (DLUHC) has recently announced a consultation exercise with regard to the 31 May deadline, following the extension to this deadline previously in place as a temporary measure for 2020/21 and 2021/22 accounts (to 31 July), and the continuing issues being experienced with regard to accounts and audit completion.
- 3.9. This consultation ended on 2 March 2023, the Council submitted a response, and the outcome is awaited.

External Audit Services

- 3.10. The audit of the 2022/23 accounts and associated Housing Benefit Subsidy claim will be the last carried out by Grant Thornton.
- 3.11. We have recently been notified that, following the tender process to procure the audit services, the PSAA has appointed Azets Audit Services Limited as the Council's external auditor for five years from 2023/24, with the appointment commencing on 1 April 2023.
- 3.12. The appointment of Azets as the Council's external auditor excludes the provision of an Independent Reporting Accountant required for the certification work on the Housing Benefit subsidy, which is undertaken on behalf of the Department for Work and Pensions (DWP).
- 3.13. There is a legal requirement to inform Department for Work and Pensions by 1 March 2023 of our Reporting Accountants for 2023/24, and as such a contract has recently been put in place with Azets Audit Services Limited for the 5 years to 2027/28.
- 3.14. At this stage the audit scale fees for 2023/24 are not yet known. The PSAA has stated that they will consult formally on scale fees for 2023/24 in Autumn 2023 and will publish confirmed scale fees for 2023/24 for opted in bodies on their website by 30 November 2023. However, the PSAA announced in October 2022 that on the basis of the procurement outcome their advice to opted in bodies was to anticipate an increase of the order of 150% on the total fees for 2022/23, noting that the actual total fees will depend on the amount of work required.

Critical Accounting Judgements

- 3.15. The Code of Practice requires that the judgements that the Chief Finance Officer has made in applying the Council's Accounting Policies must be disclosed either with the Accounting Policies or in a separate note to the Accounts. The relevant judgements are those that have the most significant effect on the Accounts and hence these are known as Critical Accounting Judgements. Judgements that are made in arriving at estimates are not included here, rather these are included under a separate note, 'Key Sources of Estimation Uncertainty', discussed later in this report.
- 3.16. Disclosure of such Critical Judgements is made to enable users of the Statement of Accounts to better understand how the Accounting Policies are applied and to make comparisons between authorities regarding the basis on which these judgements are made. It is also important that these disclosures include the judgements made to exclude material items which could impact on providing a 'true and fair' view, for example, not to treat a possible future transaction as a contingent asset/liability. (A contingent asset/liability is a potential economic benefit/loss that is dependent on future events out of the Council's control. Not knowing for certain whether these gains will materialise, or being able to determine their precise economic value, means these assets/liabilities cannot be recorded on the Council's balance sheet. They are instead reported in the notes to the Statement of Accounts provided that certain conditions are met).
- 3.17. These arrangements have the effect of requiring the Council to justify the view that they have taken regarding significant transactions and balances by providing an appropriate explanation of the factors that were taken into account and any assumptions made when making the judgement, together with the outcome.
- 3.18. The Council's Critical Accounting Judgements in the 2021/22 Statement of Accounts can be seen at **Appendix C**. These will be updated for 2022/23 as part of the process of completing the Statement of Accounts.

3.19. In 2021/22 there were three critical accounting judgements included in the Statement of Accounts and these are likely to also be included in 2022/23:

- **The treatment of assets, liabilities, income and expenditure in the Joint Waste Service** - Income and expenditure is shared between Lichfield District and Tamworth Borough Council based on the number of properties in each area. The assets and liabilities related to the lease type arrangement for the waste fleet are shown on Lichfield District Council's Balance Sheet.
- **The Pension Risk related to the Freedom Leisure Contract** - As part of the contract, all leisure centre staff were transferred to Freedom Leisure via TUPE arrangements. Freedom Leisure has been admitted to the Staffordshire County Council pension fund and pension arrangements between Lichfield District Council, Staffordshire County Council and Freedom Leisure are managed using a pass through agreement. This agreement assigns the majority of pension risk to Lichfield District Council. As the Council acts as guarantor for the pension commitments of these former employees, an annual assessment is carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. To manage this risk, the Council maintains an earmarked reserve.
- **Business Rates (NNDR) Appeals** - the assumptions around the outcome of appeals against NNDR valuations (either received to date or expected to be received in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from experience of the 2010 List as well as appeals determinations so far as made against the 2017 List and national appeals estimates.

Key Sources of Estimation Uncertainty

3.20. The Code of Practice requires the Chief Finance Officer to disclose the assumptions that have been made in the Statement of Accounts about the future and other major sources of Estimation Uncertainty. These should be disclosed in a separate note to the Statement of Accounts. This disclosure is limited to those estimates that have a significant risk of resulting in a material adjustment within the next financial year.

3.21. Disclosures are restricted to assets and liabilities whose carrying amount is dependent on estimates that are in turn dependent on difficult, subjective or complex judgements for which there is a risk that correction or re-estimation with material effect in the next financial year might be required.

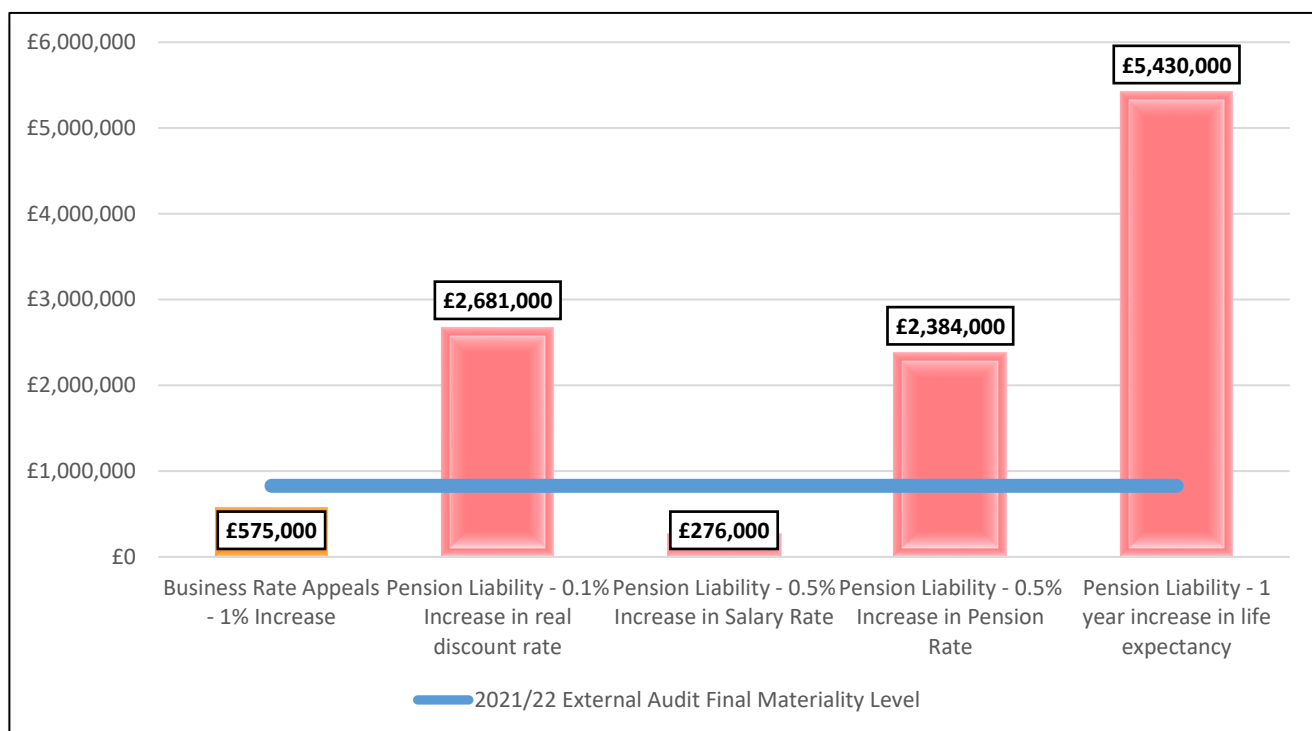
3.22. Estimation Uncertainty disclosures deal with situations where the Council has incomplete or imperfect information which will only be enhanced as a result of future events. The minimum disclosure requirements are:

- The nature of the assets and liabilities affected
- Their carrying amount at the end of the financial year.

3.23. However, International Accounting Standard (IAS) 1 'Presentation of Financial Statements' adds further information that might be needed depending on materiality of the assets/liabilities and the degree of uncertainty attaching to them, and this is supported by the Code of Practice:

- The nature of the assumption or other Estimation Uncertainty relating to the assets or liabilities
- The sensitivity of the carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity
- The expected resolution of an uncertainty and the range of possible outcomes for the carrying amounts of the assets/liabilities within the next financial year
- An explanation of changes made to past assumptions concerning the assets/liabilities if the uncertainty existing at the start of the financial year remains unresolved at the end of the year.

3.24. Those estimates considered potentially material for 2022/23 and determined by using 2021/22 figures at **Appendix D** (the pension liability includes all components) and comparing them to the final external audit materiality level of **£829,000** (planning level £900,000) are shown below:



3.25. The approach and sources of estimates and assurance for each of these key sources are explained further below:

- **Business Rate Appeals** – the source of estimates for 2017 appeals are the Net Rates Payable in the NNDR1 return and Government/Local Appeals Allowances with assurance provided through financial planning experts and benchmarking.
- **Pension Liability** - the source of estimates is the Pension Fund Actuary and assurance is provided by Staffordshire County Council’s Pensions Committee and Senior Pensions Officers.

Alternative Options	The alternative options that the Audit and Member Standards Committee may consider are either not to approve any of the proposed Accounting Policies or not to approve some of the proposed Accounting Policies. The Committee may also consider either not to approve the Council’s approach to both Critical Accounting Judgements and the Key Areas of Estimation Uncertainty.
Consultation	Consultation has taken place with the Council’s external auditors, Grant Thornton.
Financial Implications	The adoption of relevant Accounting Policies, Critical Accounting Judgements and Key Area of Estimation Uncertainty ensures that the Statement of Accounts is fit for purpose and is underpinned by sound financial management that helps us to spend wisely, attract financial funding and become more efficient. This in turn contributes to the Fit for the Future transformation programme designed to help us achieve our financial challenges.
Approved by Section 151 Officer	Yes.

Legal Implications	None identified.
Approved by Monitoring Officer	Yes.
Contribution to the Delivery of the Strategic Plan	By achieving our financial challenges we are able to target our resources to the priorities set out in the Strategic Plan 2020-24.
Equality, Diversity and Human Rights Implications	There are no equality, diversity and human rights implications.
Sign off	
Crime & Safety Issues	There are no crime and safety issues.
Environmental Impact	There is no environmental impact.
GDPR/Privacy Impact Assessment	It has not been necessary to undertake a Privacy Impact Assessment.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	The Accounting Policies, Critical Accounting Judgments and Key Area of Estimation Uncertainty are not produced in line with best practice, the CIPFA Code and IFRS.	Likelihood : Green Impact : Yellow Severity of Risk : yellow	The Accounting Policies form part of the Statement of Accounts that is audited by our external auditors.	Likelihood : Green Impact : Green Severity of Risk : Green
B	The judgments in the Key Area of Estimation Uncertainty are not seen as sufficient or may need to change as a result of more up to date information post Committee.	Likelihood : Green Impact : Yellow Severity of Risk : yellow	We will review our judgements as the Statement of Accounts is produced and up until the external auditors sign off the Accounts. These will be updated as appropriate.	Likelihood : Green Impact : Green Severity of Risk : Green

Background documents Code of Practice on Local Authority Accounting 2022/23.
Relevant web links

APPENDIX A

Accounting Policies in the Code of Practice for Local Authorities 2022/23

Accounting Policy	Adopted by the Council	Explanation if not Adopted
General Principles	Yes	
Accruals of Income and Expenditure	Yes	
Acquisitions and Discontinued Operations	No	No such transactions have taken place
Cash and Cash Equivalents	Yes	
Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors	No	Not anticipated to be needed at this stage
Charges to Revenue for Non-current Assets	Yes	
Council Tax and Non-Domestic Rates	Yes	
Employee Benefits	Yes	
Events After the Reporting Period	Yes	
Financial Instruments	Yes	
Foreign Currency Translation	No	No foreign currency transactions
Government Grants and Contributions	Yes	
Heritage Assets	Yes	
Intangible Assets	No	Intangible assets are immaterial
Interests in Companies and Other Entities	Yes	
Inventories and Long-term Contracts	Yes	Inventories only
Investment Property	Yes	
Joint Operations	Yes	
Leases	Yes	
Overheads and Support Services	Yes	
Property, Plant and Equipment	Yes	
Highways Network Asset	No	Not relevant for district councils
Private Finance Initiatives (PFI) and Similar Contracts	No	No such contracts
Provisions, Contingent Liabilities and Contingent Assets	Yes	Provisions and contingent liabilities only
Reserves	Yes	
Revenue Expenditure Funded from Capital Under Statute	Yes	
Vat	Yes	
Fair Value Measurement	Yes	

Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Local Government Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as Expenditure when the services are received rather than when payments are made.
- Interest receivable on Investments and payable on Borrowings is accounted for respectively as Income and Expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Revenue from contracts with service recipients is recognised when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation
- Where Revenue and Expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Therefore, our policy is to treat all instant access bank accounts and money market funds as cash equivalents and all other investments for less than one year (including any investments with notice periods) are treated as short term investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts such as Building Control are debited with the following amounts to record the cost of holding property, plant and equipment assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from Revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance known as the Minimum Revenue Provision (MRP). Our MRP policy is:

- For finance leases, the MRP will match the annual principal repayment for the lease, and;
- For all other assets, the MRP is based on the initial estimated life of the asset.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by MRP in the General Fund by way of an adjusting transaction between the General Fund and the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

Council Tax and Non-Domestic Rates**Accounting for Council Tax**

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors. The amount credited to the General Fund under statute is a Council's precept or demand for the year, plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non-Domestic Rates (NDR)

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NDR for the year from the National Non Domestic Rates (NNDR) 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from NDR payers belongs proportionately to all the major preceptors and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2022/23 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2023. The estimate for the 2010 valuation lists have been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date. The appeals for the 2017 valuation list under the new Check, Challenge and Appeal process are based on the Government's allowance for appeals included in the multiplier of 2.1p.

Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, eg. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (LGPS) administered by Staffordshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on high quality corporate bonds).

- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities professional estimate.
 - Unquoted securities current bid price.
 - Unitised securities current bid price.
 - Property market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability (asset), ie the net interest cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains or losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Staffordshire Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; **are** accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Fair Value Measurement

The Authority measures some of its non-financial assets such as investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Authority measures the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

When a quoted price for the transfer of an identical or a similar liability is not available and the identical item is held by another party as an asset, for example, the Authority's loans borrowed, the Authority measures the fair value of the liability from that party's perspective.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been extinguished – that is, the obligation has been discharged or cancelled or has expired.

Financial liabilities are initially measured at fair value and carried at their amortised cost, using the effective interest rate method. The effective interest rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are recognised when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or when the asset has been transferred and the Council has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.

The Code allows for three classes of financial assets:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI).

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in the Code, and is determined at the time of initial recognition. In addition, the Council has elected to classify as FVOCI certain equity investments held for strategic purposes.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable, and other simple debt instruments (bank deposits and Certificates of Deposit).

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less an impairment loss allowance. Annual credits to the Financing Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

The Council has made loans, as part of its policy of homelessness prevention, at less than market rates (soft loans). When such loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MIRS.

Financial Assets at Fair Value through Other Comprehensive Income

Financial assets measured at FVOCI are those held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Annual credits to the Financing Income and Expenditure line in the CIES for interest receivable are the same as if the asset was classified at amortised cost, but the asset is held on the balance sheet at fair value; the resulting difference is taken to the Financial Instruments Revaluation Reserve.

On de-recognition, the associated balance in the Financial Instruments Revaluation Reserve FIRR representing the accumulated fair values gain or loss is recycled to Finance Income and Expenditure.

Financial Assets at Fair Value through Profit and Loss

All other financial assets are measured at FVPL. They are held on the balance sheet and their fair value and all gains and losses, whether realised or unrealised are taken to the Financing Income and Expenditure line in the CIES.

On derecognition, the financial asset is derecognised with any surplus or deficit recognised financing and investment income in the CIES. A statutory mitigation is in place until **31 March 2025** so that unrealised gains and losses on pooled investment funds are taken to the Pooled Investment Fund Adjustment Account instead of the General Fund and so have no impact on revenue resources available to fund service expenditure.

Impairment

For all financial assets measured at amortised cost or at FVOCI, other than those elected as FVOCI, the Council recognises a loss allowance representing expected credit losses on the financial instrument. The Code requires that local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the other party is central government or a local authority for which relevant statutory provisions prevent default.

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to 12 month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the contractual cash flows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cash flows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The Grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets

The Council's Heritage Assets are located at various Council properties. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's Heritage Assets are accounted for as follows:

Statues:

- These statues are located in various parks and open spaces and a library within the District. These items are reported in the Balance Sheet at insurance valuation and estimated market value. Insurance valuations are updated on an annual basis.
- The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost.

Art Collection:

- The art collection includes paintings and is reported in the Balance Sheet at estimated market value. The art collection is deemed to have indeterminate lives and hence the Council does not consider it appropriate to charge depreciation.
- Acquisitions are made by purchase or donation. Acquisitions initially are recognised at cost and any donations are recognised at valuation with valuations provided by external Valuers and with reference to the appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Other Items:

- The Council has a number of items of civic regalia and trophies and these are reported in the Balance Sheet at insurance valuation. Insurance valuations are updated on an annual basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost.
- The Council has a grand piano and this is reported in the Balance Sheet at insurance valuation. Insurance valuations are updated on an annual basis.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets eg where an item has suffered physical deterioration or breakage or where doubts arise over its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment - see page 96 (Impairment) and pages X to X (Property, Plant and Equipment) in this Summary of Accounting Policies. Any disposals are accounted for in accordance with the general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see pages X to X (Property, Plant and Equipment) in this Summary of Accounting Policies).

Interests in companies and other entities

The Council has a wholly-owned subsidiary, Lichfield West Midlands Trading Services Ltd. The financial transactions are not currently considered to be material to require the Council to prepare group accounts. In the Council's own single-entity accounts, the interest is recorded as a financial asset at fair value.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than **£10,000**) the Capital Receipts Reserve.

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operations. In relation to its interest in a joint operation the Council as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee**Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- Any charge for services (charged to the relevant service line of the Comprehensive Income and Expenditure Statement). Where this charge cannot be separately identified, it is assumed to be the difference between the lease payment and the total of the charges for acquisition of the interest in the property, plant and equipment and the finance charge.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements (known as Minimum Revenue Provision or MRP). Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor**Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement and also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance. This means effectively that the cost of the overheads is shown in total within 'A Good Council' in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie. repairs and maintenance) is charged as an expense when it is incurred.

De Minimis Level

Expenditure below **£10,000** is not capitalised and therefore is charged to the Comprehensive Income and Expenditure Statement.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Component Accounting Policy for Property, Plant and Equipment

International Accounting Standard 16 (IAS 16) – Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and de-recognition of parts of assets (referred to as componentisation).

All historical cost based assets with short lives, land and investment properties will be excluded from our Component Accounting Policy.

Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and method of depreciation.

Policy for Componentisation

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.
- Where there is more than one significant component part of the same asset with the same useful life, such component parts will be grouped together for depreciation purposes.

- A component may be an individual item or similar items with similar useful lives grouped.
- Where a component is replaced or restored, the carrying amount of the old component will be de-recognised and the new component added. Where the carrying value of the de-recognised/replaced component is not known a best estimate will be determined by reference to the current cost.
- Only assets with a carrying value of **£500,000** and over will be considered for componentisation.
- Of those assets, for the purpose of determining a ‘significant’ component of an asset, components with a value of 15% in relation to the overall value of the asset or over **£500,000** will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.
- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

To enable a structured approach to component accounting the following principles are applied:

To be considered for componentisation an individual asset (or a group of similar assets) must:

- (i) Have a carrying value of at least **£500,000**, or
- (ii) Have been acquired, or
- (iii) Have undergone revaluation, or
- (iv) Undergo a change in category classification

A component must:

- (v) Have a cost of at least **£100,000**, or
- (vi) Cost at least **15%** of the overall asset (whichever is higher), and
- (vii) Have a useful life which is at least **plus or minus five years** from other components of the overall asset.

Where components are identified, they will be set up separately in the asset register and have individual values, useful lives and depreciation methods recorded.

Valuation

The five year valuation cycle remains and therefore componentisation needs to be considered for each asset in the portfolio in excess of the **£500,000** threshold.

In addition, in each financial year, a list of assets that have had capital expenditure incurred will be considered in terms of this component accounting policy and enhancement spend (at cost) will be added to the relevant assets. These assets will then be subject to revaluation as part of our normal revaluation cycle.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Where a revaluation takes place all accumulated depreciation and impairment is eliminated because these are accounting estimates of changes in value whose value is confirmed by a formal valuation reflecting the actual condition of the property at the valuation date.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement up to the amount of the original loss adjusted for depreciation that would have been charged if the loss had not been recognised. With our valuer we will continue to complete a desktop Impairment review on an annual basis.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie. freehold land and certain Community Assets) and assets that are not yet available for use (ie. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life as estimated by Managers.
- Infrastructure – straight-line allocation over the useful life as estimated by Managers.
- A full year's charge is made in the year of acquisition and no charge is made in the year of disposal or decommissioning.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of **£10,000** are categorised as capital receipts.

Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Surplus Assets

Surplus Assets are those assets within property, plant and equipment that are not used to supply goods and services and that do not meet the criteria of assets held for sale. These assets are measured at fair value as a current value base and not existing use value.

Provisions and Contingent Liabilities**Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Contingent Liabilities

Contingent liabilities arise when an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCuS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Lichfield District Council is in a VAT receivable position at year end; the balance outstanding is included in **Note 16** Short Term Debtors.

APPENDIX C

Critical Accounting Judgements

In applying the accounting policies set out in **Note 1**, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts:

1. The Council hosts the Joint Waste Service with Tamworth Borough Council and is responsible for management of the arrangement including the refuse fleet. Each Council is responsible for showing its share of income and expenditure and assets and liabilities within its Financial Statements. In February 2016 the Council procured a new waste fleet using a contract hire arrangement that has been evaluated under IAS 17 as a finance lease. The value of assets procured and the finance lease obligation was **£2,240,000**. A further **£680,000** of assets was added to this during 2016/17. At 31 March 2022 the Net Book Value of the assets was **£0** and the value of the finance lease obligation was **£342,000**. The assets of the operation in respect of vehicles, equipment, land and buildings have been assessed as being under the control of Lichfield District Council and are therefore shown on this Authority's Balance Sheet. The Joint Waste Service shares joint income and expenditure based on the ratio of properties in each area and the current ratio is **58.30%** Lichfield and **41.70%** Tamworth.
2. The Council outsourced the management of its leisure centres to Freedom Leisure on 1 February 2018. As part of the contractual arrangements, all leisure centre staff were transferred to Freedom Leisure via TUPE arrangements. Freedom Leisure has been admitted to the Staffordshire County Council pension fund and pension arrangements between Lichfield District Council, Staffordshire County Council and Freedom Leisure are managed using a pass through agreement. This agreement assigns the majority of pension risk to Lichfield District Council. The IAS19 report provided by the actuary excludes the assets and liabilities relating to the transferred staff. As the Council acts as guarantor for the pension commitments of these former employees, an annual assessment is carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2021/22, the risk is very difficult to quantify after Covid-19, but has been assessed at low, between **1%** or **£22,455** and **5%** or **£112,274**. This is based on the operating environment nationally, the overall financial position of Freedom Leisure, the contract between Freedom and the Council, and the support provided both by the Government and Lichfield District Council. There may be some potential impact from the cost of living crisis that is currently affecting the country as leisure may be affected by lower disposable incomes. However this is yet to be quantified.
3. The assumptions around the outcome of appeals against NNDR valuations (either received to date or expected to be received in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from past experience of the 2010 List as well as appeals determinations so far as made against the 2017 List. A **1%** variance in the determined appeals provision would alter the net locally retained income (40%) to the Council by **£42,000** for the 2010 list and **£539,000** for the 2017 list. Due to the technical adjustment relating to the Collection Fund Adjustment Account, this would not result in any change to the level of General Reserves.

APPENDIX D

Key Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet as at 31 March 2022, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment and Investment Properties	<p><u>Property, Plant and Equipment</u></p> <p>A number of asset classes are valued by the Valuer using different valuation basis. These valuations use a combination of transactional activity and replacement costs. It is recognised therefore that valuations include a degree of uncertainty.</p> <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p><u>Investment Properties</u></p> <p>Due to the impact of the Covid 19 pandemic on business activity and investor sentiment, the commercial property market has witnessed a significant decline in levels of transactional activity, with some elements of the market effectively entering a state of suspended animation. Where directly relevant comparable evidence is not available, it has been necessary to use Valuer judgement in assessing values.</p>	<p><u>Property, Plant and Equipment (Other Land & Buildings)</u></p> <p><u>Valuations</u></p> <p>The potential impact of the valuation of Plant, Property and Equipment (Other Land & Buildings), should they differ by 1% or 10% from that included in the Statement of Accounts would be:</p> <ul style="list-style-type: none"> • 1% = +/- £348,000 • 10% = +/- £3,482,000 <p>It should be noted that adjustment (were it to prove necessary in future years) would be offset by an equivalent movement in the Revaluation Reserve of the Council which is currently held at £11.897m and would have no impact on the funds available to the Council</p> <p><u>Useful Lives</u></p> <p>If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls. The potential impact of the useful lives of Plant, Property and Equipment, should they differ by +/- 1 year from that included in the Statement of Accounts would be:</p> <ul style="list-style-type: none"> • Buildings : +/- £59,000 • Vehicles, plant and equipment : +/- £149,000 <p>(Note that depreciation charges are indicative figures to show the value of the resources consumed by the Council in the year in using assets. The charges do not impact on the council tax that the Council raises to cover its expenditure).</p> <p><u>Investment Properties</u></p> <p><u>Valuations</u></p> <p>The potential impact of the valuation of Investment Property, should they differ by 1% or 10% from that included in the Statement of Accounts would be:</p> <ul style="list-style-type: none"> • 1% = +/- £41,530 • 10% = +/- £415,300

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		It should be noted that adjustment (were it to prove necessary in future years) would be offset by an equivalent movement in the Capital Adjustment Account of the Council which is currently held at £33.819m and would have no impact on the funds available to the Council
Business Rate Appeals	<p>Local Authorities from 1 April 2013 are liable for successful appeals against business rates charged to businesses in 2021/22 and earlier years in proportion to their share (40% for this Council). A provision has been recognised as the best estimate of the amount that businesses have been overcharged up to 31 March 2022.</p> <p>2010 List</p> <p>The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date:</p> <ul style="list-style-type: none"> • Average success rate 26.78% • Average reduction in RV 10.01% • Combined 2.67% <p>Rateable Value of Appeals Outstanding = £7.40m</p> <p>2017 List</p> <p>The Check, Challenge and Appeal process has resulted in much lower appeals being submitted related to the 2017 list. Therefore the calculation is based on net rates payable and the DLUHC 4.7% allowance.</p>	<p>2010 List</p> <p>Each 1% increase in the overall Combined figure would increase the provision by £105,000. The Council's share of this increase at 40% would be £42,000.</p> <p>2017 List</p> <p>Each 1% increase in the overall Combined figure would increase the provision by £1,347,000. The Council's share of this increase at 40% would be £539,000.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> • a 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £2,681,000 • a 1 year increase in member life expectancy would amount to £5,430,000 • a 0.1% increase in the salary rate would amount to £276,000 • a 0.1% increase in the pension rate would amount to £2,384,000
Sundry Income and Housing Benefit Overpayment Debtors	<p>At 31 March 2022, the Council had a balance of sundry income debtors of £1,856,000. A review of arrears suggested that an impairment of doubtful debts of 37% (£680,000) was appropriate and an additional allowance of 13% (based on the impact on GDP of previous similar pandemics) was added to reflect the added risk presented by the pandemic. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>The element of debtors not covered by the Bad Debt Provision is £1,176,000 (63%).</p> <p>Each 1% increase in the percentages used to calculate the Bad Debt provision would increase the provision by £19,000.</p>

This list does not include assets and liabilities that have been carried at fair value (other than Investment Properties) based on a recently observed market price.

ANNUAL REPORT OF THE AUDIT & MEMBER STANDARDS COMMITTEE



Cabinet Member for Finance and Commissioning

Date: 19 April 2023
 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 This report presents the proposed Annual Report of the Audit & Member Standards Committee 2022/23 and seeks the Audit & Member Standards Committee’s endorsement prior to its submission to all Councillors.

2. Recommendations

2.1 That the proposed Annual report of the Audit & Member Standards Committee 2022/23 (**Appendix 1**) be endorsed and that the Chair of the Audit & Member Standards Committee circulate the report to all Councillors.

3. Background

- 3.1 Audit Committees are an important source of assurance about an organisation’s arrangements for corporate governance, managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 3.2 CIPFA recommend that Audit Committees produce an annual report to promote the role and purpose of the Committee, account for the Committee’s performance, evaluate whether the Committee is continuing to meet its terms of reference and document how the Committee adds value. The Audit & Member Standards Committee’s annual report fulfilling these requirements is set out at **Appendix 1**.
- 3.3 The annual report sets out:
 - An introduction from the Chair of the Committee.
 - A reminder of the Committee’s terms of reference.
 - Member and Officer attendance at the Committee during the year.
 - A summary of training undertaken by Committee members.
 - A summary of the sources of assurance that the Committee received during 2022/23, notably, internal and external audit / inspection, financial management, risk management and corporate governance.

Alternative Options

The Council is not obliged by law to appoint an Audit & Member Standards Committee. However, this has been done in line with good governance practice and CIPFA guidance.

Consultation	The Audit & Member Standards Committee's consultation and endorsement has been sought.
Financial Implications	None.
Approved by Section 151 Officer	Approved.
Legal Implications	None identified.
Approved by Monitoring Officer	Approved.
Contribution to the Delivery of the Strategic Plan	Operation of an effective Audit & Member Standards Committee contributes to all aspects of delivery of the Council's Strategic Plan.
Equality, Diversity and Human Rights Implications	None arising.
Approved by Equalities Officer	
Crime & Safety Issues	None arising.
Environmental Impact	None arising.
GDPR/Privacy Impact Assessment	This has been a key area as part of the committee's work programme and challenge during the year.

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

Background documents	Audit & Member Standards Committee agendas, minutes and report.
Relevant web links	https://democracy.lichfielddc.gov.uk/mgCommitteeDetails.aspx?ID=134

Annual Report of the Audit & Member Standards Committee 2022/23

1. Introduction from the Chair of the Audit Committee

The start of the financial year commenced with continued recovery in many aspects of the Authority's operations, due to Covid-19 issues and the Council has continued to provide support to the local area through the management of cost of living grants and further support. The Committee has received assurance around the Council's response to Covid-19 and also the respective grant schemes initiated during Covid-19 and subsequently to support the residents of the District.

In relation to the committee's work, this has developed into 'hybrid' working with officers working from home and utilising the new office spaces within Frog Lane on a regular basis. Committee meetings have been undertaken through face to face meetings and 'live streaming'. The work of the Audit Committee meetings should be visible to members of the public and, as such, meetings have been held on site and broadcast live on YouTube streams. This availability appears to have been well received by a number of viewers.

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

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

Risk Management within the Council has been challenged by the Committee in relation to the levels of risks above the risk appetite of the Council and the concerns around Cyber Security. During the year regular quarterly updates were provided to Committee and responses gained from the Chief Executive and Leader of the Council. The Chief Executive also attended the committee and provided a risk management update which further provided assurance to the Committee that risk management is seen as a high priority within the Council.

As we ended the 2022/23 financial year, the District Council continued with Grant Thornton UK as its External Auditor. However, following the recent tendering exercise for external auditor services via Public Sector Audit Appointments our external audit services for 2023/24 have been allocated to Azets Audit Services.

During the year there have been continued arrangements put in place for the Internal Audit Shared Service arrangement with Tamworth Borough Council. This arrangement was renewed on 1st October 2021 and will complete September 2023. This has been supported by external contractors who we have procured during the year to provide specialist IT Auditor services and general auditor services which has supplemented the 'in-house' arrangements.

The Committee has appreciated the support and assurance the audit personnel have given from these arrangements.

I am therefore thankful for all members and officers who have contributed to the work of the committee over the last 12 months. There will be continuing financial challenges facing us, as well as continuing

our work to ensure the Council's overall governance framework remains fit for purpose.

Councillor Christopher Spruce,
Chair of the Audit & Member Standards Committee
2022/23 - April 2023

1. Terms of Reference

The terms of reference, which the Committee operated to during 2022/23, is detailed at Part 3 of the Council's constitution at the following link:

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

2. Member and Officer Attendance

The Audit & Member Standards Committee met 7 times during the 2022/23 municipal year.

Membership of the Audit & Member Standards Committee during the 2022/23 municipal year and their attendance is detailed below:

Audit & Member Standards Committee Member	Date of Committee Meeting						
	21/7/22	29/9/22	30/11/22	18/1/23	2/2/23	23/3/23	19/4/23
Councillor Christopher Spruce	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		TBC
Councillor Wai-Lee Ho	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Richard Cross		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Councillor Joanne Grange	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	TBC
Councillor Steven Norman	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Dave Robertson	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		TBC
Councillor Janice Silvester-Hall			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Alan White	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	TBC
Councillor Michael Wilcox	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC

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

Senior officers from the council also attend the Audit & Member Standards Committee meetings as appropriate, including the Assistant Director - Finance & Commissioning (Section 151), Chief Operating Officer, Audit Manager (Shared Service) and Data Protection Officer. The External Auditors also attend and the Cabinet Member for Finance & Commissioning usually observes.

3. Training & Effectiveness

Treasury Management training was provided on 29 September 2022, however no specific Audit Committee training has taken place, this will be addressed this coming year following collation of information received in relation to a review of the Committee's effectiveness which will shape the future training and development of the Committee in 2023/24. Following the elections due to be held in May 2023 a 'skills audit' will be completed and a tailored training programme developed.

Due to the hard work and commitment of the Committee members during the year this has led to the committee being able to effectively carry out its role. This was further supported by the annual review

of the Committee's effectiveness as reported in March 2023.

Sources of Assurance during 2022/23

In fulfilling its terms of reference, the business conducted by the Audit & Member Standards Committee during 2022/23 is detailed at **Appendix A** per the following themes: -

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

The Committee gained assurance in 2022/23 from these themes as follows:-

Internal Audit

In respect of the 2021/22 financial year, a positive Internal Audit Opinion was given from the Shared Head of Audit as follows:

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

The Internal Audit Service was externally assessed for compliance with the Public Sector Internal Audit Standards and was found to 'generally conform' which is the highest rating available. An Action Plan has been agreed with management and this will be presented quarterly to the committee for review.

Internal Audit also provide quarterly progress reports to committee and an annual report which details the performance of the service.

External Audit / Inspection

The main responsibility of the External Auditor is to report on the Council's Accounts and whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton reported on the 2021/22 Accounts. The Council is yet to receive Grant Thornton's external audit opinion, finalised Annual Audit Report and value for money assessment.

Financial Management

The Committee scrutinised the 2021/22 Statement of Accounts and also received assurances on the Council's financial management arrangements (e.g. treasury management, prudential indicators) from the Assistant Director – Finance and Commissioning (Section 151 Officer). The Committee also received regular Internal Audit Progress Reports, including a number giving assurance on financial management and controls during the period. The Committee also received assurance on compliance against Financial Procedure Rules and Contract procedure rules.

Risk Management

The Committee has received quarterly updates on the Council's Risk Management arrangements via review of the Strategic Risk Register. The risk environment continues to develop following the progress

made in respect of cost of living support and together with Cyber Security has dominated the Council's risk management arrangements this year and will continue into 2023/24. The Council has aligned its strategic risks to the new Strategic Plan as well as introducing the 3 lines of defence model to risk management activities and has developed its sub strategic risk processes.

The Audit & Member Standards Committee also gained assurance around risk management and challenged management in relation to the approach taken in respect of cyber security.

The Council's current 6 strategic risks are as below, together with their position on the matrix. Note that **SR6 & SR8** have been removed from the risk register.

likelihood				
		SR3		SR7
			SR1, SR2, SR4, SR5	
	Impact			

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

Removed Strategic Risks during 2022/23

- **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.
- **SR8:** Being a Better Council, The Council is not able to deliver the key priorities of the strategic plan. This risk is being reviewed at Leadership Team on 19 January 2022 and an update to the scoring will be provided.

Corporate Governance

The Annual Governance Statement (AGS) and review of effectiveness for the 2021/22 financial year, concluded that the effectiveness of the system of internal control was fit for purpose overall.

The Committee also:

- undertook a review of its own effectiveness in line with CIPFA good practice and confirmed that it continued to meet its terms of reference. The Committee also reviewed its skills.

Consideration was given to whether appointing an Independent Person was necessary but the Committee concluded that it had sufficient skills and experience in the existing membership to be able to conduct its business effectively.

- received assurances on updates on the Council's Contract Procedure Rules and Financial Procedure Rules;
- received an update on the implications for the audit regime resulting from the Redmond Review; and
- received the annual report of the Monitoring Officer and Exceptions and Exemptions to Procedure Rules

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

4. Conclusion

The Committee has been able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the Committee's attention during 2022/23 that were not being adequately resolved.

Through members receiving this report, the role and purpose of the Committee has been promoted and it has demonstrated that the Committee has continued to perform, meet its terms of reference and added value. This work will continue in 2023/24 with the Committee's refreshed work programme.

Appendix A

Summary of Audit & Member Standards Committee Work Plan by Assurance Theme 2022/23

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
21/7/22	Annual Treasury Management Report			<input checked="" type="checkbox"/>		
	CIPFA Resilience Index			<input checked="" type="checkbox"/>		
	Internal Audit Quarterly Progress Report	<input checked="" type="checkbox"/>				
	Quality Assurance & Improvement Programme/PSIAS	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
29/9/22	LT response to Questions				<input checked="" type="checkbox"/>	
	RIPA reports, policy and monitoring					<input checked="" type="checkbox"/>
	Audit Findings Report Update		<input checked="" type="checkbox"/>			
30/11/22	Mid Year Treasury Mgt and Local Audit Update			<input checked="" type="checkbox"/>		
	Internal Audit Quarterly Progress Report	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	Counter Fraud Update Report	<input checked="" type="checkbox"/>				
	GDPR/Data Protection Policy					<input checked="" type="checkbox"/>
18/1/23	Statement of Accounts			<input checked="" type="checkbox"/>		
	Audit Findings Report 21/22		<input checked="" type="checkbox"/>			
2/2/23	Treasury Management Statement & Prudential Indicators			<input checked="" type="checkbox"/>		
	Internal Audit Progress Report	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	GDPR/Data Protection Update					<input checked="" type="checkbox"/>
23/3/23	Public Sector Internal Audit Standards and External Quality Assessment	<input checked="" type="checkbox"/>				
	Internal Audit Plan and Charter/Protocol 2023/24	<input checked="" type="checkbox"/>				
	Review of Audit Committee Effectiveness					<input checked="" type="checkbox"/>

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
19/4/23 – to be confirmed	Accounting Policies and Estimation Uncertainty			<input checked="" type="checkbox"/>		
	Annual Governance Statement					<input checked="" type="checkbox"/>
	Chair of Audit Committee Annual Report					<input checked="" type="checkbox"/>
	Annual report for Internal Audit 2022/23 (including year end progress report)	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	GDPR/Data Protection Policy Update					<input checked="" type="checkbox"/>
	External Auditors Audit Plan 22/23		<input checked="" type="checkbox"/>			
	Informing the Audit Risk Assessment – LDC		<input checked="" type="checkbox"/>			

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INTERNAL AUDIT ANNUAL REPORT (INCLUDING Quarter 4 PROGRESS REPORT)



Cabinet Member for Finance & Commissioning

Date: 19th April 2023
 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 Annual Report, including results for the quarter to 31 March 2023 (Appendix 1).

2. Recommendations

- 2.1 To note Internal Audit’s Annual Report, including results for the quarter to 31 March 2023.

3. Background

- 3.1 The Annual Report for Internal Audit details the work completed during 2022/23. The purpose of this report is to express an opinion of the soundness of the governance, risk management and control environment and highlight any controls issues relevant for inclusion in the Annual Governance Statement. The overall opinion for the financial year is summarised below.

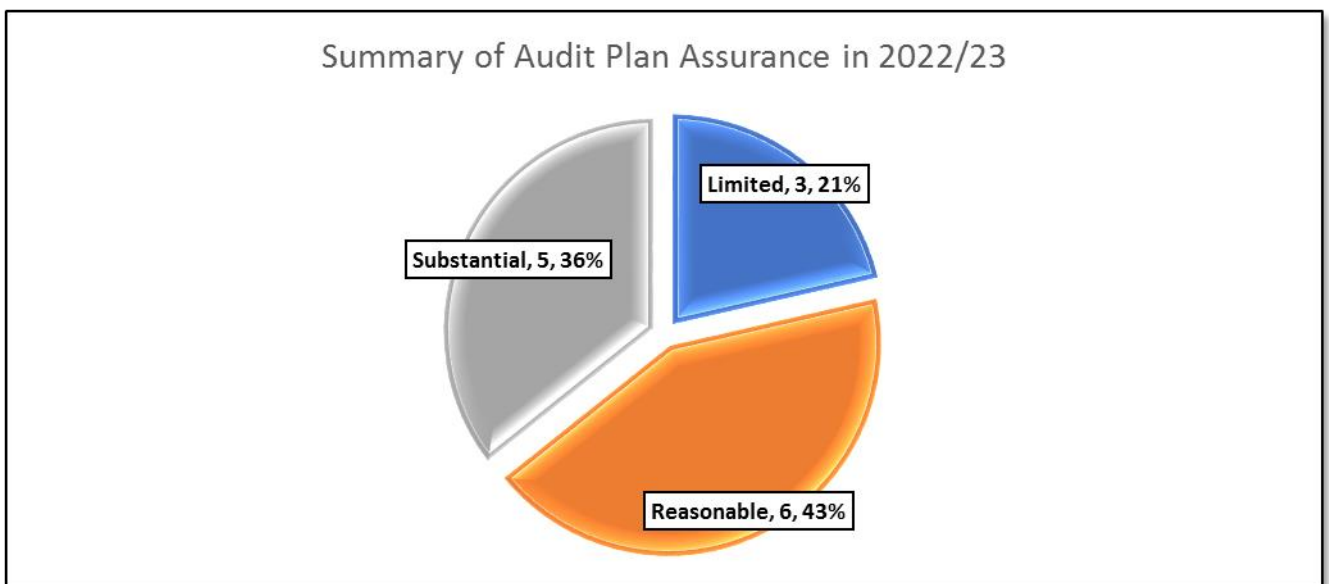
‘On the basis of our audit work, our opinion on the council’s framework of governance, risk management and internal control is adequate in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work. These matters have been discussed with management, to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

- 3.2 The internal audit plan 2022/23 comprised **20 (including the additional IT audits)**. The target of achieving **90%** of the plan has not been reached with **85%** of the plan achieved at year end as shown in the table below;

	Q1	Q2	Q3	Q4
No of planned audits	4	6	7	3
Cumulative	4	10	17	20
Profile %	20%	50%	85%	100%

No of audits completed	2	3	4	8
No of audits deferred 23/24				3
Cumulative	2	5	9	20
Profile	10%	25%	45%	85%

- 3.3 The number of completed audits achieved a customer satisfaction score of **4.7** compared to the target of **4.0** or more. We issued 15 satisfaction questionnaires during the period and received 10 responses.
- 3.4 The under achievement against the target is because 3 audits; PCI DSS, Housing and Council Tax Benefit and Development Management (Performance), have been deferred to 2023/24 as outlined in my Audit Plan and Charter report presented to this Committee on 23rd March 2023.
- 3.5 However performance against other KPI's has been affected due to allowing service areas to concentrate on business critical service delivery and the introduction of BDO following the procurement exercise completed in September 2022. This has resulted in exceeding timescales set as targets within the KPI's. We will continue to manage this situation with the external provider to improve turnaround timescales.
- 3.6 A summary of the internal audit work undertaken and audit opinions issued is shown in detail at **Appendix 1** and in summary below:



- 3.7 Additional detail has also been included within the **Appendix 1**. As at 1 April 2022 there were 5 high priority recommendations which had been raised and were overdue. During the financial year 2022/23 12 'high priority' recommendations have been raised. The table outlines that currently there are 13 outstanding high priority recommendations of which 9 are overdue. As previously reported to Committee we report high priority recommendations to Leadership Team monthly and hold quarterly meetings with all Leadership Team to discuss all outstanding recommendations and the progress management is taking to address these issues. To enable clarity around the current position in relation to the overdue high priority recommendations I have included commentary on these in **Appendix 1** of this report.
- 3.8 During 2022/23 and as reported to this committee on 23rd March 2023 the service underwent its External Quality Assessment in relation to compliance with the Public Sector Internal Audit Standards. The service was found to 'generally conform' with the standards and an agreed Action Plan has been developed. This will form the basis for the service's Quality Assurance and Improvement Plan which will be reported to this committee in the new municipal year.
- 3.9 No material matters of fraud or irregularity have been reported during the year.

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	Yes
Legal Implications	None
Approved by Monitoring Officer	Yes
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.
EIA logged by Equalities	EIA logged by Equalities
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

Background documents	Audit Plan and Charter approved by Audit & Member Standards Committee 25 March 2021.
Relevant web links	

Internal Audit Annual Report (including Quarter 4 2022/23
Progress Results)
April 2023



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- 01 Summary of Internal Audit Work Undertaken in 22/23**
- 02 Assurance and Recommendation Classifications**

If you have any questions about this report, please contact Andrew Wood 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 comprises Internal Audit's Annual Report, including results for the quarter 4 to 31 March 2023.

SCOPE AND PURPOSE OF INTERNAL AUDIT

The Accounts and Audit Regulations 2015 require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

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

Internal Audit's professional responsibilities as auditors are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board. During 2022/23 we completed the External Quality Assessment and were found to 'generally conform' to the standards. An agreed Action Plan has been developed and this will be reviewed by management and reported to committee in the new municipal year.

ACKNOWLEDGEMENTS

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

02 INTERNAL AUDIT WORK UNDERTAKEN

The internal audit plan for 2022/23 was approved by the Audit & Member Standards Committee in March 2022. The plan was for a total of 20 audits. During the year we undertook a review of Agency Staffing which replaced the Licencing review, this was agreed with senior management. As part of the audit planning processes for 2022/23 and failure to recruit we procured BDO to provide general audit services. This service delivery began in September 2022 and complimented both the internal provision and IT Auditor services.

E-TEC Business Services also provided the Council with an updated IT Audit Needs Assessment which was used to shape the audit plan for 2022/23. E-Tec have completed a similar exercise for 2023/24 and this has focussed the ICT audit requirements for the upcoming financial year. Three audits against the original 20 were deferred to 2023/24; PCI DSS, Housing and Council Tax Benefit and Development Management (Performance).

A key performance indicator for Internal Audit is to continue towards the target of 90% audit plan achievement at year end, however due to the changes in the section and the resourcing requirements and procurement exercise undertaken we achieved an out turn of 85% audit plan completion by 31 March 2023.

Performance against internal audit KPI's is at section 05 but clearly the above has had an effect. This is particularly highlighted in the turn around times for audits from fieldwork completion to draft report and final report agreement. We will continue to liaise with our general audit service provision to improve the turnaround timescales for 2023/24.

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

We continue to work with management in respect of reviewing completed audit recommendations.

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

FRAUD & IRREGULARITY

Work was undertaken regarding an irregularity identified during the year regarding Agency Staff. To address this we undertook a review of this area of the council’s operation. Recommendations are in the process of being agreed by management to strengthen arrangements.

CONSULTANCY & ADVICE

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters. During the period to 31 March 2023, 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
- Audit work on Lichfield BID
- Assurance work on Flood Resilience grant claim
- Consultancy on community courses and cash
- Consultancy on process awarding grants
- Public Land
- Rough Sleeper Initiative assurance statement
- Homelessness prevention grant assurance statement
- Biodiversity net gain assurance statement

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5 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 (see KPI section05).

Of those receiving a no or limited assurance opinion which require follow up, a summary of progress to date on these audits is given at Appendix 01.

Currently there are 184 outstanding recommendations at 31 March 2023, 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 31 March 2023	Total Open at 31 March 2023	% Implemented in the period
High	5	12	17	4	13	24 %
Medium	68	47	115	13	102	11 %
Low	34	43	77	8	69	10 %

Due to the changes in the management structure and previous ongoing senior management vacancies, which have now been filled further work will be undertaken in respect of outstanding audit recommendation. All high recommendations are re-tested and 10% of medium and low priority actions are sample tested to confirm the accuracy of manager’s confirmation. Actions sampled confirmed implementation. In total during the period we sampled 24 out of 25 audit recommendations to ensure implementation through specific follow up reviews.

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

Committee have previously asked for further details relating to current high priority recommendations. There are currently 13 high priority recommendations of which 9 are overdue and 4 are not yet due, these are detailed in the table below. Additionally, all high priority audit recommendations are reported to Leadership Team to provide feedback and sight of outstanding recommendations.

A further graph highlights the number of outstanding audit recommendations raised by financial year.

05 PERFORMANCE OF INTERNAL AUDIT

Compliance with professional standards

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

Conflicts of interest

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

Performance of internal audit

Internal audit quality assurance

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


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

Performance Measures


- Complete 90% of the audit plan - **85%**
- 100% Draft reports issued within 6 weeks of start date – **50%**
- 100% Closure meetings conducted within 5 days of completion of audit work – **77%**
- 100% draft reports to be issued within 10 working days of closure meeting – **69%**
- 100% of all high priority actions are implemented at follow up – **44%**
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – **100%**
- Achieve an average customer satisfaction score of 4 or more – **100% (15 issued, 10 returned)**
- Added value – **None quantifiable**

APPENDIX 1

APPENDIX 01: SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	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	<p>The procurement 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>There is a procurement strategy 2020 – 2024 that was approved in December 2020. The strategy includes objectives to achieve the aim, an action plan and how this is monitored. There is a future procurement plan which identifies current contracts that are due to expire. A procurement initiation plan which through testing noted that these had been completed and were appropriately approved.</p> <p>Training was provided to staff in 2019 and 2020 and it is planned that the procurement team will be hosting quarterly ‘Keeping in Touch’ sessions to advise on contract procedure rules, procurement pathways and contract monitoring.</p> <p>Performance is monitored through Key Performance Indicators including strategic, financial, operation and compliance. Performance is reported to Leadership Team through procurement updates and to Cabinet six monthly through procurement matters updates, the latest being June 2022. Waivers to contract procedure rules are recorded on an exemptions log with an accompanying form detailing the reason and approval. Testing noted that exemptions had a corresponding form which was correctly approved.</p>	 Substantial Assurance H-0 M-2 L-2


APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>Exemptions are reported annually to Audit and Member Standards Committee, the latest being July 2022 where 41 exemptions were raised during 2021/22, currently 16 during 2022/23.</p> <p>Procurement pathways are detailed in the contract procedure rules and testing of sample confirmed compliance.</p> <p>There is a contract register held on Proactis until 3 months after the expiry. The register is accessible to the public through the Council’s website. Testing confirmed that contracts are uploaded to the register. The system can provide reports of contracts by expiry date providing a trigger for the procurement team to include on the future procurement plan.</p> <p>Some areas for improvement were identified. It should be evidenced that any conflicts of interest are considered, a checklist to be introduced for each procurement to ensure all requirements of the pathway have been completed, new starters should be provided with procurement guidance and the contract procedure rules should be easily accessible on the website.</p>	
	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	<p>The NNDR system is designed with controls in place to mitigate the major risks. There is an annual billing timetable that sets out tasks and responsible officers. Charges are calculated in accordance with the appropriate non domestic multiplier provided by central government.</p> <p>Amendments, e.g. changes in rateable value, new/ demolished properties are notified via VOA schedules/ NNDR Billing Authority to VOA files.</p> <p>Changes are updated onto the IWorld system accurately and promptly. There is a regular reconciliation between the data held on the</p>	 <p>Reasonable Assurance H - 0 M - 4 L - 3</p>


APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>system and the total on the VOA schedule.</p> <p>NNDR income is posted correctly and promptly to customer accounts while refunds are processed with a valid reason and are approved at senior level. A write off form is completed, and testing confirmed that there is a valid reason for the write off. Write offs are approved in accordance with the Financial Procedure Rules. Evidence, where required is in place to confirm exemption/ relief claims. Reconciliations are completed between the cash receipting system, IWorld and the general ledger. Reporting is completed quarterly to Cabinet through the Money matters report: Review of the Financial Performance against the Financial Strategy.</p> <p>Areas for improvement were noted during the audit, including a review of procedure notes, regular arrears monitoring and recovery, monitoring arrangements and reviewing reliefs to confirm still valid. Where manual input is required, this should be completed promptly. The older suspense items should be investigated and monthly cash reconciliations completed each month. Implementation of the recommendations in the action plan will enhance arrangements.</p>	
	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	Deferred to 2023/24	
	Allocations of Awards/ Planning Obligations Section	Risk based review of systems in place for the allocation of funding via Section 106 and the compliance	Q4	Draft report stage	

APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	106	with planning obligations.			
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	Draft report issued	
	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	Draft report stage	
	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	<p>The Safeguarding system is designed with controls in place to mitigate the major risks.</p> <p>There is a Safeguarding children and adults at risk procedure and a children and adults at risk of abuse and neglect policy which was reviewed in November 2022 and approved by Leadership Team. The policy/ procedure is accessible to staff through the intranet and externally on the website.</p> <p>The lead responsibility lies with a Designated Safeguarding Officer (DSO) with two deputy DSOs to support. The Council has a list of posts which are eligible for a DBS check, including Sports Development and the Community Education Officer. Testing confirmed that staff within these roles had a current enhanced DBS check. Testing also confirmed that the that external coaches for Sports Development provision had current DBS checks and expiry of these were monitored.</p> <p>However, it was noted that the Council did not hold information to confirm that the DSO and deputy held a basic DBS check. Lichfield District has several Ukrainian guests, and the Council is responsible for completing accommodation checks</p>	 Reasonable Assurance H-1 M-3 L-5


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>on the sponsor homes. Testing confirmed that for a sample of sponsor homes, the accommodation check had been completed. (DBS checks also completed by Staffordshire County Council). Also noted that two events had been arranged by the Council for families and a review of one of these events (Ukrainian Independence Day) noted that the Event Manager holds an enhanced DBS check and an event management plan had been completed.</p> <p>Areas for improvement were noted during the audit, including regularly updating the safeguarding procedure and policy, clarification and documenting safeguarding responsibilities (directorates leads/ deputy DSO's), reviewing the requirement of DBS checks because of changes to the current structure and changes in post responsibilities. Training requirements should be reviewed and monitored. Risk assessments should be completed for Council tenants and/or requested to comply with the council's safeguarding policy. Implementation of the recommendations in the action plan will enhance arrangements.</p>	
	Housing Allocations	Risk based review of housing applications. To include the review of applications made and ensuring compliance with agreed controls.	Q3	The Housing Allocations system is designed with controls in place to mitigate the major risks. There is a clear Allocations Scheme in place which was approved in December 2020 by Council. The scheme was fully implemented in March 2021 when the Council took over administration of the housing register. The scheme is available on the Council's website. There is also guidance on the	 <p>Substantial Assurance H-0 M-1 L-3</p>


APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>website for the applicant as an aid to complete the application process.</p> <p>Housing applications are evaluated and are awarded a band/ bedroom assessment. Those that do not qualify are written to and provided with a reason why and referred to the review procedure. Lichfield District Homes has been pre-set with circumstances which allocate banding based on the information input from the application form. There are checklists and a back-office process to verify evidence has been provided and the banding decision is accurate. Testing confirmed that banding/ bedroom need allocated was correct according to the scheme and the checklists had been completed.</p> <p>Applications are subject to an annual review where any change of circumstances can be provided. Where a review is not completed following two automated emails, the application is closed.</p> <p>Verification / management checks are undertaken within the housing allocations team. Monthly checks had been completed to October 2022.</p> <p>Bid shortlists are produced from Lichfield District Homes and testing confirmed that applicants are offered the property in line with the allocations scheme.</p> <p>Performance Indicators are monitored on the corporate system and are reported to management. Indicators had been calculated to the end of September 2022.</p> <p>Some minor areas for improvement were noted</p>	


APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				during the audit, including updating the acceptance letter to include reference to the review process for banding/ bedroom need assessment and issuing a new letter for a change in need. The Annual lettings plan and the review of the allocations scheme performance should be completed.	
	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	<p>We have reached the overall opinion that the Council’s had Substantial controls to support the management of environmental health food inspections with robust procedures in place that maintain compliance with the FSA’ Code of Practice. Furthermore, we identified consistent compliance with procedures in our sample of 15 inspections, re-rating inspections and re-visits.</p> <p>Furthermore, there was timely reporting of the FSA’s temperature check in June and October 2022 with the January 2023 submission being completed at the time of review. Additionally, following the Covid-19 pandemic, the Council have developed a robust Food Safety Service Delivery Plan 2021-24, breaking its recovery plan into two phases.</p> <p>A minor area for improvement was noted during the audit. We identified two inspections which had not been assigned a risk rating on the Uniform system. However, these were exceptions and the remaining 248 inspections between December 2021 and December 2022 were allocated a risk rating. Implementation of the recommendation in the action plan will enhance arrangements.</p>	 Substantial Assurance H-0 M-0 L-1
	Licencing – ex Taxi (other)	Risk based review of controls in place for effective delivery of Council Licencing arrange	Q4	Swapped for agency staff. (Licencing included in 2023/24 plan)	
	Agency Staff	Risk based review of controls in place for use of agency staff	Q4	Draft report issued	


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Development Management Performance	Risk based review of Development Management Performance to include system based review of new systems.	Q4	Deferred to 2023/24	
	Elections	Risk based review of elections processes and in particular financial returns.	Q1	Draft report issued	
	Climate Change	Risk based review looking at the Council’s preparation to de-carbonisation / climate change agenda.	Q2	<p>We have reached the overall opinion that the Council had Limited controls to support the management of climate change to meet the statutory net-zero target of 2050.</p> <p>While the Council is taking action to develop its Environmental Dashboard, climate change performance was not reported and monitored consistently. Furthermore, a coordinated approach was not in place across the Council for all departments to consider and contribute to a reduction in carbon emissions. There was a heavy reliance on the Ecology & Climate Change Manager. However, the Council proactively worked with other local authorities via the SSB to identify a County-wide approach to reducing emissions.</p> <p>The Council have set a small budget for climate change in 2020, but most of the budget remains unspent. There was cooperation with the Finance team over budget management and spending however, this has recently stopped due to staffing changes.</p> <p>We recognise that this is a developing area and most Councils have considerable work to do to put adequate arrangements in place to meet the challenges of climate change. Implementation of the recommendations in the action plan will</p>	 <p>Limited Assurance H-3 M-1 L-0</p>


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				enhance arrangements.	
ICT	Data Protection/ GDPR	Risk Based review on Council's Data Protection and GDPR compliance	Q2-4	<p>The council has a registration with the ICO which expires in February 2023. There is a documented Data Protection Policy, although we found that the version published on the Intranet is dated May 2018. The policy was reviewed in 2020 but this version has never been published. A GDPR retention schedule is published on the Intranet, but it is incomplete and there are no procedures for ensuring it is followed within service areas. The council buy a Data Protection Officer (DPO) service from South Staffordshire Council, which in practice is a high-level specialist advisory service. There are plans to bring the service in-house as part of the new target operating model and we believe this will help improve the Data Protection compliance regime with greater ownership at a local level. Service level roles and responsibilities need to be identified to support the DPO function. Staff are required to undertake mandatory training on GDPR, however, it is not refreshed annually and we identified new starters who have not completed it.</p> <p>An information audit has been performed to identify all processing of personal data but records are incomplete and not maintained/up-to-date. Documenting and maintaining details on processing activities is mandatory under the accountability principle of UK GDPR.</p> <p>We have reviewed the privacy notices published on the corporate website and on various data collection forms and confirm they satisfy UK GDPR requirements, with minor exceptions.</p> <p>There are documented procedures for managing the rights of individuals and for dealing with data</p>	 Limited Assurance H-3 M-8 L-5

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				breaches. There are minor weaknesses in both areas, such as some key details not being logged and procedure documents not being reviewed. Data Protection Impact Assessments (DPIA's) are performed and reviewed by the DPO. However, we found they are not formally signed off, monitored or held in a central location.	
ICT	PCI DSS	Assurance review of PCI DSS compliance	Q4	Deferred to 2023/24	
Page 61	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	Q2-4	<p>Digital systems and data need to be secured and protected from the ever increasing and changing cyber threats that all organisations face. This review has identified a number of areas where ICT Services have good IT security controls. However, we have also identified weaknesses which should be addressed to improve the overall level of security in place and reduce the risk of a cyber-attack.</p> <p>There are dedicated firewalls at all external gateways. A review of the firewall at the gateway with Staffordshire County Council, which provides Internet access, identified some weak security configurations and limited alerting of security related events.</p> <p>Anti-malware tools are deployed on clients and infrastructure to protect against threats, including ransomware. The tools are configured for a detailed level of scanning, although we found there is no periodic review to confirm that all endpoints have the latest updates and no errors or issues. All emails are scanned for malware using a separate tool deployed on the email gateway.</p> <p>Members of the IT team have separate accounts for standard and administrator access, in accordance with good practice. However, there are</p>	 <p>Reasonable Assurance H-2 M-7 L-12</p>


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>an excessive number of accounts with domain-wide administrator access and the principle of 'least privilege' is not followed.</p> <p>A password policy is enforced on the network which requires all users to periodically change their passwords. This policy should be reviewed in light of guidance from the National Cyber Security Centre (NCSC) which states that expiring passwords actually weaken security. A quarterly review to identify all redundant accounts should also be introduced.</p> <p>A third-party has recently been commissioned to perform a quarterly scan for security vulnerabilities but there is no formal remedial action plan to address any of the vulnerabilities identified. We also found that a small number of critical and high risk vulnerabilities reported in the 2021 IT Health Check remain outstanding.</p> <p>There is regular security patching of all clients and infrastructure. There is a weekly report on the patching of infrastructure and an equivalent monthly procedure should be implemented for client patching.</p> <p>A number of control improvements are required to demonstrate compliance with Department for Work and Pensions security standards, specifically in regard to robotic services.</p>	
ICT	IT Disaster Recovery	Risk based of Council's Disaster Recovery arrangements	Q3	<p>The council's business continuity programme is supported by the Staffordshire Civil Contingencies Unit (CCU). The CCU has recently instigated a review of all corporate Business Impact Assessments (BIA's) and business continuity plans. IT Services are included within this review process</p>	 <p>Limited Assurance H-1 M-4</p>

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>which will help ensure IT disaster recovery aligns with wider business continuity planning. The existing BIA's have identified all critical IT systems and how quickly they need to be recovered following a major incident and this information is available to IT Services who have a prioritised list of all IT systems. The ongoing review of BIA's may highlight changes to the list of critical IT systems and hence it should be formally signed-off at a corporate level as part of the review process.</p> <p>There is a documented ICT Business Continuity Plan, based on a template supplied by the CCU. The plan has recently been reviewed and updated by the Information Manager, which is the first review since the covid pandemic. The plan was originally developed in 2015 and there is no evidence of it being formally approved. We have reviewed the plan and identified some gaps in regard to technical information that may be required if the plan is invoked. There is a designated IT recovery team but deputy officers are not identified for key roles in case the primary officers are unavailable. The responsibilities of key team members is also not defined. A copy of the plan and other relevant documents are held on Microsoft Teams, ensuring there is an off-site copy in the Microsoft 365 cloud.</p> <p>The ICT business continuity plan is based on a key assumption that an external supplier will provide any additional IT hardware required for disaster recovery purposes. This provision is not included in the contract with the supplier. There is an alternative option of performing a recovery in Microsoft Azure but details of how this will be</p>	<p>L-2</p>

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion	
Page 64				<p>done are not documented in the plan.</p> <p>The ICT Business Continuity Plan has not been tested to ensure it will work in practice and is effective. Testing of plans helps identify any gaps and flaws that need to be addressed. Confirmation has also not been sought that disaster recovery tests are performed for IT systems that are hosted externally by suppliers, such as the finance system and the HR/payroll system.</p> <p>A copy of all backups is held off-site and restore procedures are documented.</p> <p>Implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p>		
	Governance, Fraud & Other Assurance	Disabled Facilities Grant	Assurance statement	Q3	Work completed and assurance statement finalised and submitted to Staffordshire County Council	Complete
		Covid Grant assurance	Assurance work on Covid-19 grants	Q1 and Q2	<p>The system for payment of Covid-19 related business grants was found to be robust. A number of good practice areas were noted:</p> <ul style="list-style-type: none"> • For each grant a policy was developed which was available to applicants. The policy included the background for the grant with the link to government guidance and eligibility criteria. • Grant schemes were published on the Council's website, social media and direct correspondence to businesses. • Application was via an on-line form which included the required information to confirm eligibility. The application forms were downloaded into a spreadsheet for monitoring and processing. 	 Substantial Assurance No recommendations


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<ul style="list-style-type: none"> • Evidence was provided, such as financial accounts to verify loss of income/ profit. • Internal checks of eligibility were undertaken against the Council’s business rates system to verify rateable values. • Checks were undertaken by the Economic Development Officer and also the Business Analyst (Finance). Anti-fraud/ corruption measures were undertaken using ‘Spotlight’ the government tool used to assess grant applicants. Internal assurance/ pass/ fail checks were undertaken. • For the High Street Business Growth Grant, a confirmation of the grant awarded was sent to the applicant. The letter was signed by the applicant as agreeing to the terms and conditions. • A grant checklist (High Street Business Growth) was completed and signed as approved by the Interim Director – Economic Growth and Development. <p>Of a random sample of 3 grants awarded, testing noted the following:</p> <ul style="list-style-type: none"> - Additional Restrictions Grant (High Street Business Growth Grant). A grant application had been revised and additional money had been requested towards the project. A revised grant checklist had not been completed to confirm approval by the Interim Director, Economic Growth and Development. In addition, an invoice had not been received (one month) after the second payment had been made. The invoice confirms that the grant money had been spent in line with 	


APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				the project application. - Additional Restrictions Grant (greater than 51,001). No exceptions. - Additional Restrictions Grant (Leisure and direct supply chain). No exceptions.	
	Housing Benefit Memorandum of Understanding	Assurance statement to enable the Chief Finance Officer sign off to DWP.	Q4	Work completed.	Complete
	Counter Fraud	Work to support the mitigation of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.	Q1-Q4	Ongoing	
	Annual Audit Opinion	Production of the Annual Audit Opinion.	Q2		
	Management and 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 and continuing, see Risk Management report at this Committee.	
	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
	Flood Resilience Grant Scheme	Assurance review to enable sign off by the S151 Officer		Work completed and assurance statement submitted	Complete
	Rough Sleeper Initiative	Assurance review to enable sign off by the S151 Officer		Work completed and assurance statement submitted	Complete


APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Homeless Prevention Grant	Assurance review to enable sign off by the Chief Executive and Audit Manager		Work completed and assurance statement submitted	Complete
	Biodiversity Net Gain	Assurance review to enable sign off by the S151 Officer		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"> • Systems validations are in place to ensure all input data is complete. • Records of hours worked and allowances paid are properly certified prior to payment. • BACS payments are authorised by Finance. • There is adequate budget monitoring by Finance and budget holders. • Robust access permissions have been established to prevent unauthorised access within the system. • Via the SLA with SCC adequate contingency arrangements are in place to ensure continuity of payroll. • The Council maintains a Retention of Documents Schedule which clearly lays out both the period of retention and the reason why, i.e. Legal, Audit, Commercial. <p>Some areas for improvement were identified. The checklists which provide guidance for payroll processing tasks require updating with reference to the new system. Variations to payroll data are</p>	 Reasonable Assurance H-0 M-2 L-2

APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>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>	
	Debtors	<p>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>		<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. 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</p>	 <p>Reasonable Assurance H-0 M-3 L-2</p>


APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>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 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.</p>	
	Council Tax	<p>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>		<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 style="text-align: center;">  Reasonable Assurance H-0 M-3 L-3 </p>

APPENDIX 1

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> <p>Procedure notes across the system require review and updating, if applicable. Implementation of the recommendations in the action plan will enhance arrangements and address</p>	

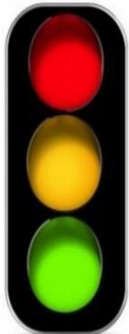
APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				these risks.	
Follow up all no and limited assurance reports and all high priority recommendations.	Investigation Report – Beacon Park	Limited Assurance Follow up	Q3	Originally 14 recommendations were made. The findings of this follow up review show 12 of the recommendations have been implemented, with 2 partially implemented. Audit follow up no/limited assurance until a revised opinion of reasonable assurance.	 Substantial Assurance
Compliance with Public Sector Internal Audit Standards (PSIAS)	External quality assessment		Q4	Complete. Findings reported to Audit and Members Standards Committee March 2023.	

ASSURANCE AND RECOMMENDATION CLASSIFICATIONS

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

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

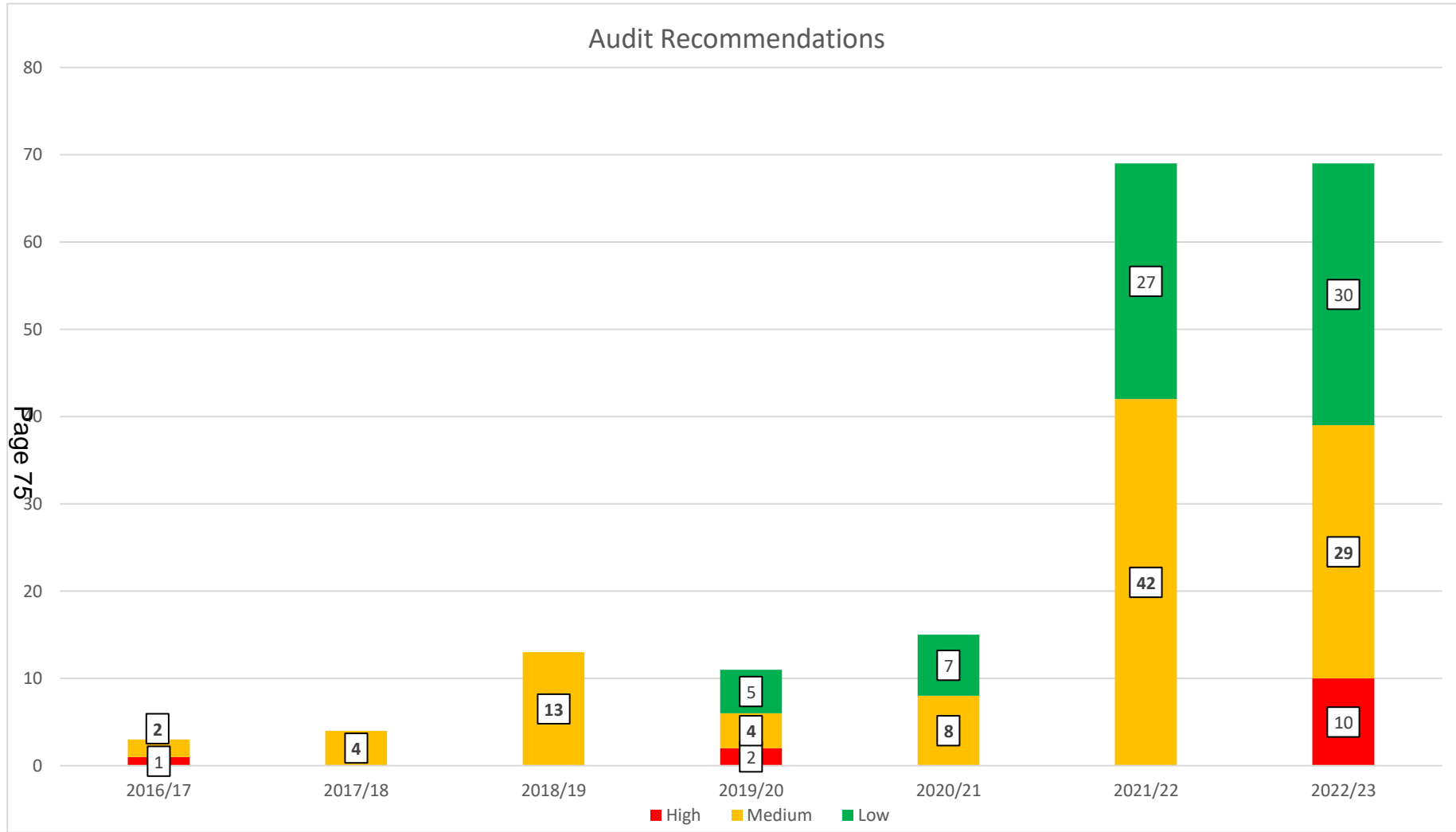
APPENDIX 1

Audit	Year	Recommendation	Current Status
Epayers	2016/17	The relevant PCI Self Assessment Questionnaire (SAQ) should be completed and submitted to the sponsoring bank.	<ul style="list-style-type: none"> - Currently outstanding and being addressed. - PCI DSS Audit in 2023/24 - Implementation of Call Secure Plus January 2023 - Additional and transformational IT support December 2022 - IT Action Plan implemented - PCI Policy to be reviewed <p>Internal Audit to complete a full follow up review during Q1 2023/24</p>
Property Leases and Charges	2019/20	It should be investigated whether the leases identified were finalised and if there is a signed copy.	<ul style="list-style-type: none"> - The Property Team are reviewing all leases to be completed April 2023 - Review of PPM compliance for tenants - Review of unsigned leases <p>Internal Audit to review implementation of recommendation and confirm that review undertaken, expected implementation date April 2023.</p>
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.	<ul style="list-style-type: none"> - Rent Reviews dates are all marked on the asset register and take place on time - Scheduled reviews being undertaken - Liaison with debt recovery team on rent increases and outstanding debts <p>Internal Audit to review implementation of recommendation and confirm that review undertaken, expected implementation date April 2023.</p>
IT System Security	2022/23	A formal RAP should be developed and managed for the quarterly security vulnerability scans and the RAP for the current ITHC should be managed through to full implementation. Where a vulnerability cannot be addressed, the risk should be documented and signed off by the SIRO.	<p>31st January 2023</p> <p>Scheduled for follow up</p>
IT System Security	2022/23	All accounts in the Windows Domain Admins group, including nested groups, should be reviewed and access revoked where it is not required.	<p>31st January 2023</p> <p>Scheduled for follow up</p>
GDPR	2022/23	The Data Protection Policy should be reviewed, approved, and the latest version published.	<ul style="list-style-type: none"> - Policy updated and published on website/ intranet <p>Internal Audit to complete a full follow up review during 2023/24</p>
GDPR	2022/23	All staff should undertake annual data protection training and new starters should complete their training as part of their induction, or within an agreed period thereafter.	<ul style="list-style-type: none"> - GDPR module and manage training to be completed by March 2023 <p>Internal Audit to complete a full follow up review during 2023/24</p>

APPENDIX 1

Audit	Year	Recommendation	Current Status
GDPR	2022/23	The ROPA should be updated with the additional information highlighted and fully completed and finalised. It should be dated and version controlled and responsibility formally assigned for keeping it up-to-date.	<p>- Review of ROPA May 2023</p> <p>Internal Audit to complete a full follow up review during 2023/24</p>
IT Disaster Recovery	2022/23	Scenario testing of the ICT Business Continuity Plan should be carried out at least annually.	<p>- 31 March 2023</p> <p>Internal Audit to complete a full follow up review during 2023/24.</p>
Climate Change	2022/23	The Action Plan should be reviewed quarterly by Cabinet or the Overview & Scrutiny Committee with lead officers being amended to reflect staff changes at the Council.	<p>30th September 2023 – not yet due.</p> <p>Internal Audit to complete a full follow up review during 2023/24.</p>
Climate Change	2022/23	The Council should establish a cross-departmental working group to meet at least monthly oversee joint arrangements for reducing carbon emissions. It should also be used as an opportunity for departments to identify areas where they can cooperate to reduce carbon emissions.	<p>31st May 2023 – not yet due</p> <p>Internal Audit to complete a full follow up review during 2023/24.</p>
Climate Change	2022/23	<p>a) The Ecology & Climate Change Manager should contact the Finance team to obtain contact information for a member of the Finance team to support them on the management of the climate change budget.</p> <p>b) The Council should allocate funds from the climate change budget to specific projects. Where possible, these projects should measure the carbon emission reduction to demonstrate how the project will contribute to the achievement of the success measures in the Organisational Carbon Reduction Plan. Projects should be identified and discussed through a cross-departmental working group (see Finding 2).</p>	<p>31st July 2023 = not yet due</p> <p>Internal Audit to complete a full follow up review during 2023/24.</p>
Safeguarding	2022/23	<p>A risk assessment should be completed when leasing council space to tenants. This should consider potential hazards, risk severity, persons at risk, control measures in place or any further actions needed.</p> <p>It should be considered whether the tenant is also required to sign to acknowledge and comply with the council's safeguarding policy.</p>	<p>30th April 2023 – not yet due</p>

Analysis of number of audit recommendations outstanding as at 31 March 2023 by financial year raised



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Risk Management

Cabinet Member for Finance & Commissioning

Date: 19 April 2023

Agenda Item: _____

Contact Officer: Andrew Wood

Tel Number: 01543 308030

Email: andrew.wood@lichfielddc.gov.uk

Key Decision? **No**

Local Ward **Full Council**

Members



Audit and Member Standards Committee

1. Executive Summary

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

2. Recommendations

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

3. Background

- 3.1 The purpose of risk management is to effectively manage potential opportunities and threats to the Council achieving its objectives. Part of the Audit & Member Standards Committee's terms of reference is 'to monitor the effectiveness of the Council's risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management'. This report supports the Committee in achieving this objective.
- 3.2 The strategic risk register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its strategic plan. This assessment ensures that there are the right measures in place to control the potential risks to our business objectives. Risks are assessed based on their likelihood of occurrence and their potential impact. Each of these are rated on a scale of 1 (Low), 2 (Medium), 3 (Significant) and 4 (High). By multiplying the two scores together, each risk receives a score.
- 3.3 The Strategic Risk Register was considered by Leadership Team on 29 March 2023 and is detailed at **Appendix 1** The key changes since the Committee's last risk update (February 2023) are:
 - All current risks have been reviewed and considered by LT, however no specific changes have been implemented as LT considers these are currently appropriate in both terms of scope and current score. However, monthly consideration of all risks will be completed to ensure that both current and emerging risks are updated and mitigated.
 - LT considered the requirement for an additional Strategic Risk in respect of the medium to longer term potential strategic, financial and operational risks resulting from the insourcing of leisure centre management. The Audit Manager has been tasked with bringing forward to LT appropriate wording and risk descriptions for approval. The Audit Manager has included this risk as a current 'horizon scanning' with the expectation that this will move onto Strategic Risk Register in May 2023.
 - Updates to mitigating controls, actions and lines of assurance have been updated on the Register where applicable.

- ‘Other Horizon Scanning Risks Arising at April 2023’ (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. There was a suggested change since the last risk update in February 2023 within the Horizon Scanning risks. This involved the inclusion of;
 - Insourcing of currently outsourced leisure arrangements and potential costs implications and reputational risks to the Council.

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

3.5 The Council’s 6 strategic risks as at April 2023 the risk profile of strategic risks of the Council is shown below:

likelihood				
		SR3		SR7
			SR1, SR2, SR4, SR5	
	Impact			

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.
EIA logged by Equalities	EIA logged by Equalities
Crime & Safety Issues	None.
Environmental Impact (including Climate Change and Biodiversity).	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.	Likelihood: Green Impact: Red Severity: Red	Strategic risks are closely monitored by the Audit & Member Standards	Likelihood: Green Impact: Yellow Severity: Green

Leadership Team		<p>Committee, Cabinet Member and Leadership Team.</p> <p>Reports to Audit & Member Standards Committee provide assurance that active steps are being taken to control risks.</p>	
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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 – April 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
A good council, developing prosperity, shaping place, enabling people	<p>SR1 Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.</p> <p>The risk is influenced by:</p> <ul style="list-style-type: none"> Government spending plans. The national and local economic climate, C Tax referendum limit, grant funding implications, changes to business rates and social housing rents. Local Government Finance Reform including New Homes Bonus, Business Rates and the Fair Funding Review. Other Government Policy announcements impacting on Local Government. Funding of Council's headline priorities and the shortfall of funding. 	16 (L4xI4)	<ul style="list-style-type: none"> Prudent estimates for Business Rates and New Homes Bonus based on modelling provided by Local Government Finance experts. Risk assessed minimum level of reserves set at £1.9m. Routine budget monitoring reported to Leadership Team, Cabinet and Overview and Scrutiny Committee. Requirements of the new CIPFA Financial Management Code, information contained in the CIPFA Resilience Index and benchmarking reports from LG Futures. Confirmation and Implementation of financial settlement for 2023/24 and principles for 2024/25. Balanced budget for next 2 years. 	3 (L3xI1)	4 (L2xI2)	<ul style="list-style-type: none"> Update of the Medium Term Financial Strategy Responsibility: Assistant Director Finance & Commissioning will commence in July 2023 and approved February 2024 Outcome of Government Financial Settlement – single year. 	<p>1st Line:</p> <ul style="list-style-type: none"> Approved Medium Term Financial Strategy including the Capital Strategy covering 5 years plus a 25 year capital investment model. A longer term financial plan covering a 25 year horizon for revenue budgets. Approved Treasury Management Strategy. Production of monthly budget reports to Managers. Procurement Strategy <p>2nd Line:</p> <ul style="list-style-type: none"> Leadership team review of 3, 6, 8 and 12 month reports to Cabinet and Overview and Scrutiny Committee. Mid-year and outturn Treasury Management reports to Audit and Member Standards Committee. Initial assessment of LDC's level of compliance with the FM Code to Audit and Member Standards Committee 12/11/2020.

Appendix 1: Strategic Risk Register – April 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 82	<ul style="list-style-type: none"> Inflationary pressures on procurement of services, cost of living/fuel/construction and replacement fleet vehicles. <p>Owner: Assistant Director - Finance & Commissioning (Section 151)</p>						<ul style="list-style-type: none"> CIPFA Resilience Index with comparative information to nearest statistical neighbours and all District Councils.
	<p>3rd Line:</p> <ul style="list-style-type: none"> External Audit – going concern test and sign off of financial statements 2021/22. Unqualified VFM assessment. Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income Management 20/21 – reasonable assurance, Procurement 22/23 substantial assurance LGA Corporate Peer Challenge 						
A good council, developing prosperity, shaping	SR2 Resilience of teams to effectively respond to a further serious disruption to services (e.g. multiple layer disruption arising from	12 (L3xL4)	<ul style="list-style-type: none"> <i>Mutual aid assistance</i> <i>Local Resilience Forum (LRF).</i> 	3 (L1xL3)	6 (L2xL3)	<ul style="list-style-type: none"> Tasks completing and move away from initial Pandemic response, move to 	<p>1st Line:</p> <ul style="list-style-type: none"> Day to day business continuity plans in place. Regular BCP testing (generator)

Appendix 1: Strategic Risk Register – April 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
place, enabling people	flooding and other disruptive events). New people into organisation. Potential for power disruptions. Affects to service delivery and office systems. Owner: Leadership Team		<ul style="list-style-type: none"> • <i>Tested business continuity arrangements in place including office power generation.</i> • <i>Strong links with the Staffordshire CCU, Risk Action Working Group and wider LRF.</i> • <i>Active workshop on BCP to LT.</i> • <i>Actively engaged in ongoing Local Resilience Forum response and recovery work streams.</i> • <i>Experienced (from previous waves / national lockdowns re Covid-19) Leadership Team and supporting teams in place to respond.</i> • <i>Clear structure and plan in place for Covid-19 waves.</i> • <i>Strategic and tactical flood planning work across LRF, to assist in our response and the</i> 			Being a Better Council.	<ul style="list-style-type: none"> • Training programme.
							2nd Line: <ul style="list-style-type: none"> • Annual Report to Leadership Team. • CCU test of arrangements feedback. • Response and learning from recent incident at Ridware House. • Report on recovery plan Overview & Scrutiny (O&S). • Approval of Climate Change Strategy.
							3rd Line: <ul style="list-style-type: none"> • Internal Audit of business continuity 2019/20 – reasonable assurance, ICT – remote working 20/21 – reasonable assurance. • Flash Covid-19 Risk Assurance Business Continuity, Emergency Planning and

Appendix 1: Strategic Risk Register – April 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 84			<p><i>multi-agency response to such events. This includes identifying 'at risk' areas in the District and specific actions required.</i></p> <ul style="list-style-type: none"> <i>Provision of Foodbank presence, Warm Spaces etc.</i> <i>Business Continuity planning.</i> 				<p>Recovery 20/21 substantial assurance</p> <p>3rd Line:</p> <ul style="list-style-type: none"> Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income Management 20/21 – reasonable assurance, Procurement 22/23 substantial assurance External Audit – going concern test and sign off of financial statements 2020/21. Unqualified VFM assessment.
	<p>A good council, developing prosperity, shaping place,</p> <p>SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.</p> <p>Senior Leadership Team changes.</p>	6 (L2xI3)	<ul style="list-style-type: none"> <i>Regular review of progress against delivery plan outcomes and prioritisation process agreed between Leadership Team and Cabinet.</i> 	4 (L2xI2)	4 (L2xI2)	<ul style="list-style-type: none"> Implementation of Being a Better Council. Management oversight and robust project management requirements for 	<p>1st Line:</p> <ul style="list-style-type: none"> Day to day business / service planning, financial planning and performance management. Completion of OKRs. <p>2nd Line:</p>

Appendix 1: Strategic Risk Register – April 2023

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

Appendix 1: Strategic Risk Register – April 2023

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

Appendix 1: Strategic Risk Register – April 2023

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,	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.	9 (L3xI3)	<ul style="list-style-type: none"> Sealed documents held in fire proof room. Education and development of Service Managers to support teams with advice and guidance. Implementation of Tortara (May 2022) 				<ul style="list-style-type: none"> 2019/20 – adequate assurance, GDPR follow up 2019/20 & 2022/23 (draft) – limited assurance, Transparency code follow up Procurement 20/21 limited assurance – follow up. Review of GDPR and agreed action plan reported to A&MS Committee for 2022/23 and 2023/24. External investigations and lessons learnt exercises to address internal control weaknesses.
	Relating specifically to the effects of the ‘cost of living crisis. This results in an increase in unemployment,		<ul style="list-style-type: none"> Financial assistance from Government to businesses and the public. Prosperity is a key theme in the new Strategic Plan. Economic Development Strategy is in place. Council’s effective presence on the Local Enterprise Partnerships. 	3 (L1xI3)	4 (L2xI2)	<ul style="list-style-type: none"> Continued delivery of immediate actions to support high street economy and business (including visitor economy and hospitality sector). Further government support – the Welcome back Fund - received to extend timescales and assist 	<p>1st Line:</p> <ul style="list-style-type: none"> Day to day delivery of economic development, housing and health and wellbeing strategies. Development and inclusion of Being a Better Council <p>2nd Line:</p> <ul style="list-style-type: none"> Leadership team review of 3, 6, 8 and 12 month Money Matters reports to Cabinet, Strategic (OS) Committee.

Appendix 1: Strategic Risk Register – April 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 88</p>	<p>business closures coupled with emergence of higher expectation of ongoing support from the Council. Increased demand on Council services such as benefits via increased Universal Credit claims, at the same time that Council suffering reduced income.</p> <p>Including Ukraine families and Refugee dispersal within area.</p> <p>Owner: Leadership Team</p>		<ul style="list-style-type: none"> • <i>Strong partnership working e.g. Lichfield District Board, Staffs CC, Birmingham Chambers. Burntwood Business Community LGA, DCN,</i> • <i>New burdens funding.</i> • <i>Partnership influences built into business case considerations.</i> • <i>Work with redundancy task force</i> • <i>Continue to develop and improve the business contact and relationships locally.</i> • <i>Development of Wellbeing indicators at ward level for both activity and response.</i> • <i>Economic Prosperity Action Plan in place.</i> • <i>Cost of living issues mitigated and off set by Tourism.</i> • <i>Ongoing Council Plans development.</i> 			<p>with the reopening of high streets and support to local businesses through to March 2022. Additional spend on a variety of projects currently in process of being identified.</p> <ul style="list-style-type: none"> • Implementation of Being a Better Council – Better Led, Better Equipped and Better Performing. • UKSPF exploring further funding streams with LUF2 	<ul style="list-style-type: none"> • Health and Wellbeing Strategy delivery reports. <p>3rd Line:</p> <ul style="list-style-type: none"> • Internal Audit of Economic Development Partnership Arrangements 2017/18 – adequate assurance, Tourism 2019/20 – reasonable assurance, Housing Benefits – overpayments 2017/18 – adequate assurance, Housing Benefits – verification and performance 2016/17 – substantial assurance, Housing Benefits and Council Tax Relief 20/21 substantial assurance

Appendix 1: Strategic Risk Register – April 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
A good council	<p>SR7: Threat to the Council's ICT systems of a cyber-attack following dramatic increase in remote working which if successful could result in loss of data / loss of access to applications – which may incur fines / reputational damage.</p> <p>Involvement of state players and their use of cyber warfare as part of a strategy to further agendas.</p> <p>Increased number of sophisticated 'phishing' attacks with increased time taken to investigate and remediate. Move away from purely email to other platforms such as 'Teams'.</p>	4 (L1xI4)	<ul style="list-style-type: none"> • <i>Use of firewalls and virus protection to manage cyber security, including penetration testing.</i> • <i>Strong access level controls (including remote access).</i> • <i>Training and regular awareness raising to staff of risks.</i> • <i>Digital strategy.</i> • <i>PSN compliance checklist.</i> • <i>Revision of Service Business Continuity Plans.</i> • <i>IT Auditor provision resourced from August 2021.</i> • <i>Adoption of multi-factor authentication.</i> • <i>Development of monthly reports from software supplier for follow up of</i> 	8 (L2xI4)	4 (L1xI4)	<ul style="list-style-type: none"> • Review mandatory training requirements. • Reminder to staff to complete training and awareness. Re-run Awareness Training/Meta Compliance • Completion of PSN Compliance checklist 	<p>1st Line:</p> <ul style="list-style-type: none"> • Day to day operation of ICT Training programme for all staff. • Up to date versions of software and implement all IT security patches. • Awareness Training/Meta Compliance. • Maintenance of PSN Compliance.
							<p>2nd Line:</p> <ul style="list-style-type: none"> • Regular monitoring and reporting on security issues to Leadership Team. • External penetration testing. • Full Council wide adoption of multi-factor authentication.

Appendix 1: Strategic Risk Register – April 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 90	Failure by staff to complete ICT training and the take up of MFA. Owner: Chief Executive		<i>staff not completing mandatory ICT training.</i> <ul style="list-style-type: none"> • <i>Implementation of Knowledge Hub training.</i> 				3rd Line: <ul style="list-style-type: none"> • ICT Audit Procurement to review risk environment. • ICT Audit Needs Assessment completed. • Review of Microsoft 365 2021/22 • IT Remote Access 2021/22 • IT Website 2021/22. • Increase in the amount of IT Audit days from 20 to 40 for 2022/23.

Appendix 1: Strategic Risk Register – April 2023

Key to 3 lines of assurance:	
1 st Line	Day to day operations of internal control systems
2 nd Line	Management oversight and monitoring controls
3 rd Line	Independent assurance from Internal / external audit and other independent assurance sources (e.g. HSE, BFI)
Other Horizon Scanning Risks Arising April 2023:	
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.	
EPR implications around systems for recycling packaging and compensatory affects.	
Implications of increase in fuel duties from 1 April 2023.	
Planning application fees – self funding.	
LATCo review of governance arrangements and structures.	
Arrangements for legislative changes following Brexit and blanket withdrawal in December 2023.	
The medium to longer term potential strategic, financial and operational risks resulting from the insourcing of leisure centre management	

Appendix 1: Strategic Risk Register – April 2023

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	<p>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</p> <p>Owner: Leadership Team</p>	9 (L3xI3)	<ul style="list-style-type: none"> • <i>Refurbishment and reorganisation of office spaces.</i> • <i>Cyber security e-learning.</i> • <i>Engagement Strategy.</i> • <i>Capture best practice</i> • <i>Reinforce a culture of innovation.</i> • <i>Belonging and Wellbeing Strategy.</i> • <i>Virtual committee meetings.</i> • <i>Business cases required for all major projects.</i> • <i>Drive to find ongoing efficiencies as part of service / financial planning process.</i> • <i>Customer promise.</i> 	4 (L2xI2)	1 (L1xI1)	<ul style="list-style-type: none"> • IT Strategy and options appraisals. 	<p>1st Line:</p> <ul style="list-style-type: none"> • ICT hardware replacement programme providing the right equipment for mobile and flexible working. • Ongoing monitoring of customer (internal and external) feedback. <p>2nd Line:</p> <ul style="list-style-type: none"> • Monitoring of Lichfield Connects contact levels, trends and reporting on complaints and compliments to Leadership Team. <p>3rd Line:</p> <ul style="list-style-type: none"> • Local Government Ombudsman. • Flash Covid-19 Risk Assurance Staff Wellbeing 20/21 substantial assurance • Flash Covid-19 Risk Assurance Productivity and Governance 21/22 substantial assurance

THE ANNUAL GOVERNANCE STATEMENT

2022/23

Date: 19 April 2023

Agenda Item: 8

Contact Officer: Mark Hooper/Will Stevenson

Tel Number: 01543 308064/308199

Email: mark.hooper@lichfielddc.gov.uk

Key Decision? **NO**

Local Ward Members All Wards



AUDIT AND MEMBER STANDARDS COMMITTEE

1. Executive Summary

- 1.1 Regulation 6 of the Accounts and Audit (England) Regulations 2015 requires that 'a relevant authority must, each financial year conduct a review of the effectiveness of the system of internal control required by regulation 3 and prepare (and approve) an Annual Governance Statement'.
- 1.2 Best practice (Chartered Institute of Public Finance and Accountancy's (CIPFA) publication 'Audit Committees Practical Guidance for Local Authorities and Police'), recommends that the review of the internal control system and the production of the Annual Governance Statement be reviewed and subsequently endorsed by an appropriate committee. It further recommends that this be a core function carried out by Audit Committees.
- 1.3 Accordingly, the Annual Governance Statement for 2022/23 is attached at **APPENDIX A** together with a Local Code of Corporate Governance for 2023/24 at **APPENDIX B**.

2. Recommendations

- 2.1 It is recommended that the Audit and Member Standards Committee reviews and approves the Draft Annual Governance Statement that will form part of the 2022/23 Statement of Accounts (**APPENDIX A**).
- 2.2 It is recommended that the Committee delegates authority to the Chair of the Committee and the Governance Manager to make further minor amendments to the Annual Governance Statement in this version that will be included in the unaudited Statement of Accounts and following audit, the final version in the Audited Statement of Accounts.
- 2.3 It is recommended that the Local Code of Corporate Governance for 2023/24 be approved (**APPENDIX B**).

3. Background

- 3.1 The Council is responsible for ensuring that its business is conducted in accordance with legal requirements and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 3.2 The Council has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.3 In discharging this responsibility, Lichfield District Council is also responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including the management of risk.
- 3.4 The governance framework 'Delivering Good Governance in Local Government' was produced during 2016 by CIPFA/SOLACE (Society of Local Authority Chief Executives and Senior Managers). The framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the principles contained within the framework. The seven core principles are as follows:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.5 The Annual Governance Statement should therefore be focused on outcomes and value for money and relate to the authority's vision for the area. It is based on the core principles above which form the basis of the Local Code of Governance 2022/23 as previously approved by Audit and Member Standards Committee.
- 3.6 The document enables the authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.

Review of the System of Internal Control

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

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

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

Process for the Completion of the Annual Governance Statement

3.9 Evidence is collected from several sources:

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

3.10 Based on this information an early draft Statement is produced and circulated to key officers (including the S151 Officer, Monitoring Officer and Internal Audit Manager) for comment.

3.11 Any comments are then incorporated into the document. The Statement is then reviewed by Leadership Team.

3.12 The final draft version of the Annual Governance Statement for 2022/23 is now presented to Audit and Member Standards Committee for approval at **APPENDIX A**.

3.14 The final Statement is signed by the Leader and Chief Executive and ultimately forms part of the Statement of Accounts.

3.15 The Annual Governance Statement can be updated up to the date of the signing of the Statement of Accounts.

Alternative Options	The alternative option is not to produce an Annual Governance Statement for 2022/23 which would result in the Council being in breach of its statutory obligations.
Consultation	Consultation has taken place with Leadership Team, S151 Officer, Monitoring Officer, Internal Audit and Leader.

Financial Implications	There are no direct financial implications from the production of the AGS.
Approved by Section 151 Officer	Yes

Legal Implications	There are no specific legal implications.
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	The Annual Governance Statement has some connection to all areas within the Strategic Plan.
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Equality, Diversity and Human Rights Implications	There are no equality, diversity and human rights implications in approving the AGS.
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Crime & Safety Issues	There are no safety implications.
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Environmental Impact	There is no environmental impact.
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GDPR / Privacy Impact Assessment	It has not been necessary to undertake a Privacy Impact Assessment.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	The Annual Governance Statement is not produced in line with best practice, the CIPFA code and IFRS.	Green	The Statement is produced in line with best practice, the CIPFA code and IFRS. It will form part of the Statement of Accounts that is audited by our external auditors.	Green.
B				
C				
D				
E				

	Background documents
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	Relevant web links
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Annual Governance Statement

2022 – 2023

Lichfield District Council

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Introduction and Scope of responsibility

Lichfield District Council is responsible for ensuring that:

- business is conducted in accordance with the law and proper standards,
- public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- risk is properly managed as part of the governance arrangements.

To ensure effective governance the Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance and Accountancy)/SOLACE (Society of Local Authority Chief Executives) Framework 'Delivering Good Governance in Local Government' (2016).

The Governance Statement

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

In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance;
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Annual Governance Statement reports on the governance framework that has been in place for the year ended 31st March 2023 and up to the date of approval of the statement of accounts.

The Governance Framework

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of Internal Control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Principles of Good Governance

The Council aims to achieve good standards of governance by adhering to the seven core principles in the diagram below, which form the basis of the Council’s Code of Corporate Governance:



The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles (A – G) and associated sub principles.

A Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law

Supporting Principles:		
Behaving with integrity	Demonstrating strong Commitment to ethical values	Respecting the Rule of Law
How we do this:		
<ul style="list-style-type: none"> ➤ The Audit and Member Standards Committee is responsible for promoting high standards of member conduct. ➤ All elected Members follow a code of conduct, supported by training and development. ➤ The Monitoring Officer provides advice and reports complaints and their outcomes to the Audit and Member Standards Committee/Review Sub-Committee. ➤ Officer behaviour is governed by the Employee’s Code of Conduct that sets out the standards of conduct expected of employees at work. The Code is supported and reinforced by organisational values to: <ul style="list-style-type: none"> ○ Put Customers First, ○ Improve and Innovate, ○ Have Respect for Everyone. ➤ The Codes are regularly reviewed to ensure they are operating effectively. ➤ Expected behaviours are embedded into performance appraisals 	<ul style="list-style-type: none"> ➤ Arrangements are in place to ensure that decisions are not influenced by prejudice, bias or conflicts of interest. These include: <ul style="list-style-type: none"> ○ A register of disclosable conflicts of interest ○ Provision on Cabinet/Council/Committee agendas for the declaration of interests ○ A register of gifts and hospitality. ➤ A corporate complaints procedure exists to receive and respond to any complaints received. ➤ A Whistleblowing Policy enables employees and others to raise concerns about any aspect of the Council’s work. ➤ The Council is committed to equality of opportunity for all citizens, in line with the Public Sector Duty as set out in the Equality Act 2010. 	<ul style="list-style-type: none"> ➤ The constitution sets out: <ul style="list-style-type: none"> ○ The responsibilities of the Council, the Cabinet, the Overview & Scrutiny Committee and other Committees ○ The roles, duties and delegated powers of key officers. ➤ The Council has a duty to appoint staff to three specific roles: <ul style="list-style-type: none"> ○ The Head of Paid Service (Chief Executive) who has overall accountability for the governance arrangements operating within the Council. ○ The Chief Financial Officer who is responsible for the proper administration of the Council’s financial affairs and internal controls. ○ The Monitoring Officer who has a role in ensuring decisions are taken lawfully and that the council complies with the Constitution.

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B Ensuring Openness and comprehensive stakeholder engagement

Supporting Principles:		
Openness	Engaging Comprehensively with Institutional Stakeholders	Engaging with stakeholders effectively, including individual citizens and service users
How we do this:		
<ul style="list-style-type: none"> ➤ To ensure open and transparent decision making the following are published on the Council’s website: <ul style="list-style-type: none"> ○ Council/Cabinet/Committee agendas and reports ○ the Cabinet Forward Plan detailing upcoming key decisions ○ Cabinet and Cabinet Member decisions ➤ To ensure maximum transparency, reports containing confidential information are split into confidential and non-confidential sections whenever possible. ➤ When reports must be considered in private, an explanation is provided on the agenda. ➤ Progress against the Financial Strategy is monitored and reported to Cabinet on a quarterly basis. ➤ We comply with the code of recommended practice for local authorities on data transparency which acts as a 	<ul style="list-style-type: none"> ➤ We are committed to working collaboratively with a range of partners across the public, private and voluntary sectors. ➤ The Council is part of a number of external partnerships which provide support to its strategic agenda. These include county and regional waste partnerships, and housing and community safety partnerships. ➤ The Council’s planning and decision-making processes are designed to include consultation with stakeholders. 	<ul style="list-style-type: none"> ➤ The Community Power Strategy works to: <ul style="list-style-type: none"> ○ engage communities in local decisions ○ work with communities to improve outcomes. <p>Community power incorporates a wide range of practices, approaches and initiatives centred on the principle that communities have knowledge, skills and assets and are well placed to identify and respond to challenges.</p> <ul style="list-style-type: none"> ➤ Elected Members are democratically accountable to their local area and provide a clear leadership role in building sustainable communities. ➤ The establishment of a Lichfield Youth Council has allowed for increased engagement with young people living in the district and will allow for the identification of key issues that matter to them. ➤ The long-term vision for the Council is set out in the Strategic Plan. The

<p>starting point for the information we make available.</p> <ul style="list-style-type: none"> ➤ The publication scheme lists the information we make available as part of our obligations under the Freedom of Information Act 2000. ➤ Feedback and requests made under the Freedom of Information Act 2000 are used to identify datasets for publication. 		<p>outcomes have been developed through extensive consultation with staff, members, residents and stakeholders.</p> <ul style="list-style-type: none"> ➤ Additional consultation work has been done to develop the Lichfield 2050 Strategy, centred around the key themes of Environment; Place; Prosperity and Health. ➤ These consultations have been carried out under the unified “Together We” branding rolled out by the council. ➤ Budget and strategic plan consultations undertaken in line with the Community Power Strategy are used to develop the Strategic Plan and Medium-Term Financial Strategy. ➤ The Council has reviewed and improved its Overview and Scrutiny arrangements ➤ The Council manages a number of social media streams, produces a resident newsletter and maintains websites that help underpin the Council’s strategic ambitions. ➤ The Council’s Contact Centre is the first contact point for customers/citizens. The Centre is a significant component in the distribution of information to residents and visitors, and for capturing information from customers to inform service development.
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		<ul style="list-style-type: none"> ➤ The Council has a customer feedback scheme for the public to make complaints, comments and compliments. The information gathered is used to improve services. ➤ The Complaints Charter provides guidance to staff on the Council's complaints process. A Monitoring report is presented annually to Audit and Member Standards Committee.
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C Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits

Supporting Principles:	
Defining outcomes	Sustainable economic, social and environmental benefits
How we do this:	
<ul style="list-style-type: none"> ➤ The Council's long-term vision and priorities are set out in the Strategic Plan. The document provides the basis for the Council's overall strategy, planning and decisions. ➤ The key priority outcomes that the Plan aims to achieve are: <ul style="list-style-type: none"> ○ Enabling people - to help themselves and others; to collaborate and engage with us; to live healthy and active lives. ○ Shaping place - to keep it clean, green and safe; to protect our most valuable assets; to make sure sustainability and infrastructure needs are balanced. ○ Developing prosperity – to encourage growth; to enhance the District for visitors; to invest in the future. ○ A good Council – that is financially sound, transparent and accountable; is 	<ul style="list-style-type: none"> ➤ The Local Plan encourages sustainable development within the Lichfield District area, and includes policies on a number of key themes, including sustainable communities, infrastructure, homes for the future, economic development and enterprise, and healthy and safe communities. ➤ The Council publishes an Infrastructure Funding Statement (IFS). The statement explains how the spending of forecasted income from CIL and Section 106 planning obligations will be prioritised. ➤ The Council is promoting Neighbourhood Plans which will guide future development, enable parish areas to receive a share of the financial benefits of development (Community Infrastructure Levy), and also allow them to set their own priorities for its investment. ➤ The procurement strategy seeks to embed social value principles (social, economic and

<p>innovative and customer focussed; has respect for everyone.</p> <ul style="list-style-type: none"> ➤ Cabinet and Leadership Team have identified the top priority issues that need to be achieved over the next 12 - 18 months. These priorities form the basis of the Medium Term Priorities Plan and will be embedded in future Service Plans. ➤ Performance reporting takes place in line with reporting on the Council's Medium Term Financial Strategy facilitating informed consideration of performance and budgetary pressures. ➤ The Council works with partner organisations where there are shared objectives and clear economic benefits from joint working. ➤ The Overview & Scrutiny Committee has an important role in helping to define and monitor outcomes. ➤ Local Government Association Peer Review has been used to provide a 'health check' on core components including priority setting, financial planning and viability. 	<p>environmental) in procurement and contract management.</p> <ul style="list-style-type: none"> ➤ Consideration is given to the environmental impact, financial implications and social impact (equality, diversity, human rights, crime & safety) of all Cabinet decisions.
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D Determining the Interventions Necessary to Optimise the Achievement of the Intended Outcomes

Supporting Principles:	
Determining and Planning Interventions	Optimising the Achievements of the Intended Outcomes
How we do this:	
<ul style="list-style-type: none"> ➤ The Strategic Plan sets out the Council's aspirations, focus and priorities. This along with a number of other key strategies, helps identify and determine any interventions that are necessary under the strategic themes outlined in the section above. ➤ The Council's decision-making process ensures decision makers receive a rigorous, objective 	<ul style="list-style-type: none"> ➤ The Medium Term Financial Strategy (MTFS) is driven by the Strategic Plan. The MTFS covers investments, the use of reserves, the approach to Council Tax, and the use of capital. It also considers medium term cost pressures and how these could be financed. ➤ The Council's Capital Strategy provides a high level overview of how capital expenditure, capital

<p>and robust analysis of options together with the risks associated with any proposed decision.</p> <ul style="list-style-type: none"> ➤ Consultation is undertaken as part of the decision-making process. Reports are required to set out the consultation that has taken place. 	<p>financing and treasury management activity contribute to the provision of services together with an overview of how associated risk is managed and the implications for future financial sustainability. It provides a framework for managing the Council’s capital programme and forms part of the Council’s integrated revenue, capital and balance sheet planning.</p> <ul style="list-style-type: none"> ➤ The Strategic Plan is supported by Performance Indicators that are monitored by the Cabinet and the Overview & Scrutiny Committee. ➤ Money Matters Reports are presented at quarterly intervals to Cabinet and Briefing Notes are provided to the Overview and Scrutiny Committee. Financial projections are updated in these reports. ➤ The Council engages with internal and external stakeholders through the Community Power Strategy to engage communities in local decisions and work with them to improve outcomes. ➤ The achievement of ‘social value’ forms part of the procurement strategy.
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E Developing Capacity, Including the Capability of Leadership and the Individuals Within it

<p>How we do this:</p> <ul style="list-style-type: none"> ➤ The Constitution sets out how the Council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The document identifies the roles and responsibilities of Member and officer functions, with clear delegation arrangements and protocols for decision making and communication. The Constitution is kept under continual review and changes are recommended to full council as appropriate. ➤ The Council is implementing an organisational change programme – Being a Better Council 2021-2024. It will enable the Council to be: <ul style="list-style-type: none"> ○ Better equipped – realigning service structures and rethinking how our services are delivered, and by whom. We will bring all residents’ facing services together and support them with better use of digital technologies that are second nature to our invisible competition. Where
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sensible, we will merge the functional elements of services (e.g. assessment and processing) and underpin their management and delivery with stronger performance management and greater clarity over what is expected of them.

- Better led – creating a strong ‘can do’ culture across the organisation and equipping all our managers with the right skills to do their jobs.
- Better performing – investing in the core capacity and capabilities of our workforce, to create an officer cohort capable of increased growth and performance.

- The Council has a training plan for Members, developed by the Employment Committee, reviewed in 2020, with another review planned for July 2023. The areas covered included safeguarding, planning enforcement, code of conduct and governance, the local plan, press and social media, and equality and diversity.
- The Chief Executive, Chief Operating Officer and Assistant Directors have annual performance targets. These are based on delivery of the Strategic Plan and the business risks anticipated for the year. Senior politicians appraise the Chief Executive’s performance against these targets and the Chief Executive appraises the Chief Operating Officer/Assistant Directors.
- OKRs are carried out for employees and training needs are identified as part of this process. An updated version of OKRs is planned for rollout during the 2023/24 year.
- A structured e-learning programme is available which greatly enhances the learning and development opportunities for a large cross-section of employees. Areas covered include fraud awareness and equalities.
- Employees are kept up to date with issues affecting the Council through regular emails from the Chief Executive, monthly ‘all-hands calls’ a dedicated LDC Teams Channel and a staff magazine.
- The Council has a Belonging and Wellbeing Strategy that aims:
 - to ensure all employees are supported
 - provide a positive environment that is compatible with promoting staff engagement, being an employer of choice, improving attendance, high organisational performance, resident focus and organisational performance.
- Local Government Association Peer Review was used to provide an external ‘health check’ in early 2022, on core components including political & managerial leadership, governance & decision making and organisational capacity

F. Managing Risks and Performance Through Robust Internal Control and Strong Public Financial Management

Supporting Principle:

Managing Risk

How we do this:

- The Council has a Risk Management Policy that defines the roles and responsibilities for managing risk.
- A Corporate Strategic Risk Register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its Strategic Plan. Risks are judged on their likelihood of occurrence and their potential impact. These are monitored by Senior Officers monthly and reported quarterly to Audit and Member Standards Committee.
- An 'Acceptable Use Policy' for IT seeks to ensure that all computer systems and networks owned or managed by the Council are updated in an effective, safe, ethical and lawful manner.
- Financial Procedure Rules form part of the Constitution and set out the financial management framework for ensuring the best use of resources. It outlines the financial roles and responsibilities for staff and Members and provides a framework for financial decision-making. The Rules ensure statutory powers and duties are complied with and reflect best professional practice.
- The Council has reviewed and revised its Contract Procedure Rules.
- The Chief Financial Officer provides effective financial management in accordance with the financial procedures and rules set out in the Constitution.
- There is Clarity over the role of Head of Paid Service and Monitoring Officer.
- Maintenance of an effective system of both internal and more detailed financial control is the agreed responsibility of Assistant Directors and Service Managers, who are responsible for managing their services within available resources, in accordance with agreed policies and procedures, and to support the sustainable delivery of strategic priorities in the Strategic Plan and maintain statutory functions. Elements include:
 - Monthly review of budgetary control information by budget holders and Assistant Directors to compare expected to actual performance and to forecast going forward.
 - Formal budgetary monitoring reports reviewed with budget holders and Assistant Directors at quarterly intervals. These look at actual performance and provide forecasts going forward
 - Money Matters reports are produced quarterly, reviewed by Leadership Team and reported to Overview and Scrutiny, Cabinet and Full Council.
- The Financial Management Code was applied from 1 April 2020.
- The Audit and Member Standards Committee provides independent assurance over governance, risk and internal control arrangements with a focus on financial management, financial reporting audit and assurance. The Committee is independent of the Executive and accountable to the governing body.

➤ The Audit and Member Standards Committee has approved a Counter Fraud Framework.
Supporting Principle:
Managing Performance
How we do this: <ul style="list-style-type: none"> ➤ The Strategic Plan outlines priorities. ➤ The Strategic Plan is supported by Performance Indicators that are monitored by Leadership Team, the Cabinet and the Overview & Scrutiny Committee. ➤ Service Plans will set out key priorities, objectives and risks for individual services. ➤ Performance is monitored by Leadership Team, Cabinet and the Overview and Scrutiny Committee. ➤ The Overview & Scrutiny function has been reviewed and improved to ensure effective oversight, constructive challenge and review. ➤ Reports provide clear objective analysis and advice including risk and assess financial, social and environmental implications. ➤ Performance on individual actions is registered on the Pentana system providing real-time performance information. ➤ Personal Development Reviews are used to assess performance and set goals and objectives at the individual level.
Support principle:
Robust Internal Control
How we do this: <ul style="list-style-type: none"> ➤ The Internal Audit Service provides an objective evaluation of internal controls to effectively manage risk and monitors any weaknesses identified to ensure these are addressed. ➤ Audit and Member Standards Committee is independent from the Executive and provides further assurance on the governance of risk management and internal control arrangements. ➤ Fraud is taken very seriously, and the Council has an anti-fraud and corruption policy and a whistleblowing policy which is reviewed annually and approved by the Audit and Member Standards Committee.
Supporting principle:
Managing Data
How we do this:

- The Council is committed to complying with General Data Protection Regulations (GDPR) and the Data Protection Act 2018. It is recognised that the correct and lawful treatment of personal data maintains public confidence and trust.
- Compliance with the Council’s Data Protection Policy is mandatory. The policy facilitates a unified GDPR compliant framework for all Members and officers when managing and processing customer data.
- In line with GDPR requirement the Council has appointed a Data Protection Officer (DPO) to oversee compliance with GDPR and provide advice in relation to the law. This is now an internal role rather than third party hire, allowing for a stronger and more responsive approach. The Council’s DPO, works closely with the Chief Operating Officer, who is the Council’s Senior Information Risk Owner (SIRO).
- Monitoring also includes an annual report of the Data Protection Officer to Audit and Member Standards Committee, internal/external audits and Information Commissioner reviews as appropriate.
- An action plan has been adopted to ensure recommendations in the 2021/22 internal audit of GDPR are delivered and reported as appropriate.
- We are registered as a Controller under the General Data Protection Regulation (GDPR) which governs how we manage and process the information we collect and retain. We have a nominated Data Protection Officer and procedures in place that explain how we use and share information, as well as arrangements for members of the public to access information.

Supporting principle:

Strong Public Financial Management

How we do this:

- Budget holders and Leadership Team review budgets on a monthly basis to monitor actual performance and review/update forecasts.
- Formal budgetary monitoring reports are reviewed with budget holders and Leadership Team at quarterly intervals.
- Money Matters reports considering financial performance against the financial strategy are produced quarterly. The reports are reviewed by Leadership Team and reported to the Overview and Scrutiny Committee and Cabinet.
- The Council has implemented the Financial Management Code developed by CIPFA in consultation with senior practitioners from local authorities and associated stakeholders.
- External Audit reviews the Council’s financial statements (including the Annual Governance Statement) providing an opinion on the accounts and the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
- The Audit and Member Standards Committee is independent of the Executive and accountable to the governing body. It considers the external audit opinion on value for money has part of its responsibility for monitoring the effectiveness of the control environment and value for money.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Supporting Principles:		
Implementing Good Practices in Transparency	Implementing Good Practice in Reporting	Audit and Delivering Effective Accountability
How we do this:		
<ul style="list-style-type: none"> ➤ The Agendas and Minutes of Cabinet and Committee meetings are published on the Council’s website. ➤ Upcoming Key Decisions are Published on the Cabinet’s Forward Plan. ➤ The Council has a Freedom of Information publication scheme 	<ul style="list-style-type: none"> ➤ The published Annual Statement of Accounts is a statutory summary of the Council’s financial affairs for the financial year. It provides clear information on the income and expenditure of the Council and sets out the Council’s stewardship of public money. ➤ The Annual Governance Statement and Local Code of Corporate Governance set out governance arrangements and consider their effectiveness against the seven key principles. ➤ The Audit and Member Standards Committee reviews and approves the Annual Statement of Accounts and the Annual Governance Statement. 	<ul style="list-style-type: none"> ➤ Accountability and decision-making arrangements are clearly defined within the Council’s constitution. ➤ The Audit and Member Standards Committee provides independent assurance to the Council on the adequacy and effectiveness of governance arrangements and internal control. ➤ Risk based internal audit, compliant with Public Sector Internal Audit Standards, provides ongoing assurance that key risks material to achieving the Council’s objectives are being managed. ➤ External Auditors carry out reviews of our internal control arrangements throughout the year. No weaknesses have been reported in their updates to Audit and Member Standards Committee during 2022/23

Annual Review of the Effectiveness of the Governance Framework

How has the Council Addressed the Governance Improvement Actions from 2021/22?

In 2022/23 no significant weaknesses in Governance/Internal Control were highlighted in the feedback received from members and senior officers.

Governance Review 2022/23

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

The review is informed by:

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

Looking Ahead

The requirement to appoint an Independent Member to the Audit Committee should be reviewed following the local elections and subsequent skills assessment of the committee composition. This remains an ongoing Governance consideration.

The Lichfield West Midland Traded Services Ltd - the Local Authority Trading Company (LATCo) will need to be monitored as the company expands to include Disabled Facilities Grants and Leisure Centre Management. Internal Audit have confirmed that this will be included in the 2023/24 audit planning process.

Conclusion of the Review

We consider the Governance Framework and Internal Control environment operating during 2022/23 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

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

Simon Fletcher
Chief Executive

Councillor Douglas Pullen
Leader of the Council

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**LICHFIELD DISTRICT COUNCIL
CODE OF CORPORATE GOVERNANCE 2023/24**

Introduction

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

Our Commitment

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

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

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

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

This Framework consists of seven Core Principles and it is proposed that it is these that the Code of Corporate Governance for Lichfield District Council 2022/23 is based.

The seven Core Principles are as follows:

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

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

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

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

B Ensuring Openness and Comprehensive Stakeholder Engagement

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

Outcomes

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

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

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

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

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

Outcomes

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

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

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

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

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

Outcomes

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

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

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

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

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

Outcomes

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

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

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

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

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

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

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

Outcomes

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

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

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

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

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

Outcomes

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

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

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

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
FINANCE								
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
Admin System Access Update						√*		* To be circulated as a briefing paper
INTERNAL AUDIT								
Chair of the Audit Committee's Annual Report to Council							√	
Annual Report for Internal Audit (including year-end progress report)							√	

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2022/23

Internal Audit Plan, Charter & Protocol 2023/24						√		
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			√					
Public Sector Internal Audit Standards and External Quality Assessment						√		
GOVERNANCE & PERFORMANCE								
Annual Governance Statement							√	
GDPR/Data Protection Policy			√		√		√*	*Verbal update to be provided
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								
Taxi Licencing Update					√*			*Requested at the November 2022 committee
EXTERNAL AUDITOR								
Audit Findings Report for Lichfield District Council 2021/22				√				
Auditor's Annual Report for Lichfield District Council 2021/22							*	*Deferred to 2023/24 at the request of the external auditors

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2022/23

Audit Plan (including Planned Audit Fee 2022/23)							*	*Deferred to 2023/24 at the request of the external auditors
Informing the Audit Risk Assessment - Lichfield District Council							*	*Deferred to 2023/24 at the request of the external auditors
Audit Committee LDC Progress Report and Update – Year Ended 31 March 2023							*	*Deferred to 2023/24 at the request of the external auditors
Private meeting with the Internal and External Auditors		√				√		

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