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Wednesday, 12 July 2023

Dear Sir/Madam

AUDIT AND MEMBER STANDARDS COMMITTEE

A meeting of the Audit and Member Standards Committee has been arranged to take place **THURSDAY, 20TH JULY, 2023 at 6.00 PM IN THE COMMITTEE ROOM** District Council House, Lichfield to consider the following business.

Access to the Committee Room is via the Members' Entrance.

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

Yours faithfully

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

Kerry Dove
Chief Operating Officer

To: Members of Audit and Member Standards Committee

Councillors Ho (Chair), Whitehouse (Vice-Chair), Marshall, Robertson, J Smith,
P Taylor, S Taylor, Vernon



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AGENDA

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Report by the Assistant Director Finance & Commissioning
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Report by the Audit Manager
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Report by the Audit Manager
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AUDIT AND MEMBER STANDARDS COMMITTEE

19 APRIL 2023

PRESENT:

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

48 APOLOGIES FOR ABSENCE

Apologies were received from Councillor R. Cross.

49 DECLARATIONS OF INTEREST

There were no declarations of interest.

50 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 23 March 2023, previously circulated, were taken as read and approved as a correct record.

51 ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

Anthony Thomas (Assistant Director Finance & Commissioning) presented the report to the committee. It was noted that there were minimal changes highlighted in blue and that the format reflects the requirements of the Code of Practice on Local Authority Accounting 2022/23. For information, the report includes reference to revenue from contracts with service recipients, though the authority remains unlikely to apply the policy at this stage. He confirmed that the PSAA has appointed Azets Audit Services Limited as the Council's external auditor for 5 years, beginning on April 1st, 2023. Mr Thomas confirmed that the pre-Covid-19 deadline for draft statement of accounts was being reinstated, bring the date one month earlier than has been the case in recent years.

In response to member questions, Mr Thomas confirmed that that leisure centre staff had now been TUPE over into the trading company. He confirmed that under the current forecast, the trading company was estimated to break even or produce a small profit in 2022/23. It is not currently predicted to be in a loss-making situation. In response to questions on the partnership with Evolve and whether the arrangements are best described as a 'joint venture', Mr Thomas confirmed he would review if the accounting policy would need to be updated to reflect the legal form and funding of the arrangement.

Regarding the scope of pension risk related to the Freedom Leisure contract, Mr Thomas confirmed an earmarked reserve had been set up to manage pension risk over the contract period to a level of c£200,000. Initial modelling by the Actuary of the risk identified a bond of £677,000 as value to cover the market related risks.

Responding to members questions about the accounts of Azets Services Ltd, Mr Thomas confirmed that the council is relying on the advice of the LGA and PSAA that the company has the capacity and skill to deliver the required audits.

RESOLVED: Subject to review mentioned by Mr Thomas and any subsequent minor changes, members approved:

2.1 The Council's proposed Accounting Policies that will form part of the 2022/23 Statement of Accounts subject to the accounting policy related to Joint Ventures being reviewed and if necessary updated.

2.2 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 Delegation 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.

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

Andrew Wood (Audit Manager) presented the report to the committee, noting that the committee work plan and attendance information sections were to be updated following the discussion. The Chair confirmed he was happy with the report and members noted the value of the committee.

RESOLVED: Members endorsed the proposed Annual report of the Audit & Member Standards Committee 2022/23 and approved that the Chair of the Audit & Member Standards Committee circulate the report to all Councillors.

53 ANNUAL REPORT FOR INTERNAL AUDIT (INCLUDING YEAR-END PROGRESS REPORT)

Mr Wood presented the report to the committee. He confirmed the framework of governance, risk management and internal control is adequate in its overall design and effectiveness. This plan has been shared with BDO and work is progressing for next year's audit. 85% of audit plan is currently completed and 3 audits from 2022/23 have been deferred into 2023/24 as previously reported to committee. Working with BDO managements to ensure audits completed in timely manner. Mr Wood highlighted that as reported to this committee on 23rd March 2023 the service underwent its External Quality Assessment 2022/23 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 to form the basis for the service's Quality Assurance and Improvement Plan which will be reported to committee in the new municipal year.

Responding to member questions, Mr Wood explained that a number of high priority recommendations have been made relating to climate change, however several of these are still not due yet. Senior management is working towards their implementation. He also confirmed that the level of resourcing is satisfactory in relation to GDPR, with a new in-house officer dedicated to the area.

RESOLVED: To note Internal Audit's Annual Report, including results for the quarter to 31 March 2023.

54 RISK MANAGEMENT UPDATE

Andrew Wood presented the report to committee. He confirmed that the strategic risk register had been updated, with minimal changes, highlighted in yellow. Scoring was reviewed on 29/03/2023 and no adjustments required. Leadership Team continue to monitor the risks on a regular basis.

Mr Wood confirmed he would have discussions with Leadership Team concerning where climate change would fit into the strategic risks.

Members suggested it would be helpful for the new committee membership to understand the role of other organisations in risk management - NHS contingency planning or county council for example – as well knowing what the role of councillors would be in contingency scenarios.

RESOLVED: That Members note the risk management update and receive assurance on actions taking place to manage the Council’s most significant risks.

55 ANNUAL GOVERNANCE STATEMENT 2022/2023

Mark Hooper (Governance Manager & Monitoring Officer) presented the Annual Governance Statement to the committee. He confirmed that a “Looking Ahead” section has been added to identify upcoming priorities. The inclusion of the LATCO was highlighted along with the composition of the post-local election committee would require a skills review to identify if an independent member would be beneficial. He stated that the Governance arrangements of the council are evolving to meet the challenges that we face.

RESOLVED: The Audit and Member Standards Committee reviewed and approved the Draft Annual Governance Statement to form part of the 2022/23 Statement of Accounts.

The committee delegated 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.

The committee approved the Local Code of Corporate Governance for 2023/24.

56 GDPR/DATA PROTECTION POLICY - VERBAL UPDATE

Laura Brentnall (Compliance and Data Protection Officer) gave a verbal update to the committee. She confirmed that service reviews will be going ahead looking at processes, systems, retention schedules, privacy etc. HR and Governance will be reviewed first, followed later by Elections.

She confirmed that the pdf redaction system currently in place is generating issues and that a quote would be sought to look at potential changes. There would also be changes to the disciplinary policy related to GDPR.

In terms of resourcing, Laura Brentnall stated that whilst there was no risk to the authority, there was a natural risk to her personal resourcing but confirmed she would flag this to the committee if that needs backing up with further support.

Members highlighted the challenges posed by A.I. to GDPR and flagged the upcoming European Parliament A.I. Act as a potential instructive measure on how to deal with this.

RESOLVED: Members noted the verbal update

57 WORK PROGRAMME

Members reviewed the work programme as a record of the committees work over the past year. The Chair expressed his thanks to all committee members and praised officers for their contributions.

RESOLVED: The committee acknowledged the work programme.

(The Meeting closed at 6.59 pm)

CHAIR

Annual Treasury Management Report

Agenda Item 4

Cabinet Member for Finance and Commissioning

Date: 20 July 2023
Agenda Item: 4
Contact Officer: Anthony Thomas
Tel Number: 01543 308012
Email: Anthony.thomas@lichfielddc.gov.uk
Key Decision? YES
Local Ward Members: Full Council



AUDIT AND MEMBER STANDARDS COMMITTEE

1. Executive Summary

- 1.1 The report covers the Treasury Management performance for the financial year 2022/23.
- 1.2 The Capital Programme was (**£1,177,055**) lower than the Approved Budget with under performance on the Birmingham Road Site Enabling Works (**£385,000**), Disabled Facilities Grants (**£181,327**) and Cinema Development (**£175,613**) being the most significant projects.
- 1.3 Income from Capital Receipts was lower than the Approved Budget by **£699,990**. The main reason is that the planned sale of Venture House was not completed.
- 1.4 The funding of the Capital Programme in 2022/23 reflects the actual expenditure of (**£3,572,946**). This includes lower funding from capital receipts because the use of funding from other sources, that have more restrictions, was prioritised.
- 1.5 Minimum Revenue Provision at **£429,204** was in line with the Approved Budget of **£430,000**.
- 1.6 Assets less liabilities on the Balance Sheet at **£82,879,666¹** is **£38,476,666** higher than the budget of **£44,403,000** and this variance is offset in Total Equity (Usable and Unusable Reserves). These variances are explained at 3.22 and 3.23 however; are in the main related to the Long Term Pension Liability assessed by the Pension Fund Actuary becoming a Long Term Asset. These accounting entries are statutorily offset by an Unusable Pension Reserve.
- 1.7 Investments at **£45,549,524** were **£603,524** higher than the Approved Budget of **£44,946,000**. This was due to higher working capital (amounts owed to other bodies or grants received in advance of payment) and higher unapplied grants and contributions. This is also reflected in the lower liability benchmark of (**£34,484,124**) compared to the Approved Budget of (**£33,882,000**) shown at **APPENDIX B**.
- 1.8 The net treasury position was in line with the Approved Budget.
- 1.9 The Council's investments achieved a risk status of **A+**, which was more secure than the aim of **A-**, and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.
- 1.10 The report confirms the Council was compliant with all Treasury Limits and Prudential Indicators for 2022/23.

2. Recommendations

- 2.1 To review the report and issues raised within.
- 2.2 To review the actual 2022/23 Prudential Indicators contained within the report.

¹ Subject to the Audit Opinion for both 2021/22 and 2022/23 Financial Statements.

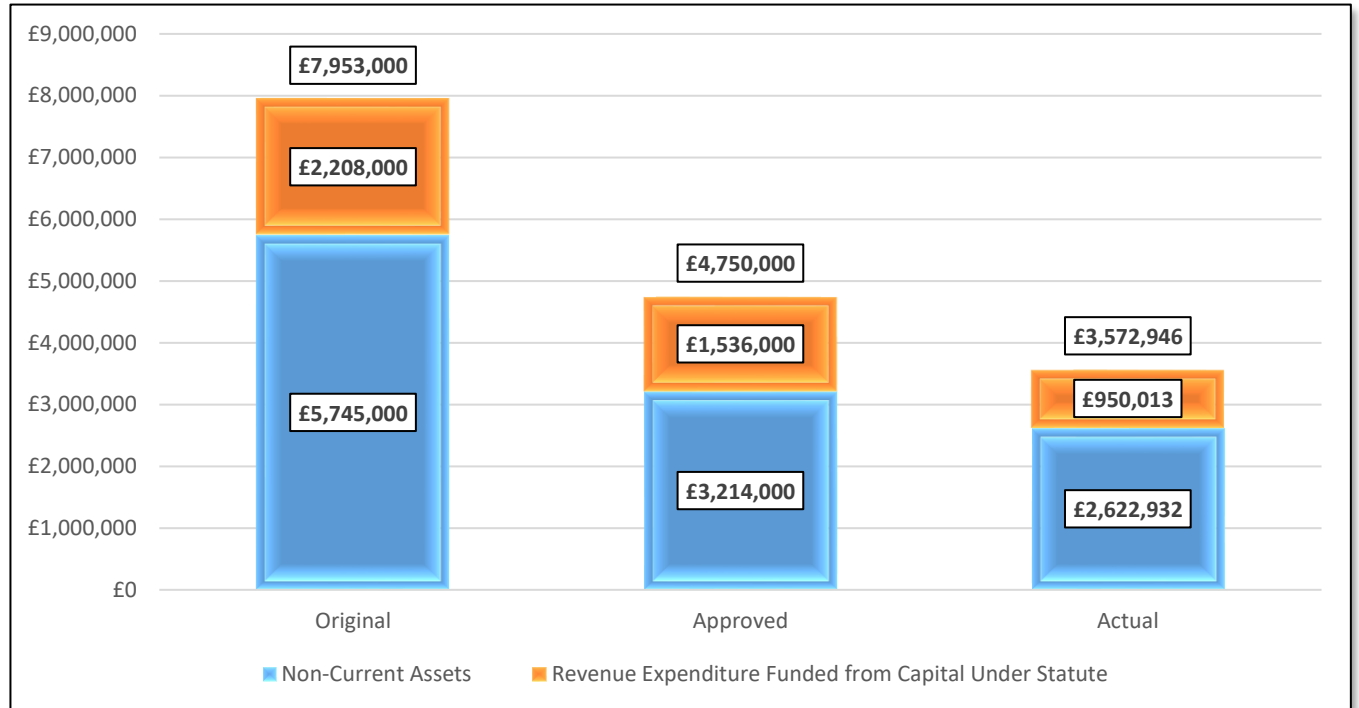
3. Background

The Capital Programme and Treasury Management

- 3.1 This Annual Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2022/23 and the actual Prudential Indicators for 2022/23.
- 3.2 Treasury Management is defined as: *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 3.3 Overall responsibility for Treasury Management remains with the Council. No Treasury Management activity is without risk; the effective identification and management of risk are integral to our Treasury Management objectives.
- 3.4 Our Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year. We report regularly to the Cabinet and Audit and Member Standards Committee on Treasury policy, strategy and activity.
- 3.5 This report is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential code and
- presents details of capital spend, capital financing, borrowing and investment transactions;
 - reports on the risk implications of Treasury decisions and transactions;
 - gives details of the outturn position on Treasury Management transactions in 2022/23;
 - confirms compliance with Treasury limits and Prudential Indicators.
- 3.6 The performance of the Treasury Management function should be measured against the investment objectives of **Security** (the safe return of our monies), **Liquidity** (making sure we have sufficient money to pay for our services) and **Yield** (the return on our investments) contained in Statutory Guidance.
- 3.7 In addition, external borrowing is considered against the objectives of it being **affordable** (the impact on the budget and Council Tax), **prudent** and **sustainable** (over the whole life).

The Capital Programme

3.8 A summary of the Capital Programme performance from Budget to the Actual for 2022/23 is shown in detail at **APPENDIX A** and in the chart below:



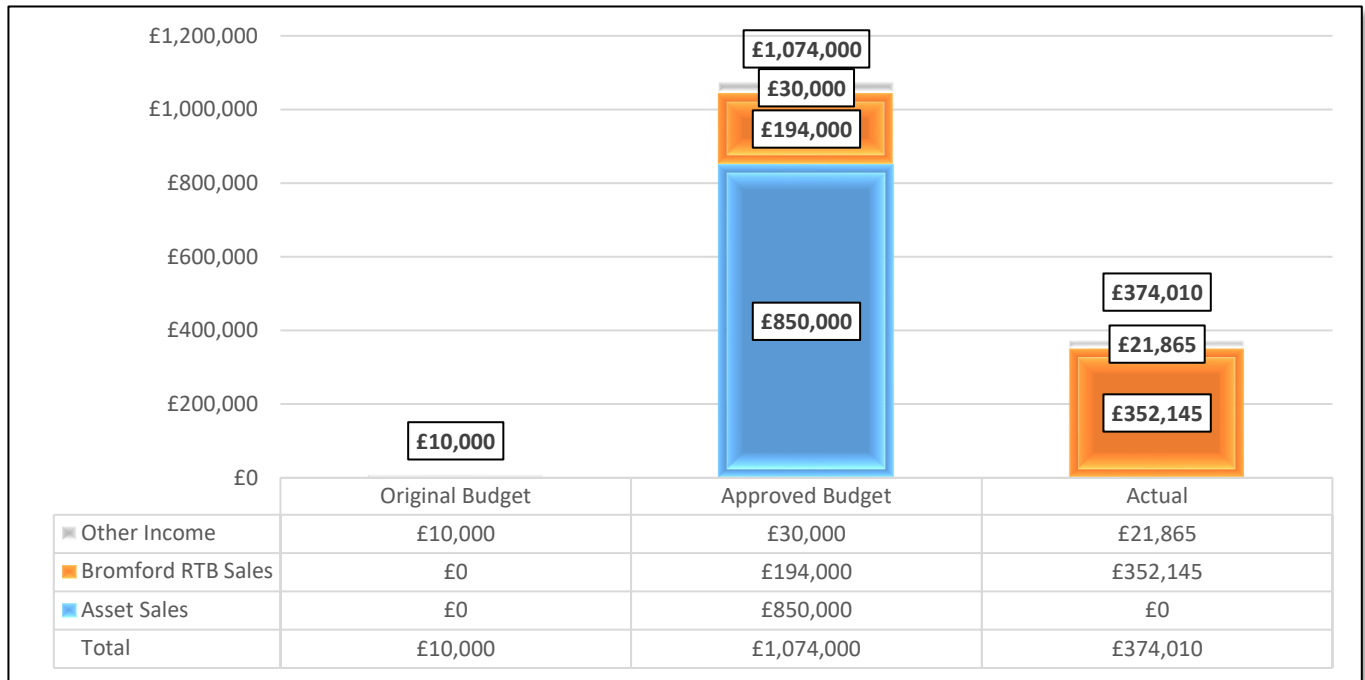
3.9 Capital expenditure was **£3,572,946** and this is **(£1,177,055)** or **25%** less than the Revised Approved Budget of **£4,750,000**.

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

	Variances	
	Slippage	Other
* Disabled Facilities Grants	(£181,000)	
* Friary Grange Refurbishment	(£134,000)	
* Other Projects	(£20,000)	(£33,607)
Enabling People Total	(£335,000)	(£33,607)
* Bin Purchase (funded from the Revenue Budget)		98,600
* Loan to Council Owned Company	(£57,000)	
* Public Conveniences	(£85,000)	
* Other Projects	(£68,000)	(£1,107)
Shaping Place Total	(£210,000)	£97,493
* BRS Enabling Works	(£385,000)	
* Cinema Development	(£176,000)	
* Car Parks – Variable Message Signing	(£130,000)	
* Other Projects	(£61,000)	£16,176
Developing Prosperity Total	(£609,000)	£16,176
* Building a Better Council	(£165,000)	
* Other Projects	£25,000	£36,883
A Good Council Total	(£140,000)	£36,883
Total Variance	(£1,294,000)	£116,945
	(£1,177,055)	

Capital Receipts

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

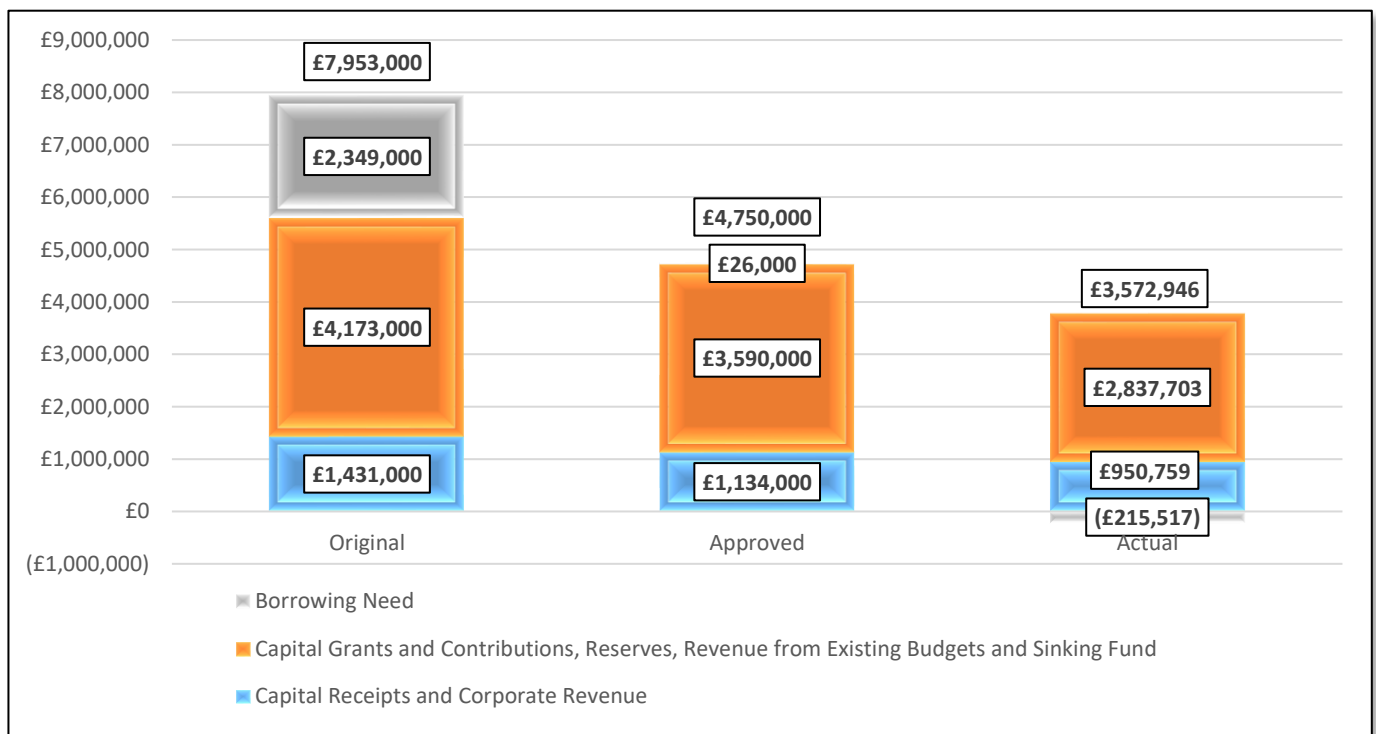


3.12 Capital receipts were **£699,990** lower than the Approved Budget. The main reason is that the planned sale of Venture House was not completed during 2022/23.

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

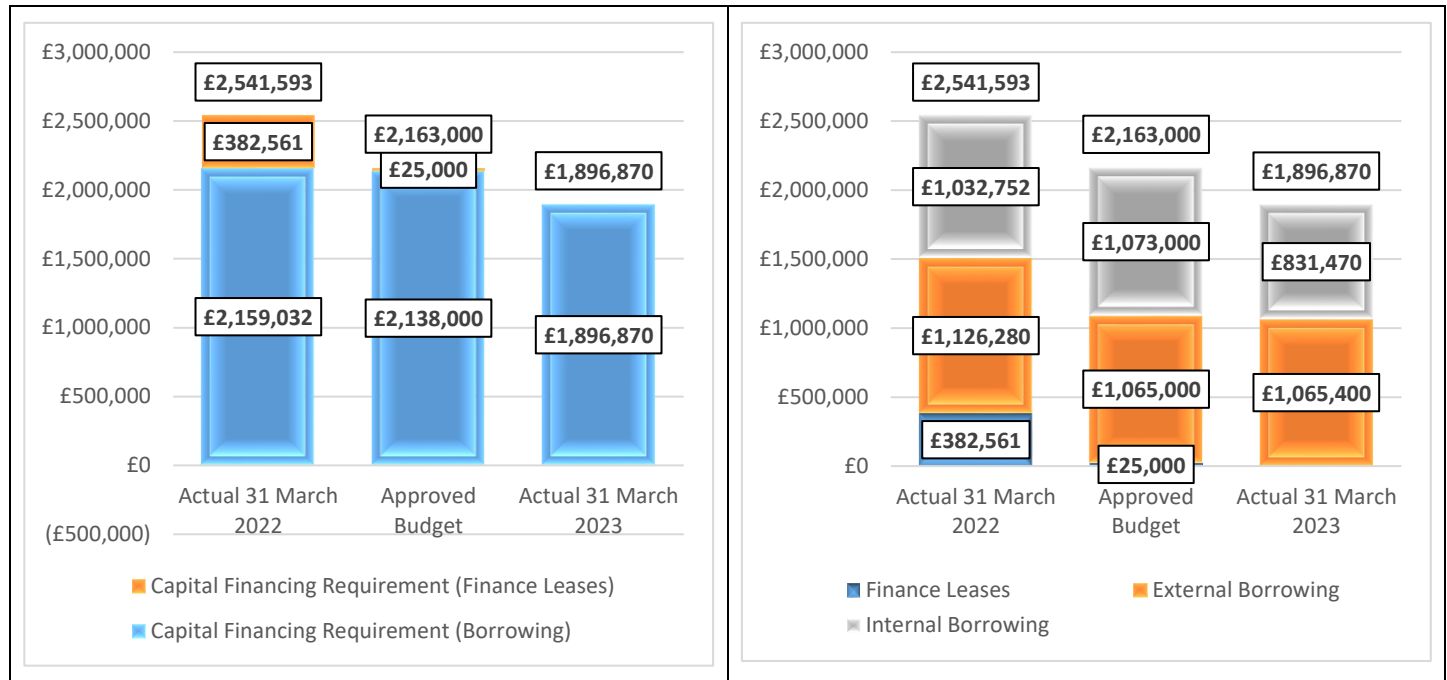
The Funding of the Capital Programme

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



The Capital Financing Requirement (Borrowing Need) and its Financing

3.15 The actual and Budgeted Borrowing Need and its financing is shown below:



3.16 The report to Cabinet on 14 February 2023, identified that **£216,000** of development costs for the new Leisure Centre would be funded by existing budgets or an earmarked reserve.

3.17 As part of the MTFs approved by Council on 28 February 2023, this funding was allocated from an earmarked reserve.

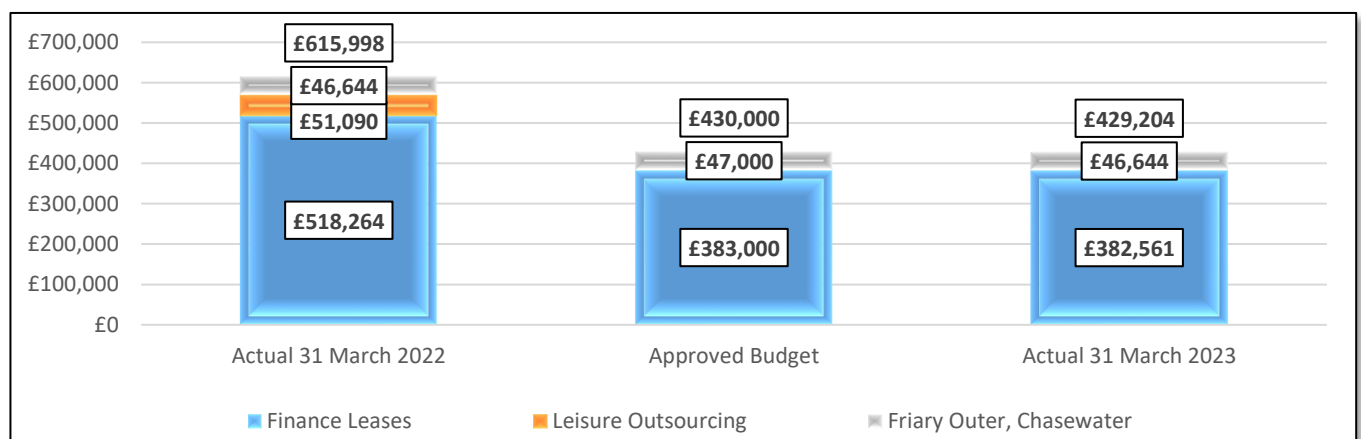
3.18 This approach ensures £10m of funding is available for the new leisure centre and has also reduced the Capital Financing Requirement (Borrowing Need) by **(£216,000)**.

3.19 The Liability Benchmark (the lowest risk level of borrowing) was **(£34,484,000)** and is lower compared to the Approved Budget of **(£33,882,000)** as shown at **APPENDIX B**. This is primarily due to higher usable reserves.

3.20 It indicates that the Council does not currently need to externally borrow to fund its Capital Financing Requirement and was the reason Council was able to approve £5m of internal borrowing to fund the new leisure centre.

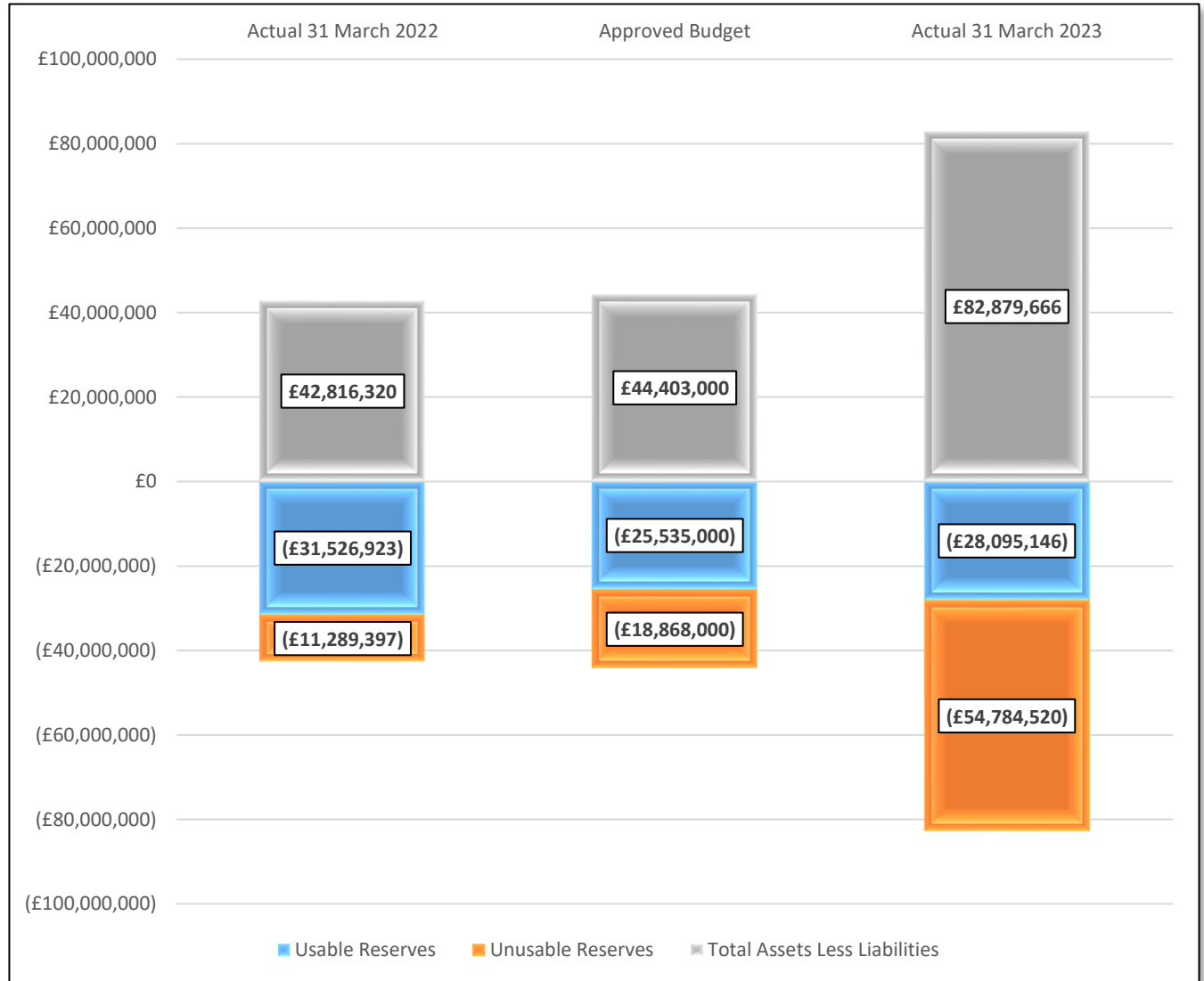
Minimum Revenue Provision in 2022/23

3.21 The Minimum Revenue Provision charged to revenue in 2021/22, budgeted in 2022/23 and the actual in 2022/23 is shown below:



The Balance Sheet

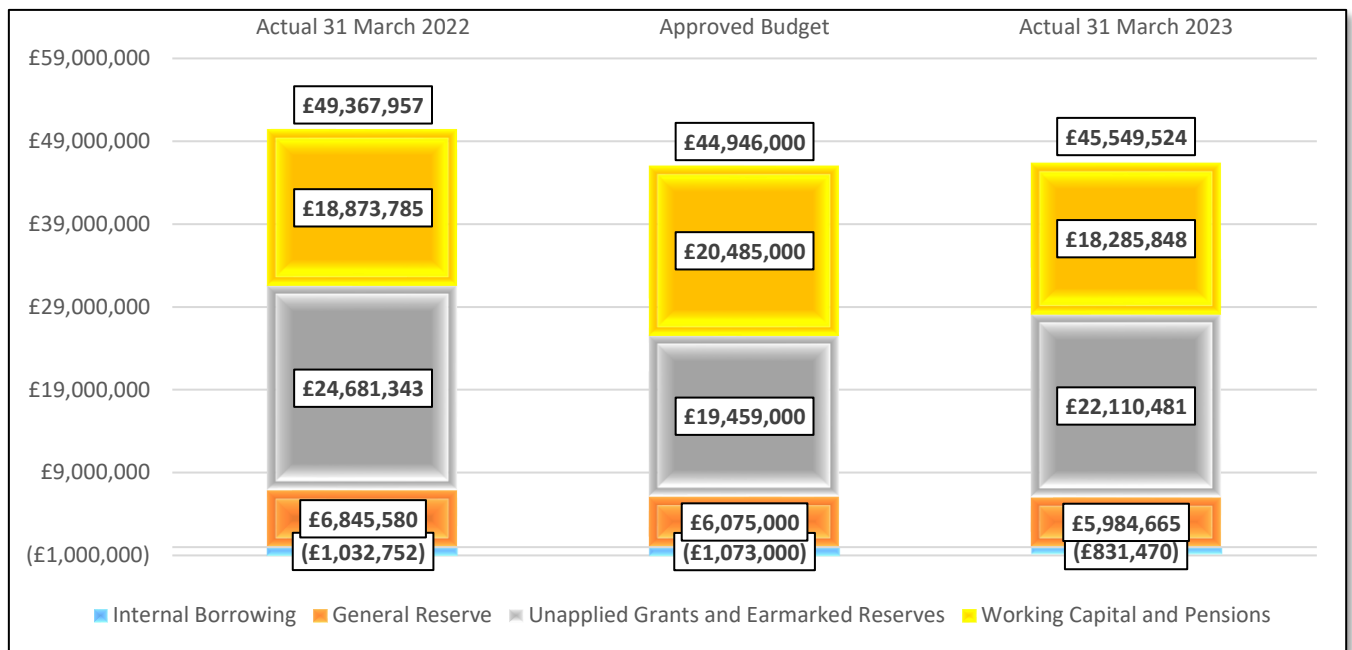
3.22 The actual Balance Sheet for 2021/22 together with the budgeted and actual Balance Sheet for 2022/23 are shown in detail at **APPENDIX B** and are summarised below:



3.23 The main reasons for the variance between the budgeted and actual Balance Sheet for 2022/23 are:

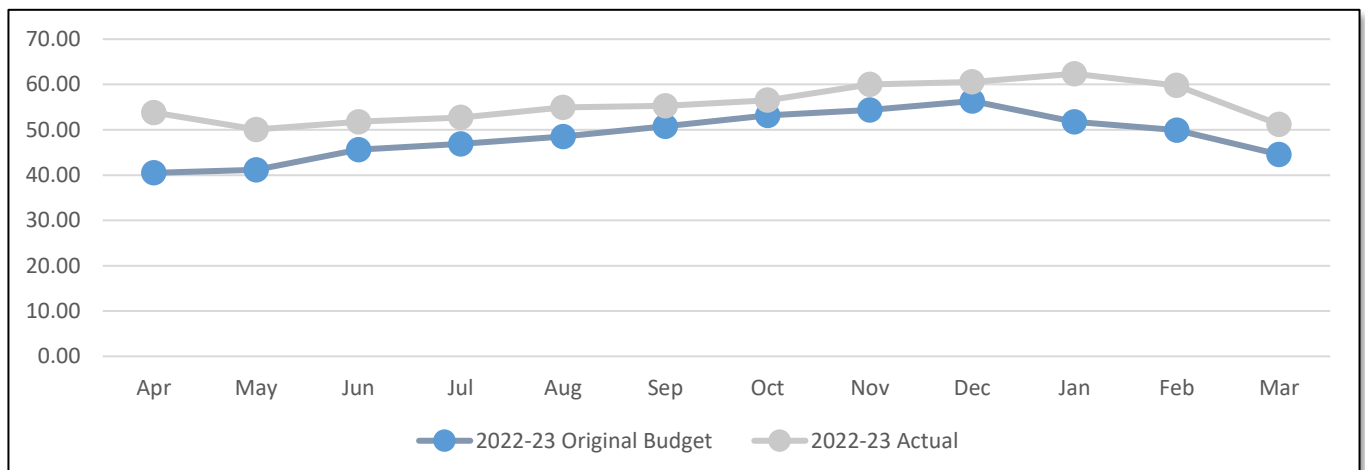
Area	Pensions £000	Assets £000	Current £000	Total £000
Pension liability now assessed as an asset by the Actuary	30,569			30,569
Higher Investments due to more net cash from changes in reserves and working capital			1,164	1,164
Higher Non-current assets due to valuation increases and spend		3,591		3,591
Lower Working capital			3,472	3,472
Other			(319)	(319)
Total Assets less Liabilities	30,569	3,591	4,317	38,477
Higher Earmarked Reserves			(3,403)	(3,403)
Lower Capital Receipts and Burntwood Sinking Fund			587	587
Lower Unapplied Capital Grants			165	165
Lower General Reserves			90	90
Total Usable Reserves			(2,561)	(2,561)
Lower Pensions Reserve to match the Pension liability	(30,569)		(1,218)	(31,787)
Increase in Revaluation Reserve and Capital Adjustment Account		(3,591)	(249)	(3,840)
Lower Other Reserves including Collection Fund			(289)	(289)
Total Unusable Reserves	(30,569)	(3,591)	(1,756)	(35,916)
Total Equity	(30,569)	(3,591)	(4,317)	(38,477)

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



Cash Flow Forecasts

3.25 The graph below shows the average investment levels (in £m) throughout the 2022/23 financial year compared to the Original budget:



3.26 The cash flow variance is primarily due to lower spend than forecast.

3.27 The Treasury Management Performance for both investment income and borrowing in 2022/23 was:

Treasury Management	2022/23			
	Revised Budget		Actual	
	Investment Income	Borrowing	Investment Income	Borrowing
Average Balance	£55.96m	£1.08m	£55.72m	£1.08m
Average Rate	2.44%	2.59%	2.55%	2.59%
Gross Investment Income	(£1,367,500)		(£1,434,614)	
Pooled Fund Transfer to Reserves	£390,500		£492,545	
External Interest		£67,000		£28,136
Internal Interest		£1,000		£2,663
Minimum Revenue Provision (less Finance Leases)		£47,000		£46,644
Net Treasury Position	(£977,000)	£115,000	(£942,069)	£77,443
	(£864,270)		(£864,626)	

Investment Strategy

3.28 The Council undertakes investments for three broad purposes:

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

3.29 The Government has recognised in recent Department of Levelling Up, Housing and Communities (DLUHC) guidance, as a result of increased commercial activity, that the principles included in Statutory Guidance requiring that all investments should prioritise security and liquidity over yield must also be applied to service and commercial investments.

3.30 The DLUHC guidance requires the approval by Council of an Investment Strategy Report to increase the transparency around service and commercial investment activity. The Council approved its Investment Strategy Report on **16 February 2022 (updated 28 February 2023).**

Service Investments

3.31 There are two significant approved investments of a service nature included in the Approved Budget for 2022/23 and these are detailed below:

	Budget	Actual	Variance
Approved Loan to the LWMTS	£57,000	£0	(£57,000)
Net Income	£860	£0	(£860)
Net Return	4.00%	0%	(4.00%)
Approved Loan to the Joint Venture	£240,000	£64,387	(£175,613)
Net Income (assumed revenue budget neutral)	0	0	0
Net Return	0	0	0

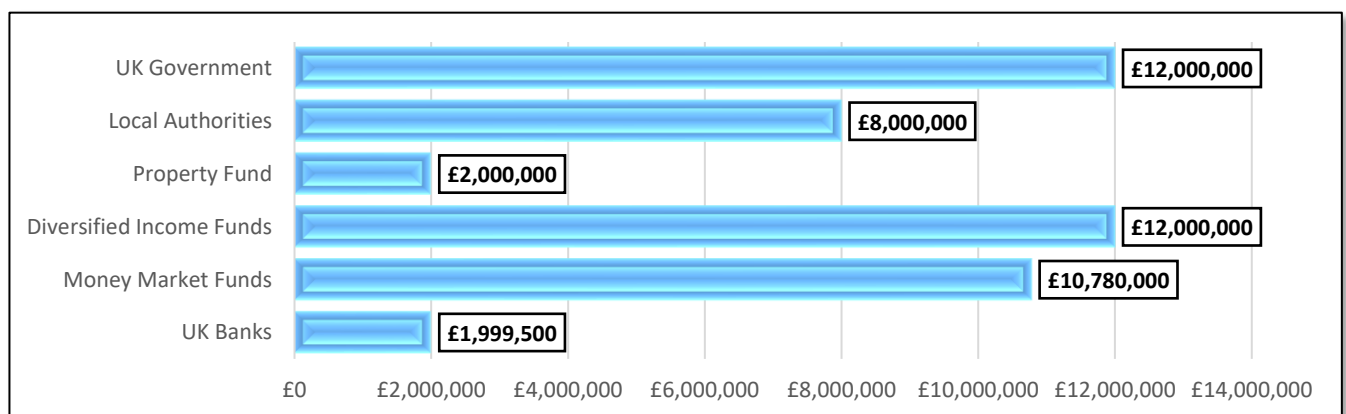
Commercial Investments

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

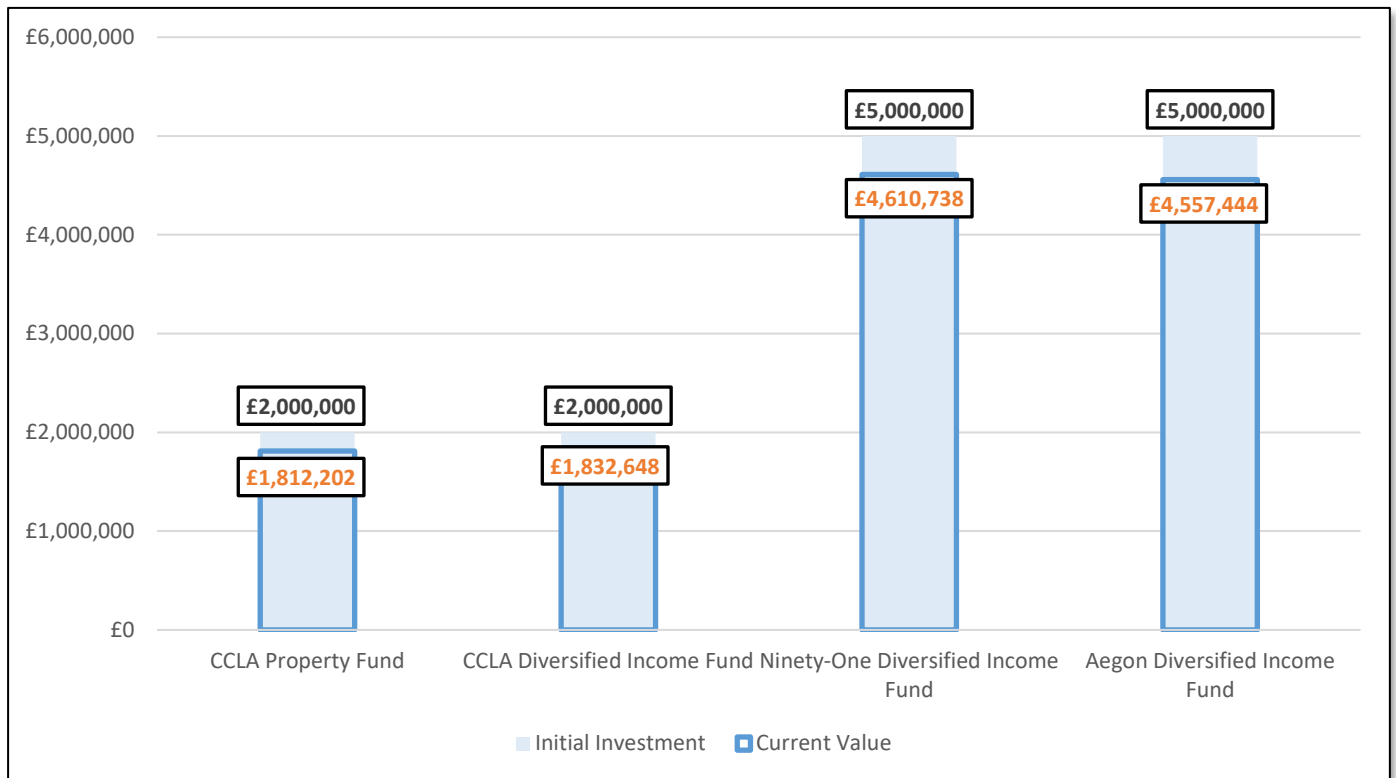
Treasury Management Investments

The Security of Our Investments

3.33 The investments the Council had at the 31 March 2023 of **£46.78m** (with the property fund and diversified income funds valued at their original investment value), by type and Country, are summarised below and in detail at **APPENDIX C:**



3.34 The current value of the Property Fund and Diversified Income Fund investments is:



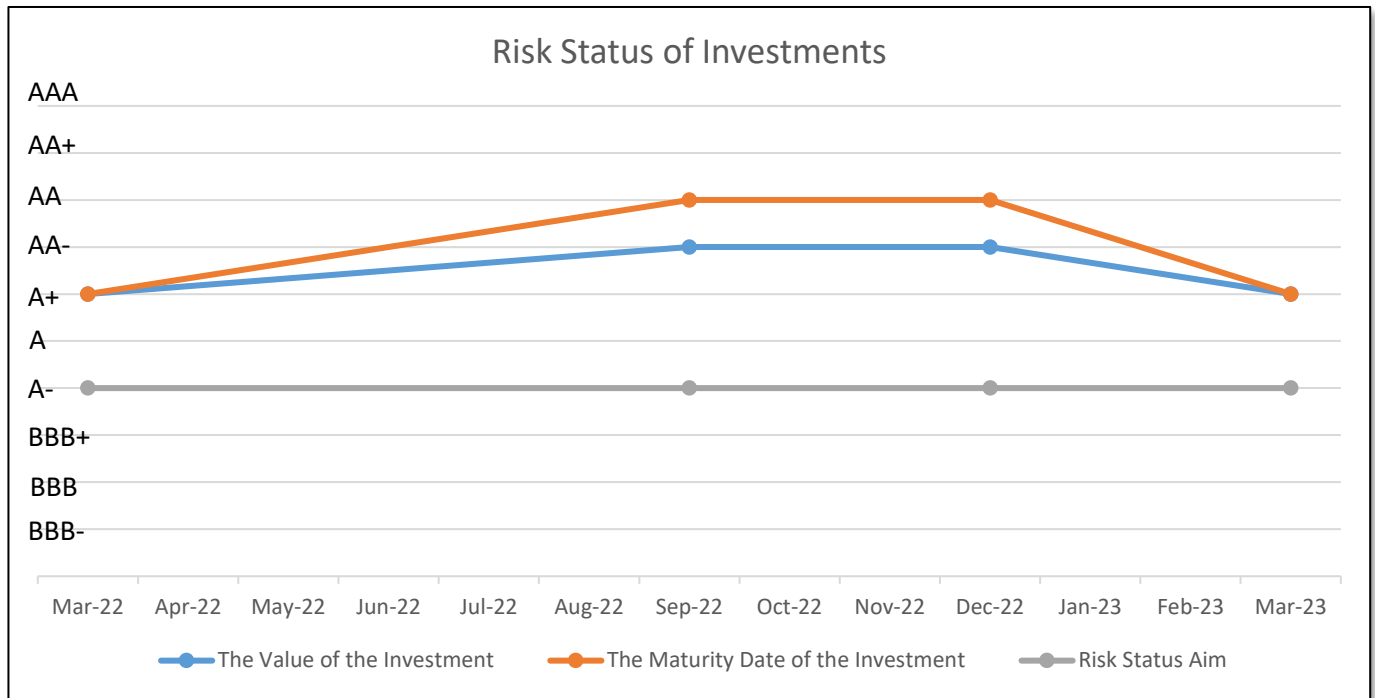
3.35 In terms of strategic investments, there is a 'book loss' of **£1,186,969** and the earmarked reserve to manage volatility risk is **£821,835**.

Strategic Investments Volatility Reserve		Fund Book Gains/(Losses)	
Opening Balance 01/04/2022	£329,290	CCLA Property Fund	(£187,798)
Approved Transfers 2022/23	£492,545	CCLA Diversified Income Fund	(£167,352)
		Ninety-One Diversified Income Fund	(£389,262)
		Aegon Diversified Income Fund	(£442,556)
Closing Balance 31/03/2023	£821,835	Net Book Loss as at 31/03/2023	(£1,186,969)
Shortfall	(£365,134)		

3.36 The Council's portfolio size (with the property fund and diversified investment funds valued at their current values of **£12.8m**), average credit score, diversification, and exposure to 'Bail in' risk compared to Arlingclose Clients is shown below:

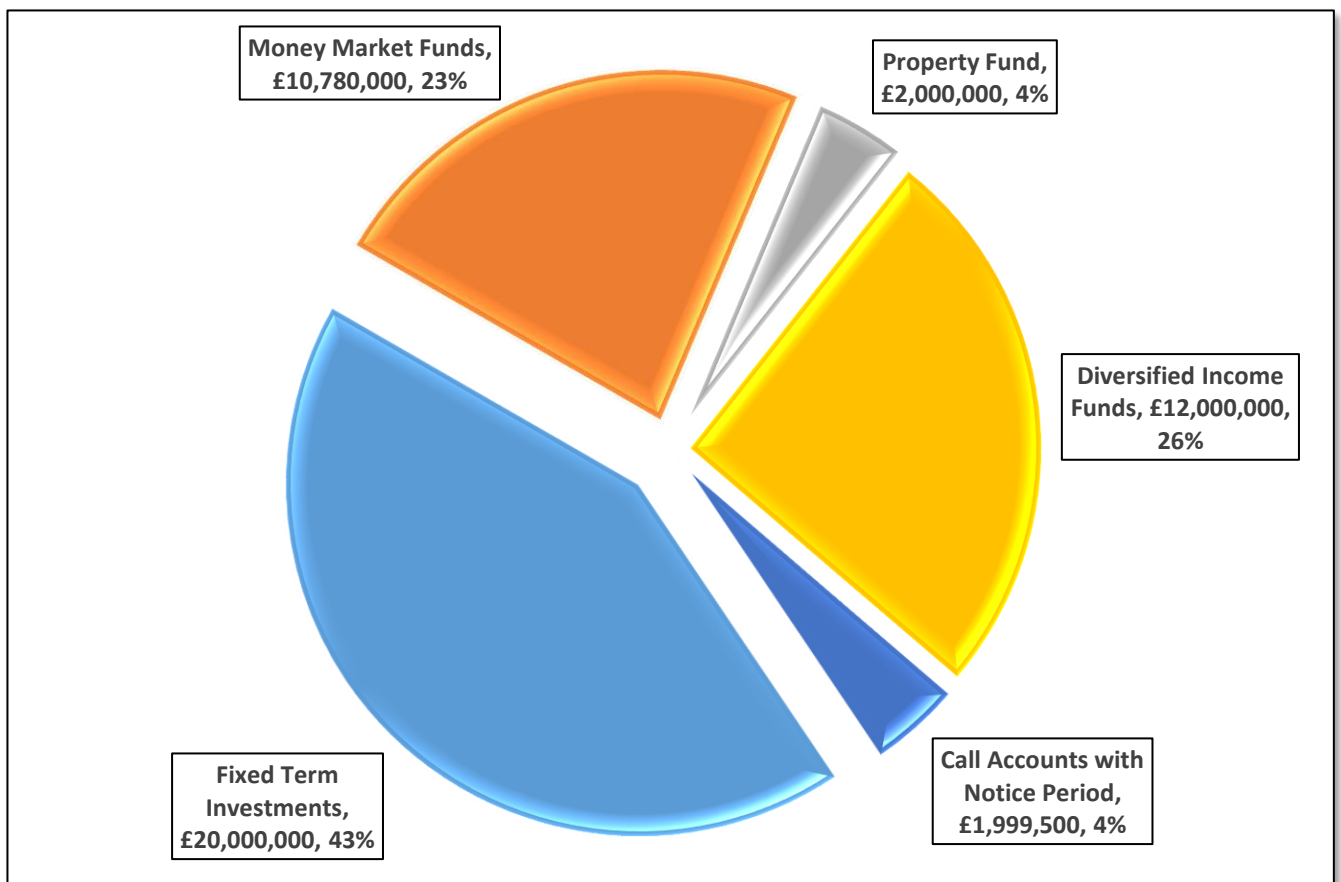


3.37 Our aim for the risk status of our investments was **A-** or higher. The risk status based on the length of the investment and the value from March 2022 to March 2023 is summarised in the graph below:

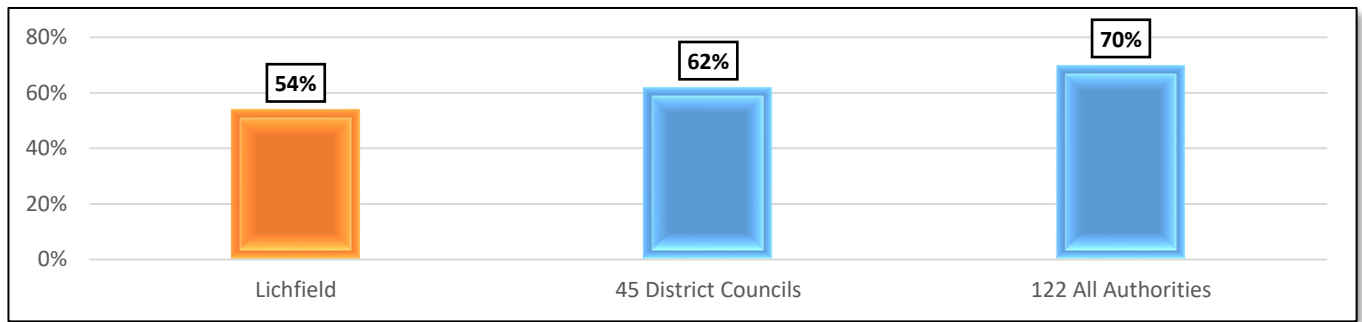


The Liquidity of our Investments

3.38 The Council did not have to temporarily borrow during 2022/23. It retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type are shown below:

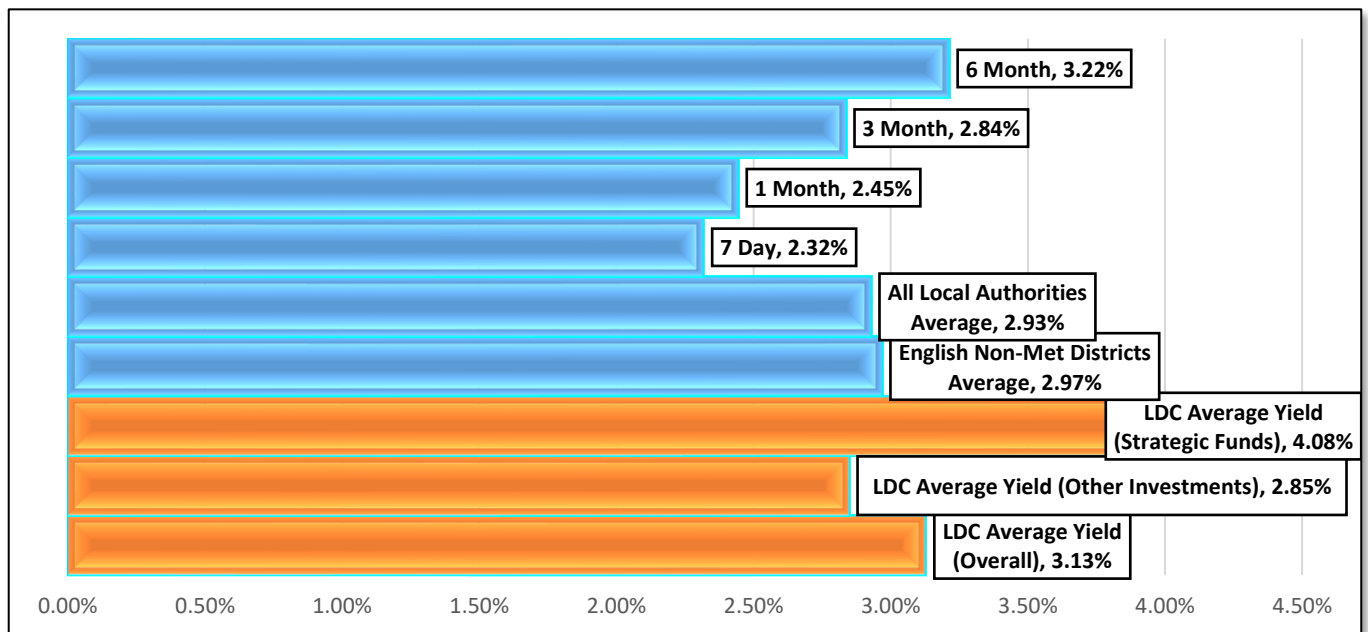


3.39 The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is below:



The Return or Yield of our Investments

3.40 The yield the Council was achieving as at 31 March 2023 compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown below:



3.41 This graph shows the rate achieved on 31 March 2023, whereas the table at 3.25 shows the average yield for the whole financial year.

External Borrowing

3.42 At the end of the year, the Council had one long-dated PWLB loan totalling **£1,065,400** that was largely unchanged over the year, other than for the scheduled semi-annual principal repayments, at an interest rate of **2.59%** with **17.01** years to maturity. This is shown in detail at **APPENDIX C**.

IFRS 9 Statutory Override

3.43 In early 2023 there was informal notification that the IFRS 9 statutory override on accounting for gains and losses on pooled investment funds would be extended for two years and remain in place for the 2023/24 and 2024/25 financial years. This was confirmed by DLUHC on 6th April. Whether the override will be extended beyond the new end date is unknown but the commentary to the consultation outcome suggests maybe not.

Alternative Options

There are no alternative options.

Consultation

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

Financial Implications

- We can confirm that the Council has complied with its Prudential and Local Indicators for 2022/23; these were originally approved by Council at its meeting on 22 February 2022 and were fully revised and approved by Council on 28 February 2023.
- In compliance with the requirements of the CIPFA Code of Practice this report provides members with a Summary Report of the Treasury Management Activity during 2022/23.
- None of the other Prudential and Local Indicators have been breached. The Prudential and Local Indicators are summarised in the table below:

Capital Strategy Indicators					
Prudential Indicators					
Indicators	2021/22 Actual	2022/23 Original	2022/23 Revised	2022/23 Actual	Compliant
Capital Investment					
Capital Expenditure (£m)	£4.741	£7.953	£4.750	£3.573	✓
Capital Financing Requirement (£m)	£2.542	£4.637	£2.163	£1.897	✓
Gross Debt and the Capital Financing Requirement					
Gross Debt	(£1.509)	(£1.863)	(£1.066)	(£1.065)	✓
Borrowing in Advance – is Gross Debt higher than the Capital Financing Requirement	No	No	No	No	✓
Total Debt					
Authorised Limit (£m)	£3.204	£15.238	£19.993	£1.509	✓
Operational Boundary (£m)	£3.204	£6.811	£7.565	£1.509	✓
Proportion of Financing Costs to Net Revenue Stream (%)	5%	4%	4%	4%	✓

Local Indicators					
Indicators	2021/22 Actual	2022/23 Original	2022/23 Revised	2022/23 Actual	Compliant
Replacement of Debt Finance or MRP (£m)	(£0.616)	(£0.459)	(£0.429)	(£0.429)	✓
Repayment of Burntwood Leisure Centre Loan (£m)	(£0.306)	£0.000	£0.000	£0.000	✓
Funding Development based Costs for Leisure Centre (£m)	£0.000	£0.000	£0.000	(£0.216)	✓
Capital Receipts (£m)	(£0.121)	(£0.010)	(£0.880)	(£0.022)	✓
Housing Capital Receipts (£m)	(£0.395)	£0.000	(£0.194)	(£0.352)	✓
Liability Benchmark (£m)	£38.242	£19.075	£33.881	£34.484 ²	✓
Treasury Management Investments (£m)	£49.368	£30.936	£44.946	£45.550 ³	✓

Treasury Management Indicators				
Prudential Indicators				
	Lower Limit	Upper Limit	As at 31/03/23	Compliant
Refinancing Rate Risk Indicator				
Under 12 months	0%	100%	5.71%	
12 months and within 24 months	0%	100%	5.71%	
24 months and within 5 years	0%	100%	17.14%	
5 years and within 10 years	0%	100%	28.57%	
10 years and within 20 years	0%	100%	42.86%	✓
20 years and within 30 years	0%	100%	0%	
30 years and within 40 years	0%	100%	0%	
40 years and within 50 years	0%	100%	0%	
50 years and above	0%	100%	0%	

² This figure is provisional at this time due to the accounts not yet being completed.

³ Excluding accounting adjustments

	2021/22	2022/23	2022/23	2022/23	Compliant
Indicators	Actual	Original	Revised	Actual	
Principal Sums invested for periods longer than a year (£m)	£10.000	£15.000	£15.000	£14.000	✓
Local Indicators					
	2021/22	2022/23	2022/23	2022/23	Compliant
Indicators	Actual	Original	Revised	Actual	
Balance Sheet Summary and Forecast					
Borrowing Capital Financing Requirement	£2.160	£4.636	£2.138	£1.897	✓
Internal (over) Borrowing	£1.033	£2.773	£1.073	£0.832	✓
Investments (or New Borrowing)	(£49.368)	(£30.936)	(£44.946)	(£45,550)	✓
Liability Benchmark	(£38.242)	(£19.075)	(£33.881)	(£34.484) ⁴	✓
	Target	2022/23	Compliant		
		Actual			
Security					
Portfolio average credit rating	A-	A+	✓		
Liquidity					
Temporary Borrowing undertaken	£0.000	£0.000	✓		
Total Cash Available within 100 days (maximum)	90%	71%	✓		

Approved by Section 151 Officer	Yes
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Legal Implications	No specific legal implications. The recommended Medium Term Financial Strategy, is part of the Budget Framework and will therefore require the approval of Full Council.
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Approved by Monitoring Officer	Yes
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Contribution to the Delivery of the Strategic Plan	The MTFs underpins the delivery of the Strategic Plan.
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Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
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EIA logged by Equalities Officer	Equalities Officer confirmed not required.
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Crime & Safety Issues	There are no additional Crime and Safety Issues.
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Environmental Impact (including Climate Change and Biodiversity).	There are no additional Environmental Impacts. Environmental, Social and Governance (ESG) of counterparties is a factor that will likely form part of the revised Treasury Management Code.
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GDPR/Privacy Impact Assessment	There are no additional GDPR/Privacy Impact Assessment Impacts.
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⁴ This figure is provisional at this time due to the accounts not yet being completed.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of Finance				
A	Council Tax is not set by the Statutory Date of 11 March 2024	Likelihood: Green Impact: Red Severity of Risk: Yellow	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax Requirements.	Likelihood: Green Impact: Red Severity of Risk: Yellow
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	Likelihood: Yellow Impact: Red Severity of Risk: Red	To closely monitor the level of appeals. An allowance for appeals has been included in the Business Rate Estimates.	Likelihood: Green Impact: Green Severity of Risk: Green
C	The review of the New Homes Bonus regime	Likelihood: Red Impact: Red Severity of Risk: Red	The Council responded to the consultation. In the MTFs, no income is assumed beyond 2024/25.	Likelihood: Red Impact: Yellow Severity of Risk: Yellow
D	The increased Localisation of Business Rates, Business Rate Reset and the Review of Needs and Resources	Likelihood: Red Impact: Red Severity of Risk: Red	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Likelihood: Red Impact: Red Severity of Risk: Red
E	The affordability and risk associated with the Capital Strategy	Likelihood: Yellow Impact: Red Severity of Risk: Red	A property team has been recruited via the Company to provide professional expertise and advice in relation to property and to continue to take a prudent approach to budgeting.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
F	Sustained higher levels of inflation in the economy	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	To maintain a watching brief on economic forecasts, ensure estimates reflect latest economic projections and where possible ensure income increases are maximised to mitigate any additional cost.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
Strategic Risk SR3: Capacity and capability to deliver / strategic plan to the emerging landscape				
G	The Council cannot achieve its approved Delivery Plan	Likelihood: Yellow Impact: Red Severity of Risk: Red	There will need to be consideration of additional resourcing and/or reprioritisation.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
H	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	Likelihood: Yellow Impact: Red Severity of Risk: Red	The MTFs will be updated through the normal review and approval process.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
I	Government and Regulatory Bodies introduce significant changes to the operating environment	Likelihood: Red Impact: Red Severity of Risk: Red	To review all proposed policy changes and respond to all consultations to influence outcomes in the Council's favour.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow

Background Documents	<ul style="list-style-type: none"> • CIPFA Code of Practice for Treasury Management in the Public Services • The Prudential Code for Capital Finance in Local Authorities • The Treasury Management Strategy Statement (TMSS) 2022/23 – Audit and Member Standards Committee 3 February 2022 • Mid-Year Treasury Management Report – Audit and Member Standards Committee 30 November 2022 • The Treasury Management Strategy Statement (TMSS) 2023/24 – Audit and Member Standards Committee 2 February 2023
Relevant web link	

Capital Programme Performance in 2022/23

Project	Original Budget	Approved Budget	Actual	Variance
New Build Parish Office/Community Hub	92,000	62,000	0	(62,000)
Burntwood Leisure Centre (leisure insourcing)	0	0	97,921	97,921
Friary Grange - Short Term Refurbishment	0	158,000	24,272	(133,728)
Replacement Leisure Centre	2,349,000	50,000	14,000	(36,000)
Burntwood Leisure Centre - Decarbonisation Scheme	0	18,000	(9,356)	(27,356)
Accessible Homes (Disabled Facilities Grants)	1,654,000	1,000,000	818,673	(181,327)
Home Repair Assistance Grants	4,000	0	0	0
Decent Homes Standard	147,000	0	0	0
DCLG Monies	212,000	0	0	0
Unallocated S106 Affordable Housing Monies	334,000	4,000	0	(4,000)
Burntwood Park Play Equipment	0	75,000	74,000	(1,000)
Conversion of 36a Bore Street	0	34,000	84,043	50,043
Changing Places Fund	0	94,000	57,627	(36,373)
Play Equipment at Chase Terrace Park	0	25,000	20,618	(4,382)
Play Area at Burntwood Leisure Centre	0	35,000	34,596	(404)
Zip Wire in Burntwood	0	30,000	0	(30,000)
Enabling People Total	4,792,000	1,585,000	1,216,393	(368,607)
Loan to Council Dev Co.	0	57,000	0	(57,000)
Lichfield St Johns Community Link (CIL)	35,000	0	0	0
Staffordshire Countryside Explorer (CIL)	0	44,000	42,681	(1,319)
Lichfield Public Conveniences	0	40,000	0	(40,000)
Bin Purchase	150,000	150,000	248,600	98,600
Dual Stream Recycling	0	267,000	235,995	(31,005)
Vehicle Replacement Programme (Other)	229,000	261,000	224,218	(36,782)
Env. Improvements - Upper St John St & Birmingham Road	7,000	0	0	0
Burntwood Public Conveniences	0	45,000	0	(45,000)
Shaping Place Total	421,000	864,000	751,493	(112,507)
Vehicle Replacement Programme (Car Parks)	10,000	0	0	0
Coach Park	1,137,000	50,000	1,200	(48,800)
Car Parks Variable Message Signing	150,000	150,000	19,985	(130,015)
Old Mining College - Refurbish access and signs (S106)	13,000	0	0	0
Pay on Exit System at Friary Multi Storey	150,000	93,000	90,858	(2,142)
BRS Enabling Works	0	385,000	0	(385,000)
Cinema Development	0	240,000	64,387	(175,613)
Multi Storey	0	0	512	512
Incubator Space	0	354,000	497,140	143,140
Card Payment in All Car Parks	100,000	123,000	138,093	15,093
Electric Vehicle Charge Points	80,000	10,000	0	(10,000)
Car Park Barriers	36,000	0	0	0
Developing Prosperity Total	1,676,000	1,405,000	812,176	(592,824)
LDC Carbonisation	0	0	(6,432)	(6,432)
Property Planned Maintenance	230,000	206,000	378,322	172,322
New Financial Information System	44,000	0	0	0
IT Infrastructure	0	115,000	96,234	(18,766)
Building a Better Council	600,000	490,000	324,760	(165,240)
Committee Audio-Visual Hybrid Meeting Platform	90,000	85,000	0	(85,000)
Construction Inflation Contingency	100,000	0	0	0
Good Council Total	1,064,000	896,000	792,883	(103,117)
Total	7,953,000	4,750,000	3,572,946	(1,177,055)

Funding Source	Original Budget	Approved Budget	Actual	Variance
Capital Receipts	£1,331,000	£1,134,000	£950,759	(£183,241)
Borrowing Need - Borrowing and Finance Leases	£2,349,000	£26,000	(£215,517) ⁵	(£241,517)
Capital Grants and Contributions	£3,030,000	£1,709,000	£1,415,637	(£293,363)
Reserves, Existing Revenue Budgets and Sinking Funds	£1,143,000	£1,881,000	£1,422,067	(£458,933)
Corporate Revenue	£100,000	£0	£0	£0
Funding Total	£7,953,000	£4,750,000	£3,572,946	(£1,177,055)

Funding Source	Original Budget	Approved Budget	Actual	Variance
Non-Current Assets	£5,745,000	£3,214,000	£2,622,932	(£591,068)
REFCUS	£2,208,000	£1,536,000	£950,013	(£585,987)
Capital Programme Total	£7,953,000	£4,750,000	£3,572,946	(£1,177,055)

⁵ A negative Borrowing Need is due to the funding of development costs for the new leisure centre from an earmarked reserve. These costs were previously assumed, as part of the Capital Financing Requirement, to be funded by borrowing.

The Council's Balance Sheet

	Type	2021/22	2022/23	2022/23	Variance to
		Actual £000s	Budget £000s	Actual £000s	Approved Budget £000s
Non-Current Assets	ASSET	48,033	48,480	52,071	3,591
Equity Investment in Local Authority Company	ASSET	225	225	225	0
Long Term Debtors	DEBT	143	143	57	(86)
Long Term Debtors - Cinema	DEBT	0	240	64	(176)
Long Term Investment (Company Loan)	LOAN	0	57	0	(57)
Investments	INV	49,784	44,946	46,110	1,164
Borrowing	BOLE	(1,126)	(1,065)	(1,065)	(0)
Finance Leases	BOLE	(383)	(0)	(0)	0
Working Capital	CRED	(23,592)	(23,100)	(19,628)	3,472
Pensions	CRED	(30,268)	(25,523)	5,046	30,569
TOTAL ASSETS LESS LIABILITIES		42,816	44,403	82,880	38,477

Unusable Reserves					
Revaluation Reserve	REV	(11,897)	(11,897)	(14,969)	(3,072)
Capital Adjustment Account	CAP	(33,819)	(34,966)	(35,494)	(528)
Deferred Credits	CRED	(47)	(47)	(47)	0
Pension Scheme	CRED	31,431	26,741	(5,046)	(31,787)
Benefits Payable During Employment Adjustment Account	CRED	409	409	409	0
Collection Fund	CRED	2,863	(305)	(867)	(562)
Available for Sale Financial Instruments Reserve	CRED	(228)	1,197	1,230	33
Usable Reserves					0
Unapplied Grants and Contributions	UGER	(4,057)	(4,353)	(4,188)	165
Usable Capital Receipts	UGER	(2,858)	(2,799)	(2,281)	518
Burntwood Leisure Centre Sinking Fund	UGER	(69)	(69)	0	69
Earmarked Reserves - Unrestricted	UGER	(12,654)	(7,952)	(11,700)	(3,748)
Earmarked Reserves - Restricted	UGER	(5,044)	(4,287)	(3,942)	345
General Fund Balance	GEN	(6,846)	(6,075)	(5,985)	90
TOTAL EQUITY		(42,816)	(44,403)	(82,880)	(38,477)

Reserves Available to cover investment Losses		(19,500)	(14,027)	(17,685)	(3,658)
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Summary					
Capital Funding	CAP	(33,819)	(34,966)	(35,494)	(528)
Revaluation Reserve	REV	(11,897)	(11,897)	(14,969)	(3,072)
Borrowing and Leasing	BOLE	(1,509)	(1,066)	(1,065)	0
Non-Current Assets	ASSET	48,258	48,705	52,296	3,591
Investments	INV	49,784	44,946	46,110	1,164
Unapplied Grants & Earmarked Reserves	UGER	(24,682)	(19,460)	(22,111)	(2,651)
General Reserve	GEN	(6,846)	(6,075)	(5,985)	90
Long Term Debtors	DEBT	143	143	57	(86)
Long Term Debtors - Cinema	DEBT	0	240	64	(176)
Long Term Investment (Company Loan)	ASSET	0	57	0	(57)
Working Capital & Pensions	CRED	(19,432)	(20,628)	(18,903)	1,725
Total		0	(0)	(0)	(0)
Internal Borrowing		1,033	1,073	832	(241)

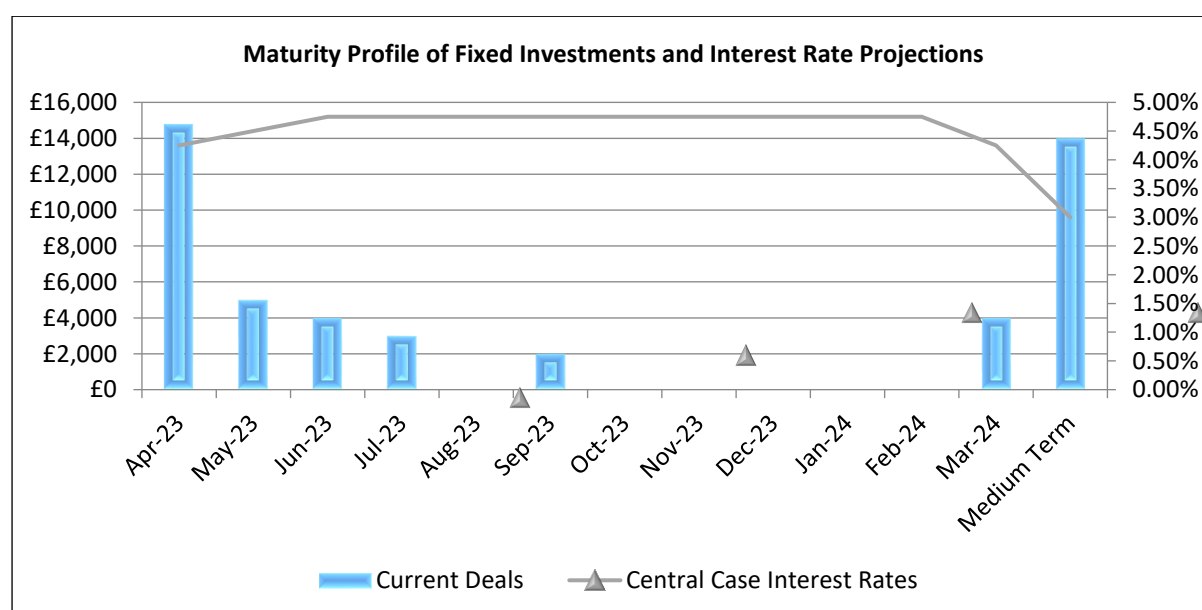
Liability Benchmark					
Capital Financing Requirement (Borrowing)		2,160	2,138	1,897	(241)
Working Capital		(18,875)	(20,485)	(18,286)	2,199
Usable Reserves		(31,527)	(25,535)	(28,095)	(2,560)
Minimum Level of Investments		10,000	10,000	10,000	0
Total		(38,242)	(33,882)	(34,484)	(602)

Investments in the 2022/23 Financial Year

The table below shows a breakdown of our investments at the end of March 2023:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
Money Market Funds						
Blackrock Institutional	£2,870,000	01-Apr-23	Instant Access	3.98%	0	N/A
Legal & General	£2,080,000	01-Apr-23	Instant Access	4.01%	0	N/A
BNP Paribas MMF	£830,000	01-Apr-23	Instant Access	5.11%	0	N/A
CCLA MMF	£5,000,000	01-Apr-23	Instant Access	3.98%	0	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	3.79%	N/A	No
Ninety-One Diversified Income Fund	£5,000,000	N/A	N/A	4.23%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	2.90%	N/A	No
Aegon Diversified Income Fund	£5,000,000	N/A	N/A	5.47%	N/A	No
Fixed Term Investments						
Debt Management Office	£4,000,000	19-Apr-23	19	3.06%	UK Government	
Debt Management Office	£4,000,000	22-May-23	52	3.38%	UK Government	
Debt Management Office	£4,000,000	19-Jun-23	80	3.68%	UK Government	
North Lanarkshire Council	£2,000,000	31-Jul-23	122	3.99%	LOCAL	
Brentwood Borough Council	£2,000,000	01-Mar-24	336	4.40%	LOCAL	
Folkestone and Hythe District Council	£2,000,000	07-Mar-24	342	4.40%	LOCAL	
West Dunbartonshire	£2,000,000	04-Sep-23	157	4.40%	LOCAL	
Call Accounts with Notice Period						
Santander	£1,000,000	26-Jun-23	84	3.62%	A	
HSBC	£999,500	01-May-23	31	4.17%	A+	
Total Investments	£46,779,500					

The maturity profile of these investments at 31 March 2023, compared to our Treasury Management advisor Arlingclose interest rate forecasts, is shown in the graph below:



External Borrowing

Source	Loan Amount	Maturity Date	Interest Rate	Outstanding Balance as at 31 March 2023
Public Works Loan Board	£1,522,000	08-Apr-40	2.59%	£1,065,400

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

Cabinet Member for Finance and Commissioning

Date: 20 July 2023
 Agenda Item: 5
 Contact Officer: Anthony Thomas
 Tel Number: 01543 308012
 Email: Anthony.thomas@lichfielddc.gov.uk
 Key Decision? **NO**
 Local Ward: Full Council
 Members



Audit and Member Standards

1. Executive Summary

- 1.1. The latest CIPFA resilience Index for 2023 shows the Council’s performance compared to a range of measures associated with financial risk.
- 1.2. The timing of the release of the index followed the release of Department for Levelling Up, Housing and Communities (DLUHC) statistics (i.e., Revenue Outturn 2021-22 and is therefore based on the position on 31 March 2022).
- 1.3. The data compares the Council to nearest statistical neighbours and all District Councils.

2. Recommendations

- 2.1. The Committee note the results of the CIPFA Resilience Index for 2023.

3. Background

- 3.1. CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management and provide a common understanding within a Council of their financial position.
- 3.2. The Index shows a Council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over several years, public consultation and technical stakeholder engagement.
- 3.3. The index is designed to support and improve discussions surrounding local authority financial resilience by showing a Council’s performance against a range of measures associated with financial risk.
- 3.4. There are eight indicators of financial stress for District Councils and the CIPFA Resilience Index provides comparisons against both nearest statistical neighbours and all District Councils. The nearest statistical neighbours identified are:

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

3.5. The relative level of risk and trend shown in the last four CIPFA Resilience Index statistical releases is shown below:

Indicators of Financial Stress	Nearest Neighbours				
	2018/19	2019/20	2020/21	2021/22	Trend
Reserves sustainability measure	Medium	Medium	Medium	Medium	Stable
Level of reserves	Lower	Lower	Lower	Lower	Stable
Change in reserves	Lower	Lower	Lower	Medium	Increase

Gross external debt	Lower	Lower	Medium	Medium	Stable
Interest payable as a % of Net Revenue Expenditure	Lower	Lower	Lower	Lower	Stable

Fees and charges	Lower	Lower	Lower	Lower	Stable
Council tax	Lower	Lower	Lower	Lower	Stable
Business rates	Higher	Higher	Lower	Lower	Stable

Auditors VFM assessment	Unqualified	Unqualified	Unqualified	N/a
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Indicators of Financial Stress	District Councils				
	2018/19	2019/20	2020/21	2021/22	Trend
Reserves sustainability measure	Lower	Lower	Medium	Medium	Stable
Level of reserves	Lower	Lower	Medium	Medium	Stable
Change in reserves	Lower	Lower	Lower	Medium	Increase

Gross external debt	Lower	Lower	Lower	Lower	Stable
Interest payable as a % of Net Revenue Expenditure	Lower	Lower	Lower	Lower	Stable

Fees and charges	Lower	Lower	Medium	Medium	Stable
Council tax	Lower	Lower	Lower	Lower	Stable
Business rates	Higher	Medium	Medium	Medium	Stable

Auditors VFM assessment	Unqualified	Unqualified	Unqualified	N/a
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3.6. Relative risk trends and associated commentary are also provided below:

Indicators of Financial Stress	Commentary
Reserves sustainability measure	The reserves sustainability measure provides a measure of how long in years it will take to run out of reserves if they continue to use them as they have. With COVID and cost of living this will likely have led to greater use of reserves with different Councils impacted in different ways. The longer an authority's reserves will last, the less risk – reductions may also be due to planned reductions such as to fund capital expenditure rather than to fund budget gaps.
Level of reserves	The level of reserves is perhaps the simplest reserves indicator and compares the current level of reserves to the net revenue expenditure. Lower levels of reserves imply higher risk because there are less resources to manage risks and shocks such as COVID.
Change in reserves	This identifies the change in reserves over a three-year period using figures from the current year and those from the previous three years. Negative changes imply higher risk – however reductions may also be due to planned reductions such as use to fund capital expenditure. An increase in risk could be due to the Council not increasing its reserves at the same relative rate as comparator Councils or has used reserves at a relatively quicker rate than at comparator Councils.
Gross external debt	This indicator does not show how an authority will repay debt but shows the gross external debt (borrowing and finance leases) level and compares to other similar authorities. The Council has relatively low levels of debt.
Interest payable as a % of Net Revenue Expenditure	The amount of interest that is currently payable as a proportion of net revenue expenditure. The Council has relatively low levels of debt.
Fees and charges	The proportion of service expenditure funded by fees and charges. The higher the ratio the lower the risk (income) - the Council has in theory, a greater influence over the level of income through pricing policy. This measure will have been impacted by COVID especially in relation to car parking which has now almost recovered to previous levels.
Council tax	The proportion of net revenue expenditure funded by Council tax income. The higher the ratio the lower the risk (income) - the Council has a greater influence over the level of income through housing growth in the Local Plan and setting the Council Tax.
Business rates	The level of Business Rate Growth above the Government Set Baseline. The higher the level of growth the greater the risk from decline or a Business Rate Reset. The MTFS currently assumes a reset and therefore no growth is included in the MTFS from 2025/26.
Auditors VFM assessment	In 2018/19 and 2019/20 the External Auditor provided a single VFM assessment. However, from 2020/21, the VFM assessment forms part of the Annual Audit Report and is focussed on three areas: <ul style="list-style-type: none"> * Financial sustainability; * Governance; * Improving Economy, Efficiency and Effectiveness.

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

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

Background documents The CIPFA Financial Management Code – Audit and Member Standards Committee 12 November 2020 CIPFA Resilience Index – Audit and Member Standards Committee 22 July 2021 CIPFA Resilience Index – Audit and Member Standards Committee 21 July 2022
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Relevant web links

INTERNAL AUDIT QUARTERLY PROGRESS REPORT Quarter 1



Cabinet Member for Finance & Commissioning

Date: 20th July 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 30 June 2023 (**Appendix 1**).

2. Recommendations

2.1 To note Internal Audit’s Annual Report, including results for the quarter to 30 June 2023.

3. Background

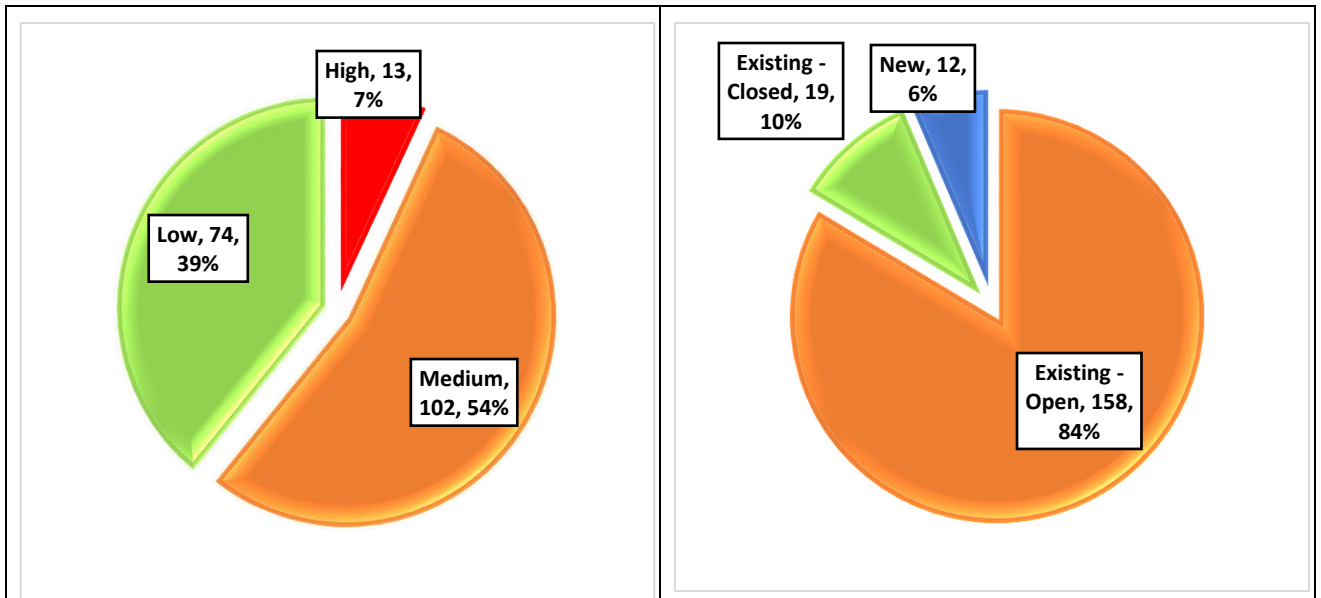
3.1 The internal audit plan 2023/24 comprises **19 (including the additional IT audits)**. The target of achieving **90%** of the plan and this has been profiled as within the table below;

	Q1	Q2	Q3	Q4
No of planned audits	4	7	4	4
Cumulative	4	11	15	19
Profile %	21%	58%	79%	100%
No of audits completed	2			
No of audits deferred to 23/24		2		
Cumulative	2	4		
Profile	11%	21%	45%	85%

3.2 As at 30th June 2023 we had completed or achieved completion of **11%** of the audit. This was below the year to date audit plan profile for 2023/24 of **21%** and was due in part, to exceptional circumstances. To address the ongoing situation, a contingency plan has been put into place to draw down further resource from BDO to ensure completion of the audit plan by 31st March 2024.

3.3 We issued 1 satisfaction questionnaire during the period and are awaiting a response. All responses including those outstanding from 2022/23 will be reported to this committee once received.

3.4 In terms of outstanding recommendations they currently total **189**, a summary is provided below with additional detail included within the **Appendix 1**:



- 3.5 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 each of these in **Appendix 1** of this report.
- 3.6 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.
- 3.7 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
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Crime & Safety Issues	None arising.
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Environmental Impact	None arising.
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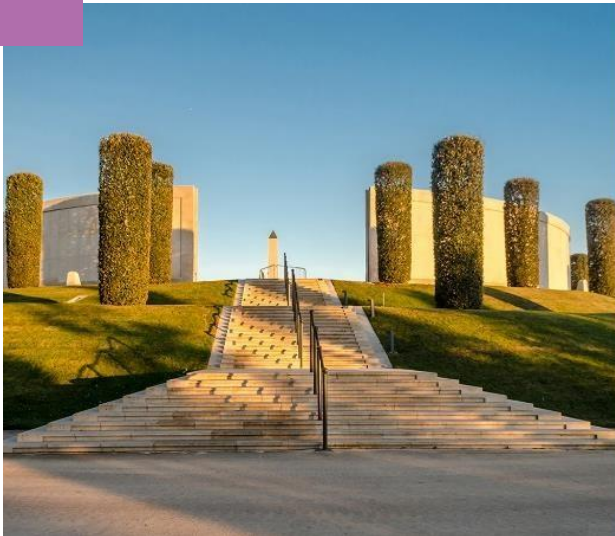
GDPR/Privacy Impact Assessment	None required.
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Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A Significant / high risk systems of internal control fail and go undressed. Audit Manager	Likelihood: Yellow Impact: 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.
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Relevant web links	
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Internal Audit Progress Report (Quarter 1) 2023/24
June 2023



Contents

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

Appendices

- 01 Summary of Internal Audit Work Undertaken in 23/24**
- 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 Progress Report for quarter 1 to 30 June 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 2023/24 was approved by the Audit & Member Standards Committee in March 2023. The plan was for a total of 19 audits (3 of which were deferred from 2022/23). During 2023/24 we have procured the services of BDO and E-Tec Business Services for delivery of the plan, together with internal auditor resource.

The three audits deferred from 2022/23 were PCI DSS, Housing and Council Tax Benefit and Development Management (Performance). These are progressing and a draft report has been submitted to management relating to PCI DSS. Both Housing and Council tax Benefit and Development Manager are scheduled for review during quarter 2 of 2023/24.

A key performance indicator for Internal Audit is to continue towards the target of 90% audit plan achievement at year end, we are currently at 11% completion of the plan as at 30th June 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 30 June 2023, the following was undertaken:

- Review of DWP Searchlight

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 189 outstanding recommendations at 30 June 2023, shown in the table below:

Action Priority Rating	Total Open Actions at 31 March 2023	Actions Raised Since March 2023	Total Overall	Total Closed out at 30 June 2023	Total Open at 30 June 2023	% Implemented in the period
High	5	12	17	3	13	17 %
Medium	115	0	115	13	102	11 %
Low	77	0	77	3	74	4 %

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. We have recently reviewed the GDPR limited audit and will report on the this during quarter 2 of 2023/24.

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 11 are overdue and 2 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.

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 - **11%**
- 100% Draft reports issued within 6 weeks of start date – **50%**
- 100% Closure meetings conducted within 5 days of completion of audit work – **50%**
- 100% draft reports to be issued within 10 working days of closure meeting – **50%**
- 100% of all high priority actions are implemented at follow up – **N/A**
- 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 – **None quantifiable**
- Added value – **None quantifiable**

APPENDIX 1


APPENDIX 01: SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Creditors (SR1)	Risk based review covering the adequacy and effectiveness of controls around creditor payment systems and credit cards	Q3	Audit allocated to BDO, briefing completed and finalised.	
	Payroll (SR1)	Risk based review of Payroll including assurance over the adequacy of controls around maintenance of systems, approval for payment and database management to ensure payments are correctly made.	Q2	To be allocated	
	Accounting & Budgetary Control (SR1)	Risk based review of the adequacy of controls surrounding accountancy and budgetary control arrangements across the council.	Q2	Audit brief to be discussed and finalised during August 2023 with a proposed start date for audit September 2023.	
	Major Projects (SR1, SR3, SR4)	Risk based review to ensure that major projects are run in line with best practice, financial arrangements are robust and project management protocols and controls maintained.	Q1	Deferred to Q3, scoping meeting arranged and in diary.	
	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. Deferred from 2022/23.	Q2	Proposed start date July 2023. Audit Brief completed.	
Strategic & Operational Risks	Fees and Charges (SR1)	Risk based review of the adequacy and effectiveness of the controls in place to Ensure that fees and charges are regularly reviewed, updated and charged correctly.	Q1	Audit briefed and scoped to be delayed to Q2.	

APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Page 39	Taxi Licences (SR4)	Risk based review to ensure licencing arrangements are effectively controlled.	Q4	To be allocated.	
	Property Lease and Charges (SR2, SR4)	Risk based review regarding Property Leases and Charges to ensure that lease income is maximised and controls are effectively being implemented and operated.	Q2	Draft briefed and agreed.	
	Strategic Housing (SR2, SR3, SR4, SR5)	A review of Strategic Housing to ensure effective management arrangements in place.	Q2	Allocated to be progressed Q2.	
	LA Trading Company (SR1, SR2, SR3, SR4, SR5)	A review of the governance arrangement sand structures in place.	Q3	Allocated to BDO for Q3.	
	Public Open Spaces – sale (SR1, SR5)	A review of council’s arrangements for the management of public open spaces and disposal.	Q4	Allocated to BDO, scoping and brief to be agreed.	
	Data Breach Management – DPO (SR4, SR7)	A review of data breach management arrangements.	Q3	To be allocated.	
	Development Management Performance	Risk based review of Development Management Performance to include system based review of new systems.	Q2 2023/24	Deferred to 2023/24 and scheduled for Q2.	
ICT	PCI DSS (SR7)	Assurance review of PCI DSS compliance	Q4 2022/23	Deferred to 2023/24. Draft report completed in for management comments and finalisation.	
ICT	IT Structure and Strategy (SR7)	Risk Based review on Council’s IT Structure and Strategy	Q1 – Q4	Allocated to IT Auditor	
ICT	PCI DSS (SR7)	Assurance review of PCI DSS compliance deferred from 2022/23.	Q1 – Q4	Allocated to IT Auditor	
ICT	Business Systems (SR7)	Risk Based review of Business systems and data migration following implementation of new financial systems.	Q1 – Q4	Allocated to IT Auditor	
ICT	IT Incident	Risk based of Council’s IT Incident	Q1 – Q4	Allocated to IT Auditor	


APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Management (SR7)	Management and arrangements for maintenance of systems and recovery.			
Page 40	Governance, Fraud & Other Assurance	Disabled Facilities Grant	Assurance statement	Q3	
		Covid Grant assurance	Assurance work on grants	Q1 – Q4	
		Housing Benefit Memorandum of Understanding	Assurance statement to enable the Chief Finance Officer sign off to DWP.	Q4	
		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	DWP Searchlight	Assurance review	Q1	Work completed, draft report to be finalised.	
22/23 Planned Audits finalised	Agency Staff	Risk based review of controls in place for use of agency staff	Q4 2022/23	Report issued. The Agency staff system is not designed with controls in place to mitigate the major risks.	

APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>Appointment of agency staff is completed by the department. The choice of agency will be based on the availability of staff, pay rates or prior successful engagements. Where responsibility is held for completing the recruitment screening checks is uncertain. Verification checks undertaken will vary between agencies and will be specified in the agency terms and conditions. This would include checks on qualifications, right to work, references, medical clearance etc. HR are not informed of the recruitment of agency staff and there is no corporate process to advise on the recruitment of agency workers and the checks required.</p> <p>Staff are inducted by the Manager and inductions are role specific. There is no corporate induction for agency staff and agency staff are not consistently inducted on corporate policies or the council's code of conduct for employees.</p> <p>Corporate e-learning is undertaken by those with access to the IT system and the Learning Hub. Testing confirmed for the 3 agency staff with access to the IT system, training through the Learning Hub had only been completed by one staff member. Other training is specific to the role.</p> <p>The working hours is specified in the agency contract/booking confirmation and is monitored by the Manager. Testing noted that two from six contracts/ booking confirmations could not be located. Agency fees are paid on receipt of a timesheet and an invoice. Testing noted that invoices are approved by the Manager prior to payment. Agency staff's performance is monitored through 1:1 meetings, team meetings and monitoring workload.</p> <p>At the time of the audit, only agency staff working at the depot had been subsequently transferred to</p>	<p>Limited Assurance</p> <p>H-1</p> <p>M-5</p> <p>L-1</p>


APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				permanent. The Council's new starter process had been followed. Personal information had been obtained, references, right to work checks and medical clearance. An induction had been completed at the depot which included reference to the code of conduct for employees. A regular training and monitoring program is in place, with staff subject to a six month probation period. For both permanent employees, the Objectives and Key Results (OKR'S) were on file.	
	Elections	Risk based review of elections processes and in particular financial returns.	Q1	Draft report issued awaiting finalisation.	
Page 42	Being a Better Council	Risk based review.	Q4 2022/23	We have reached the overall opinion that the Council had substantial project management controls to support the BABC programme. The BABC Programme Governance Model was well structured; roles, schedules, accountabilities of the governance groups/boards were clearly defined. However, the Programme Board held two meetings without the appropriate quorum.	 Substantial Assurance H - 0 M - 0 L - 1
Follow up all no and limited assurance reports and all high priority recommendations.	Data Protection/ GDPR	Risk Based review on Council's Data Protection and GDPR compliance	Q1	Follow up allocated and completed during Q1. To be finalised with management.	

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.

Page 43

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
Epayments	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, PCI DSS audit with management for comment</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, during Q2 2023/24.</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, during Q2 2023/24.</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 in 2023/24.</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, completed fieldwork.</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, completed fieldwork.</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.	- Review of ROPA May 2023 Internal Audit to complete a full follow up review during 2023/24 completed fieldwork.
IT Disaster Recovery	2022/23	Scenario testing of the ICT Business Continuity Plan should be carried out at least annually.	- 31 March 2023 Internal Audit to complete a full follow up review during 2023/24.
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.	30th September 2023 – not yet due. Internal Audit to complete a full follow up review during 2023/24.
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.	31st May 2023 – not yet due Internal Audit to complete a full follow up review during 2023/24.
Climate Change	2022/23	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. 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).	31st July 2023 = not yet due Internal Audit to complete a full follow up review during 2023/24.
Safeguarding	2022/23	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. It should be considered whether the tenant is also required to sign to acknowledge and comply with the council's safeguarding policy.	30th April 2023 – not yet due

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Public Sector Internal Audit Standards / Quality Assurance & Improvement Programme



Cabinet Member for Finance & Commissioning

Date:	20 July 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 To report to the Audit & Member Standards Committee on Internal Audit's compliance with the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance & Improvement Programme (QAIP). In addition to provide an update to the Committee on the External Quality Assessment Action Plan for 2023/24.

2. Recommendations

- 2.1 That the Committee notes Internal Audit's compliance with the PSIAS (**Appendix 1**), QAIP (**Appendix 2**) and External Quality Assessment Action Plan (**Appendix 3**).

3. Background

- 3.1 PSIAS has been in place since April 2013. Internal Audit's compliance with the PSIAS is required under the Accounts & Audit Regulations 2015. The PSIAS require that Internal Audit comply with professional best practice and assess themselves against the requirements on annual basis and that an External Quality Assessment (EQA) should be completed at least every 5 years.
- 3.2 An EQA was last completed in January 2023 and reported to this committee on 23rd March 2023. The self-assessment takes into account the findings of the EQA and has been linked to the agreed EQA Action Plan. An overview of compliance is attached at **Appendix 1** which shows that Internal Audit operations have been self-assessed as generally conforming to the standards. Confirmation has also been obtained on conformance against the PSIAS from third parties (BDO and E-Tec Business Services) who have delivered audit engagements on behalf of the Council.
- 3.2 Part of the requirement of the PSIAS is for the 'Chief Audit Executive' to develop a QAIP. Under the QAIP, quality should be assessed at both individual audit engagement level as well as a broader operational level. A well-developed QAIP is to ensure quality is built in to, rather than on to, the way Internal Audit operates. Following the recent EQA the QAIP has been fully reviewed and specifically updated in the following areas;
- Confirmation annually that all QAIP measures have been operated correctly;

- Summarise any outcomes influencing future development of the e within the Audit Manager’s Annual Report; and
- Ensure that training records are maintained and used to inform the QAIP.

3.3 Attached as **Appendix 2** is the Quality Assurance & Improvement Programme (QAIP). From the areas identified above ongoing actions will be required to be implemented during 2023/24 and these have been linked into the EQA Action Plan for 2023/24 **Appendix 3**.

3.4 The EQA Action Plan for 2023/24 was developed in consultation with the Section 151 Officers at both Lichfield District and Tamworth Borough Councils. A number of these actions have been completed. The recommendations raised were categorised as being either ‘Review’ or ‘Consider’, as of 30th June 2023 we have achieved the following completion rates;

Priority	Completed recommendations	Ongoing and in progress recommendations
Review	3	4
Consider	3	2
%	50%	50%

The review also suggested enhancements to the service and as of 30th June 2023 we have achieved the following completion rates;

Completed recommendations	Ongoing and in progress recommendations
2	4
33%	67%

We will continue to review the Action Plan and report this quarterly to this committee ensure oversight and assurance that all actions are completed by 31st March 2024.

Alternative Options	There are no alternative options.
Consultation	The Council’s Section 151 Officer has been consulted on the EQA, PSIAS and QAIP.
Financial Implications	None, EQA from existing budgets. objectives.

Approved by Section 151 Officer	Yes
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Legal Implications	None identified.
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Approved by Monitoring Officer	Yes
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Contribution to the Delivery of the Strategic Plan	Delivery of an effective internal audit contributes to all aspects of the Council's Strategic Plan.
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Equality, Diversity and Human Rights Implications	None.
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Crime & Safety Issues	None.
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Environmental Impact	None.
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GDPR/Privacy Impact Assessment	None required.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	<p>Significant / high risk of non compliance with the PSIAS which leads to non compliance with the Accounts & Audit Regulations.</p> <p>Audit Manager (Shared Service) / Assistant Director Finance & Commissioning – Section 151 Officer.</p>	<p>Likelihood: Green Impact: Red Severity: Red</p>	<p>Regular review of the WQAIP to ensure full compliance with the PSIAS.</p> <p>External Quality Assessment against standards every 5 years and annual self-assessment.</p>	<p>Likelihood: Green Impact: Yellow Severity: Green</p>

Background documents	Public Sector Internal Audit Standards
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Relevant web links	https://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards
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Public Sector Internal Audit Standards Compliance Overview

Mission Statement, Definition of Internal Auditing and Code of Ethics

Mission Statement & Definition of Internal Auditing



Integrity



Objectivity



Confidentiality



Competency



Performance Standards

1000 – 1322 Attribute Standards

1000 – 1110 Purpose, Authority and responsibility







Purpose, Authority, and Responsibility






Recognising Mandatory Guidance in the Internal Audit Charter






1110 – 1130 Independence and Objectivity

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

1210 – 1230 Proficiency and Due Professional Care

Proficiency	
Due Professional Care	
Continuing Professional Development	

1300 – 1322 Quality Assurance and Improvement Programme (QAIP)

Quality Assurance and Improvement Programme (QAIP)	
Requirements of the Quality Assurance and Improvement Programme	
Internal Assessments	

External Assessments



Reporting on the Quality Assurance and Improvement Programme



Use of Conforms with the International Standards for the Professional Practice of Internal Auditing



Disclosure of Non-conformance



2000 – 2600 Performance Standards

2000 – 2060 Managing the Internal Audit Activity

Managing the Internal Audit Activity



Planning



Communication and Approval



Resource Management



Policies and Procedures



Coordination



Reporting to Senior Management and the Board



2070 External Service Provider and Organisational Responsibility for Internal Audit

External Service Provider and Organisational Responsibility for Internal Audit



2100 – 2130 Nature of Work

Nature of Work



Governance



Risk Management



Control



2200 – 2240 Engagement Planning

Engagement Planning



Planning Considerations



Engagement Objectives



Engagement Scope



Engagement Resource Allocation



Engagement Work Programme



Appendix 1

2300 – 2340 Performing the Engagement

Performing the Engagement	
Identifying Information	

Analysis and Evaluation



Documenting Information



Engagement Supervision



2400 – 2440 Communicating Results

Communicating the Results



Criteria for Communicating



Qualities of Communications



Errors and Omissions



Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"



Engagement Disclosure of Non-conformance



Disseminating Results



2450 Overall Opinions

Overall Opinions



2500 Monitoring Progress

Monitoring Progress



2600 Communicating the Acceptance of Risks

Communicating the Acceptance of Risks



Internal Audit Quality Assurance & Improvement Programme

1 Introduction

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

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

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

The QAIP is reviewed on an annual basis.

2 Internal Assessments

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

Ongoing reviews

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

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

Periodic reviews

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

Periodic assessments will be conducted through:

- Working paper reviews for conformance to the definition of Internal Auditing, the Code of Ethics, the Standards, and internal audit policies and procedures
- Self-assessment of the internal audit activity with objectives established as part of the QAIP components – Governance, Professional Practice and Communication
- Review of internal audit performance measure and benchmarking of best practices. Periodic activity and performance reporting to the board and other stakeholders as deemed necessary.
- Annual self-review of conformance to the PSIAS.
- Annual review of performance in the form of KPI's, resources, skills and training requirements.

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

3 External Assessment

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

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

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

4 Assessment scale

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

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

5 Reporting on the Quality Programme

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

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

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

Quality Assurance & Improvement Programme			
Ongoing Monitoring of Performance			
Activity	Frequency	Responsibility	Reporting
Review of the audit universe to ensure complete	Annual	Audit Manager	N/A
Identification of risks affecting the operation of the Internal Audit Service	Quarterly	Audit Manager	N/A
Review of audit engagements	Each engagement	Audit Manager / Where audit engagements are delivered by a third party, their Quality Review processes will be used, with all final reports requiring CAE sign off.	N/A
Progress against the audit plan	Quarterly	Audit Manager	Quarterly report to Audit & Member Standards Committee
Progress against Key Performance Indicators	Quarterly	Audit Manager	Quarterly report to Audit & Member Standards Committee
Discuss performance of internal audit activity	Monthly	Audit Manager and Chief Executive	Annual report to Audit & Member Standards Committee
Customer survey/questionnaire	For each engagement	Audit Manager	Annual report to Audit & Member Standards Committee
Review of Internal Audit Charter, goals, policies & procedures	Annual	Audit Manager	Annual report to Audit & Member Standards Committee
Personal Development Review	Annual	Appropriate line manager	Documentation to HR
Continuous improvement activity and adoption of best practice	Continuous	Audit Manager	Annual report to the Audit & Member Standards Committee

Identification of added value to the authority's operations	Continuous	Audit Manager	Annual report to the Audit & Member Standards Committee
Periodic Self Assessments			
Self-assessment against the Public Sector Internal Audit Standards (PSIAS)	Annual	Audit Manager	Annual report to the Audit & Member Standards Committee
Compliance with applicable laws, regulations and other standards that the Internal Audit activity may be subject to	Continuous review	Audit Manager	Report to Audit & Member Standards Committee when applicable
Benchmarking review of Internal Audit Services	When practical	Audit Manager	Report to Audit & Member Standards Committee
Reviews of KPI's skills and training requirements	Annual	Audit Manager	Report as part of QAIP annually to Audit & Member Standards Committee.
External Assessments			
Assessment against the PSIAS	Every 5 years	Audit Manager and external reviewer	Report to the Audit & Member Standards Committee
PSIAS EQA Action Plan	Quarterly	Audit Manager	Report to the Audit & Member Standards Committee

External Quality Assessment Action Plan

	Priority	Issue Identified	Recommended Action	Management response	Officer responsible/ timescale	Status
1.	Review	<p>Internal Audit Charter (IAC) The IAC is comprehensive regarding engagement reports however does not contain details of the requirement for the Chief Audit Executive (CAE) to deliver an Annual Report including an opinion in relation to risk management, governance and control.</p>	<p>Include an appropriate statement in the Internal Charter with regard to the provision of an Annual Report and align this with regard to the benefit of aligning the internal audit planning process with a continuous assessment of the risk environment faced by each client, in order to support the provision of the annual opinion regarding risk management, governance and control.</p> <p>PSIAS 1000</p>	<p>Agreed.</p> <p>To be implemented via a review of Internal Audit Charters for 2023/24.</p> <p>This will improve wider outcomes in the Council so that the audit plan is more focussed on ensuring strategic/operational risks are mitigated to provide assurance.</p>	<p>Audit Manager</p> <p>May 2023</p>	Completed as part of the Internal Audit Charter update for 2023/24
2.	Review	<p>Performance appraisal The self-assessment identified that the CAE's appraisal which is undertaken by the Chief Executive at Tamworth Borough Council (TBC) has not taken place. A new appraisal process is to be introduced at Lichfield District Council (LDC).</p>	<p>Ensure that a robust performance appraisal process is in place within the Internal Audit Team With regard to the Audit Manager consider Inviting observations from both Chairs of Audit Committee in advance of the performance appraisal, as this would provide valuable client feedback and reflect best practice.</p> <p>PSIAS 1110</p>	<p>Agreed.</p> <p>Ongoing review of Audit Manager performance maintained by Chief Executive at Tamworth BC and both Section 151 Officers. Discussions to agree further approach.</p>	<p>Audit Manager</p> <p>March 2024</p>	Ongoing inclusion of PDR being developed currently at Tamworth Borough Council. A new Performance Development Review (PDR) template and

						guidance note has been approved at Appointments and Staffing Committee following consultation with our recognised Trade Unions – and launched for completion by June 2023
3.	Consider	<p>Declarations of interest Each Council has adopted different practices regarding the protocol for declarations or conflicts of interest. Due to the independent nature of internal audit work it would be beneficial for internal audit staff and any contractors to confirm the position on an annual basis.</p>	<p>The CAE should obtain confirmation regarding potential conflicts of interest on 1 April each year and on appointment of any further staff or contractors undertaking internal audit engagements at the Councils.</p> <p>PSIAS 1100</p>	<p>Agreed</p> <p>Previous declarations of interest have been recorded but only updated if changes have occurred. However to comply with best practice will implemented annual reviews.</p>	<p>Audit Manager</p> <p>April 2023</p>	Completed
4.	Review	<p>Audit Universe The current internal audit planning model reflects use of a “standard audit universe’ to which a cyclical approach to reviewing areas of activity is applied in consultation with management. This is provided for in circumstances where the</p>	<p>The development of a comprehensive internal audit plan that reflects the significant risks that are recorded within each Councils risk management system represents an essential feature of both strategic and operational internal audit planning as it acts as a basis for both ensuring attention on significant risks on a priority basis as well as providing an</p>	<p>Agreed</p> <p>Review of current audit universes at both Tamworth and Lichfield.</p> <p>Change of current working practices to develop the auditing</p>	<p>Audit Manager</p> <p>March 2024</p>	Ongoing progress started with 2023/24 Audit Plan and will be developed moving forward during the financial year to be fully

		<p>client risk management system cannot be relied upon. Internal Audits of risk management have provided positive opinions in relation to their application and as a result it would be beneficial therefore to increasing align the focus of strategic and engagement planning with each clients risk environment as this would enhance internal audits' ability to demonstrate a commitment to helping each Council achieve its objectives. It may be beneficial to consider the content of each clients risk management process as the Audit Universe in future.</p>	<p>indication of the resources required to provide continuous independent assurance. Internal Audit works with each client manager at the time of an engagement to identify significant risks; it would be opportune to increasingly recognise and promote the value of 'Control Risk' at an operational level and transparently integrate this within the planning process, identifying sources of assurance as a matter of routine. It would be beneficial therefore to increasingly align development of the internal audit planning system with each Councils risk management processes in order to ensure that resources are consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which the Council is exposed at an inherent level. It may be that such an approach would also help embed effective risk management within each clients governance processes.</p> <p>PSIAS 2000/2010</p>	<p>of control risks and linking into strategic and operational risk registers are both authorities. To be supported by the current reviews of Strategic Risk Registers which looks at mitigating controls. Additionally, this will improve wider outcomes in the Council so that the audit plan is more focussed on ensuring strategic/operational risks are mitigated to provide assurance.</p>		<p>implemented and included in plan for 2024/25</p>
5.	Consider	<p>Purpose of the system subject to review Audit Planning Memorandum currently contains a statement</p>	<p>The inclusion of a Management Objective is regarded as good practice however it may be beneficial to increasingly capture the specific aims</p>	<p>Agreed Audit Planning and pre-meetings will</p>	<p>Audit Manager April 2023</p>	<p>Complete - Audit Planning and pre-meetings to</p>

		<p>which reflects the 'Management Objective' of the area subject to review. Whilst the terminology is correct statements tend to focus on a generic statement regarding the internal control environment rather than focusing on what management are aiming to achieve, in accordance with Public Sector Internal Audit Standards (PSIAS) requirements, which recognise the value of focusing on operational management objectives.</p>	<p>of management in each review to which can be aligned the significant risks being faced within the area under review . This will assist with the discussions with client managers and specifically the identification of the significant risks which may impact upon achievement of the established objectives and upon which the assurance opinion should be based. The significant risks may be all or some of those identified with the risk management process as well as others recognised at the time of audit.</p> <p>PSIAS 2201</p>	<p>incorporate aims of management in the Audit Brief.</p>		<p>include aims of the service in the planning document.</p>
6.	Consider	<p>Recognition of identified key controls The current risk management methodologies require identification of the primary controls which exist as well as the further mitigating controls which are to be developed. These are likely to represent the key controls upon which the audit should be based, as they represent 'Control Risk' and the implications should a failure of controls occur.</p>	<p>It would be beneficial to increasingly focus on what is regarded as a 'significant risk' within each Councils risk management processes and the associated primary controls as this would increase efficiency through allocating appropriate resources to those areas of most concern. There is limited feedback from the client survey which indicates that the Shared Service might provide increased focus on significant risk and introducing advice best practice within the audit approach and these may be areas where increased understanding of risk throughout the process may produce results which</p>	<p>Agreed.</p> <p>To be developed over 2023/24 towards full implementation.</p> <p>This will improve wider outcomes in the Council so that the audit plan is more focussed on ensuring strategic/operational risks are mitigated to provide assurance.</p>	<p>Audit Manager</p> <p>March 2024</p>	<p>Ongoing work in this area to link into the strategic and operational risks of the council.</p>

			are regarded as adding value by clients. PSIAS 2010			
7.	Review	Consideration of Fraud The Team maintain a Fraud Risk Register demonstrating compliance with the standards regarding the recognition of potential fraud, however this is not directly considered when scoping engagements.	Ensure that the areas reviewed within an engagement include those where potentially significant fraud risks exist. PSIAS 2030	Agreed. As part of annual review of Fraud Risks and reported to respective Committees at Tamworth and Lichfield.	Audit Manager October 2023	Ongoing to be developed and included following review of fraud risks as part of the council reporting arrangements.
8.	Review	Quality Improvement Assurance Policy The service has introduced a Quality Improvement Assurance Policy (QIAP) in accordance with the requirements of the standards. The policy focuses on consistent internal review of engagements, an annual assessment against the standards and the External Quality Assessment (EQA) review on a five year cycle. The Head of Internal Audit's Annual report confirms that aspects of the policy have been completed in a diagrammatic presentation. Industry best practice now reflects an extension of the quality review process to	It would be beneficial to update the policy in line with best practice and as required confirm annually that all measures have operated during the year as well as summarise any outcomes influencing future development of the service within the Head of Internal audit's Annual Report. PSIAS 1300	Agreed. QIAP to be reviewed at both Councils and implemented. Changes to be incorporated into the QAIP for 2023/2024.	Audit Manager July 2023	Complete QAIP updated in accordance with standards and presented as part of updated QAIP for 2023/24.

		include consideration of wider performance in the form of KPI's, resources, skills and training requirements.				
9.	Review	<p>Governance The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements. Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.</p>	<p>In Local Government, each Council establishes a Code of Governance in accordance with CIPFA SOLACE – it would be beneficial to map internal audit activity to the content of the Code in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report.</p> <p>PSIAS 2110</p>	<p>Agreed.</p> <p>To be implemented as part of AGS for 2022/2023 and ongoing development. To be linked with Monitoring Officer at LDC and internally within TBC.</p>	<p>Audit Manager</p> <p>March 2024</p>	Ongoing progress in this area, assurance mapping to be completed.
10.	Review	<p>Risk Management Internal Audit last reviewed risk management as an assignment in TBC (March 2021) and LDC (March 2022) providing a 'Reasonable' assurance opinion.</p>	<p>The standards require an annual opinion to be made in the Head of Internal Audit's Annual Report regarding the adequacy and effectiveness of each Councils risk management processes. It would therefore be beneficial to support the opinion with evidence of how this has been reached through a combination of the assurances gained at both a strategic level and at an operational level within engagements. It would be beneficial to document in this approach how any potential conflict of interest with regard to the Audit Manager and Principal Auditor's roles relating to risk management is managed.</p>	<p>Agreed</p> <p>To be implemented as part of Annual Internal Audit Reports submitted to each Council Audit Committees.</p>	<p>Audit Manager</p> <p>April 2023</p>	<p>Ongoing, review of Risk Management to be completed at TBC in 2023/24.</p> <p>Completed at LDC 2023/24.</p>

			PSIAS 2120			
11.	Consider	<p>Head of Internal Audit Annual Opinion</p> <p>The current statement is largely based upon the work completed in the current financial year.</p> <p>Best practice reflects using a wider basis for the opinion reflecting the full knowledge of the CAE including significant risks which each client is facing and information from other assurance sources.</p>	<p>In practice, the opinion is actually based upon the continuous thread or trend of assurance work completed in recent years as a result of the focus of internal audit plans, the wider knowledge of significant risks and the various sources of assurance that exist, including the risk management processes.</p> <p>Future opinions should state the full basis upon which the opinion has been reached.</p> <p>PSIAS 2450</p>	<p>Agreed.</p> <p>Updating of audit opinion for new financial year 2023/24</p>	<p>Audit Manager.</p> <p>April 2023</p>	<p>Complete to be included in Annual Report to presented to A&MS Committee in April 2023.</p>
12.	Consider	<p>Internal Audit Risk Based Strategy</p> <p>The teams approach to assessment of the perceived risk at inherent and residual levels within an engagement is reflected in the grading of recommendations and opinions which are then used in reporting.</p> <p>Audit Engagement Plans and Reports contain an explanation of how the Internal Audit Team relate the level of risk evaluation to the conduct of the audit.</p> <p>It would be beneficial to ensure that the wording used</p>	<p>Consider reviewing the wording of definitions that support the grading of recommendations and opinions to better reflect risk appetite of each client. Particular attention should be given to the use of wording such as Fundamental and Significant.</p> <p>Within engagement reports this would then link to alignment of assurance opinions where fundamental or a series of significant recommendations automatically generated a 'Limited Assurance' opinion.</p> <p>Consider whether maintained a fourth level of assurance (being no assurance) is necessary.</p>	<p>Agreed.</p> <p>In conjunction with further reviews of wording and audit opinion, to be carried out in conjunction with these reviews.</p>	<p>Audit Manager</p> <p>December 2023</p>	<p>Ongoing development and practice to be brought into place for 2023/24.</p>

		is consistent with risk management terminology used by each client. PSIAS guidance emphasises that the focus of internal audit should be on 'significant' risk.	PSIAS 2420			
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Suggested Enhancements for consideration

	Issue Identified	Recommended Action	Management response	Officer responsible/ timescale	Status
1.	Job descriptions Current job descriptions are in a consistent form but are not routinely reviewed as part of the PDR process..	Best practice reflects regular update of job descriptions, it may be beneficial to review all job descriptions at the same time to ensure that any inter-dependencies are fully reflected, particularly as the two currently vacant posts are advertised PSIAS 1210	Agreed Review of job Descriptions to be undertaken.	Audit Manager. April 2023	Complete
2.	Client surveys Progress has been made in obtaining feedback from auditees following each audit through discussions with client managers and within the annual planning process. Current completion reflects 66% TBC and 82% LDC. This provides informal confirmation from clients	Internal Audit may find it useful to utilise Survey Monkey or similar technology for collecting feedback and capture similar feedback in relation to each contractor's performance, as this can prove to be an efficient means of gathering an early response. Feedback should be included as part of the QAIP process. PSIAS 2000	Agreed. Will review the possibility and functionality of Survey Monkey and determine a way forward.	Audit Manager April 2023	Ongoing review to ascertain best systems going forward.

	regarding the Teams ability to deliver upon its responsibilities and particularly add value.				
3.	<p>Contract support</p> <p>A contract is in place with each contractor which states that delivery of services should comply with the PSIAS.</p>	<p>In order to evidence that the Shared Service is compliant in overall terms it would be helpful if each contractor were requested to provide evidence that their work had been independently assessed in accordance with the PSIAS.</p> <p>PSIAS 1312</p>	Agreed	Audit Manager	Complete
4.	<p>Key Performance Indicators</p> <p>Completion of the Internal Audit Plan is regarded as the current focus of performance monitoring, although other indicators based on recommendations and opinions made in the year are recorded in the Head of Internal Audit's Annual Report. Good practice elsewhere utilises a range of quantitative and qualitative measures to demonstrate performance against the Internal Audit Charter.</p>	<p>Consideration could be given to devising a more comprehensive list of indicators and a summary of client feedback received. This may include:</p> <ul style="list-style-type: none"> • Reports issued to agreed timescales • Recommendations accepted/not accepted by risk rating • Recommendations acted upon in a timely manner • Client satisfaction • Staffing levels and qualifications • Planned training completed <p>PSIAS 1310</p>	<p>Agreed</p> <p>Will review current KPI's and in conjunction with client managers determine a suite of KPI's for Internal Audit.</p>	<p>Audit Manager</p> <p>March 2024</p>	Ongoing, to be reviewed and considered for 2024/25
5.	<p>Training</p> <p>The Internal Audit Team has developed a comprehensive training and skills matrix which includes reference to mandatory</p>	<p>Consider the benefits of using the priorities included in internal audit plans to identify potential courses or seminars which may provide increased understanding of the risk environment that will be reviewed.</p>	<p>Agreed</p> <p>Review training and implement as determined by the knowledge and</p>	<p>Audit Manager</p> <p>March 2024</p>	<p>Ongoing CPD requirements and training opportunities in place.</p> <p>Maintenance of</p>

	<p>requirements although this has not been maintained.</p> <p>As the internal audit planning process devises a forward looking three year plan it would be beneficial to consider the future training needs of internal audit staff and include these in future resource planning.</p>	<p>Ensure that training records are maintained and used to inform the QAIP.</p> <p>PSIAS 1210</p>	<p>experience of auditors.</p>		<p>training records to be updated.</p>
6.	<p>Internal Audit Manual</p> <p>The Team has compiled an Internal Audit Manual which was last reviewed in December 2022.</p>	<p>Following completion of the EQA, consider revising the Manual to fully reflect current practice rather than generic example as this will assist when training new staff.</p> <p>It may be useful to include the Internal Audit Protocol document within the Manual as this represents an excellent way of explaining the internal audit process to all stakeholder</p> <p>PSIAS 2030</p>	<p>Agreed.</p> <p>Implement changes as suggested.</p>	<p>Audit Manager</p> <p>March 2023</p>	<p>Ongoing review of manual to bring into line with best practice.</p>

Risk Management

Cabinet Member for Finance & Commissioning

Date: 20 July 2023

Agenda Item: _____

Contact Officer: Andrew Wood

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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. The Risk Management Policy has been attached as **Appendix 1**. 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 Council operates a 'three lines of defence' model in terms of risk management, this allows for a consistency of approach when designing our risk framework and controls. The model is set up in the following format;
- The first line of defence (functions that own and manage risks) is formed by managers and staff who are responsible for identifying and managing risks as part of their accountability for achieving objectives.
 - The second line of defence (functions that oversee or who specialise in compliance of the management of risk) provides, policies, frameworks, tools, techniques and support to enable risk and compliance to be managed in the first line. This is conducted by monitoring to judge how effectively they are doing it, and helps ensure consistency of definitions and measurement of risk.
 - The third line of defence (functions that provide independent assurance) is provided by internal audit. Internal Audit's main role is to ensure that the first two lines of defence are operating effectively and advise how they can improve.
- 3.3 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.

3.4 The Strategic Risk Register was considered by Leadership Team on 29 March 2023 and subsequently reported to this committee and is detailed at **Appendix 2**. Following LT it was agreed that the Audit Manager Shared Services would consider and bring to Leadership Team the following;

- Consideration of 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 to 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.
- 'Other Horizon Scanning Risks Arising are contained at the end of the register, these are risks which are not strategic risks currently, but that need a 'watching brief' have been reviewed and updated.

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

3.5 The Council's 6 strategic risks (SR6 was approved for removal by the Committee) 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	Yes
Legal Implications	None identified.
Approved by Monitoring Officer	Yes
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).
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Failure to manage known risks and opportunities proactively. Leadership Team	Likelihood: Green Impact: Red Severity: Red	Strategic risks are closely monitored by the Audit & Member Standards Committee, Cabinet Member and Leadership Team. Reports to Audit & Member Standards Committee provide assurance that active steps are being taken to control risks.	Likelihood: Green Impact: Yellow Severity: Green

Background documents	Risk Management Policy – updated and approved by Audit & Member Standards Committee 11 November 2021.
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Relevant web links	
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Risk Management Policy

November 2021

Document Location

This document is held by Lichfield District Council, and the document owner is Head of Finance and Procurement.

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

Revision History

Revision Date	Version Control	Summary of changes
10/08/15	1.01.01	1 st draft
01/09/16	1.01.02	Scheduled review
21/08/17	1.01.03	Scheduled review
08/10/18	1.01.04	Scheduled review
30/09/19	1.01.05	Scheduled review
11/11/21	1.01.06	Scheduled interim review

Approvals

Name	Approved
Audit & Member Standards Committee	Yes
Leadership Team	Yes

Document Review Plans

This document is subject to a scheduled 4 yearly review with a 2 yearly interim review. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be available on the Intranet

RISK MANAGEMENT POLICY STATEMENT

Lichfield District Council Risk Management Policy Statement

Our risk management policy is drawn up within the context of the Lichfield District Council's strategic objectives.

Our strategic objectives are set out in our Strategic Plan and are underpinned by targets and milestones which are monitored through our Performance Management processes that covers the key areas of the Council's activity.

Risk taking is part of innovation and change and as such is to be encouraged, not avoided; it must however be carefully assessed, regularly monitored, and effectively managed. There is a risk in all that we do. Some of that risk can be controlled and reduced, or mitigated, by effective management and clear ownership.

A risk management policy is an essential component of sound governance. It will help us to identify, analyse and control those risks which might prevent the Council achieving its objectives in a clear, visible, coherent and consistent way. It is an essential tool for all managers and Councillors.

The overall policy is supported by separate guidance notes on the methodology to be used. It is also supported by our corporate business continuity processes. Transparency and accountability is key to the process.

This policy is fully supported by Members, the Chief Executive and the Leadership Team.

1 Introduction

- 1.1 Risk management is an integral part of good corporate governance. Good corporate governance requires maintaining a sound system of internal control. Financial Procedure Rules place responsibility with Chief Officers for risk management and maintaining sound systems of internal control within their area of service delivery.
- 1.2 Implementation of the policy will ensure that two types of risk are addressed:
- Direct threats – (damaging events) which could lead to a failure to achieve ambitions and deliver on priorities
 - Opportunities – (constructive events) if exploited can offer an improved way of achieving objectives but which are surrounded by threats. Examples include areas such as partnership arrangements.

2 What is Risk Management?

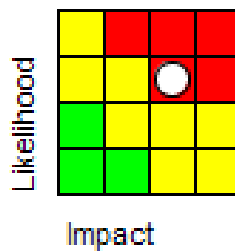
- 2.1 Risk can be defined as the chance or possibility of loss, damage, injury or failure to achieve objectives being caused by an unwanted or uncertain action, event, or chain of events. Risk therefore includes a level of uncertainty of outcome (whether positive outcome or negative threat). Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives.
- 2.2 Risk management involves having processes in place to identify and monitor risks, be able to access up to date and reliable information about risks, ensure the right balance of control in place to deal with risks; and a decision making process that is supported by a framework of risk analyses and evaluation. Risks should be managed in an integrated way at different key levels to manage interdependencies –strategic risk, operational risk and project risks.
- 2.3 The purpose of this Risk Management Policy is to effectively manage potential opportunities and threats to the organisation achieving its objectives. The main objectives of the risk management policy are to:
- Embed a culture that integrates risk management into the day-to-day management processes.
 - Raise awareness of the importance of risk management by all those connected with the delivery of service, including partners.
 - Anticipate and respond to changing social, environmental, economic, technological and legislative conditions.
 - Minimise the impact and/or likelihood of risks occurring.
 - Maximise the exploitation of opportunity events;
 - Put in place a robust framework in place to identify, assess and manage the major risks facing the organisation.

- Minimise the total cost of risk.

Detailed guidance can be found in the Risk Management Guidance.

3 Risk Appetite

3.1 The risk appetite is “the amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time.” (CIPFA). The Council will manage its risks by, reducing, preventing, transferring, eliminating or accepting the risks. The Council’s risk appetite is defined by the ‘red’ section of the 4 x 4 matrix. Guidelines on scoring of impact and likelihood are contained within the risk management guidelines.



3.2 Whilst the Council acknowledges that it will have “Severe” (red) risks from time to time, it will endeavour to reduce these to an acceptable level either through controls, actions to reduce the risk or ceasing the activity (if applicable). Where a current risk score is within the ‘red’ zone, an action plan will usually be required to bring the risk within appetite. The target score of a risk must be within appetite (the yellow / green zone). Sometimes risks are identified and even though managed, may still remain “severe” (red risk). Severe risks at an operational and project level are reported to the Leadership Team to manage and monitor.

Risk registers must be maintained and managed in the following areas:

- Strategic Risks,
- Operational Risks,
- Project Risks,
- Partnership Risks.

“Severe” risks can appear in any of the above risk registers.

Strategic risks are owned and managed by leadership team. These risks are those risks that are identified as those that could have a high level impact at a corporate level.

The Strategic risk register and “red” project risks are routinely reported the Audit & Member Standards Committee.

4 The Benefits of Having a Risk Management Policy

- Risk Management will alert the Leadership Team to the main service and financial issues. This will allow early and proportionate management handling i.e. mitigation, diversion of resources.
- It contributes to better decision making, and the process of achieving objectives. When embedded within existing planning, decision taking and option appraisal processes, risk management provides a basis for ensuring implications are thought through, the impact of other decisions, initiatives and projects are considered, and conflicts are balanced. This will influence success and improve service delivery.
- It provides assurance to members, management and auditors on the adequacy of arrangements for the conduct of business and the use of resources. It demonstrates openness and accountability to various inspectorate bodies and stakeholders more widely.
- It leads to greater risk awareness and an improved control environment, which should mean fewer incidents and other control failures. In some cases this can result in lower insurance premiums.

4.1 These are not intangible benefits. By identifying risks earlier, by making sure processes are fit for purpose and not over engineered, and achieving a behavioural shift, risk management will be a process that is justified many times over.

4.2 Our approach to risk management which underpins the policy and provides a vision of what we are aiming for, is summarised below:

“Risk management in Lichfield District Council is all about managing our business threats and opportunities and creating an environment of “no surprises”.

Risk management is the identification, analysis and control of those risks which might prevent an organisation achieving its objectives.

Risk management is not about insurance – not least because most risks faced by organisations are not insurable. Certainly risk transfer is part of risk management, but so is risk retention and control”.

4.3 Risk profiling is carried out at all levels of the organisations with each level feeding up to the next level to ensure that operational risks that could pose greater / strategic risks are escalated and are not missed.

5 Roles, Responsibilities and Reporting Lines

5.1 The importance of establishing roles and responsibilities within the risk management framework is pivotal to successful delivery. The consideration of risk must be embedded into corporate policy approval and operational service delivery.

5.2 The agreed roles and responsibilities within the risk management framework at Lichfield District Council are outlined in the table below:

Group / Individua	Role
Leadership Team	<ul style="list-style-type: none"> • Provide leadership for the process to manage risks effectively. • Review and revise the risk management policy in accordance with the review period. • Monitor and review the strategic risk register on a monthly basis including the identification of trends, upcoming events and potential new strategic risks.
Head of Finance and Procurement	<ul style="list-style-type: none"> • To own the risk management policy and ensure effective risk management arrangements in place in accordance with requirements set out in Financial Procedure Rules.
Audit & Member Standards Committee	<ul style="list-style-type: none"> • 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. • To monitor action being taken by the Council to mitigate the impact of potentially serious risks.
Cabinet	<ul style="list-style-type: none"> • To provide strategic direction with regards to Risk Management and be collectively responsible for the Risk Management process. • To consider risk management operation per their Cabinet responsibility.
Cabinet Member (Finance and Procurement, Revenues and Benefits)	<ul style="list-style-type: none"> • 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. • To monitor action being taken by the Council to mitigate the impact of potentially serious risks.
Heads of Service	<ul style="list-style-type: none"> • To provide leadership and ‘champion’ the process of managing risks within their areas of responsibility. • To ensure that risk management methodology is applied to all service plans, projects, partnerships and proposals within their areas of responsibility. • To identify and manage business/operational risks. • To ensure that the management of risk is monitored as part of the performance management process. • Provide assurance to Leadership Team and the Chief Executive that this policy is being complied with.

	<ul style="list-style-type: none"> • To ensure that employees attend appropriate risk management training to assist in the implementation of this policy. • To ensure that risk management is a standard agenda item at team meetings. • To review and update their operational risk registers on at least a quarterly basis. • To determine the method of controlling the risk. • To delegate responsibility if appropriate for the control of the risk. • To notify Leadership Team of new risks identified, for consideration for inclusion on the Strategic Risk Register.
All Staff	<ul style="list-style-type: none"> • To ensure that risk is effectively managed in their areas. • To ensure that they notify their managers of new and emerging risks
Audit Manager	<ul style="list-style-type: none"> • To ensure that the risk management policy is regularly reviewed and updated. • Promote and support the risk management process throughout the Council. • Advise and assist Heads of Service/ managers in the identification of risks.

Risk Management Process

6 Risk Identification

- 6.1 The identification of risks is completed at various levels and primarily, risks (and opportunities) relate to the achievement of the Council's objectives. The risks can therefore be at Strategic, Operational, Project, Partnership or Opportunity level. This stage will be repeated regularly to ensure that new and emerging risks arising are identified and recorded on the risk register as appropriate. In addition, risks that are no longer relevant are removed.
- 6.2 The Council acknowledges that no one person is responsible for identifying key risks and that they are identified at various levels and various ways.
- 6.3 As a basis, the following risks must be identified:
- Those that affect the delivery of the strategic plan;
 - Those that affect operational issues i.e. the delivery of a service;
 - Those that affect the delivery of a project;
 - Those that affect the delivery within a partnership.

7 Recording Risks

- 7.1 The Council's risk register is the primary tool to record risks identified. All strategic, operational, project and partnership risks are recorded.
- 7.2 All risks recorded on the risk register should identify:
- risk description
 - risk owner
 - gross (unmitigated), current (mitigated) and target risk scores using the 4x4 matrix of likelihood x impact)
 - risk factor /causes of the risk
 - potential effects/consequences of the risk as well as opportunities;
 - risk treatment measures controls in place to the reduce the risk and any actions, timescales and responsibilities required.

8 Reporting Risks

- 8.1 The strategic risk register is reviewed and updated by the Leadership Team each month. A quarterly update is reported to the Cabinet Member (Finance and Procurement, Revenues and Benefits) and to the Audit and Member Standards Committee. Red (severe) project risks are also reported at the same time.
- 8.2 All reports to the Council require that any risks inherent within the decision recommended, are identified. The Committee report template is set up so that this is completed. It is the duty of the report writer that the relevant risk register is updated to take account of these risks.

9 Reviewing Risks

- 9.1 Risks should be reviewed on a regular basis. The Leadership Team and Head of Audit will provide an overall review of risks to ensure that risks are being consistently scored. The review period will depend on the type of risk. For example, operational risks (those that affect the delivery of a service) will more than likely not need to be reviewed as often as project risks. Risks can be added or deleted at any time.

10 Performance Management

- 10.1 The following key performance indicators for the risk management process will be completed:
- The risk management policy will be reviewed and updated fully on a 4 yearly basis (with a 2 year interim review in between).
 - Leadership Team will review and update the strategic risk register taking into account emerging and changing risks, on a monthly basis.
 - Risks are reviewed appropriately to the severity/changing nature of the risk.
 - Staff are appropriately trained in risk management.

Appendix 2: 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	SR1 Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan. The risk is influenced by: <ul style="list-style-type: none"> 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"> <i>Prudent estimates for Business Rates and New Homes Bonus based on modelling provided by Local Government Finance experts.</i> <i>Risk assessed minimum level of reserves set at £1.9m.</i> <i>Routine budget monitoring reported to Leadership Team, Cabinet and Overview and Scrutiny Committee.</i> <i>Requirements of the new CIPFA Financial Management Code, information contained in the CIPFA Resilience Index and benchmarking reports from LG Futures.</i> <i>Confirmation and Implementation of financial settlement for 2023/24 and principles for 2024/25.</i> <i>Balanced budget for next 2 years.</i> 	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. 	1st Line: <ul style="list-style-type: none"> Approved Medium Term Financial Strategy including the Capital Strategy covering 5 years plus a 25 year capital investment model. A longer term financial plan covering a 25 year horizon for revenue budgets. Approved Treasury Management Strategy. Production of monthly budget reports to Managers. Procurement Strategy
							2nd Line: <ul style="list-style-type: none"> Leadership team review of 3, 6, 8 and 12 month reports to Cabinet and 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 2: 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 86	<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"> Mutual aid assistance Local Resilience Forum (LRF). 	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 2: 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 2: 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 88			<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 2: 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 2: 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> <p>Subsidy Control Framework and self-assessment risks subject to challenge. Arrangements in process of being developed, requirement to build in operation and awareness training.</p> <p>Risk of failure to retain documentation in a manner to allow both storage and retrieval.</p> <p>Owner: Chief Operating Officer</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>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>3rd Line:</p> <ul style="list-style-type: none"> RIPA, ICO and Ombudsman reports/returns. External audit of Annual Governance Statement as part of the financial statements.

Appendix 2: 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 91			<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.
A good council, developing prosperity, shaping place,	<p>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.</p> <p>Relating specifically to the effects of the 'cost of living crisis. This results in an increase in unemployment,</p>	9 (L3xI3)	<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 2: 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 92	<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> 			<ul style="list-style-type: none"> 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. • 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 2: 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 2: 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 94</p>	<p>Failure by staff to complete ICT training and the take up of MFA.</p> <p>Owner: Chief Executive</p>		<p><i>staff not completing mandatory ICT training.</i></p> <ul style="list-style-type: none"> <i>Implementation of Knowledge Hub training.</i> 				<p>3rd Line:</p> <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 2: 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 2: 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

Compliments, complaints, MP and FOI enquiries report 2022/2023

Councillor Doug Pullen, Leader of Lichfield District Council

Date:	20 July 2023
Agenda Item:	9
Contact Officer:	Lizzie Barton, Alison Bowen and Laura Brentnall
Tel Number:	01543 308060
Email:	lizzie.barton@lichfielddc.gov.uk
Key decision	No
Local Ward	All wards
Members	



Audit & Member Standards

1. Executive Summary

- 1.1 Customer feedback is key to helping the council improve how we deliver services to the residents and businesses of Lichfield district. The **customer feedback annual review 2022/23** is attached as Appendix A. This year we have further developed our approach to reporting on customer feedback, with a new improved format.
- 1.2 It is proposed that the **customer feedback annual review** is published annually, both as a download and accessible web pages at www.lichfielddc.gov.uk/complaints and promoted externally to encourage people to give us their feedback and to trust that feedback is taken seriously and used to improve our services.
- 1.3 The table below provides an overview for complaints received and processed by the council over the past three years:

	2020/2021	2021/2022	2022/2023	Direction of travel
Stage one received	85	76	70	↓
<i>Withdrawn/not council</i>	18	7	13	↑
Stage one investigated	67	69	57	↓
Stage one upheld/partially upheld	10	14	22	↑
Stage one not upheld ¹	28	37	26	↑
Stage two received	17	9	4	↓
<i>Stage two upheld/partially upheld</i>	15	5	2	↓
<i>Stage two not upheld</i>	2	4	2	↓
Apologies issued	8	14	16	↑

- 1.4 Key complaint headlines for 2022/23 include:
- The number of stage 1 complaints investigated dropped by 17% compared to 2021/2022.
 - This is in line with the target 15% reduction set out through Being a Better Council.
 - The number of stage 1 complaints upheld or partially upheld increased compared to the previous year – 22 compared to 14.
 - Two stage 2 complaints were upheld or partially upheld, compared to 9 in the previous year.
 - 76% of complaints were either responded to within target timescales, or where they were not, customers were kept informed of progress.
 - The ombudsman investigated one stage 2 complaint and it was not upheld.

¹ At the point of writing each annual report, a number of complaints have not been finalised and are still progressing through the complaints procedure. In 2023/2024 the statistics will reflect the end position of all complaints within that period.

- 1.5 Key compliment headlines for 2022/23 include:
- The council received 45 compliments.
 - Planning was the most complimented service and complaints about planning also dropped from 36% of all complaints in 2021/2022 to 14% in 2022/2023.
- 1.6 Key freedom of information headlines for 2022/23 include:
- 248 freedom of information requests were received which did not meet the target reduction set out through Being a Better Council (230 requests target).
 - The **customer feedback annual review** sets out the team's ambitions to address this moving forwards.
- 1.7 To further strengthen our approach to customer feedback, responsibility for complaints, compliments and MP enquiries will be moving to be overseen by the customer services team during 2023/24, and a range of improvements are planned to make it easier for our residents and businesses to provide feedback and access information.
- 1.8 Given the importance of customer feedback it is proposed that the **customer feedback annual review**, moving forward, is considered by Cabinet.

2. Recommendations

- 2.2 Committee to comment on and approve the publication of the **customer feedback annual review 2022/23**, subject to any feedback by committee.
- 2.3 Committee to delegate any amends to the Leader of the Council in consultation with the assistant director for customer, resident & business services.
- 2.4 Committee to note that future **customer feedback annual reviews** will also be considered by Cabinet.

3. Background

- 3.1 Customer feedback provides important insight into how our services can be improved and transformed to provide better services to our residents and businesses. Over recent years, we have transformed the way we manage and respond to customer feedback, ensuring we have a customer centric approach.
- 3.2 Attached as Appendix A is the **customer feedback annual review 2022/23**. This year's report is presented in a different format, aimed at making it more accessible and meaningful to our residents and businesses.
- 3.4 During 2023/24, responsibility for complaints, compliments and MP enquiries will be moving to be fully overseen by the customer services team. This will help to ensure they are used to challenge service delivery and drive positive change across the organisation as part of our customer focused approach. The customer services team will also be working to help increase the number of complaints responded to on time by simplifying and streamlining internal processes.
- 3.5 The customer services and digital teams are also working to improve the ways in which customers can give their feedback easily and quickly, introducing telephone and web surveys, so that customers have a convenient way to share their views and help improve our services. See the council's complaints process and online form online at www.lichfielddc.gov.uk/complaints
- 3.6 Freedom of Information requests (FOIs) will continue to be overseen by the compliance and data protection officer. During 2023/24 we will be working to publish more data sets online through www.lichfielddc.gov.uk/frequentfois, so people can access information themselves without submitting

a request, with the overall aim of speeding up the process for customers and reducing the total requests received.

- 3.7 Given the importance of customer feedback it is proposed that in future years, the **customer feedback annual review** is considered by Cabinet, either as a stand-alone report, or as part of a broader corporate performance report.

Alternative Options	N/A – this report presents a summary of the customer feedback received during 2022/23
Consultation	The report has been considered by leadership team and wider leadership team.
Financial Implications	None
Approved by Section 151 Officer	N/a
Legal Implications	None
Approved by Monitoring Officer	N/a
Contribution to the Delivery of the Strategic Plan	Customer feedback and ensuring customers trust we take feedback seriously and use it to adapt and improve our services is vital to the delivery of the current and all future strategic plans.
Equality, Diversity and Human Rights Implications	None – the report will be published as a download as well as in a fully accessible web page format.
EIA logged by Equalities Officer	Yes
Crime & Safety Issues	None
Environmental Impact (including Climate Change and Biodiversity).	None
GDPR / Privacy Impact Assessment	None – all complaints are anonymised in the report.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Members/customers may feel the report is not adequately in-depth	Likelihood: Green Impact: Yellow Score: Yellow	Encourage member feedback on the initial report, so that we can build any improvements into this year's report before issue, and encourage feedback from customers, so we can build any improvements into future years' reports.	Likelihood: Green Impact: Green Score: Green

Background documents

The previous year's report was circulated as a briefing paper and was not published online. Please email alison.bowen@lichfielddc.gov.uk if you would like to request a copy.

Relevant web links

www.lichfielddc.gov.uk/complaints

Customer feedback annual review 2022/2023



We receive a variety of customer feedback – from stage one and two complaints, through to MP enquiries, ombudsman enquiries, and compliments. We see all feedback, and in particular complaints and MP enquiries, as a way of driving change and improvements in the way we deliver services, and the way we communicate with our customers.



This report gives an overview of the feedback we received last year (April 2022 – March 2023). Thank you to all our customers who have taken time to give us feedback this year. If you have any questions, please email our customer services team at enquiries@lichfielddc.gov.uk

Why we've said sorry and what we've done as a result

We issued 16 apologies last year. This was an increase on 2021/2022 when we issued 14 apologies. Below is a summary of why we apologised, and the actions we've taken as a result to help improve our services.

Why we've said sorry	What action we've taken
Poor communication by building control.	We've delivered staff training.
Apologies were issued about long call wait times.	We're boosting staffing in the customer services team, and we've launched live chat.
Email not logged on system correctly by planning.	We've delivered staff training.
Apologies were issued in relation to missed bins and poor communication around excess waste.	We've improved our website content.
Slow response by council tax team.	We're boosting staffing in the team through better use of external funding.
Apologies were issued in relation to slow and poor communication by housing team.	We've boosted staffing in the team through better use of external funding.
Inaccurate condition on a planning permission.	We delivered staff training on planning conditions.
Waste bin stickers did not contain enough information.	Our communications team will consider this in future communications/bin stickers.
Length of S106 process.	We're carrying out a review of our s106 processes as part of a wider planning review.
Planning notification letters were not issued.	We've addressed the issue with printers and put in place new requirements in the council's new print contract.
Handling of planning application at committee.	A review of the process is underway as part of a wider planning review and further training has been delivered.
Apologies were issued about the attitude of staff in housing.	Staff training and call recording is being rolled out, so customers and staff have access to recordings so we can continually review the standards of care we provide.
Slow communication by planning enforcement.	Team has faced resource issues, due to the departure of officers - recruitment underway.

Key facts about complaints

'The best authorities use complaints as a barometer of external opinion and as an early warning of problems might otherwise stay unseen. They take that a step further and use critical feedback to drive a sophisticated culture of learning, reflection and improvement.'

Local Government and Social Care Ombudsman

We received 70 stage one complaints last year, of which 13 were not investigated because they were either withdrawn by the customer or were not about services provided by the council. **This was a significant drop on last year, when 69 complaints were investigated.**

57 complaints investigated

22 upheld or partially upheld

Following investigation, **22 stage one complaints were either upheld or partially upheld. In the previous year 14 stage one complaints were upheld or partially upheld, so this is a significant increase on 2021/2022.** Twenty-six complaints were not upheld. This is because, while the customer was not happy with the service they received, or the decision the council made, teams had delivered the services or decisions in line with policy, and poor practice or injustice was not evident.

Four complaints progressed to stage two. **Of the four stage two complaints, one was upheld, one was partially upheld, and two were not upheld.** In the previous year, nine complaints progressed to stage two, and five were upheld or partially upheld, so this is a **significant improvement on the previous year.**

4 stage two complaints

Most frequent complaint areas

Waste and street scene (29%), revenues and benefits (14%), planning (14%) and building control (13%) received the most complaints. **Complaints about planning dropped significantly, compared to last year, when 36% of all complaints were planning related** – the planning team processed 1,245 planning applications in the same period, so planning complaints represented 0.8% of the team's caseload. **Operational services also received a spike in complaints linked to the roll out of the new blue bag scheme.**

76% of stage one complaints were responded to within the target timescales. Where responses were not issued within 20 working days, customers were kept informed of progress. Stage two complaints were either responded to within the target timescale, or customers were kept updated if the investigation was going to take longer.

76% in time

Key facts about MP enquiries

We received 116 MP enquiries. MP enquiries are often like a complaint, but the customer has used the MP to act on their behalf instead of coming to the council directly. **94% were responded to within target timescales, which is an improvement on the previous year when 86% were processed in a timely manner.**

116 enquiries investigated

11 key areas of enquiry

MP enquiries covered a wide range of services with the most in housing (25%), planning (18%), environmental health (12%) and joint waste (10%). **Enquiries about pedestrianisation, the new leisure centre and the local plan were also responded to.**

Key facts about ombudsman enquiries

The ombudsman investigated one complaint that had been through the council's complaints procedure. The complaint was about planning. **There were no complaints investigated and upheld during the previous year that had gone through the council's complaints procedure.**

One enquiry

0 upheld

Following investigation, the complaint was not upheld.

Key facts about compliments

45 thank you's received

Our policy defines a compliment as an unsolicited expression of praise or admiration from a customer which is over and above common courtesy. **This year the most complimented service was planning, with 31 compliments.** The next were revenues and benefits, street scene, housing, and environmental health. Compliments ranged from 'excellent service' to one resident feeding back that an officer was 'genuinely the most helpful and understanding person'. **Well done to all the staff involved, and thank you to all our customers for taking time to let us know when we've done a good job. We appreciate it!**

The customer services and digital teams are working to improve the ways in which customers can give their feedback easily and quickly, introducing telephone and web surveys, so that customers have a convenient way to share their views and help improve our services.



Key facts about freedom of information (FOI) requests

We received 248 freedom of information (FOI) requests. Freedom of information request can range from journalists gathering data for a story from councils nationwide, students carrying out research, or commercial companies finding out when the council may be looking for new suppliers, through to residents wanting more information about a local issue.

248 FOI requests

90% on time

90% of freedom of information requests were responded to on time. Moving forward, the compliance and data protection officer will be working to publish more data sets online through www.lichfielddc.gov.uk/frequentfois, so people can access information themselves without submitting a request, with the overall aim of speeding up the process for customers and reducing the total number of requests handled.

Looking forward

Over the past few years, complaints have been overseen by the governance team who transformed the way they were managed, monitored response times, and ensured responses were customer centric.

Moving forwards, complaints are now being overseen by customer services, which will help to ensure they are used to challenge service delivery and drive positive change across the organisation as part of our customer focused approach. The customer services team will also be working to help increase the number of complaints responded to on time by simplifying and streamlining processes.

MP enquiries and compliments will also move over to the customer services team during the year, and the team will start to collect outcomes and lessons learned from MP enquiries.

Freedom of information requests will be overseen by the compliance and data protection officer.

If you have any questions, please email our customer services team at enquiries@lichfielddc.gov.uk

Lichfield District Council audit plan

Year ending 31 March 2023

Lichfield District Council

July 2023



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Director of Finance
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control refer to page 7.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Lichfield District Council ('the Council') for those charged with governance.

Respective responsibilities

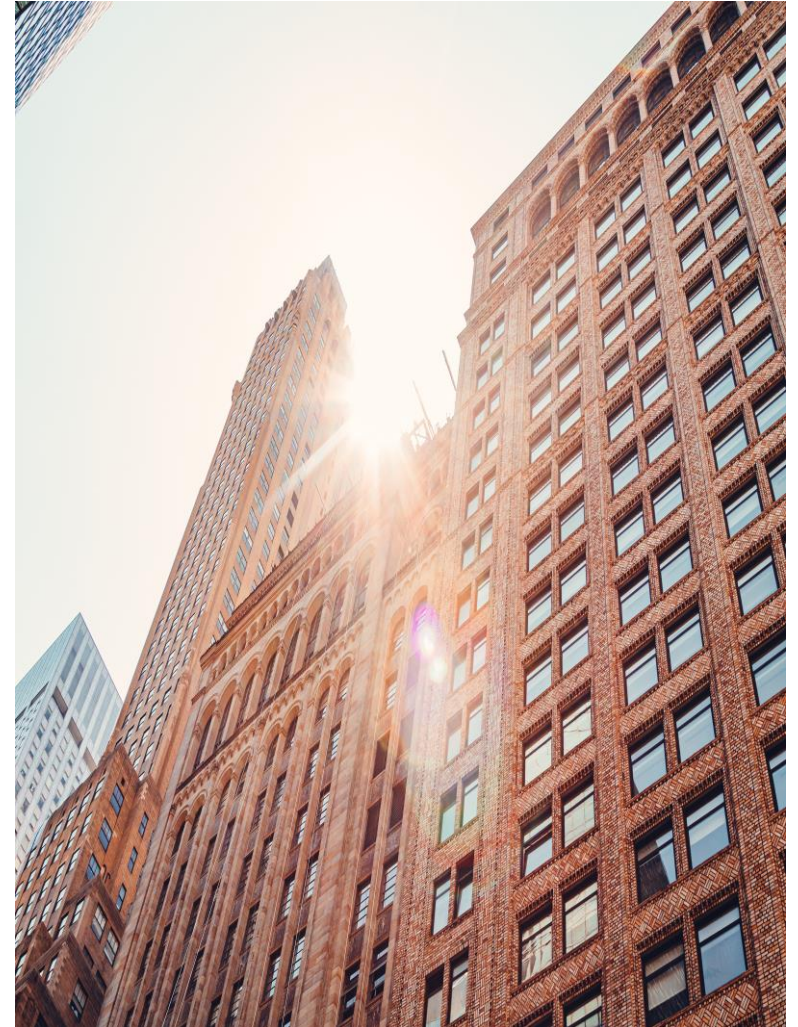
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA). We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Member Standards committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Member Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud in revenue recognition and expenditure	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Lichfield District Council mean that all forms of fraud are seen as unacceptable. <p>Whilst not a presumed significant risk, we have had regard to Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure may well be greater than that of income.</p> <p>Having considered the risk of improper recognition of expenditure at Lichfield District Council we are satisfied that this is not a significant risk for the same reasons set out above.</p>	<p>Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council's revenue streams, as they are material. We will:</p> <p><u>Accounting policies and systems</u></p> <ul style="list-style-type: none"> • Evaluate the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code • Update our understanding of the Council's business processes associated with accounting for income <p><u>Fees, charges and other service income</u></p> <ul style="list-style-type: none"> • Agree, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. <p><u>Taxation and non-specific grant income</u></p> <ul style="list-style-type: none"> • Income for national non-domestic rates and council tax is predictable and therefore we will conduct substantive analytical procedures • For other grants we will sample test items back to supporting information and subsequent receipt, considering accounting treatment where appropriate. <p><u>Expenditure</u></p> <ul style="list-style-type: none"> • Update our understanding of the Council's business processes associated with accounting for expenditure • Agree, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test high risk unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
<p>Valuation of:</p> <ul style="list-style-type: none"> • land and buildings • Investment properties 	<p>Revaluation of property, plant and equipment should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. The Council revalues its land and buildings on a rolling basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will report an updated risk assessment for valuation of land and buildings in our Audit Findings Report.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly; and • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the inflation rates and life expectancy, where, in the prior year, it was disclosed that Variations in the key assumptions will have the following impact on the net liability:</p> <ul style="list-style-type: none"> - A 0.1% decrease in the real discount rate will increase the net pension liability by £2,681k; - A 0.1% increase in the assumed level of salary increases will increase the net pension liability by £1276k; and - A 0.1% increase in pension rate will increase the net pension liability by £2,384k. <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £829k, which equates to 2% of your draft gross expenditure for the period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> – We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of 2% of the Officers; Remuneration Note.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £41.5k (PY £45k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Member Standards Committee to assist it in fulfilling its governance responsibilities.</p>

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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IT system	Audit area	Planned level IT audit assessment
Civica	Financial Reporting	Detailed ITGC assessment (design effectiveness only)

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



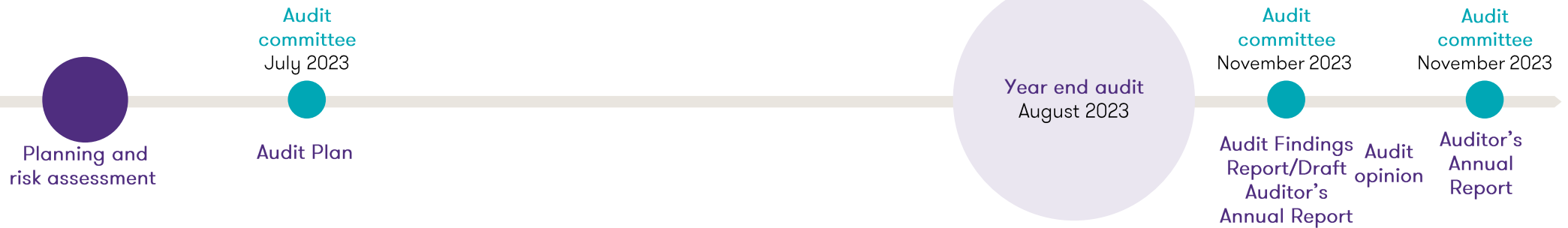
Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report. You should also delete the 'Potential types of recommendations' table

We are currently completing work on both the 2021/22 and 2022/23 value for money audits and will look to report our results in a combined report in 2023.

Audit logistics and team



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Avtar Sohal, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.



Ellie West , Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work

Audit fees and updated Auditing Standards including ISA 315 Revised

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Director of Finance.

Audit fees

Actual (or estimated) Fee 2021/22 Proposed fee 2022/23

	Actual (or estimated) Fee 2021/22	Proposed fee 2022/23
Lichfield District Council Audit	£65,512	£61,263
Total audit fees (excluding VAT)	£65,612	£61,263

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Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee for 22/23	£42,913
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£2,100
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
Increased audit requirements of revised ISAs 315/ 240	£3,000
Total audit fees 2022/23 (excluding VAT)	£61,263

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified. The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Certification of Housing Capital receipts grant	31,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £31,000 in comparison to the total fee for the audit of £61,263 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		<p>ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.</p> <p>This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.</p> <p>We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.</p> <p>Respective responsibilities</p> <p>As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud[deliberate manipulation] involving management and/or which results in material misstatement of the financial statements [not typically council tax fraud]		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	



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Informing the audit risk assessment for Lichfield District Council 2022/23

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02 March 2023



Agenda Item 12

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Lichfield District Council's external auditors and Lichfield District Council's Audit & Member Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Member Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit & Member Standards Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit & Member Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Member Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Member Standards Committee and supports the Audit & Member Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Lichfield District Council's management. The Audit & Member Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	The ongoing impact of the COVID-19 pandemic including the impact on income streams, additional costs and the level of provisions and reserves.
2. Have you considered the appropriateness of the accounting policies adopted by Lichfield District Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The accounting policies are reviewed each year and a report is presented to Audit and Member Standards Committee for them the review and approve the policies. No events or transactions for 2022/23 to make the Council change or adopt new policies.
3. Is there any use of financial instruments, including derivatives? If so, please explain	The Council does have financial instruments related to financial assets (investments including strategic investments) and financial liabilities (loans, trade creditors and finance leases). The Council does not use derivatives.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	None.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Not aware of any changes that will not be already being considered by the external valuer as part of the rolling programme of valuations.
6. Are you aware of any guarantee contracts? If so, please provide further details	The only ones we are aware of are included in the notes to the accounts related to pension guarantee for Freedom Leisure.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Lichfield District Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council has an agreement with South Staffordshire District Council for legal services. There is no in house solicitor although a number of solicitors are utilised on a case by case basis based on the specific project and specific expertise. This includes projects that include the Lichfield Garrick and leisure centres.

General Enquiries of Management

Question	Management response
9. Have any of the Lichfield District Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	Not aware of any.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Not aware of any.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Not aware of any.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Member Standards Committee and management. Management, with the oversight of the Audit & Member Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Member Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Lichfield District Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit & Member Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Member Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Member Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Lichfield District Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Lichfield District Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>The risk of material misstatement of the accounts due to undetected fraud is low. Although there is an on-going risk of fraud being committed against the Council, clear and effective arrangements are in place to prevent and detect fraud. No material instances of fraud have been identified in 2022/23.</p> <p>The maintenance of an internal control environment that is subject to a risk based internal audit assurance programme that is monitored by the Audit and Member Standards Committee.</p> <p>The Council utilises the Best Practice three lines of assurance model for risk management:</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>There are no material instances of fraud that have been identified during the year. There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> • Council Tax • Single person discount • Income streams such as sales, fees and charges. • Cyber related fraud. • Procurement. <p>Lichfield District Council is a participant in the National Fraud Initiative and review matches as they become available (NFI data sets and app check).</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Lichfield District Council as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>The risk of material misstatement of the accounts due to undetected fraud is low. Although there is an on-going risk of fraud being committed against the Council, clear and effective arrangements are in place to prevent and detect fraud. No material instances of fraud have been identified in 2022/23.</p> <p>Leadership Team review strategic and horizon scanning risks on a monthly basis and service/project risks on a quarterly basis.</p> <p>There are also clear links within the both strategic and service risk registers. Separate and individual project risk registers are also maintained.</p> <p>This assessment and review informs quarterly risk update reports to Audit and Member Standards Committee.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Council has in place strong controls over the sales and purchase ledger in order to prevent fraud. Internal audit are used to carry out work on overall fraud risk areas including Council Tax and Housing benefit. Internal audit also give an opinion on their work on controls.</p> <p>The Council has an in house procurement Team.</p> <p>The Council at Audit and Member Standards Committee on 12 November 2020 approved an updated Counter Fraud Framework. That included the following:</p> <ul style="list-style-type: none"> • The Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes • Confidential Reporting (Whistleblowing) Policy • Anti-Money Laundering Policy • Prevention of the Facilitation of Tax Evasion policy
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Lichfield District Council where fraud is more likely to occur?</p>	<p>None.</p> <p>None.</p> <p>None</p>

Fraud risk assessment

Question	Management response
<p>6. What processes do Lichfield District Council have in place to identify and respond to risks of fraud?</p>	<p>The Council has in place strong controls over the sales and purchase ledger in order to prevent fraud. Internal audit are used to carry out work on overall fraud risk areas including Council Tax and Housing benefit. Internal audit also give an opinion on their work on controls.</p> <p>The Council has an in house procurement Team.</p> <p>The Council at Audit and Member Standards Committee on 12 November 2020 approved an updated Counter Fraud Framework. That included the following:</p> <ul style="list-style-type: none"> • The Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes • Confidential Reporting (Whistleblowing) Policy • Anti-Money Laundering Policy • Prevention of the Facilitation of Tax Evasion policy

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Lichfield District Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The Council has in place strong controls over the sales and purchase ledger in order to prevent fraud. Internal audit are used to carry out work on overall fraud risk areas including Council Tax and Housing benefit.</p> <p>Internal audit undertake a risk based assurance plan with individual audit reports providing an overall level of assurance together with prioritised actions to address weaknesses identified.</p> <p>Internal Audit also provide an overall opinion on their work on the internal control environment.</p> <p>All systems and processes include risk based internal controls such as segregation of duties and management oversight.</p> <p>Not aware of any area where there is a potential of override of controls or inappropriate influence over the financial reporting process.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No.</p>

Fraud risk assessment

Question	Management response
<p>9. How does Lichfield District Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Code of Practice is available on the Council's intranet along with the whistleblowing policy. All employees are required to read this as part of their induction process.</p> <p>The Whistleblowing Policy encourages employees to report any suspicions of fraud or irregularity, and explains the procedures to follow.</p> <p>This policy is available to all staff via the Council's intranet, and is included as part of the induction programme for new staff.</p> <p>None.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>The Council does not directly deliver services in some of the traditionally higher risk areas such as Council Housing and Leisure Centre operation. The higher risk areas are now likely to be related to digital/cyber related areas.</p> <p>The Internal Audit assurance plan is risk based and therefore will reflect the prevailing risk and control environment</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>The Council sets out related party transactions within the annual accounts. Declarations and conflicts of interest are recorded on an annual basis through a return required to be submitted by members. Any additional interests are required to be declared before meetings and on an ad hoc basis throughout the year.</p> <p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> • Maintenance of a Register of interests for Members • Annual declaration of interest • Councillors and officers do not participate in decisions where they are a related party • Annual accounts disclosures for related parties and transactions are reviewed for completeness by senior finance officers

Fraud risk assessment

Question	Management response
	<p>The Audit and Member Standards Committee receives an update report from Internal Audit which is a summary of the work completed by Internal Audit. This highlights the number of recommendations made. It also highlights implementation reviews completed and highlights where there are recommendations not implemented.</p> <p>The Audit and Member Standards Committee receive copies of all finalised internal reports and finalised implementation reviews carried out.</p> <p>Any frauds identified will be reported to the Audit and Member Standards Committee.</p>

Fraud risk assessment

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Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit & Member Standards Committee?</p> <p>How does the Audit & Member Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Audit and Member Standards Committee receives an update report from Internal Audit which is a summary of the work completed by Internal Audit. This highlights the number of recommendations made. It also highlights implementation reviews completed and highlights where there are recommendations not implemented.</p> <p>The Audit and Member Standards Committee receive copies of all finalised internal reports and finalised implementation reviews carried out.</p> <p>Any frauds identified will be reported to the Audit and Member Standards Committee.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>We are not aware of any whistleblowing reports since 1 April 2022.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>We are not aware of any reports under the Bribery Act since 1 April 2022.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Member Standards Committee, is responsible for ensuring that Lichfield District Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Member Standards Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

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Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Lichfield District Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The Monitoring Officer is responsible for ensuring the Council is compliant with laws and regulations. The Constitution notes that these responsibilities cover:</p> <ul style="list-style-type: none"> • complying with the law of the land (including any relevant Codes of Conduct); • complying with any General Guidance issued, from time to time, by the Monitoring Officer; • making lawful and proportionate decisions; and • generally, not taking action that would bring the Council, their offices or professions into disrepute. This officer has access to all Council committee reports. <p>The Monitoring Officer raises awareness on legal requirements at meetings where needed. In addition in terms of any specific legal issues the monitoring officer would get involved at an early stage.</p> <p>Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.</p>
<p>2. How is the Audit & Member Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The S151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements.</p> <p>The Monitoring Officer (or representative) attends Audit and Member Standards Committee meetings and advises members on any areas of concern.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>No.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>No.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Lichfield District Council have in place to identify, evaluate and account for litigation or claims?	The process is consistent with the prior year. The Monitoring Officer is responsible for identifying and evaluating claims in the first instance. Up to 1 January 2020, if the Council could not deal with claims in-house then an external solicitor would have been contacted. Post 1 January 2020, any claims will be sent to South Staffordshire District Council Legal Shared Services for legal advice.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None.

Related Parties

Matters in relation to Related Parties

Lichfield District Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Lichfield District Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Lichfield District Council's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Lichfield District Council • whether Lichfield District Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>No changes are expected to those related parties disclosed in the 2021/22 financial statements.</p>
<p>2. What controls does Lichfield District Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> • Maintenance of a Register of interests for Members • Annual declaration of interest • Councillors and officers do not participate in decisions where they are a related party • Annual accounts disclosures for related parties and transactions are reviewed for completeness by senior finance officers
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Constitution and the related Governance process where a key decision limit of £75k has been established.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Constitution and the related Governance process.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Lichfield District Council will no longer continue?	The allocation of resources to strategic priorities and activity areas including statutory services is considered as part of the development of the Medium Term Financial Strategy.
2. Are management aware of any factors which may mean for Lichfield District Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	Not aware of any.
3. With regard to the statutory services currently provided by Lichfield District Council, does Lichfield District Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Lichfield District Council to cease to exist?	Yes expect to continue and no plans for the Council to cease to exist.
4. Are management satisfied that the financial reporting framework permits Lichfield District Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes both the Council and management are satisfied

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Member Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit & Member Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Business Rate Appeals, Pension Liability, Bad Debt Provisions and Non Current Assets (including Investment Properties). Financial Instruments related to loans and investments are relatively 'vanilla'.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	<p>They are identified as part of normal financial reporting and are considered as part of the Statement of Accounts process.</p> <p>A specific area of the Statement of Accounts is allocated to these accounting estimates together with the impact of different assumptions. The Report to Audit and Member Standards Committee on 20 April 2022 identifies the accounting estimates together with the impact of changes in key assumptions.</p>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	We utilise a number of external (treasury management advisors, actuary and valuer) and internal experts (corporate debt and estates team) to inform these estimates.
4. How do management review the outcomes of previous accounting estimates?	We are reliant the Pension Fund Audit and internal experts to provide assurance on the outcomes of previous accounting estimates in material areas such as the pension fund and property valuations.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	None.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	It is a judgement based on materiality, skills set required and capacity/information available.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	It is judgement based primarily on materiality but will also take into account changes in the regulatory/accounting environment and best practice.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	We are reliant on assurance from the Pensions Team at the Administering Authority and the internal Estates Team at the Council.
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	A specific area of the Statement of Accounts is allocated to these accounting estimates together with the impact of different assumptions. The Report to Audit and Member Standards Committee in April 2023 identifies the accounting estimates together with the impact of changes in key assumptions.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>The Check, Challenge and Appeal Process and the paucity of information will mean there will be significant estimates and judgement on the level of the appeals provision at 31 March 2023.</p> <p>The impact on the Business Rate Appeals provision of potential material Change of Circumstances in higher risk valuation areas such as retail will need to be considered.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes- Accounting estimates are made by members of the finance team with sufficient skill and knowledge. The finance team at LDC is experienced and there have been no issues in prior year audits surrounding estimates.</p> <p>Accounting treatment used by the Council is in line with IFRS and the Code of Practice.</p> <p>The Council has an estates team who are able to validate the estimates for the valuation and asset lives of non current assets.</p>
<p>12. How is the Audit & Member Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Experienced finance staff are responsible for making the estimates and are done so in line with accounting standards. Assurance is also provided by internal and external audit.</p> <p>A specific area of the Statement of Accounts is allocated to these accounting estimates together with the impact of different assumptions. The Report to Audit and Member Standards Committee on 20 April 2022 identifies the accounting estimates together with the impact of changes in key assumptions.</p>

Appendix A Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Valuations are made by Gerald Eve inline with RICS guidance on the basis of 5 year valuations with interim reviews.	Financial Analyst notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation.	Used Gerald Eve.	Valuations are made inline with RICS guidance – reliance on expert.	No
Surplus valuations	Valuations are made by Gerald Eve inline with RICS guidance on the basis of 5 year valuations with interim reviews.	Financial Analyst notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation.	Used Gerald Eve.	Valuations are made inline with RICS guidance – reliance on expert.	No
Investment property valuations	Valuations are made by Gerald Eve inline with RICS guidance on the basis of 5 year valuations with interim reviews.	Financial Analyst notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation.	Used Gerald Eve.	Valuations are made inline with RICS guidance – reliance on expert.	No
Depreciation & Useful Economic Lives	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets.	Used Gerald Eve for Property.	The length of the life is determined at the point of acquisition or revaluation according to: <ul style="list-style-type: none"> ■ A full year's charge is made in the year of acquisition. ■ Assets that are not fully constructed are not depreciated until they are brought into use. 	No

Appendix A Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The Council bases the figures utilised in the financial statements on the information provided by the Pension Fund Actuary	Take advice from finance professionals.	Yes	Take advice from finance professionals.	No
Fair Value of Financial Assets	Council values financial instruments at fair value based on the advice of their treasury management advisors and other finance professionals.	Take advice from finance professionals.	Yes	Take advice from finance professionals.	No
Fair Value of Financial Liabilities	Council values financial instruments at fair value based on the advice of their treasury management advisors and other finance professionals.	Take advice from finance professionals.	Yes	Take advice from finance professionals.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	A transaction 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 CIES 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.	Charged in the year that the Council becomes aware of the obligation.	No – may utilise external support in 2022/23	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.	No
Accruals	The finance team collate accruals of Expenditure and Income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	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.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Used Gerald Eve..	Valuations are made inline with RICS guidance - reliance on expert.	No



AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2023/24

Item	20 July 2023	27 Sept 2023	28 Nov 2023	1 Feb 2024	21 Mar 2024	17 April 2024	Comments
FINANCE							
Annual Treasury Management Report	√						
Mid-Year Treasury Management and Local Audit Update Report			√				
Accounting Policies and Estimation Uncertainty						√	
Statement of Accounts 2022/23 (and potentially 2021/22)		√					Audit deadline for 2022/23 is 30 September 2023
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 Waivers to Contract Procedure Rules 2022/23	√*						*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)						√	
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					√		

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2023/24

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					√		
Skills Review & Discussion on the Appointment of An Independent Member		√					
GOVERNANCE							
Annual Governance Statement						√	
GDPR/Data Protection Policy			√	√		√	
Annual Report of the Monitoring Officer – Complaints		√*					*To be circulated as a briefing paper
The Annual letter for Lichfield District Council from the Local Government Ombudsman			√*				*To be circulated as a briefing paper
RIPA reports policy and monitoring	√						
Compliments, complaints, MP and FOI enquiries report 2022/2023	√						
EXTERNAL AUDITOR							
Audit Findings Report for Lichfield District Council 2021/22		√					
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
Auditor's Annual Report for Lichfield District Council 2022/23			√*				*Combined with the Auditor's Annual Report for Lichfield District Council 2021/22
Audit Plan (including Planned Audit Fee 2023/24)						√	

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2023/24

Audit Committee LDC Progress Report and Update – Year Ended 31 March 2024						√	
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