

# Public Document Pack

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Lichfield, Staffordshire WS13 6YU**

Customer Services 01543 308000  
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Monday, 20 November 2023

Dear Sir/Madam

## **AUDIT AND MEMBER STANDARDS COMMITTEE**

A meeting of the Audit and Member Standards Committee has been arranged to take place **TUESDAY, 28TH NOVEMBER, 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 black ink 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 and Vernon



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## AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of the Previous Meeting 5 - 8
4. **Audit Findings Report for Lichfield District Council 2021/22** 9 - 48  
*Report of the External Auditors*
5. **Audit Findings Report for Lichfield District Council 2022/23** 49 - 80  
*Report of the External Auditors*
6. **Auditor's Annual Report for Lichfield District Council 2022/23**  
*Report of the External Auditors*  
*(REPORT TO FOLLOW)*
7. **Statement of Accounts 2021/22**  
*Report of the Assistant Director – Finance and Commissioning*  
*(REPORT TO FOLLOW)*
8. **Statement of Accounts 2022/23**  
*Report of the Assistant Director – Finance and Commissioning*  
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9. **Mid-Year Treasury Management Report** 81 - 100  
*Report of the Assistant Director – Finance and Commissioning*
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*Report of the Chief Executive and Assistant Director – Finance and Commissioning*
11. **Internal Audit Progress Report** 123 - 144  
*Report of the Audit Manager*
12. **Risk Management Update** 145 - 160  
*Report of the Audit Manager*
13. **Counter Fraud Update Report** 161 - 240  
*Report of the Audit Manager*



15. **Exclusion of Public and Press**

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

IN PRIVATE

16. Private meeting with external auditors



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**AUDIT AND MEMBER STANDARDS COMMITTEE**

**27 SEPTEMBER 2023**

**PRESENT:**

Councillors Ho (Chair), Marshall, Robertson, J Smith, P Taylor, S Taylor and Vernon

Officers In Attendance: Laura Brentnall, Rhiannon Godley, Christine Lewis, Anthony Thomas, Andrew Wood

**14 APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Whitehouse.

**15 DECLARATIONS OF INTEREST**

There were no declarations of interest received.

**16 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 20 July 2023, previously circulated, were taken as read and approved as a correct record. Proposed by Councillor Ho, seconded by Councillor Robertson.

**17 INDEPENDENT MEMBER & SKILLS AUDIT**

Andrew Wood, Audit Manager, delivered his report to the committee noting that the report considers the recently completed skills audit and identifies potential areas for development of a training plan for the committee. The skills audit pinpointed several areas that could be included in the training plan, such as local authority finance, treasury management, the roles of internal audit and external audit, governance and risk management.

Mr Wood elaborated on the recommendations from the Chartered Institute of Public Finance and Accountancy (CIPFA) that the Council should appoint two independent members to the Audit Committee. He clarified that the current committee's terms of reference allow for nine elected members, reflecting the political balance of the Council, with the option to co-opt one independent member. He noted the distinction between the roles of an independent member and an independent person, stating that best practice advises keeping these roles separate.

The primary consideration for the committee, as expressed by Mr Wood, is whether the core knowledge requirements can be met or developed relatively quickly through the training plan among the existing committee members. Alternatively, the committee may need to enhance or supplement existing knowledge and skills through the potential recruitment of an independent member.

In his conclusion Mr Wood clarified that the independent member's role would be unpaid, but any out-of-pocket expenses incurred would be reimbursed. Should the committee decide to recruit for this role, the process would adhere to the Council's existing requirements and procedures. The roles would be advertised locally and across the West Midlands region. Mr Wood explained that if members determine that the role should be remunerated, an amount would have to be determined and discussions had taken place with other chief auditors in the area to help inform an average level for the area. If two independent members are required, a

recommendation to Council would be necessary to update the Council's constitution. He further recommended that the Chair of the committee be given the authority to progress appointments if the position is deemed remunerated.

Members agreed that appointing an independent member to the Audit & Member Standards Committee would be the most suitable course of action. They discussed the possibility of having one independent member serve the three-year term, as referenced in the report, and having the second member serve a one-year appointment, which could be extended if necessary. Members inquired if one independent member could be recruited imminently while the process of recruiting a second is approved by Council. Mr Wood confirmed that this could be done.

Anthony Thomas, Assistant Director - Finance & Commissioning, agreed with members that they should recruit an independent member to the committee. He explained that the Council's risk environment had changed and that the committee needs different or additional skills to operate effectively in this new environment.

Members raised concerns on potential delays in recruiting two independent members. Mr Wood reassured them that it is unlikely that there would be a delay and advised that they initiate the recruitment process promptly, as other authorities have received similar advice from CIPFA and would also be recruiting independent members. Christine Lewis, Principal Governance Officer, added that Council was meeting next month so members need not worry about potential delays.

Members unanimously agreed that the best way forward would be to appoint two independent members to the Audit and Member Standards Committee.

**RESOLVED:** The Committee considered the report and decided to proceed with appointing two independent members to the Audit & Member Standards Committee.

The Committee agreed it be recommended to Council that appropriate updates are applied to the Council's Constitution to allow the co-option of up to two members.

The Committee provided delegation to the Chair of Committee in respect of progressing appointment if deemed to require remuneration.

The Committee considered the report and approved the proposed training plan for 2023/24.

## 18 COMPLIANCE & DATA PROTECTION VERBAL UPDATE

Laura Brentnall, the Compliance and Data Protection Officer, gave a verbal update to the committee on compliance and data protection. In October 2022, ahead of the Compliance and Data Protection Officer being in position the internal audit had published a limited assurance audit finding, this had been the same finding for a number of years without any significant changes. At the six-month internal audit review the internal audit team changed the internal audit findings from limited assurance to substantially assured. This finding is based on the foundations built by the Compliance and Data Protection Officer and the work programmes underway.

The Compliance and Data Protection Officer further informed members that several ongoing work programmes and service reviews were underway, these include full data mapping exercises across every service. In addition, the Compliance and Data Protection Officer, mindful of the recent Information Commissioners Office (ICO) audits in other public sector bodies, conducted the ICOs recommended health check. The Compliance and Data

Protection Officer provided assurances that this health check hasn't raised any immediate concerns and the areas for development had already been identified and form part of the ongoing work programmes.

The Compliance and Data Protection Officer the committee for any questions, concerns or incorporations for the work programme. Confirming that the previous committee had raised concerns around the risks of using A. The Compliance and Data Protection Officer assured members that any A.I. that is considered would be reported to them on a regular basis and be brought to the committee for oversight. An update was provided on the pending changes to privacy notices to ensure these align with the recent developments in the ICOs expectations to the level of detail expected.

The committee had no comments but recognised the hard work undertaken to obtain a substantial assurance and noted their gratitude to the Compliance and Data Protection Officer.

**RESOLVED:** Members noted the verbal update.

## **19 WORK PROGRAMME**

**RESOLVED:** Members noted the contents of the work programme for the 2023/24 year.

(The Meeting closed at 6.25 pm)

CHAIR

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# The Audit Findings for Lichfield District Council

Year ended 31 March 2022

November 2023



# Contents



## Your key Grant Thornton team members are:

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## Section

1. Headlines
2. Financial statements
3. Value for Money
4. Independence and ethics

## Appendices

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- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. IT Audit findings report
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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.

**This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be discussed with the Audit and Member Standards Committee.**

**Name: Avtar Sohal  
For Grant Thornton UK LLP**

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lichfield District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our findings are summarised on pages 7 to 18. We have identified one adjustment to the financial statements that has resulted in a £5,469k decrease in total comprehensive income within the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised a recommendation for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- receipt of IAS19 Triennial assurances from Staffordshire Pension Fund Auditor;
- updating our post balance sheet events review and enquiries of the legal team, to the date of signing the opinion;
- final senior management quality review processes;
- receipt of signed management representation letter; and
- review of the final approved set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

# 1. Headlines

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## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness from our work to date, see joint Annual Auditors Report for 2021/22 and 2022/23 for further details.

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## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's Report, and the Whole of Government Accounts procedures.

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## Significant Matters

We identified the Council's information technology control environment as a significant matter during the course of our work, as detailed under the 'Implementation of a new ledger system' heading in the 'Financial statements – significant risks' section of our report.

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# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed with the Audit and Member Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you in April 2022, although we have had to do additional procedures in respect of the 31 March 2022 LGPS triennial valuation, more details are on page 9.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion. These outstanding items are listed on page 3.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

## 2. Financial Statements



### 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.

We have revised the materiality thresholds due to the actual gross expenditure changing significantly from that at the planning stage, resulting in a review of the appropriateness of the materiality figure.

We detail in the table below our determination of materiality for the Council.

	Planning amount (£'000)	Final amount (£'000)	Factors considered
Materiality for the financial statements	900	829	Gross expenditure decreased between the prior year and current year due to a reduction in the value of Covid-19 spend. We deem the elevated Covid-19 spend in the prior year to be an exceptional item, and therefore revised our materiality based on the more usual current year gross expenditure.
Performance materiality	675	580	The Council underwent a new ledger implementation during the year, so our performance materiality was reduced to reflect the increased risk internal to the Council.
Trivial matters	45	42	Decrease in line with the reduction in materiality for the financial statements.
Materiality for senior officers' remuneration	TBC	14	This disclosure is likely to be of interest to the public, and therefore we set a lower materiality to detect errors to a higher precision.

## 2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls	<p>We have:</p> <ul style="list-style-type: none"> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> </ul> <p>We have reviewed the Council's material accounting estimates and found them to be reasonable, with further detail on pages 12 to 15.</p> <p>We note that the Council has disclosed estimation uncertainties in note 4 for the valuation of PPE and investment property, the business rates appeals provision, the net pension liability, and sundry income and housing benefit overpayment debtors. We do not consider that the items relating to business rates appeals provision and sundry income and housing benefit overpayment debtors meet the definition of material estimation uncertainties and therefore these should be removed to avoid obscuring material information. We do not consider that the disclosures relating to the valuation of PPE and investment property and the net pension liability contain all of the necessary information to meet the requirements of IAS 1.</p> <p>From our review of critical judgements in applying accounting policies, the Council has disclosed a critical judgement in relation to the business rates appeals provision. The audit team does not consider this to be a critical judgement made by the Council in applying an accounting policy.</p> <p>For April 2021 to September 2021, we have:</p> <ul style="list-style-type: none"> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>identified and tested unusual journals made during the year for appropriateness and corroboration</li> </ul> <p>We were unable to evaluate the design effectiveness of management controls over journals as the Council could no longer evidence the processes and controls that were in place for the ledger system that was operating in this period. Please refer to the commentary under the 'IT control deficiencies' heading in the 'new issues and risks' section for more detail.</p> <p>For October 2021 to March 2022 and the post year-end closedown period, we have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> </ul> <p>Our audit work has not identified any issues in respect of management override of controls.</p> <p>We did identify an instance of a journal being deleted from the ledger without management's knowledge or approval. Please refer to the commentary under the 'Implementation of a new ledger system' significant risk for more detail.</p>

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land and buildings and surplus assets

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£36,071k as at 31 March 2022) and the sensitivity of this estimate to changes in key assumptions.

We have:

- evaluated management's processes and assumptions for the calculation of the estimates, the instructions issued to the valuation expert, and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuations were carried out to ensure that the requirements of the Code are met;
- challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;
- assessed the instructions issued by the Council to their valuer, the scope of the Council's valuer's work, the Council's valuer's reports and the assumptions that underpin the valuations;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated the assumptions made by management for those land and building assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Our audit work in these areas did not identify any issues in respect of valuation of land and buildings assets, surplus assets, or investment property.

#### Valuation of investment property

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4,153k as at 31 March 2022) and the sensitivity of this estimate to changes in key assumptions.



# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of net pension liability

The Council's pension fund net liability, as reflected in its balance sheet as 'long term liabilities: defined benefit pension', represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£24,799k in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

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.

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.

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. 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 Council's pension fund net liability as a significant risk.

### Initial work

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the net pension liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary;
- undertaken 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
- obtained assurances from the auditor of the 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's financial statements.

Our work has identified that the actuary's assumption for the salary growth rate is outside of the expected range determined by our auditor's expert. The actuary has used a salary growth rate of 3.6% whereas our expected range is 3.7% - 5.7%. The actuary has included a sensitivity analysis within their report which states that if the salary growth rate were to decrease by 0.1%, there would be a corresponding £276k decrease to the net pension liability. This is also reported in notes 4 and 38 of the financial statements.

A revised actuarial report was issued to the Council in July 2022, due to payroll and contribution figures being excluded during the preparation of the actuarial reports provided by the actuary to the Council in June 2022, and as such the asset and obligation figures were understated. We determined that there would be an increase to the gross pensions assets of £167k and an increase to the gross pension liabilities of £253k, resulting in a net increase to the net pension liability on the balance sheet of £86k, and an increase to pension-related costs in the CIES of £117k. Management did not plan to amend for the revised figures, however these corrections have now been incorporated into the revised actuarial report received in June 2023 – see below.

Our initial audit work in this area did not identify any other issues in respect of the net pension liability.

### Update

When the Council's draft 2021/22 accounts were prepared, the 2019 LGPS triennial valuation informed key judgements and estimates underpinning the measurement of the defined benefit liability, as permitted by the CIPFA Code of Practice on Local Authority Accounting (the Code), which adopts and adapts the requirements of IAS 19 Employee Benefits.

The requirements of IAS 19 and the Code are such that valuations of an employer's pension obligations are to be updated for any material transactions and other material changes in circumstances up to the end of the reporting period.

The publication of 31 March 2022 LGPS triennial valuations, in March and April 2023, is an event after the 2021/22 reporting period which needs to be considered in line with the requirements of Section 3.8 of the Code and the underlying requirements of IAS 10 Events After the Reporting Period.

Therefore, in June 2023, management obtained a revised actuarial report based on the 31 March 2022 triennial valuation results and we are currently undertaking additional procedures on this report. This includes obtaining further assurances from the auditor of the Staffordshire Pension Fund.

The revised actuarial report shows an increase in the net defined benefit pension liability of £5,469k. Management has adjusted the financial statements to show this revised net pension liability balance.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Implementation of a new ledger system

During the year the Council moved from an Oracle financial ledger to a Civica financial ledger. This required migration of data for the first six months of the financial year from one system to another. There was a risk that the data migrated between the two systems was not accurate or complete, and that the operation of a new ledger system during the financial statements closedown and preparation process may have led to an increased number of errors or delays.

We have:

- tested the processes and controls around the data migration exercise between the two ledgers
- tested the design effectiveness of IT general controls (ITGCs) relating to both the old and new ledgers

As part of our audit procedures to confirm the completeness of the full-year data within the new ledger, we identified an instance of a journal being deleted from the ledger without management's knowledge or approval. This was caused by the ledger provider, Civica, being asked to clear out an erroneous opening balances journal posted by a member of the finance team, which was consequently deleted by Civica rather than being reversed out. Management has investigated this and confirmed this was an isolated incident, with no other similar journals identified. See Appendix A for the action point raised.

Our work on the design effectiveness of ITGCs has identified significant deficiencies in the IT control environment for the new Civica ledger. Our work on the ITGCs of the previous Oracle ledger also identified significant deficiencies. We could not obtain sufficient audit evidence to conclude on the controls around security management in either Civica or Oracle and the controls around batch scheduling in Civica. Please refer to Appendix D for more detail.

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## 2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

As part of our IT Audit we assessed the design effectiveness of IT general controls for both the previous ledger system and new ledger system, and we identified significant deficiencies. These are reported in more detail in Appendix D.

# 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
<p>Valuations of land and buildings and surplus assets £36,071k</p>	<p>Other land and buildings (OLB) comprises £22,571k of specialised assets such as theatres and leisure centres, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£12,251k) are not specialised in nature and are required to be valued at existing use value (EUV) at year end. The Council engaged external valuer Gerald Eve to complete the valuation of properties as at 31 March 2022 on a five yearly cyclical basis. The Council revalued 96.5% of total OLB assets (by value) during 2021/22.</p> <p>Surplus assets comprises £1,250k of land, which is required to be valued annually at fair value. The Council engaged external valuer Gerald Eve to complete the valuation of surplus assets as at 31 March 2022.</p> <p>Management has considered the year end value for non-valued OLB assets of £1,212k, and the potential change in that value since the last revaluation date. Management's assessment has identified no material change to the assets' value.</p> <p>The total year end valuation of other land and buildings and surplus assets was £36,071k, a net increase of £2,416k from 2020/21 (£33,655k).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>not identified any issues with the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council.</li> <li>considered the movements in the valuations of individual assets and their consistency with national indices provided by our auditor's expert.</li> <li>reviewed management's assessment as to whether the assets not revalued as at 31 March 2022 are materially correct.</li> <li>not identified any material errors within the disclosures in the financial statements.</li> </ul>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>

## Assessment

- **Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Valuations of investment property £4,153k	<p>Investment property is required to be valued annually at fair value. The Council has engaged external valuer Gerald Eve to complete the valuation of investment properties as at 31 March 2022.</p> <p>The total year end valuation of investment property was £4,153k, a net increase of £205k from 2020/21 (£3,948k).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>not identified any issues with the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council.</li> <li>considered the movements in the valuations of individual assets and their consistency with national indices provided by our auditor's expert.</li> <li>not identified any material errors within the disclosures in the financial statements.</li> </ul>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>

## Assessment

- **Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment																						
Valuation of the net pension liability  £30,268k	<p>The Council's net pension liability at 31 March 2022 is £30,268k (PY £41,554k) comprising obligations under the Staffordshire Pension Fund Local Government defined benefit pension scheme.</p> <p>The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022, the results of which are incorporated into the 2021/22 financial statements.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £11,268k net actuarial gain during 2021/22.</p>	<p>Management obtained a revised actuarial report based on the 31 March 2022 triennial valuation results and we are currently undertaking additional procedures on this report. This includes obtaining further assurances from the auditor of the Staffordshire Pension Fund. From the work performed so far:</p> <ul style="list-style-type: none"> <li>We have no concerns over the assessment of management's expert.</li> <li>We have no concerns over the assessment of the actuary's approach taken.</li> <li>We have used PwC as auditor's expert to assess assumptions made by the actuary - see table below for the comparison made. We did not identify any issues.</li> <li>No issues were noted in the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>We have confirmed that the Council's share of LGPS pension assets is in line with expectations.</li> <li>We have confirmed that the decrease in the estimate is reasonable.</li> <li>The disclosure of the estimate in the financial statements is considered adequate.</li> </ul>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.																						
	<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.70%</td> <td>2.70% - 2.75%</td> <td>● Appropriate</td> </tr> <tr> <td>Pension increase rate</td> <td>3.20%</td> <td>3.15% - 3.30%</td> <td>● Appropriate</td> </tr> <tr> <td>Salary growth</td> <td>3.70%</td> <td>3.70% - 5.70%</td> <td>● Appropriate</td> </tr> <tr> <td>Life expectancy Males currently aged 45 / 65</td> <td>45: 22.2 65: 21.4</td> <td>21.4 - 24.3 20.1 - 22.7</td> <td>● Appropriate</td> </tr> <tr> <td>Life expectancy Females currently aged 45 / 65</td> <td>45: 25.7 65: 24.3</td> <td>24.8 - 26.7 22.9 - 24.9</td> <td>● Appropriate</td> </tr> </tbody> </table>	Assumption		Actuary value	PwC range	Assessment	Discount rate	2.70%	2.70% - 2.75%	● Appropriate	Pension increase rate	3.20%	3.15% - 3.30%	● Appropriate	Salary growth	3.70%	3.70% - 5.70%	● Appropriate	Life expectancy Males currently aged 45 / 65	45: 22.2 65: 21.4	21.4 - 24.3 20.1 - 22.7	● Appropriate	Life expectancy Females currently aged 45 / 65	45: 25.7 65: 24.3	24.8 - 26.7 22.9 - 24.9
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### Assessment

- Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Provisions for business rates appeals £2,629k	The Council is responsible for repaying a proportion of successful rateable value appeals. Management uses historic data relating to appeals success rates and the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) to calculate the level of provision required.	<p>We have:</p> <ul style="list-style-type: none"> <li>not identified any issues with the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>considered the approach taken by the Council to determine the provision, and it is in line with that used by other bodies in the sector.</li> <li>considered the disclosure of the estimate and found it to be adequate.</li> <li>not identified any changes to the overall calculation methodology.</li> </ul>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

### Assessment

- **Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Member Standards Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking, investment, and borrowing counterparties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	<p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.</p> <p>We have identified, as in previous years, that the Council recognises the full value of the finance lease assets and finance lease liabilities associated with the joint waste service on its balance sheet. In line with the Council's accounting policy for 'Joint Operations', the Council should be recognising its own share of the assets and liabilities in line with the ratio of properties in each of the Councils' areas, as it does with its own share of the income and expenditure. As the total net book value of the assets is £nil and the total lease liability is £342k, we are satisfied that this does not lead to a material misstatement in the Council's balance sheet.</p> <p><b>Management response</b></p> <p>Following the introduction of IFRS 11 in relation to joint arrangements on 1 January 2014, the accounting treatment of the Joint Waste Service was reassessed as part of the 2015/16 accounts. The conclusion of this review agreed with the External Auditors Grant Thornton was that the assets and liabilities for the vehicles etc. related to the Joint Waste Service would continue to be shown fully in Lichfield District Council's Financial Statements. However Grant Thornton indicated that both Councils would need to include enhanced information for readers of the accounts in the critical judgements, contingent assets and contingent liabilities notes to explain this accounting treatment. This is the approach that continues to be applied in the Statement of Accounts at both Councils.</p>
Audit evidence and explanations / significant difficulties	<p>All information and explanations requested from management were provided.</p> <p>We encountered delays due to resource capacity in both the audit team and finance team, as well as issues obtaining sufficient evidence in relation to our IT work which held up other areas of our work.</p>



## 2. Financial Statements - other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>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 entity'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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities;</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties,</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>No work is required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2021/22 audit of Lichfield District Council in the audit report.</p>

# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

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### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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# 3. VFM: our procedures and conclusions

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness from our work to date, see joint Annual Auditors Report for 2021/22 and 2022/23 for further details.

# 3. Independence and ethics

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 confirm that we, as a firm, and each covered person, 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.

Details of fees charged are detailed in Appendix E.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \[grantthornton.co.uk\]](https://www.grantthornton.co.uk).

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fee £	Threats identified	Safeguards
Audit related			
Certification of 2021/22 housing benefit subsidy claim	20,500	<p>Self-interest (because this is a recurring fee)</p> <p>Self-review (because GT provides audit services)</p> <p>Management</p>	<p>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 £20,500 in comparison to the total fee for the audit of £71,512 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.</p> <p>Our team has no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required for the audit of the financial statements.</p> <p>The scope of work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team performs this engagement in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.</p>

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Member Standards Committee. None of the services provided are subject to contingent fees.

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified 1 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>High</p>	<p>As part of our audit procedures to confirm the completeness of the full-year data within the new ledger, we identified an instance of a journal being deleted from the ledger without management's knowledge or approval. This was caused by the ledger provider, Civica, being asked to clear out an erroneous opening balances journal posted by a member of the finance team, which was consequently deleted by Civica rather than being reversed out.</p> <p>There is a risk that this may have occurred with other journals which could lead to a misstatement in the financial statements, however management has investigated this and confirmed this was an isolated incident, with no other similar journals identified.</p>	<p>The Council should implement a policy with the service provider that no posted journals should be deleted from the ledger, and that decisions made in relation to the correction of journals by the service provider should be taken in conjunction with Council management.</p> <p><b>Management response</b></p> <p>The approach taken to rectify the incorrect implementation journal by Civica was unfortunate and in our view outside of best practice. However, it is our believe that this was a single isolated incident during implementation that was undertaken by a consultant with enhanced access to the system.</p>

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Follow up of prior year recommendations

We identified the following issues in the audit of Lichfield District Council's 2020/21 financial statements, which resulted in 1 recommendation being reported in our 2020/21 Audit Findings report. We are pleased to report that management has implemented this recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Testing on the useful economic lives (UELs) of plant, equipment and vehicles during the audit identified 47 assets on the Council's balance sheet which were fully depreciated but still in use.</p> <p>IFRS permits bodies to periodically review and extend UELs where assets are deemed likely to stay in use beyond the previously set expected lifetime, so we recommended that the Council regularly review the UELs of assets nearing the end of their useful lives to determine whether that period should be extended, and the associated depreciation charge altered.</p>	The Council has reassessed the UELs of its fully depreciated assets and appropriately disposed of or "re-lifed" the assets where relevant.

## Assessment

- ✓ Action completed
- X Not yet addressed



# C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

We identified the following adjusted misstatements for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
<p>The publication of 31 March 2022 LGPS triennial valuations, in March and April 2023, is an event after the 2021/22 reporting period which needs to be considered in line with the requirements of Section 3.8 of the Code and the underlying requirements of IAS 10 Events After the Reporting Period.</p> <p>Management has obtained a revised actuarial report based on the 31 March 2022 triennial valuation results and has made the following adjustments to the draft financial statements:</p>		
DR Increase in current service cost within cost of services £117k	117	
DR Movement taken to pensions reserve (via OCI) £5,352k	5,352	
CR Increase in net defined benefit pension liability £5,469k		(5,469)
<b>Overall impact</b>	<b>5,469</b>	<b>(5,469)</b>

## Misclassification and disclosure changes

The Council has made a number of misclassification and disclosure changes identified during the audit in the final set of financial statements.

## Impact of unadjusted misstatements

The property team at the Council carried out a review of assets in 2022/23 and noted that there was an omission of two investment properties total value of £770k in the 21/22 financial statements. The Council have decided not to update the 21/22 financial statements as in the view of management this is not material.

## Impact of prior year unadjusted misstatements

There were no adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements.

# D. IT Audit findings report



## IT Audit Findings Report Lichfield District Council

Year ended: 31 March 2022

Page issued: 21 November 2022

Revised: 06 January 2023

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# Section 1: Executive summary

## 01. Executive summary

To support the financial statement audit of Lichfield District Council for year ended 31 March 2022, Grant Thornton has completed a design and implementation review of the IT General Controls (ITGC) for applications identified as relevant to the audit..

This report sets out the summary of findings, scope of the work, the detailed findings and recommendations for control improvements.

We would like to take this opportunity to thank all the staff at Lichfield District Council for their assistance in completing this IT Audit.

## Section 2: Scope and summary of work completed

### 02. Scope and summary of work completed

The objective of this IT audit was to complete an ITGC design and implementation review over Lichfield District Council's IT environment to support the financial statements audit. The following applications were in scope for this audit:

- Civica Financials
- Oracle EBS

We completed the following tasks, as part of this IT Audit:

- Evaluated the design, implementation of security management; change management and technology infrastructure controls.
- Performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas.
- Documented the test results and provided evidence of the findings to the IT Department for remediation actions where necessary.

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# Section 3: Summary of IT audit findings

03. Summary of IT audit findings

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# Overview of IT audit findings

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks / other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Civica	Detailed ITGC assessment (design effectiveness only)					n/a
Oracle EBS	Detailed ITGC assessment (design effectiveness only)					n/a

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We also performed specific procedures in relation to the significant changes during the audit period, specifically the new system implementation. We observed the following results:

IT system	Event	Result	Related significant risks / risk / observations
Civica	New system implementation	Deficiencies identified	No

#### Assessment

-  Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
-  Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
-  Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach / IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing


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# Section 4: Detail of IT audit findings



04. Detail of IT audit findings



# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
	<p><b>Segregation of duty conflicts within Civica and Oracle EBS</b></p> <p>Our IT audit procedures identified that there are 15 users with administrative access to Civica that additionally have finance responsibilities. The combination of financial responsibilities with the ability to perform system administrative functions is considered a segregation of duties conflict. These accounts include:</p> <ul style="list-style-type: none"> <li>- 13 users with 'Administrator –Financial Web' role</li> <li>- 2 users with 'Company Full access role'</li> </ul> <p>We further identified that administrative access to Oracle EBS (via diagnostic function) had been granted to one user (Senior Accountant) who had finance responsibilities within Solihull MBC. The IT team at Solihull MBC are responsible for managing Oracle EBS for Lichfield DC. We noted that the application instance of Oracle EBS is the same for both councils; they had just created a separate company for Lichfield.</p> <p>We understand that due to the limited number of staff able to develop and implement changes, it has not been considered possible to segregate these roles. However, independent monitoring undertaken to identify and validate any changes made by these users is not completed.</p> <p><b>Risk</b></p> <p>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to</p> <ul style="list-style-type: none"> <li>- unauthorised changes being made to system parameters</li> <li>- creation of unauthorised accounts,</li> <li>- unauthorised updates to their own account privileges</li> <li>- deletion of audit logs or disabling logging mechanisms.</li> </ul>	<p>It is recommended that the:</p> <ul style="list-style-type: none"> <li>•Council adopt a risk-based approach to create and reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business.</li> <li>•Council should revoke system administration access from users with finance functions and those that are involved in development.</li> <li>•If incompatible business functions are granted to users due to organisational size constraints, the Council should ensure that there are review procedures in place to monitor activities [e.g. reviewing system reports of detailed transactions; selecting transactions for review of supporting documents etc.]</li> </ul> <p><b>Management response</b></p> <p>As part of the implementation project to enable enable LDC staff to upload and download files two options were considered:</p> <ul style="list-style-type: none"> <li>•The use of Filezilla.</li> <li>•To utilise administration access in FinancialsLive.</li> </ul> <p>It was identified that allowing access to FileZilla would lead to risks associated to maintenance of an additional application for IT as well as staff training and support. Therefore admin access to users to allow the file transfer functionality as a short term solution was implemented.</p> <p>This short term solution has been revisited and the ICT team have developed a solution by creating a script to automate uploads, downloads and transfers. The script will run daily every 10 minutes looking for files to transfer.</p> <p>This means that staff no longer need admin access. Administration access has now been removed from all but two roles in the core finance team who are genuine system administrators.</p>

## Assessment

-  Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
-  Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
-  Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
●	<p><b>Inadequate control over generic accounts within Civica, Oracle EBS and Oracle database</b></p> <p>Our IT audit procedures identified that there were no controls in place to proactively monitor the usage of active generic accounts within Civica, Oracle EBS and the Oracle database.</p> <p><b>Civica Financials Live :</b></p> <p>The following privileged accounts were active in the period:</p> <ul style="list-style-type: none"> <li>• ‘Fuser’ is a generic user account assigned to Civica for accessing LDC network in order to apply any fixes to the application. User activity logs are not captured and monitored. Furthermore, passwords are not rotated periodically.</li> <li>• ‘Dummy Manager’ is a vendor default account for which we were unable to obtain any evidence around the purpose, usage and oversight.</li> </ul> <p><b>Oracle EBS</b></p> <p>We identified one generic user account – SYSADMIN, which was active in the audit period. This account has held by a CRM Applications Support user [Craig Hevey] from Solihull MBC to schedule system processes with Oracle EBS. We identified that user activity logs for the account were not monitored during the audit period.</p> <p><b>Oracle database</b></p> <p>For 3 out of 4 generic database administrator user accounts used to perform daily administrative tasks, no user activity logs were captured and monitored. Furthermore, passwords for these accounts were not secure or rotated periodically.</p> <p><b>Risk</b></p> <p>The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.</p>	<p>It is recommended that the Council reviews the generic accounts in place and for each account confirm the:</p> <ul style="list-style-type: none"> <li>• Requirement for the account to be active and be assigned privileged access;</li> <li>• Which users have access; and</li> <li>• Controls in place to safeguard the account from misuse.</li> </ul> <p>Where possible, generic accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed.</p> <p>Alternately, the Council should implement suitable controls to limit access and monitor the usage of these accounts (i.e., through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded.</p> <p><b>Management Response</b></p> <ul style="list-style-type: none"> <li>• The Solihull Oracle database is no longer available to LDC so changes cannot be made to improve security at this time. We do note comments made and would use the guidance for future changes in systems if appropriate.</li> <li>• We have shared the Solihull MBC Oracle Financials system since 1999. The contract assigns system administration responsibility to Solihull MBC.</li> <li>• In previous years we have relied on assurance from Solihull MBC’s External Auditors also Grant Thornton around the IT general controls.</li> <li>• To my knowledge no fundamental weaknesses have been identified in this area since 1999 that have necessitated additional controls or additional assurance.</li> <li>• We undertake periodic reconciliations between the general ledger and all feeder systems such as debtors and payroll to ensure the integrity of financial information utilised in financial reporting.</li> <li>• As part of the project we reconciled all information extracted from Oracle to that loaded into Civica and any variances were reconciled.</li> <li>• We have continued to undertake these periodic reconciliations as part of the control environment in Civica to ensure the integrity of financial information.</li> <li>• The set up in FinancialsLive was guided by Civica and accounts were created as part of the implementation. These accounts have been reviewed to provide alternate accesses in place providing Civica with the ability to support and maintain systems but limit associated risks.</li> </ul>

## Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

# Control for which assurance could not be provided

Control Area	Control Name and Description	Reason / Justification
Security Management	<ul style="list-style-type: none"> <li>Access to any application (in line with the starter's roles and responsibilities) is requested and approved by the new starter's line manager (or equivalent person) before being granted by someone from IT.</li> <li>Any change to a user's access rights for the network or any application (in line with their amended roles and responsibilities), is requested and approved by the mover's line manager (or equivalent person) ahead of the effective date before being granted by someone from IT.</li> <li>For leavers, requests to revoke access to any in scope application is initiated by HR and / or their line manager ahead of the actual leave date and access revoked in a timely manner.</li> <li>Administrative privileges (including generic super user access rights) to the network, applications and are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles.</li> <li>Applications have been configured to generate security event logs (audit logs, user activity logs) which are proactively reviewed to detect any unauthorised access attempts or inappropriate use of the application.</li> </ul>	<p><b><u>Civica Financials Live</u></b></p> <p>We were unable to obtain sufficient evidence from Civica for:</p> <ul style="list-style-type: none"> <li>verifying Civica's Domain user account creation date.</li> <li>corroborating that there were no changes to user access rights made during the audit period.</li> <li>verifying whether leaver access was terminated by Civica at the Domain Controller.</li> <li>the list of administrative users from Civica with access to manage the Domain Controller.</li> <li>verifying whether user activity logs are captured and monitored by Civica.</li> </ul> <p><b><u>Management Response</u></b></p> <ul style="list-style-type: none"> <li>Civica are certified to a number of ISO standards including data being protected and retained by ISO27001.</li> <li>In line with Microsoft standards, the system operates under the windows domain security model for password and user authentication. Further layers have been developed within Civica Financials to enable and limit the use of facilities within the system.</li> <li>Active directory integration for single sign on.</li> <li>The Council has its own processes for the management of users used in single sign on and the Council also controls access within Civica Financials</li> <li>We have continued to undertake periodic reconciliations as part of the control environment in Civica to ensure the integrity of financial information.</li> </ul>

# Control for which assurance could not be provided

Control Area	Control Name and Description	Reason / Justification
Security Management	<ul style="list-style-type: none"> <li>Administrative privileges (including generic super user access rights) to the network, applications and are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles.</li> </ul>	<p><b>Oracle EBS</b></p> <ul style="list-style-type: none"> <li>We understood that Solihull's Active Directory setup for controlling remote access to Oracle EBS for Lichfield DC users has been decommissioned. No historical data has been maintained for the Active Directory administrators during the period from 1st April 2022 to 4th October 2022.</li> </ul> <p><b>Management Response</b></p> <ul style="list-style-type: none"> <li>We have shared the Solihull MBC Oracle Financials system since 1999. The contract assigns system administration responsibility to Solihull MBC.</li> <li>In previous years we have relied on assurance from Solihull MBC's External Auditors also Grant Thornton around the IT general controls.</li> <li>To my knowledge no fundamental weaknesses have been identified in this area since 1999 that have necessitated additional controls or additional assurance.</li> <li>We undertake periodic reconciliations between the general ledger and all feeder systems such as debtors and payroll to ensure the integrity of financial information utilised in financial reporting.</li> </ul>

# Control for which assurance could not be provided

Control Area	Control Name and Description	Reason / Justification
Batch Scheduling	<ul style="list-style-type: none"> <li>Operations personnel are automatically alerted to batch job processing exceptions or events that need their intervention, allowing them to address the issues in a timely manner.</li> <li>Changes to batch job processing schedules are requested and approved by business users before being implemented by authorised operations personnel.</li> </ul>	<p><b><u>Civica Financials Live</u></b></p> <ul style="list-style-type: none"> <li>No evidence was provided by Civica to assess the controls over monitoring scheduled job failures.</li> </ul> <p><b>Management Response</b></p> <ul style="list-style-type: none"> <li>There are compensating controls to manage the risk of scheduled job failures including regular monitoring of imports and interfaces such as invoices.</li> <li>Regular control account reconciliations between feeder systems to ensure the integrity and robustness of financial information.</li> <li>Budgetary control and bank reconciliation key controls.</li> </ul>

# E. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

<b>Audit fees</b>	<b>Proposed fee £</b>	<b>Final fee £</b>
Audit of Council's 2021/22 financial statements	65,512	£71,512
<b>Total audit fees (excluding VAT)</b>	<b>65,512</b>	<b>£71,512</b>

The audit fee reconciles to the financial statements as follows:

- fee for the 2021/22 audit per financial statements £70,212 (rounded to £70,000)
- less additional fee for the 2019/20 audit approved by PSAA £4,700
- fee for the 2021/22 audit per audit plan £65,512

<b>Non-audit fees for other services</b>	<b>Proposed fee £</b>	<b>Final fee £</b>
Certification of 2021/22 housing benefit subsidy claim	19,000	20,500
<b>Total non-audit fees (excluding VAT)</b>	<b>19,000</b>	<b>20,500</b>

The proposed non-audit fee reconciles to the financial statements with a £1k rounding difference. Due to timing, the difference between the proposed fee and the final fee will be included within the non-audit fee disclosed in the following period's financial statements.

# Audit fees – detailed analysis

Scale fee for 21/22	£38,412
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased FRC Challenge	£3,100
Increased audit requirements of revised ISAs 540 / 240 / 700	£2,000
Increased audit requirements of Journals testing	£3,000
Work on implementation of new Ledger	£10,000
<b>Total planned audit fees</b>	<b>£65,512</b>
Additional Audit Procedures Required on IAS 19 Triennial Valuation	£6,000
<b>Total audit fees</b>	<b>£71,512</b>





# Audit Findings Report

## Lichfield District Council

Year ended 31 March 2023

DRAFT – 13 November 2023



# Contents



## Your key Grant Thornton team members are:

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- A. [Communication of audit matters to those charged with governance](#)
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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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Standards Committee.

Name: Avtar Sohal

For Grant Thornton UK LLP

Date:

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit Lichfield District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our year-end audit took place between August and November. Our findings are summarised on pages 6 to 23.

We have not identified any adjustments to the financial statements that will result in adjustments to the Council's Comprehensive Income and Expenditure Statement. We have identified three unadjusted audit adjustments and these are set out in Appendix D.

Our follow up of recommendations from the prior year's audit are detailed in Appendix C. Management has addressed this issue.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- Completion of audit work on the net pension surplus (asset)- receiving the pension fund auditor IAS 19 assurance report and IFRIC14 paper from the actuary;
- Completion of senior remuneration disclosure testing- supporting evidence for the information disclosed in the financial statements;
- Completion of housing benefit expenditure-supporting evidence for the sample selected;
- Completion of testing for property, plant and equipment.
- Finalisation of Manager and Engagement Lead quality control reviews;
- Receipt of the signed management representation letter ; and
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified.

# 1. Headlines

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## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our work on the Council's value for money (VFM) arrangements is complete and we are awaiting comments from management. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risk at this stage of the work. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report (Section 3).

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## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in November 2023.

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## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Council for their support in working with us to ensure that the audit does not fall behind and to issue a timely audit opinion.

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## National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The Council's short term borrowing is £61 000 (2021/22 £61 000) is not material, there is no increasing risk in the current year and this has been well managed.

---

# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not altered our audit plan, as communicated to you in July 2023.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 28<sup>th</sup> of November 2023, as detailed in Appendix I. The outstanding items regards our testing has been shared on page 3.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

# 2. Financial Statements



## 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.

Materiality levels remain the same as reported in our audit plan in July 2023

We set out in this table our determination of materiality for Lichfield District Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	829,000	We determined materiality for the audit of the Council's financial statements as a whole to be £0.82m in our audit plan, which equated is approximately 2% of actual gross operating costs for the year 2021/22. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Council has expended its revenue and other funding.
Performance materiality	580,300	Performance materiality drives the extent of our testing and this has been set at 70% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> <li>We are not aware of a history of deficiencies in the control environment.</li> <li>Senior financial management and key reporting personnel have remained the same from prior year audit.</li> </ul>
Trivial matters	41,500	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Audit and Standards Committee.
Materiality for senior officers remuneration	39,046	In accordance with ISA 320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures off senior officer's remuneration to be an area users of the financial statements will be interested in.

## 2. Financial Statements: Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <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 Authority 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 have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• obtained the listing of journal entries and other adjustments in the year and reconciled this back to the trial balance to ensure it was complete</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• identified and tested 28 journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> <li>• reviewed material estimates and judgements for evidence of material bias</li> <li>• reviewed the accounting policies adopted by the Council.</li> </ul> <p>No intentional misstatements of the Council's reported financial position were identified from our testing of journals.</p> <p>We have reviewed the Council's material accounting estimates and have found these to be reasonable, with further details on pages 11 to 13.</p> <p>Our audit work has not identified any significant issues in respect of management override of controls.</p>



## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p>Improper revenue recognition (rebutted)</p> <p>£46.019m</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition.</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Lichfield District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we did not consider this to be a significant risk for Lichfield District Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.</p> <p>Whilst not a significant risk, as part of our audit work we have undertaken work on material revenue items. Our work has not identified any matters that would indicate our rebuttal was incorrect.</p>
<p>Risk of fraud related to expenditure recognition PAF Practice Note (Rebutted)</p> <p>£48.456m</p>	<p>Having considered the risk factors set out in Practice Note 10 and the nature of expenditure at the Council, we determined that the risk of fraud arising from expenditure recognition could be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate expenditure recognition.</li> <li>• opportunities to manipulate expenditure recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Lichfield District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we did not consider this to be a significant risk for Lichfield District Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention. Our work has not identified any matters that would indicate our rebuttal was incorrect.</p>

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of land and buildings

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£37.512m as at 31 March 2023) and the sensitivity of this estimate to changes in key assumptions.

### Valuation of investment property

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4.838m as at 31 March 2023) and the sensitivity of this estimate to changes in key assumptions.

The Council revalues its land and buildings on a rolling five-yearly basis and investment properties on an annual basis.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the processes, controls and assumptions put in place by management to ensure that the valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement;
- assessed the competence, capabilities and objectivity of management's experts [valuers] who carried out your valuations; evaluated the instructions issued by management to their management expert [a valuer] for this estimate and the scope of the valuer's work;
- communicated with the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, particularly around obsolescence of assets, build costs, floor areas for DRC assets and yields and rents/market values for non-specialised properties.
- tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value

Our audit work in these areas did not identify any issues in respect of valuation of land and buildings assets.

From our testing on investment property we note that in June 2023 the property management team through their processes identified that there are 2 properties which were omitted from the investment property fixed asset. The total value for the assets is £0.770m. Currently this is recognised on the 22/23 balance sheet but not for the opening balance, as managements view it is not material, therefore an adjustment to opening balances is not required. We are currently consulting with our technical team whether the non adjustment for opening balances is appropriate.

We have also considered the key judgements and estimates in relation to the valuation of land and buildings. Our findings can be found on page 12 and 13.

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of pension fund net asset/surplus £5.046m

The Council's pension fund net asset/surplus, as reflected in its balance sheet as the net defined benefit asset, represents a significant estimate in the financial statements.

The pension fund net asset is considered a significant estimate due to the size of the numbers involved (£5.014m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

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.

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.

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 surplus.

In particular, the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the Defined benefit obligation. 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 Council's pension fund net surplus as a significant risk.

We have performed the following procedures:

- Reviewed the disclosure in the draft financial statements to check they agree to the IAS 19 report prepared by Hymans. No issues were noted;
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund IAS 19 disclosure and PWC (auditors expert); and
- Reviewed if the assumptions used by Hymans are within the expected ranges as provided by PWC. No issues were noted.

We are awaiting IAS 19 assurances from the pension fund auditor (EY) who are the auditors of the Staffordshire Pension Fund. This assurance is required to allow us to complete our work on the Council's net pension asset.

We have considered the key judgements and estimates in relation to the pension fund liability. Our findings can be found on page 15.

## 2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p><b>Land and Building valuations (including Surplus Assets)– £38.762m</b></p>	<p>Other land and buildings comprises £25.554m of specialised assets are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings £11.957m are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Gerald Eve LLP their an external RICS qualified valuer to complete the valuation of properties as at 31st March 2023 on a five yearly cyclical basis. Surplus Assets of £1.250m are measured at fair value and are required to be revalued annually. 97% of total assets were revalued during 2022/23.</p> <p>Management has considered the year end value for non-valued OLB assets of £1.176m, and the potential change in that value since the last revaluation date. Management's assessment has identified no material change to the assets' value.</p> <p>The total year end valuation of land and buildings was £38.762m, a net increase of £2.623m from 2021/22 (£36.139m)</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. This provided us with assurance over the completeness and accuracy of the underlying information used to determine the estimate</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>written to the valuer to confirm the basis on which the valuations were carried out</li> <li>tested on a sample basis revaluations of the Council's land and buildings during the year to ensure they have been input correctly into the Council's asset register and financial statements</li> <li>considered the appropriateness of the source date and key assumptions including comparable rental income and yields for the properties.</li> </ul> <p>We have satisfied ourselves in respect of the reasonableness of:</p> <ul style="list-style-type: none"> <li>the Council's valuations of land and buildings;</li> <li>of the increase in the estimate; and</li> <li>the adequacy of the disclosure of estimate in the financial statements.</li> </ul>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £4.838m	<p>The Council has engaged an external valuer Gerald Eve LLP their RICS qualified valuer to complete the valuation of properties as at 31<sup>st</sup> March 2023. Investment Properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between the market participant at the measurement date).</p> <p>100% of total assets were revalued during 2022/23.</p> <p>The total year end valuation of investment property was £4.838m, an increase of £0.685m from 2021/22 (£4.153m).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. This provided us with assurance over the completeness and accuracy of the underlying information used to determine the estimate</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>written to the valuer to confirm the basis on which the valuations were carried out</li> <li>tested on a sample basis revaluations of the Council's investment properties during the year to ensure they have been input correctly into the Council's asset register and financial statements . Management in the period under review identified that there are two assets that were omitted from the fixed asset register. Refer to page 10</li> <li>considered the appropriateness of the source data and key assumptions including comparable rental income and yields for the properties.</li> </ul>	To be finalised when the accounting treatment of the omitted assets is finalised.

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Net pension asset (surplus)– £5.046m</b>	<p>The Council's net pension (asset)/liability at 31 March 2023 is (£5.046m) (PY: £30.268m) The Council is participates as an employer in Staffordshire Local Government Pension Scheme.</p> <p>The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £39.130m net actuarial gain during 2022/23.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Undertaken an assessment of management's expert</li> <li>Reviewed and assessed the actuary's approach taken and detailed work undertaken to confirm reasonableness of approach</li> <li>Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary. This led to further detailed discussions with the Pension Fund and Actuary whereby we challenged the assumptions and calculation methods applied</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.95%-3%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.45%</td> <td>3.5%-5.5%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>21.2/ 21.8 years</td> <td>19.1-21.5/ 20.4-29.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>24.7 / 25.7 years</td> <td>19.1-21.5/ 20.4-29.1</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>From preliminary review, the life expectancy for females is outside our auditors expect rage for current pensioners. Hymans determined ager is 24.7 years whereas PWC's range is 19.1-21.5years. The engagement team has brought this finding to attention of management as the actuary needs to provide an estimate if bringing the actuary value within PWC range if there is material misstatement the female life expectancy is not in the expected range.</li> <li>Our conclusion on the testing will be finalised once we have received the report from EY on their testing as mentioned on page 11</li> </ul>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75%	●	Pension increase rate	2.95%	2.95%-3%	●	Salary growth	3.45%	3.5%-5.5%	●	Life expectancy – Males currently aged 45/65	21.2/ 21.8 years	19.1-21.5/ 20.4-29.1	●	Life expectancy – Females currently aged 45/65	24.7 / 25.7 years	19.1-21.5/ 20.4-29.1	●	We will conclude once the testing has been completed
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.75%	4.75%	●																								
Pension increase rate	2.95%	2.95%-3%	●																								
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## 2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council

## 2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the bank. This permission was granted and the requests were sent. We have received the confirmation back.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided with the exception of information requested for investment properties.



## 2. Financial Statements: other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>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 entity'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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters</p>



## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We will include the certification of the closure of the 2022/23 audit of Lichfield District Council in the audit report, as our work on VFM is completed and we are waiting for management's comments.

# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

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### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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# 3. VFM: our procedures and conclusions

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant risks in arrangements, and this will be reported in Joint Annual Audit Report for 2021/22 and 2022/23.

# 5. Independence and ethics

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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of 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.

Details of fees charged are detailed in Appendix F.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

# 5. Independence and ethics

## Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing benefit	31,000	Self-Interest (because this is a recurring fee)	The level of this likely recurring fee taken on its own is not considered a significant threat to independence as we expect it to be lower in comparison to the total fee for the audit 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments



# A. Communication of audit matters to those charged with governance

<b>Our communication plan</b>	<b>Audit Plan</b>	<b>Audit Findings</b>
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
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 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 involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## **Respective responsibilities**

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.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## **Distribution of this Audit Findings report**

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

## B. Follow up of prior year recommendations

We identified the following issues in the audit of Lichfield District Council's 2021/22 financial statements, which resulted in 1 recommendation being reported in our 2021/22 Audit Findings report.

We are pleased to report that our testing did not identify any deleted journals.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Journal being deleted in Civica</b></p> <p>As part of our audit procedures to confirm the completeness of the full-year data within the new ledger, we identified an instance of a journal being deleted from the ledger without management's knowledge or approval. This was caused by the ledger provider, Civica, being asked to clear out an erroneous opening balances journal posted by a member of the finance team, which was consequently deleted by Civica rather than being reversed out.</p> <p>There is a risk that this may have occurred with other journals which could lead to a misstatement in the financial statements, however management has investigated this and confirmed this was an isolated incident, with no other similar journals identified.</p>	In our testing this year we have not identified any deletions of journals.

### Assessment

- ✓ Action completed
- X Not yet addressed

## C. Audit Adjustments (continued)

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

### Impact of adjusted misstatements

Our testing has not identified any audit differences that are material, which require adjustment to the reported financial position in the draft statement of accounts (SOA).

### Misclassification and disclosure changes

The Council has made a number of misclassification and disclosure changes identified during the audit in the final set of financial statements.

### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on equity£'000	Reason for not adjusting
Asset revalued to £865,000 but is carried at the unadjusted amount of £1,250,000	-	Credit-NCA -£385	Decrease surplus £0	Debit -Revaluation reserve £385	Impact is considered immaterial.
<b>Overall impact</b>	-	-£385	£0	£385	



## C. Audit Adjustments (continued)

### Impact of prior year unadjusted misstatements

The engagement team is still assessing if the omission of the two investment properties amounting to £770K will result in a retrospective restatement of prior year. Currently this is recognised on the 22/23 balance sheet but not for the opening balance, as managements view it is not material, therefore an adjustment to opening balances is not required. We are currently consulting with our technical team whether the non-adjustment for opening balances is appropriate.



# D. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

<b>Audit fees</b>	<b>Planned fee</b>	<b>Final Fee</b>
Scale fee for 22/23	£42,913	£42,913
Additional work on Value for Money (VfM) under new NAO Code	£9,000	£9,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000	£3,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£2,100	£2,100
Enhanced audit procedures for Payroll – Change of circumstances	£500	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750	£750
Increased audit requirements of revised ISAs 315/ 240	£3,000	£3,000
Overrun fees in relation to Collection fund testing *	£0	£2,000
IFRIC 14 **	£0	£3,000
<b>Total audit fees (excluding VAT)</b>	<b>£61,263</b>	<b>£66,263</b>

\*The Council was unable to provide a detailed individual transactions listing for council tax and NNDR payers debtors and creditors amounting to £2.42m and £1.58m. We have performed alternative audit procedures on these balances and no issues were noted.

\*\*We have also had to do increased testing in relation to the Pension Asset which was accounted for by the Council, under IFRIC 14 IAS19.

All additional fees are subject to PSAA approval.

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>
Certification of Housing benefit	31,000
<b>Total non-audit fees (excluding VAT)</b>	<b>31,000</b>

# E. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.



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# Mid-Year Treasury Management Report

## Cabinet Member for Finance and Commissioning

Date:	28 November 2023
Agenda Item:	9
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	YES
Local Ward Members	Full Council

## Agenda Item 9

Lichfield  
district council

## Audit and Member Standards Committee

## 1. Executive Summary

- 1.1 The report covers the projected mid-year (30 September 2023) Treasury Management performance in 2023/24.
- 1.2 Capital expenditure is projected to be **£9,984,000** and this is **(£9,339,000)** lower than the Approved Revised Approved Budget of **£19,323,000**.
- 1.3 Capital Receipts are projected to be **(£945,000)** which is the same as the Approved Budget.
- 1.4 The Capital Financing Requirement (Borrowing Need) and its financing is projected to be **(£2,740,000)** lower than the Approved Budget. This is primarily due to the rephasing of the replacement leisure centre budget and the consequential impact on internal borrowing.
- 1.5 Minimum Revenue Provision at **£46,644**, which is the same as the approved budget.
- 1.6 The Balance Sheet projections indicate:
  - Total assets less liabilities are projected to be **£44,702,000** higher than the budget principally due to the reassessment of the pension long term obligation as an asset by the Actuary at 31 March 2023.
  - Usable reserves are projected to be **(£6,900,000)** higher than budget due principally to higher than projected earmarked reserves.
  - Unusable reserves are projected to be **(£37,803,000)** lower than budget due principally to the projected reduction in the statutory Pension Reserve to offset the pension obligation or asset.
  - Investment balances at the 31 March 2024 will be **£40,856,000** and these are **£7,415,000** higher than the Original Budget of **£33,441,000**. This is due to a higher level at 31 March 2023 a higher than projected level of unapplied grants and earmarked reserves (due to the lower projected spend on the Capital Programme) that is offset by lower than projected working capital in 2023/24.
- 1.7 The Council was required to approve an Investment Strategy Report for 2023/24 to comply with the requirements of statutory guidance issued by the Government in January 2018. This report focuses on Treasury Management investments as well as how the authority invests its money to support local services and earns investment income from commercial investments. Monitoring information on Service and Commercial investments is provided in this mid-year report.
- 1.8 The Council's treasury investments achieved a risk status of **AA-** (excluding the four long-dated pooled funds) that was more secure than the aim of **A-**.
- 1.9 The report confirms the Council is compliant with all Treasury Limits and Prudential Indicators for 2023/24.

## 2. Recommendations

- 2.1 To review the report and issues raised within.
- 2.2 To provide views on the recommended revised approach to Strategic Investments.
- 2.3 To review the Prudential Indicators contained within the report.

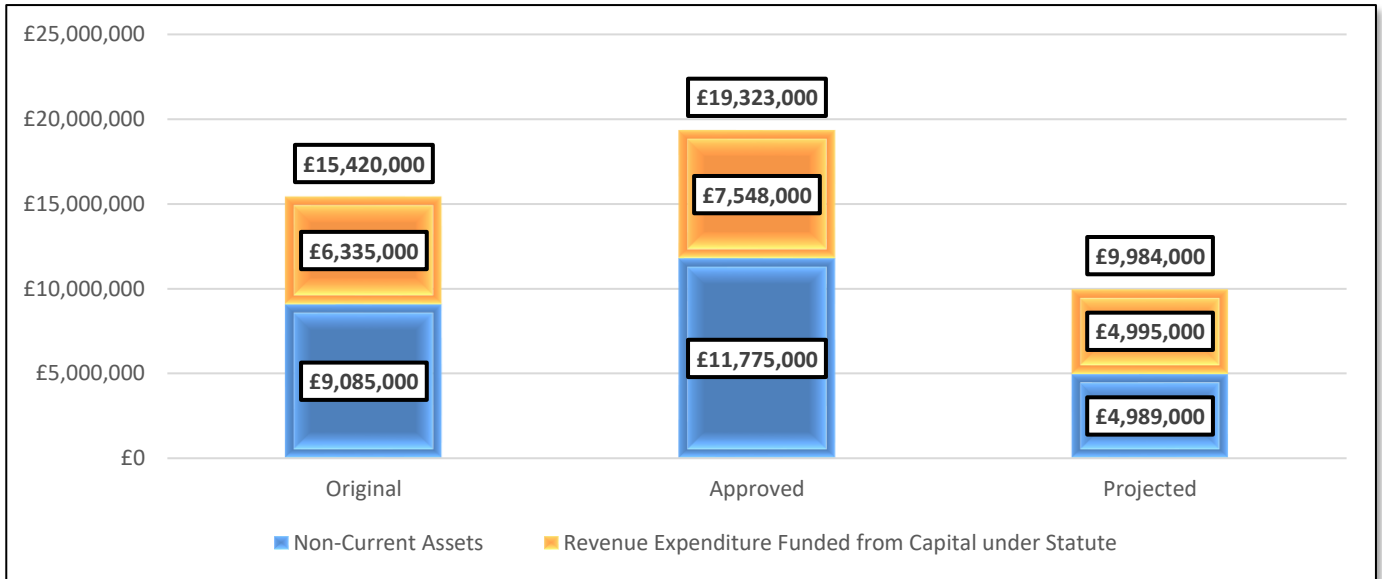
## 3. Background

### The Capital Programme and Treasury Management

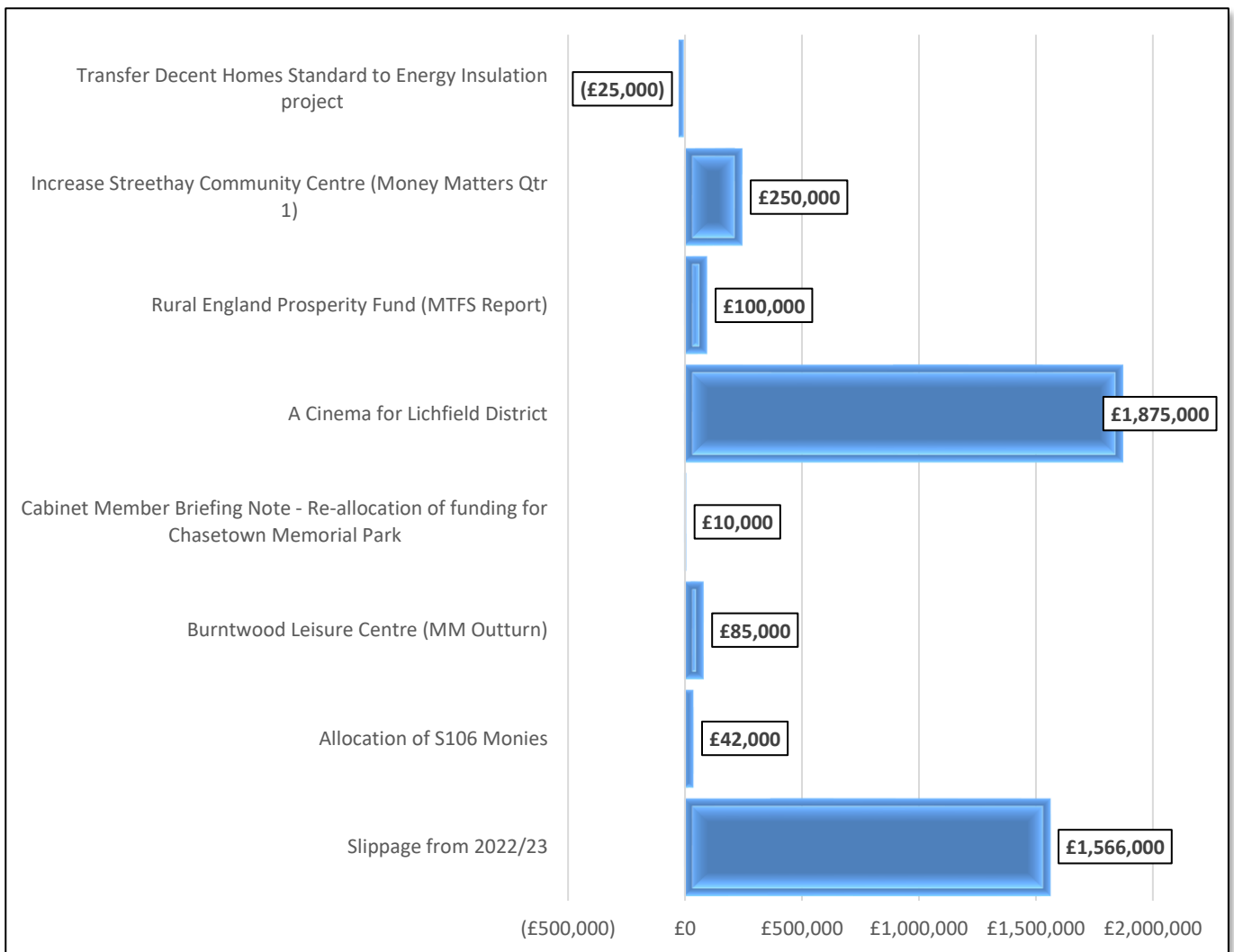
- 3.1. This Mid-Year Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2023/24 and the projected Prudential Indicators for 2023/24.
- 3.2. Treasury Management is defined as: *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 3.3. Overall responsibility for Treasury Management remains with the Council. No Treasury Management activity is without risk; the effective identification and management of risk are integral to our Treasury Management objectives.
- 3.4. Our Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annual Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year.
- 3.5. We report quarterly to the Cabinet on Treasury activity and this report to Audit and Member Standards will provide more information on capital financing, Balance Sheet projections and Prudential Indicators.
- 3.6. This report is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code and
  - a) presents details of capital spend, capital financing, borrowing and investment transactions;
  - b) reports on the risk implications of Treasury decisions and transactions;
  - c) gives details of the mid-year position on Treasury Management transactions in 2023/24;
  - d) confirms compliance with Treasury limits and Prudential Indicators
- 3.7. The performance of the Treasury Management function should be measured against the hierarchy of investment objectives of **Security** (the safe return of our monies), **Liquidity** (making sure we have sufficient money to pay for our services) and **Yield** (the return on our investments).
- 3.8. In addition, external borrowing is considered against the objectives of it being **affordable** (the impact on the budget and Council Tax), **prudent** and **sustainable** (over the whole life).

## The Capital Programme

3.9. A summary of the Capital Programme performance showing the Original Budget, Approved Budget and the Projected Actual for 2023/24 is shown in detail at **APPENDIX A** and in the chart below:



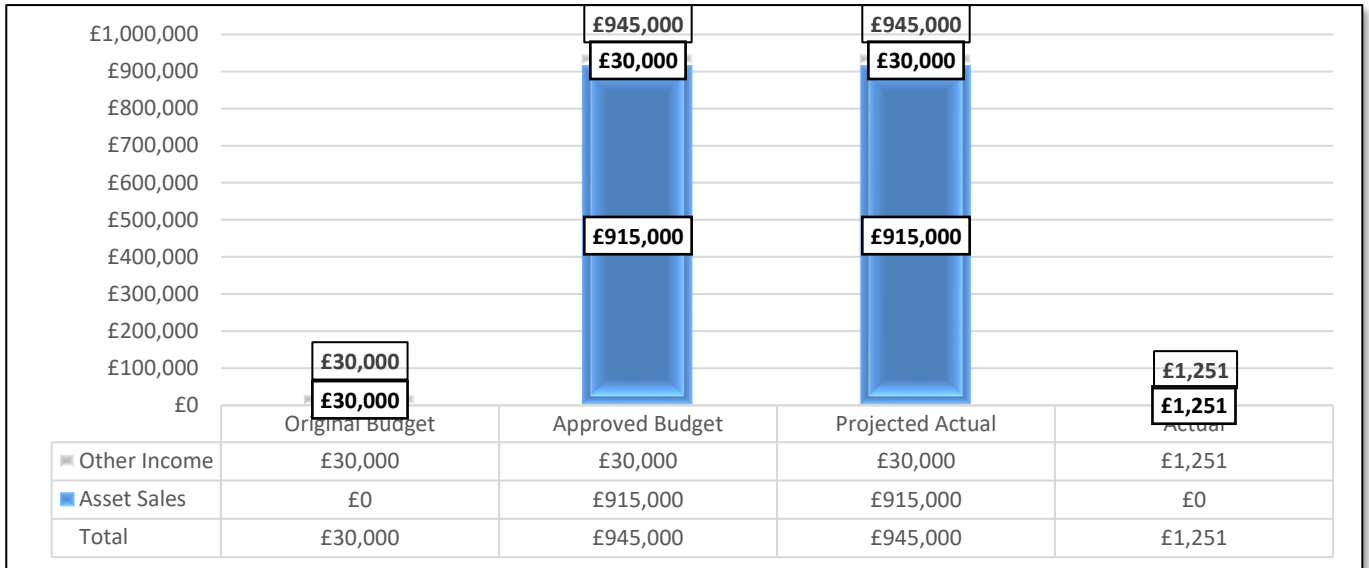
3.10. The reasons for the budgetary increase of **£3,903,000** between the Original Budget of **£15,420,000** and the Approved budget of **£19,323,000** are shown below:



3.11. Capital expenditure is projected to be **£9,984,000** which is **(£9,339,000)** lower than the Approved Revised Budget of **£19,323,000**.

## Capital Receipts

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



3.13. There is projected to be **(£945,000)** capital receipts received in 2023/24 compared to the Approved Budget of **(£945,000)**. This projection assumes Venture House is sold in 2023/24 for the budgeted sum.

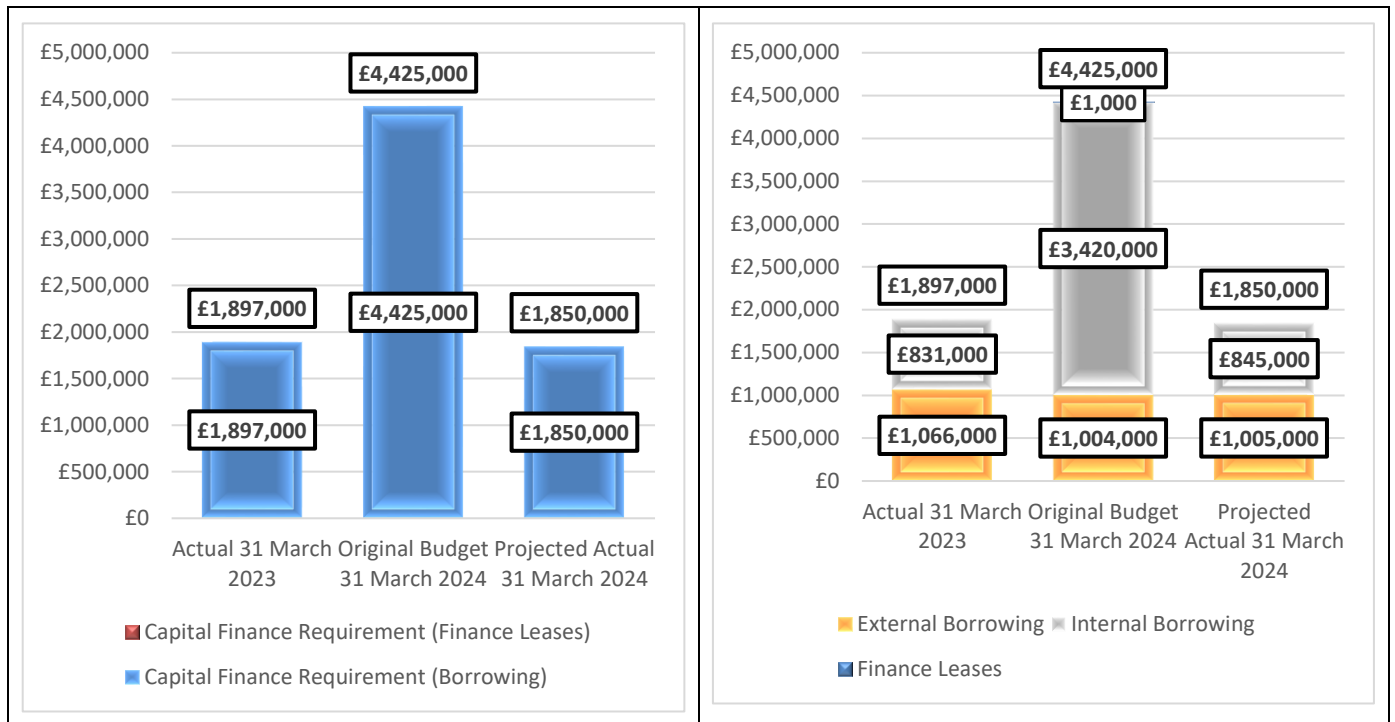
## The Funding of the Capital Programme

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



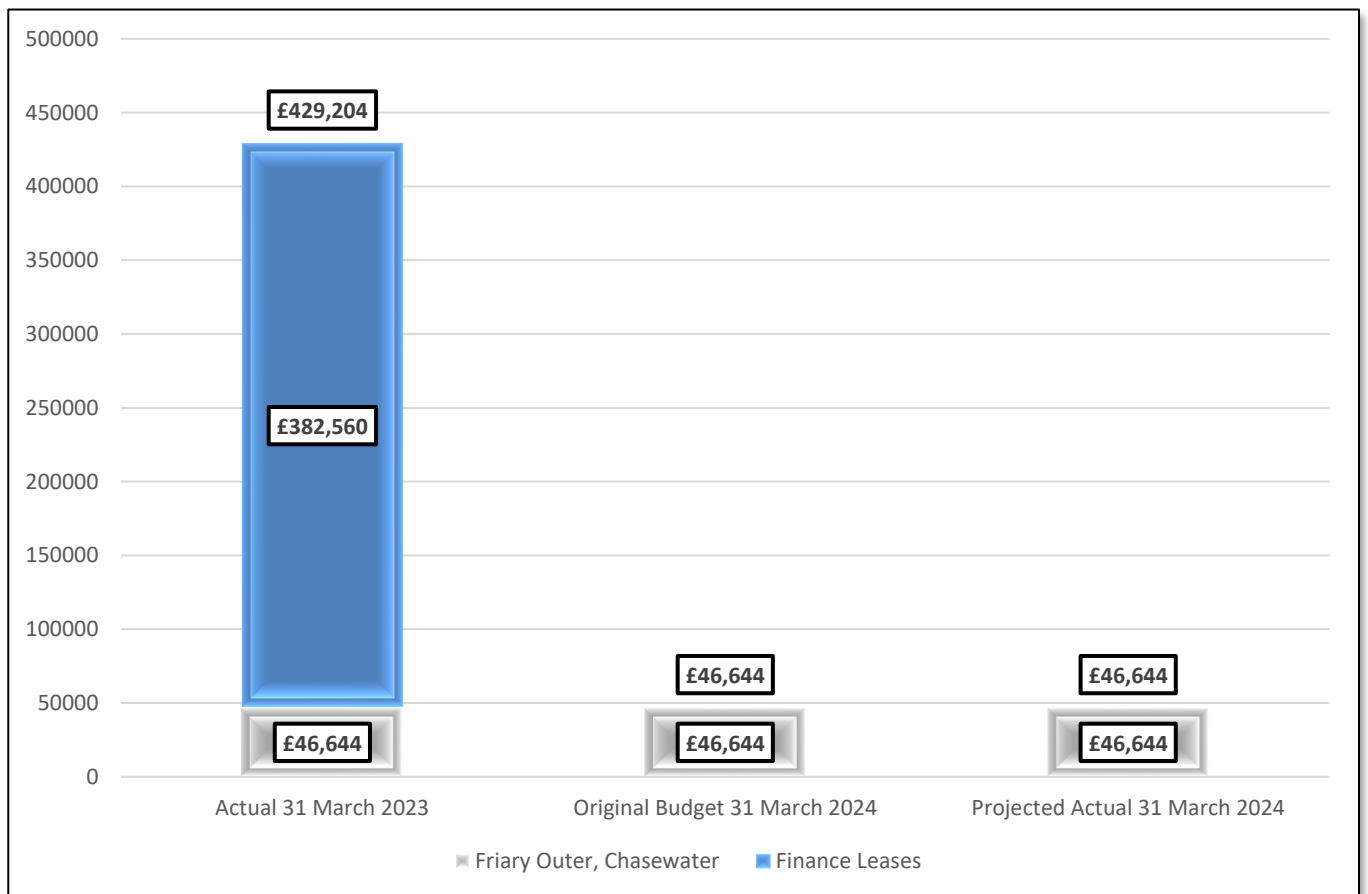
### The Capital Financing Requirement (Borrowing Need) and its Financing

3.15. The actual for 2022/23, Original Budget and Projected Actual for 2023/24 of the Borrowing Need, together with its financing is shown below:



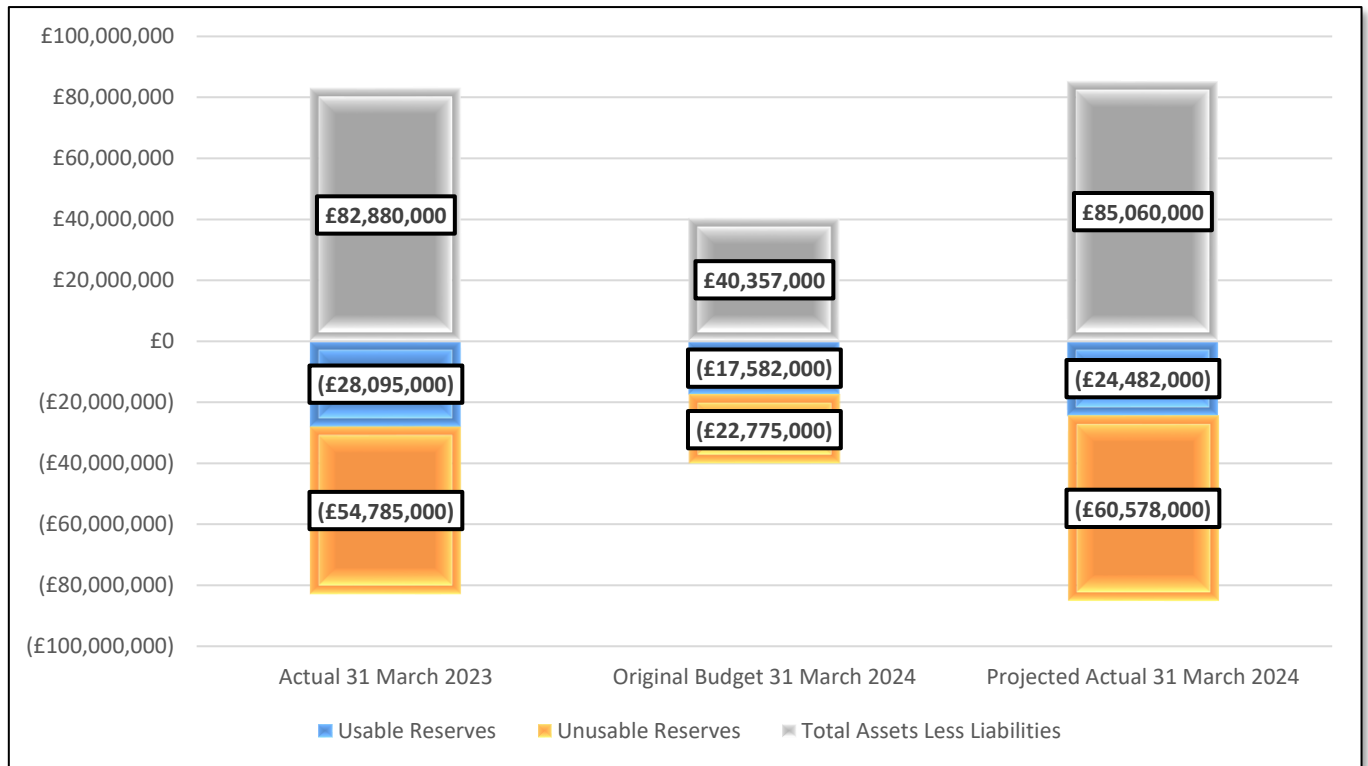
### Minimum Revenue Provision

3.16. The Minimum Revenue Provision charged to revenue in 2022/23, the Original Budget for 2023/24 and the projected actual in 2023/24 is shown below:



## The Balance Sheet

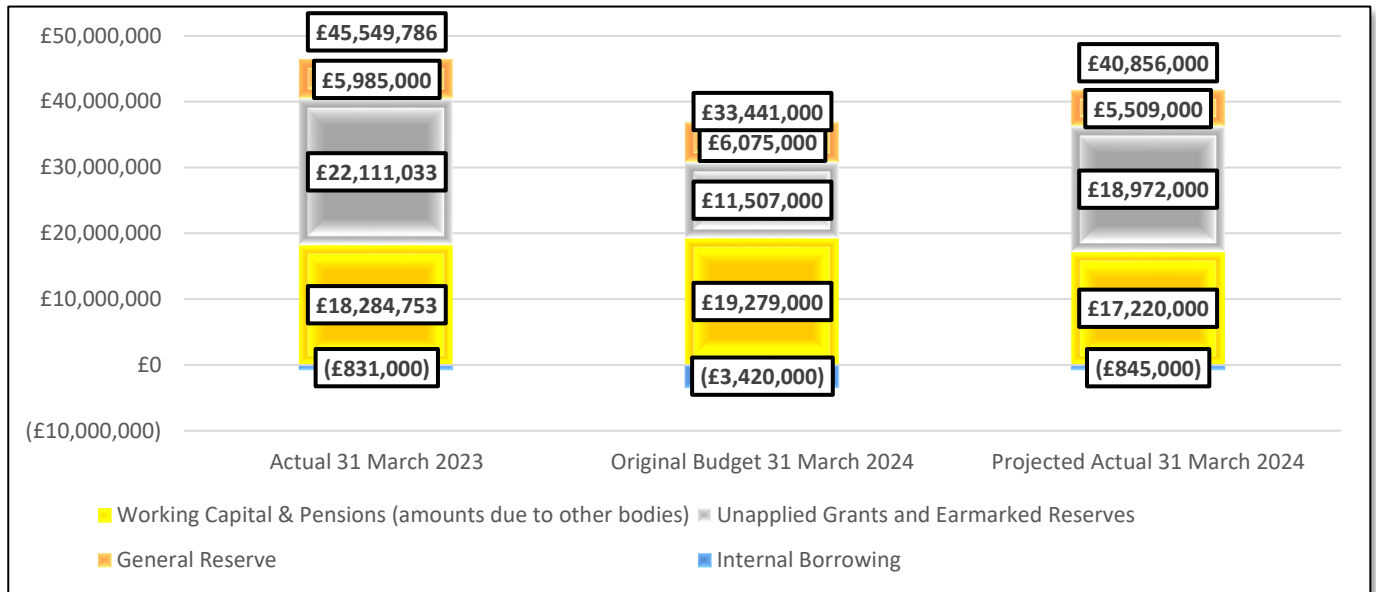
3.17. The Actual Balance Sheet for 2022/23 (subject to Audit) and Balance Sheet Projections for 2023/24 compared to the Original Budget are shown in detail at **APPENDIX B** and in summary below:



3.18. The main reasons for the variances between the budgeted and projected Balance Sheet for 2023/24 are:

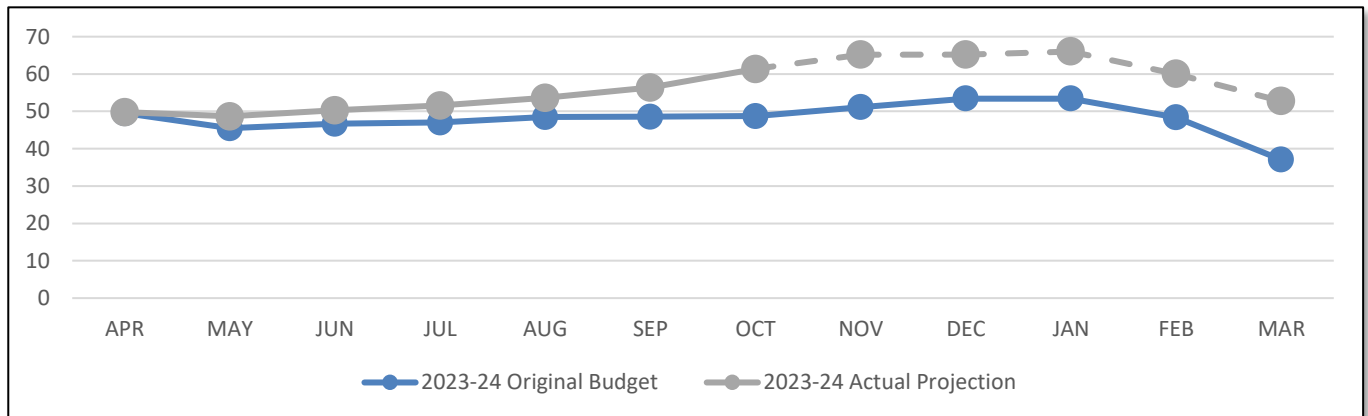
Area	Pensions £000	Non Pensions £000	Total £000
Lower long term liability assessed as an asset by the Actuary	32,740		32,740
Higher projected spend on non-current assets including slippage from 2022/23 and approvals during the financial year		1,287	1,287
Higher investments due to higher working capital and reserves		7,415	7,415
Higher working capital that reflects the actual level at 31 March 2023		3,118	3,118
Higher long term debtor related to the Joint Venture for the Cinema		2,952	2,952
Other		(237)	(237)
<b>Total Assets less Liabilities</b>	<b>32,740</b>	<b>11,962</b>	<b>44,702</b>
Higher earmarked reserves		(6,420)	(6,420)
Lower General Reserves based on Money Matters 6 Months		566	566
Higher capital receipts and unapplied Grants and Contributions due to reprofiling of projects in the Capital Programme		(1,046)	(1,046)
<b>Total Usable Reserves</b>		<b>(6,900)</b>	<b>(6,900)</b>
The Council's share of the surpluses in the Collection Fund reserve due to higher surpluses in 2022/23 and improved projections in 2023/24.		(1,229)	(1,229)
The statutory reserve to offset the pension obligation now assessed as an asset by the Actuary	(32,740)		(32,740)
Higher level in the Capital Revaluation and Adjustment accounts that reflects the actual level at 31 March 2023		(4,090)	(4,090)
Adjustment to Available for Sale Reserve based on current strategic investment values		256	256
<b>Total Unusable Reserves</b>	<b>(32,740)</b>	<b>(5,063)</b>	<b>(37,803)</b>

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



### Cash Flow Forecasts

3.20. The graph below compares the Original Budget for average investment levels in 2023/24 with the actual/projected levels.



3.21. Investment income and borrowing costs are shown below:

Treasury Management	2023/24					
	Original Budget		Approved Budget		Projected	
	Investment		Investment		Investment	
	Income	Borrowing	Income	Borrowing	Income	Borrowing
Average Balance	£48.76m	£1.02m	£48.17m	£1.02m	£56.74m	£1.02m
Average Rate for 23/24	4.09%	2.59%	2.82%	2.59%	3.90%	2.59%

Gross Investment Income	(£1,963,270)		(£1,357,370)		(£2,213,080)	
Company Loan Interest	£0		(£2,270)		£0	
Property Fund Transfer to Reserves	£22,000		£10,000		£10,000	
DIF Transfer to Reserves	£132,000		£64,000		£64,000	
Loan Interest Transfer to Reserves	£0		£0		£605,710	
External Interest		£29,000		£26,410		£26,410
Internal Interest		£1,000		£4,000		£4,000
Minimum Revenue Provision (less Finance Leases)		£47,000		£47,000		£47,000
<b>Net Treasury Position</b>	<b>(£1,809,270)</b>	<b>£77,000</b>	<b>(£1,285,640)</b>	<b>£77,410</b>	<b>(£1,533,370)</b>	<b>£77,410</b>
(Excluding Corporate Revenue Funding of Capital)	<b>(£1,732,270)</b>		<b>(£1,208,230)</b>		<b>(£1,455,960)</b>	
Updates relating to leisure centre, leisure insourcing and CIL changes	£562,040					
<b>Net Treasury Position</b>	<b>(£1,170,230)</b>					

## Investment Strategy

3.22. 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.**

3.23. 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.

3.24. 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 **28 February 2023.**

### Service Investments

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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Approved Loan to the LWMTS</b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>
<b>Actual/Projected use of the Facility</b>	<b>£0</b>	<b>£0</b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>
Actual/Projected use of the Facility	£0	£0	£0	£0	£0	£0
Net Income	£0	£0	£2,263	£2,263	£2,263	£2,263
Net Return	0.00%	0.00%	4.00%	4.00%	4.00%	4.00%
<b>Approved Loan to the Joint Venture</b>	<b>£64,000</b>	<b>£3,795,000</b>	<b>£5,788,000</b>	<b>£5,788,000</b>	<b>£5,788,000</b>	<b>£5,788,000</b>
<b>Actual/Projected use of the Facility</b>	<b>£64,000</b>	<b>£2,888,000</b>	<b>£5,788,000</b>	<b>£5,788,000</b>	<b>£5,788,000</b>	<b>£5,788,000</b>
Net Income (revenue budget neutral)	0	0	0	0	0	0
Net Return	0	0	0	0	0	0

### Commercial Investments

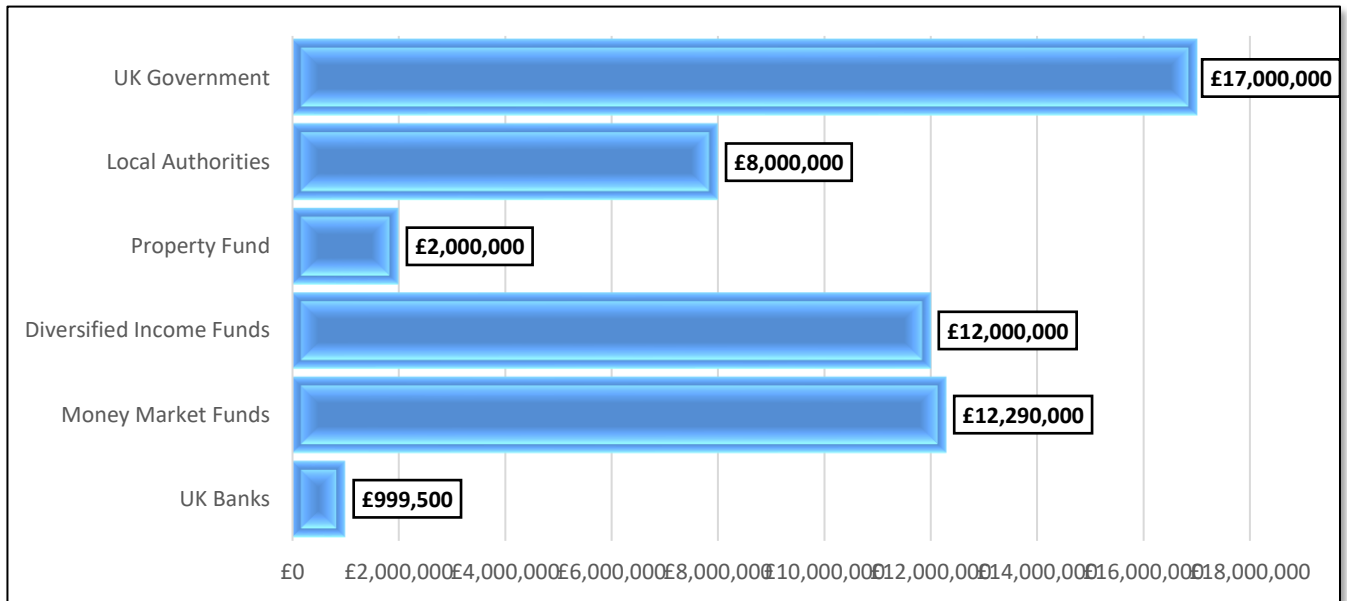
3.26. No commercial investments are currently planned.



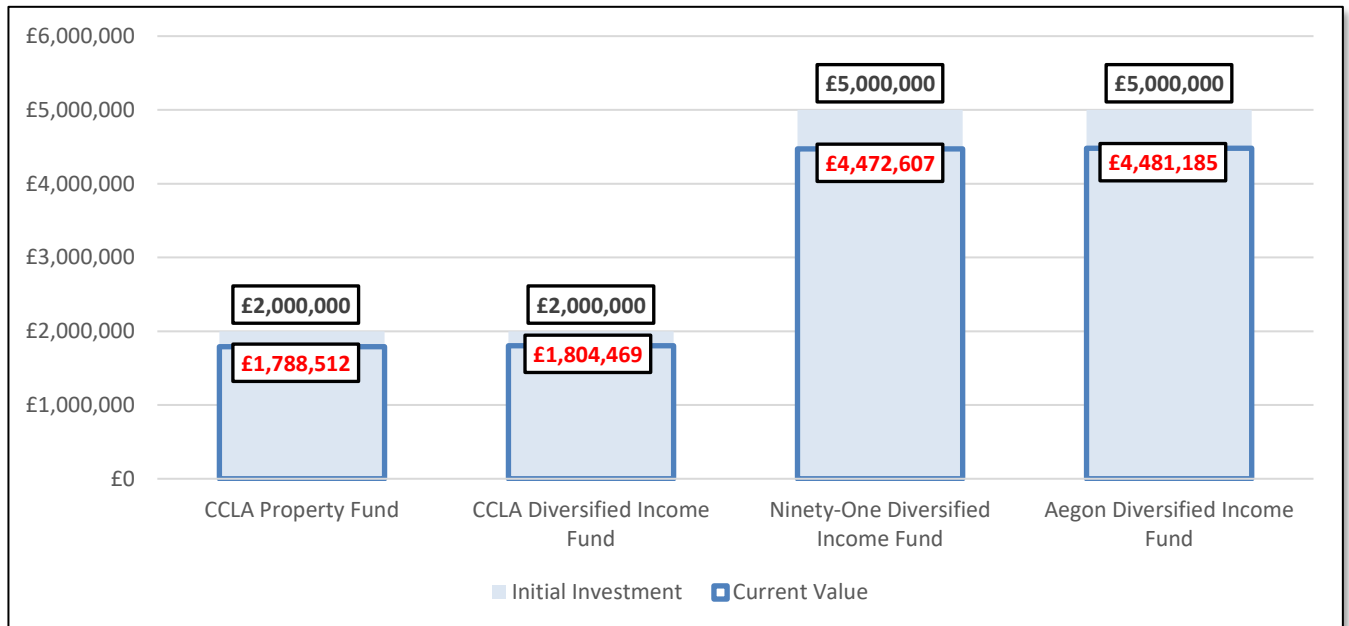
## Treasury Management Investments

### The Security of Our Investments

3.34. The investments the Council had at the 30 September 2023 of **£52,29m** (with the property and diversified income funds valued at original investment of £2.00m or £5.00m) by type and Country are summarised in the graph below and are shown in more detail at **APPENDIX C**:



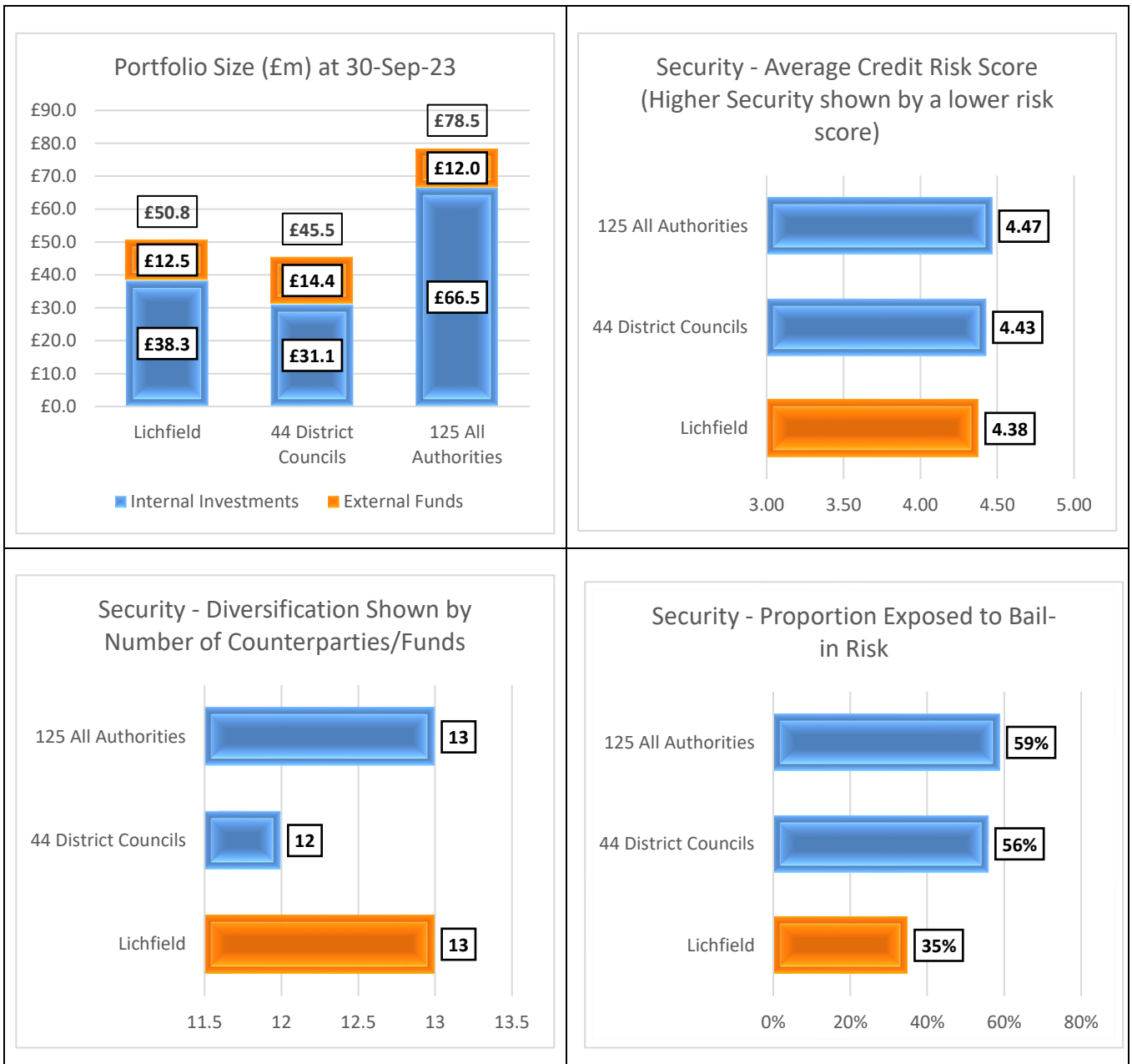
3.35. The current values of the Property Fund and the Diversified Income Fund together are shown below:



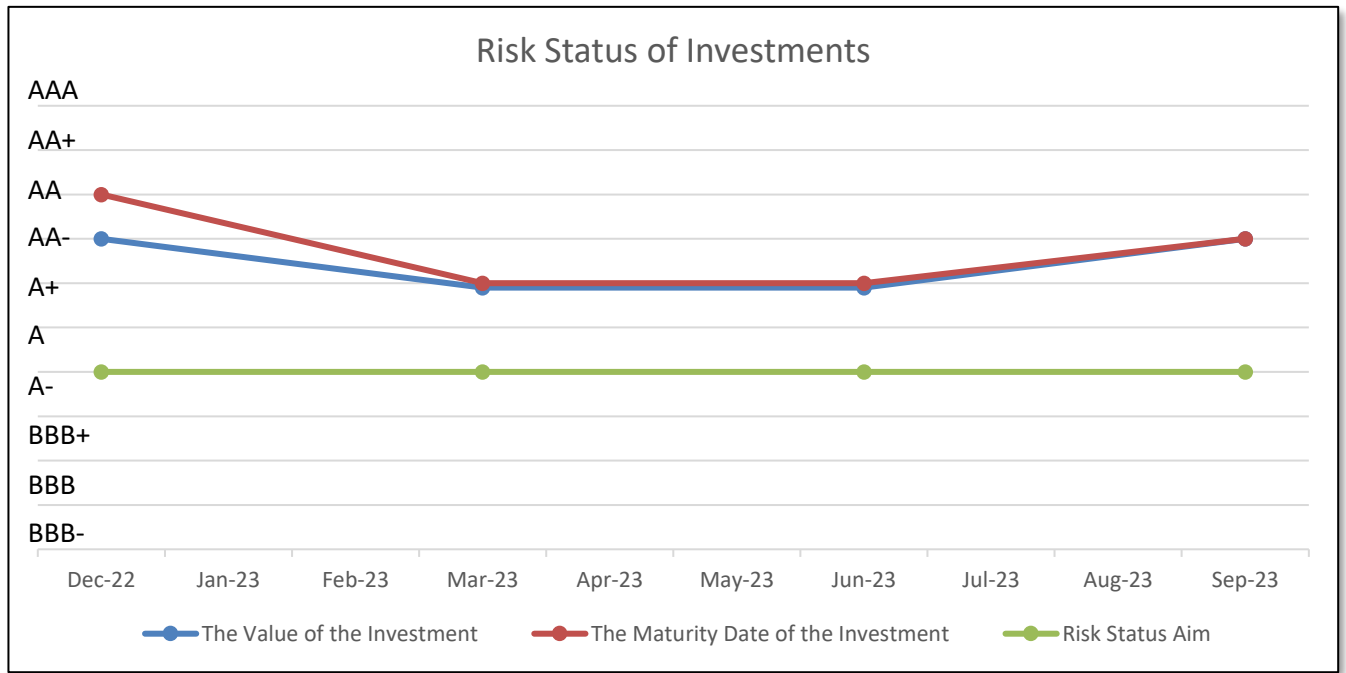
3.36. Overall in terms of strategic investments there is a ‘book loss’ of **£1,453,227** and the earmarked reserve to manage volatility risk is projected to be **£1,400,000**).

3.37. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority’s medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years, but with the expectation that over a three to five-year period total returns will exceed cash interest rates.

- 3.38. It is also important to note that the current statutory IFRS9 override has been extended to 31 March 2025. This override currently means that any gain or loss on strategic fund investments is accounted for on the Balance Sheet until it is realised through a sale.
- 3.39. The statutory override is due to end on 31 March 2025 and current indications are that further extensions are unlikely, therefore any unrealised gain or loss after this date will need to be transferred to revenue and managed through reserves until disposal. To manage the inherent volatility with these long term investments, the Council had previously established a Strategic Investment Volatility Reserve.
- 3.40. A revised approach to strategic investments is discussed later in this report.
- 3.41. The Council's portfolio size (with the Property and Diversified Income Funds valued at its current value of £12.5m), average credit score, diversification and exposure to 'Bail in' risk compared to Arlingclose Clients is shown below:

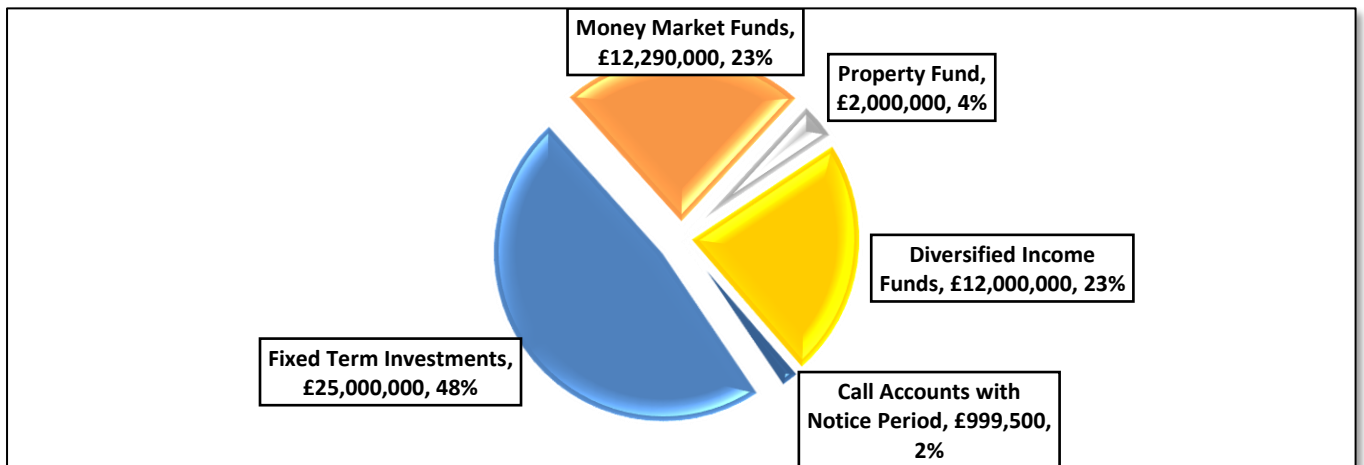


3.42. Our aim for the risk status of our investments was A- or higher. The risk status based on the length of the investment and the value for a 13 month period is summarised in the graph below:

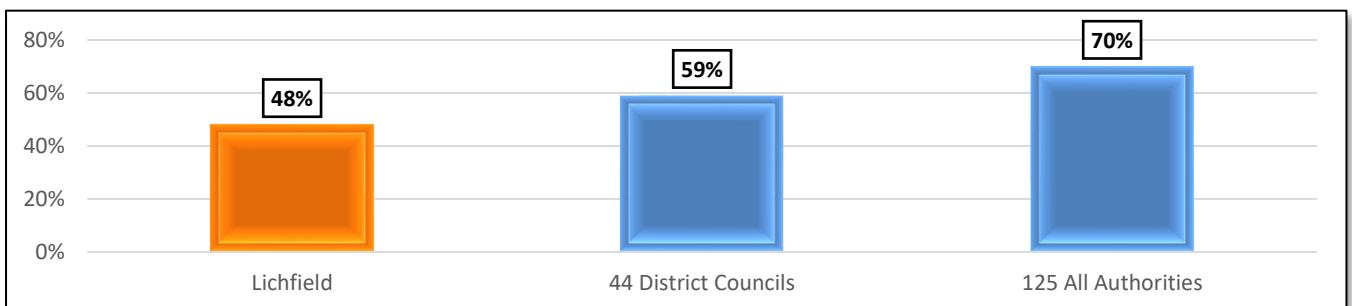


**The Liquidity of our Investments**

3.43. The Council has not had to temporarily borrow during 2023/24 and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type (with the property and diversified income funds at their original values of £2m or £5m) are shown below:

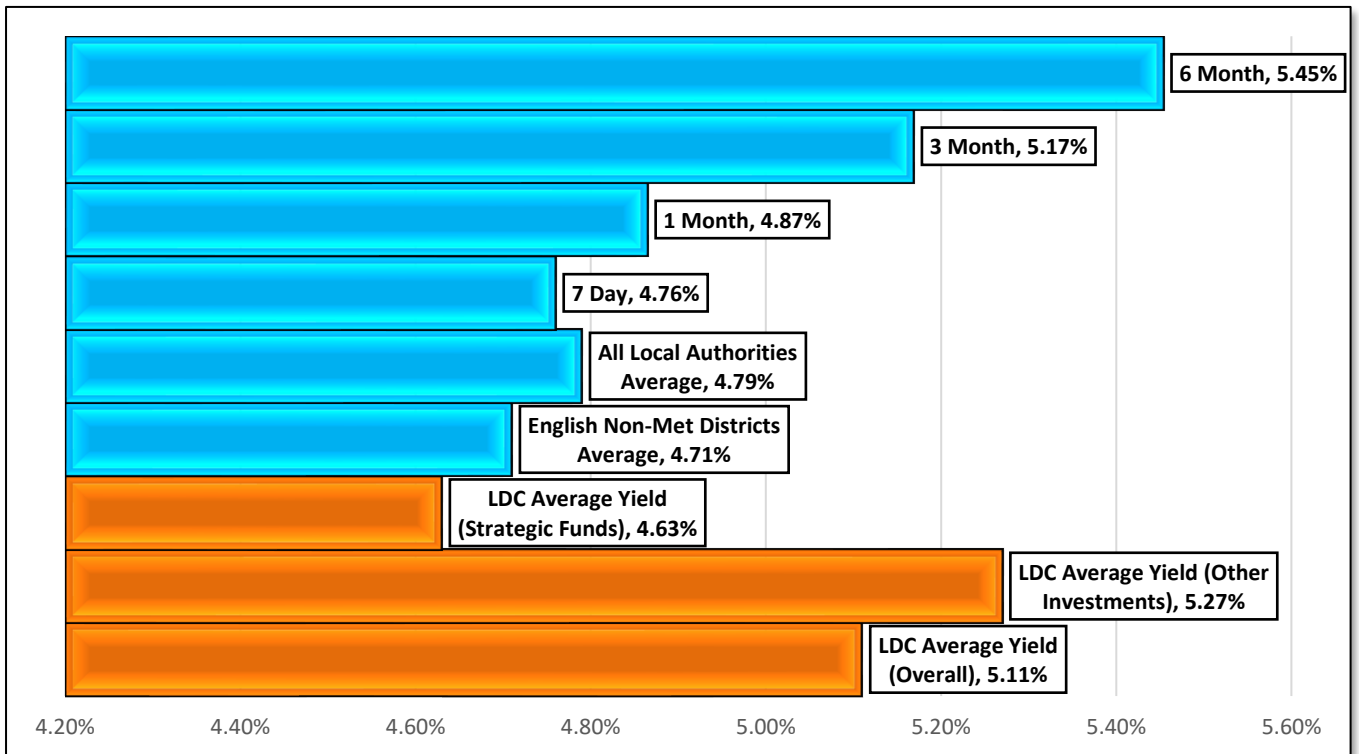


3.44. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:



### The Return or Yield of our Investments

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



### External Borrowing

3.46. The Council currently has one external loan with the Public Works Loans Board with **£1,004,520** outstanding and this is shown in detail at **APPENDIX C**.

## Review of the Approach to Strategic Investments

- 3.47. The Council currently has **£14m** in cash invested in pooled investment funds that has been invested over a six year period.
- 3.48. These investments were undertaken to manage risk through diversification of the investment portfolio whilst increasing yield in a very different financial/economic environment to today:
- The World was a relatively benign place.
  - Interest rates, debt and inflation were stable and at relatively low levels.
  - The Government implemented a statutory override meaning any gains or losses arising from changes in fair value of certain financial assets such as pooled funds do not impact on the revenue budget and therefore reserves.
  - The Council's borrowing need and external borrowing was at a relatively low level.
  - Pre pandemic and the current inflationary environment, Total Reserves were at a relatively high level.
- 3.49. In summary, the pooled fund performance over the period of investment up to 31 August 2023 is:
- Cumulative Capital Return is **(9.60%)** equating to a 'book loss' of **(£1,343,582)**.
  - Cumulative Income Return is **13.86%** and totals **£1,939,976**.
  - Cumulative Total Return is **4.26%** and totals **£596,394**.
- 3.50. An earmarked reserve to mitigate the risk of reductions in investment value was established when the initial investment in the property fund was established. An element of income return from all pooled investments was transferred to this earmarked reserve. Latterly some of the windfall investment income resulting from recent increases in interest rates (there is an inverse link between interest rates and capital return on pooled investments) has also been transferred.
- 3.51. The plan is to use further windfall investment income during 2023/24 to increase this earmarked reserve to **£1,400,000** or **10%** of investment value based on investment performance over the last five years to **31 March 2023**.
- 3.52. As mentioned above, the financial/economic environment and the risks it presents has changed significantly:
- The World has become a more uncertain place. There has been the COVID pandemic, the war in Ukraine, the raised level of inflation and its impact on cost of living and more recently the conflict in Gaza. There are also elections due in the UK and US that could lead to changes in administration. All this uncertainty increases financial/economic risk, and this will also mean pooled investment values are likely to be more volatile.
  - Interest rates, debt and inflation have increased significantly and will be further impacted by the financial/economic environment.
  - The Government has indicated it will not extend the statutory override beyond 31 March 2025 and this has been supported by CIPFA as a way of encouraging authorities to undertake investments of less perceived risk. This means that any reduction in value beyond the level of the earmarked reserve would need to be funded by other reserves. **In the event this loss utilises all reserves or they are insufficient then this would result in a Section 114 notice.**

- Council approved an increase in the borrowing need by **£5,000,000** to fund the new leisure Centre. Council also approved that this will be funded by internal borrowing because it is currently lower cost, it can be repaid without penalty, and it reduces credit and counterparty risk because investments are reduced.
- The level of pooled investments has increased to **£14m** meaning greater exposure to fair value volatility.
- Council has agreed to use earmarked reserves for place shaping investment and therefore in the short to medium term there will be less reserves available to absorb losses greater than the **£1,400,000** earmarked reserve.

3.53. The significant changes in the financial/economic environment means it is prudent to review the approach to pooled or strategic investments.

3.54. A revised approach that includes pooled investments in the current financial/economic environment would seek to achieve the outcomes detailed below:

- In the absence of a statutory override, any residual risk is within acceptable risk levels, does not place the Council at risk of a Section 114 notice and is compliant with Statutory Guidance to prioritise **security** and **liquidity** over **yield**.
- It maintains diversification and reduces portfolio risk.
- The actual level of loss is within the level of the earmarked reserve.

3.55. The primary driver must be the ability to manage risk in the event the statutory override is not extended beyond 31 March 2025.

3.56. Therefore, it is recommended that:

- The Council initially reduces its level of strategic investments from **£14m to £9m** to provide the cash necessary for internal borrowing for the leisure centre. The actual timing of divestment will be based on retaining the least volatile investments and minimising the level of actual loss chargeable against the earmarked reserve.
- The Council, depending on the status of the statutory override, and any further internal borrowing, considers further reducing the level.

Alternative Options	In terms of the approach to strategic investments, there are a series of alternative options:				
	Desired Outcome	Do nothing £14m	Reduce by £5m to £9m	Reduce by £9m to £5m	Reduce to £0
Potential loss scenarios:					
20%		£2,800,000	£1,800,000	£1,000,000	£0
40%		£5,600,000	£3,600,000	£2,000,000	£0
Portfolio Diversification		Higher	Higher	Medium	Lower
Projected Level of Loss for option as at 31/08/2023		£0	£500,000	£900,000	£1,344,000

Consultation	Consultation is undertaken as part of the Strategic Plan and with Leadership Team.
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**Projected Prudential indicators (PI) 2023/24:**

- We can confirm that the Council is compliant with its Prudential Indicators for 2023/24; these were originally approved by Council at its meeting on 28 February 2023 and will be fully revised and approved by Council on 27 February 2024.
- 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 2023/24.
- None of the other Prudential Indicators have been breached. The Prudential Indicators are summarised in the table below:

Capital Strategy Indicators					
Prudential Indicators					
Indicators	2022/23 Actual	2023/24 Original	2023/24 Approved	2023/24 Projected	Compliant
<b>Capital Investment</b>					
Capital Expenditure (£m)	£3.573	£15.420	£19.323	£9.984	✓
Capital Financing Requirement (£m)	£1.897	<sup>1</sup> £4.425	£4.209	£1.850	✓
<b>Gross Debt and the Capital Financing Requirement</b>					
Gross Debt	(£1.065)	(£1.005)	(£1.005)	(£1.005)	✓
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	✓
<b>Total Debt</b>					
Authorised Limit (£m)	£1.509	£19.932	£19.932	£1.005	✓
Operational Boundary (£m)	£1.509	£7.505	£7.505	£1.005	✓
Proportion of Financing Costs to Net Revenue Stream (%)	4%	1%	1%	1%	✓

Local Indicators					
Indicators	2022/23 Actual	2023/24 Original	2023/24 Approved	2023/24 Projected	Compliant
Replacement of Debt Finance or MRP (£m)	(£0.429)	(£0.047)	(£0.047)	(£0.047)	✓
Capital Receipts (£m)	(£0.022)	(£0.030)	(£0.945)	(£0.945)	✓
Funding Development based Costs for Leisure Centre (£m)	(£0.216)	£0.000	£0.000	£0.000	✓
Housing Capital Receipts (£m)	(£0.352)	£0.000	£0.000	£0.000 <sup>2</sup>	✓
Liability Benchmark (£m)	£34.484	£22.437	£20.807	£29.851	✓
Treasury Management Investments (£m)	£45.550	£33.441	£31.811	£40.856	✓

Treasury Management Indicators					
Prudential Indicators					
	2022/23 Actual	Lower Limit	Upper Limit	2023/24 Projected	Compliant
<b>Refinancing Rate Risk Indicator</b>					
Under 12 months	6%	0%	100%	6%	✓
12 months and within 24 months	6%	0%	100%	6%	
24 months and within 5 years	17%	0%	100%	18%	
5 years and within 10 years	29%	0%	100%	30%	
10 years and within 20 years	43%	0%	100%	39%	
20 years and within 30 years	0%	0%	100%	0%	
30 years and within 40 years	0%	0%	100%	0%	
40 years and within 50 years	0%	0%	100%	0%	
50 years and above	0%	0%	100%	0%	

Indicators	2022/23 Actual	2023/24 Original	2023/23 Approved	2023/24 Projected	Compliant
Principal Sums invested for periods longer than a year (£m)	£14.000	£15.000	£15.000	£15.000	✓

<sup>1</sup> Updated from £4.590 figure included in the Medium Term Financial Strategy

<sup>2</sup> A projection has been requested from Bromford for 2023/24.

Local Indicators					
Indicators	2022/23 Actual	2023/24 Original	2023/24 Approved	2023/24 Projected	Compliant
	£m	£m	£m	£m	
<b>Balance Sheet Summary and Forecast</b>					
Borrowing Capital Financing Requirement	£1.897	£4.425	£4.209	£1.850	✓
Internal (over) Borrowing	£0.832	£3.420	£3.204	£0.845	✓
(Investments) or New Borrowing	(£45.550)	(£33.441)	(£31.811)	(£40.856)	✓
Liability Benchmark	(£34.484)	(£22.437)	(£20.807)	(£29.851)	✓
	2022/23 Actual	Target	2023/24 Actual		
<b>Security</b>					
Portfolio average credit rating	A+	A-	AA-		
<b>Liquidity</b>					
Temporary Borrowing undertaken	£0.000	£0.000	£0.000		
Total Cash Available within 100 days (maximum)	71%	90%	48%		
Approved by Section 151 Officer	Yes				

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

Contribution to the Delivery of the Strategic Plan	The MTFS underpins the delivery of the Strategic Plan.
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Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
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Crime & Safety Issues	There are no additional Crime and Safety Issues.
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Data assessment	<p>The ability to deliver the outcomes set out in the <b>Lichfield District Council Strategic Plan</b>, and beyond, is dependent on the resources available in the MTFS. The MTFS identifies the level of resources available and spend necessary to deliver the outcomes across the entire District.</p> <p>However, the application of relevant data and the Social Progress Index can be considered for new budget pressures, savings and income proposals as they are developed.</p>
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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 GDPR/Privacy Impact Assessment Issues.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
<b>Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of Finance</b>				
A	Council Tax is not set by the Statutory Date of <b>11 March 2024</b>	Likelihood: Green Impact: Red Severity of Risk: Yellow	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax Requirements.	Likelihood: Green Impact: Red Severity of Risk: Yellow
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	Likelihood: Yellow Impact: Red Severity of Risk: Red	To closely monitor the level of appeals. An allowance for appeals has been included in the Business Rate Estimates.	Likelihood: 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
<b>Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to the emerging landscape</b>				
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

- 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) 2023/24 – Audit and Member Standards Committee 2 February 2023
- Annual Treasury Management Report 2022/23 – Audit and Member Standards Committee 20 July 2023

#### Relevant web links

## Capital Programme Performance in 2023/24

Project		Original Budget	Approved Budget	Actual to Date	Projected Actual	Variance
New Build Parish Office/Community Hub	R	30,000	92,000	0	0	(92,000)
Burntwood Leisure Centre Sinking Fund Projects	A	69,000	144,000	45,543	144,000	0
Friary Grange - Short Term Refurbishment	A	0	134,000	27,130	134,000	0
Replacement Leisure Centre	A	5,087,000	5,123,000	263,641	826,000	(4,297,000)
Burntwood Leisure Centre - Decarbonisation Scheme	A	0	0	29,196	29,000	29,000
Accessible Homes (Disabled Facilities Grants)	R	1,615,000	1,796,000	805,239	670,000	(1,126,000)
Decent Homes Standard	R	97,000	72,000	0	72,000	0
Energy Insulation Programme	R	22,000	22,000	0	22,000	0
Unallocated S106 Affordable Housing Monies	A	260,000	264,000	0	264,000	0
Conversion of 36a Bore Street	A	542,000	492,000	0	492,000	0
Streethay Community Centre	R	600,000	850,000	11,713	850,000	0
Changing Places Fund	A	0	36,000	36,809	36,000	0
Zip Wire in Burntwood	A	0	30,000	0	30,000	0
Burntwood Community Hub	R	250,000	250,000	0	250,000	0
Climbing Wall at Burntwood Leisure Centre	A	50,000	50,000	0	50,000	0
Soft play facility at Burntwood Leisure Centre	A	50,000	50,000	0	50,000	0
Adventure Golf at Beacon Park	A	150,000	150,000	0	150,000	0
Paddle Tennis courts	A	200,000	200,000	1,575	200,000	0
New 3G Pitch in Lichfield	A	200,000	200,000	0	200,000	0
Mavesyn Ridware Village Hall Play Area	R	0	5,000	0	5,000	0
Fradley BMX Pumptrack	R	0	33,000	0	0	(33,000)
Upgrading electrical heating in St Stephens Church	R	0	4,000	4,380	4,000	0
Fence at Chasetown Memorial Bowling Green	R	0	10,000	0	10,000	0
<b>Enabling People Total</b>		<b>9,222,000</b>	<b>10,007,000</b>	<b>1,225,225</b>	<b>4,488,000</b>	<b>(5,519,000)</b>
Loan to Council Dev Co.	A	93,000	150,000	0	0	(150,000)
Lichfield St Johns Community Link (CIL)	R	35,000	35,000	0	0	(35,000)
Public Conveniences	A	0	85,000	0	85,000	0
Bin Purchase	A	150,000	150,000	0	150,000	0
Vehicle Replacement Programme (Other)	A	281,000	318,000	77,950	318,000	0
Dual Stream Recycling	A	0	31,000	16,006	31,000	0
Falkland Road Fosseyway Canal Walk	R	260,000	260,000	0	0	(260,000)
<b>Shaping Place Total</b>		<b>819,000</b>	<b>1,029,000</b>	<b>93,956</b>	<b>584,000</b>	<b>(445,000)</b>
Coach Park	A	300,000	349,000	0	274,000	(75,000)
Car Parks Variable Message Signing	A	0	130,000	1,155	148,000	18,000
Pay on Exit System at Friary Multi Storey	A	0	2,000	0	0	(2,000)
Pay on Exit System at Lombard Street	A	150,000	150,000	0	150,000	0
Electric Vehicle Charge Points	A	70,000	80,000	0	80,000	0
BRS Enabling Works	A	685,000	1,070,000	0	268,000	(802,000)
Cinema Development	R	3,326,000	3,795,000	0	2,888,000	(907,000)
New 3G Pitch at Chasetown Football Club	R	100,000	100,000	0	100,000	0
Incubator Phase 3	A	300,000	380,000	419,858	380,000	0
Rural Business Grant: micro & small enterprises	R	0	50,000	0	0	(50,000)
Rural Business Grant: visitor economy	R	0	25,000	0	0	(25,000)
Rural Communities Grant: travel enhancements	R	0	25,000	0	0	(25,000)
32-44 Bakers Lane	A	0	1,582,000	0	0	(1,582,000)
<b>Developing Prosperity Total</b>		<b>4,931,000</b>	<b>7,738,000</b>	<b>421,013</b>	<b>4,288,000</b>	<b>(3,450,000)</b>
Property Planned Maintenance	A	213,000	133,000	73,814	133,000	0
IT Infrastructure	A	235,000	254,000	29,230	254,000	0
Building a Better Council	A	0	77,000	25,000	77,000	0
Committee Audio-Visual Hybrid Meeting Platform	A	0	85,000	0	85,000	0
Council Car Park Extension	A	0	0	0	75,000	75,000
<b>Good Council Total</b>		<b>448,000</b>	<b>549,000</b>	<b>128,044</b>	<b>624,000</b>	<b>75,000</b>
<b>Approved Budget</b>		<b>15,420,000</b>	<b>19,323,000</b>	<b>1,868,237</b>	<b>9,984,000</b>	<b>(9,339,000)</b>
Asset	A	9,085,000	11,775,000	1,019,776	4,989,000	(6,786,000)
REFCUS (Revenue Expenditure Funded from Capital Under Statute)	R	6,335,000	7,548,000	848,461	4,995,000	(2,553,000)
<b>Funding Source</b>		<b>Original Budget</b>	<b>Approved Budget</b>		<b>Projected Actual</b>	<b>Variance</b>
Capital Receipts		1,660,000	3,659,000		1,178,000	(2,481,000)
Corporate Revenue		238,000	173,000		173,000	0
Borrowing Need - Borrowing and Finance Leases		2,333,000	2,359,000		0	(2,359,000)
Capital Grants and Contributions		4,522,000	5,151,000		3,534,000	(1,617,000)
Reserves, Existing Revenue and Sinking Funds		6,667,000	7,981,000		5,099,000	(2,882,000)
<b>Capital Programme Total</b>		<b>15,420,000</b>	<b>19,323,000</b>		<b>9,984,000</b>	<b>(9,339,000)</b>

## Balance Sheet Projections

(May not sum due to rounding)

	Type	2022/23 Actual <sup>3</sup> £000s	2023/24 Original £000s	2023/24 Projected £000s	2023/24 Variance £000s
Non-Current Assets	ASSET	52,071	55,927	54,640	(1,287)
Equity Investment in Local Authority Company	ASSET	225	225	225	0
Long Term Debtors	DEBT	57	143	57	(86)
Long Term Debtors - Cinema	DEBT	64	0	2,952	2,952
Long Term Debtors (Company Loan)	LOAN	0	150	0	(150)
Investments	INV	45,550 <sup>4</sup>	33,441	40,856	7,415
Borrowing	BOLE	(1,066)	(1,004)	(1,005)	(1)
Finance Leases	BOLE	0	0	0	0
Working Capital	CRED	(19,067)	(22,434)	(19,316)	3,118
Pensions	CRED	5,046	(26,090)	6,650	32,740
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>82,880</b>	<b>40,357</b>	<b>85,060</b>	<b>44,702</b>

<u>Unusable Reserves</u>					
Revaluation Reserve	REV	(14,969)	(11,897)	(14,969)	(3,072)
Capital Adjustment Account	CAP	(35,494)	(39,980)	(40,998)	(1,018)
Deferred Credits	CRED	(47)	(47)	(47)	0
Pension Scheme	CRED	(5,046)	27,543	(5,197)	(32,740)
Benefits Payable During Employment Adjustment Account	CRED	409	409	409	0
Collection Fund	CRED	(867)	0	(1,229)	(1,229)
Available for Sale Financial Instruments Reserve	CRED	1,230	1,197	1,453	256
<u>Usable Reserves</u>					
Unapplied Grants and Contributions	UGER	(4,188)	(2,397)	(2,563)	(166)
Usable Capital Receipts	UGER	(2,281)	(1,169)	(2,049)	(880)
Earmarked Reserves - Unrestricted	UGER	(11,700)	(3,999)	(11,331)	(7,332)
Earmarked Reserves - Restricted	UGER	(3,942)	(3,942)	(3,031)	911
General Fund Balance	GEN	(5,985)	(6,075)	(5,509)	566
<b>TOTAL EQUITY</b>		<b>(82,880)</b>	<b>(40,357)</b>	<b>(85,060)</b>	<b>(44,702)</b>

Capital Funding	CAP	(35,494)	(39,980)	(40,998)	(1,018)
Revaluation Reserve	REV	(14,969)	(11,897)	(14,969)	(3,072)
Borrowing and Leasing	BOLE	(1,066)	(1,005)	(1,005)	(0)
Non-Current Assets	ASSET	52,296	56,152	54,865	(1,287)
Investments	INV	45,550	33,441	40,856	7,415
Unapplied Grants & Earmarked Reserves	UGER	(22,111)	(11,508)	(18,973)	(7,465)
General Reserve	GEN	(5,985)	(6,075)	(5,509)	566
Long Term Debtors	DEBT	57	143	57	(86)
Long Term Debtors (Joint Venture)	DEBT	64	0	2,952	2,952
Long Term Debtors (Company Loan)	LOAN	0	150	0	(150)
Working Capital & Pensions	CRED	(18,342)	(19,422)	(17,277)	2,145
<b>Balance Sheet Summary Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Internal Borrowing</b>		<b>831</b>	<b>3,420</b>	<b>845</b>	<b>(2,575)</b>

Capital Financing Requirement (Borrowing)		1,897	4,425	1,850	(2,575)
Working Capital, Pensions and Long Term Debtors		(18,285)	(19,279)	(17,220)	2,059
Usable Reserves		(28,096)	(17,583)	(24,482)	(6,899)
Minimum Level of Investments		10,000	10,000	10,000	0
<b>Liability Benchmark</b>		<b>(34,484)</b>	<b>(22,437)</b>	<b>(29,851)</b>	<b>(7,414)</b>

<sup>3</sup> Subject to Audit

<sup>4</sup> Minor re-categorisation between Investments and Working Capital when compared to Annual Treasury Management Report – July 2023

## Treasury Management Investments in the 2023/24 Financial Year

The table below shows a breakdown of our investments at the 30 September 2023:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
<b>Money Market Funds</b>						
Legal & General	£2,290,000	01-Oct-23	Instant Access	5.30%	0	N/A
Federated	£5,000,000	01-Oct-23	Instant Access	5.30%	0	N/A
CCLA MMF	£5,000,000	01-Oct-23	Instant Access	4.98%	0	N/A
<b>Strategic Funds</b>						
CCLA Property Fund	£2,000,000	N/A	N/A	4.34%	N/A	No
Ninety-One Diversified Income Fund	£5,000,000	N/A	N/A	4.21%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	4.02%	N/A	No
Aegon Diversified Income Fund	£5,000,000	N/A	N/A	5.68%	N/A	No
<b>Fixed Term Investments</b>						
Brentwood Borough Council	£2,000,000	01-Mar-24	153	4.40%	LOCAL	
Folkestone and Hythe District Council	£2,000,000	07-Mar-24	159	4.40%	LOCAL	
Debt Management Office	£5,000,000	19-Dec-23	80	5.41%	UK Government	
North Lanarkshire Council	£2,000,000	17-Sep-24	353	5.80%	LOCAL	
Debt Management Office	£6,000,000	22-Jan-24	114	5.36%	UK Government	
Debt Management Office	£6,000,000	20-Nov-23	51	5.31%	UK Government	
West Dunbartonshire	£2,000,000	04-Mar-24	156	5.60%	LOCAL	
<b>Call Accounts with Notice Period</b>						
HSBC	£999,500	31-Oct-23	31	5.35%	A+	
<b>Total Investments</b>	<b>£52,289,500</b>					

<b>Strategic Investments Volatility Reserve</b>	
Opening Balance 01/04/2023	£720,290
Approved Transfers 2023/24	£74,000
Projected Transfers Qtr 2	£605,710
<b>Projected Closing Balance 31/03/2024</b>	<b>£1,400,000</b>
<b>Fund Book Gains/(Losses)</b>	
CCLA Property Fund	(£211,488)
CCLA Diversified Income Fund	(£195,531)
Ninety-One Diversified Income Fund	(£527,393)
Aegon Diversified Income Fund	(£518,815)
<b>Net Book Loss as at 30/09/2023</b>	<b>(£1,453,227)</b>
<b>Projected Shortfall</b>	<b>(£53,227)</b>

### The External Borrowing Portfolio

The Council's external borrowing portfolio including the premiums for early repayment is shown below:

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Equal Instalment of Principal (EIP)	£1,004,520	2.59%	16.5	£123,905
<b>TOTAL BORROWING</b>	<b>£1,004,520</b>	<b>2.59%</b>	<b>16.5</b>	<b>£123,905</b>

## LWMTS Annual Report 2022/23

Cabinet Member for Finance and Commissioning, Cabinet Member for Leisure, Parks and Major Projects

Date:	28 November 2023
Agenda Item:	10
Contact Officer:	Simon Fletcher, Kerry Dove
Tel Number:	01543 308001,01543 308068
Email:	<a href="mailto:Simon.fletcher@lichfielddc.gov.uk">Simon.fletcher@lichfielddc.gov.uk</a> , <a href="mailto:Kerry.dove@lichfielddc.gov.uk">Kerry.dove@lichfielddc.gov.uk</a>
Key Decision?	NO
Local Ward Members	N/A



## Audit and Member Standards Committee

### 1. Executive Summary

- 1.1 The Council is the 100% shareholder of Lichfield West Midlands Trading Services.
- 1.2 The shareholder agreement and the articles of association ensure the Council retains oversight of operations and direct control over the most important governance aspects of decision making. The agreement includes the requirement for the shareholder to receive reports on performance.
- 1.3 The Annual Report 2022/23 reviews performance over the financial year, as well as looking forward. The report also meets statutory reporting requirements set out in Section 172 of the Companies Act

### 2. Recommendations

- 2.1 Audit and Member Standards Committee review the LWMTS Annual Report 2022/23.

### 3. Background

- 3.1 Like many local authorities, Lichfield District Council established a wholly owned trading company in 2019 called Lichfield Housing Ltd. The stated purpose of the company at the time was 'to undertake activities for commercial purposes and to trade within the district and beyond' with its focus being within housing development. While a number of sites and buildings were considered for purchase and development none were purchased, and the company did not trade.
- 3.2 In November 2021, Cabinet approved the creation of an improvement programme for the Council called Being a Better Council (BABC). Alongside a comprehensive programme of improvement for the Council itself, the programme included a review of the Council's trading activities (through its local authority trading company) to identify those areas where the Council can operate commercially and trade effectively.
- 3.3 The review identified the initial housing aspirations were niche, long term and would require significant funding. It suggested the Council focus its company on short- and medium-term activities that had an immediate impact for residents and businesses. As a result, in March 2022 the company changed its name to LWM Traded Services Ltd to reflect a change in emphasis and focus on providing a range of professional services initially to Lichfield District Council but with a view to trading them externally at some future point once established.
- 3.4 The Annual Report 2022/23 sets out how LWMTS has performed in its first full year of trading and looks ahead to the future. The report reflects on how LWMTS has delivered against the 2022/23 Business Plan which was agreed by Cabinet Member Decision. At the beginning of the year LWMTS set out to establish three main services:

- Landlord Services – acting as Corporate Landlord for the Council, managing and maintaining the 187 assets owned or leased by the Council. During the year, the team undertook 230 site inspections, negotiated 18 new leases, maintained the Council’s 18 buildings and completed 268 reactive maintenance requests
- Project Management – the Company manages all major building projects of a capital and revenue nature. This year, the team managed £1.1m of building contracts, creating 11 new offices in our new Business Hub in District Council House (DCH) and planned for a further 9 offices for tenants. In addition, it created and now runs Penni Uni at DCH, a Community Café set up to cater to the needs of Council staff, tenants and visitors to the building.
- Talent Acquisition - The Company is setting itself up, after a number of earlier unsuccessful attempts, to provide comprehensive Talent Acquisition services to the Council, and will be responsible for sourcing, attracting, hiring, and onboarding new office-based employees. A highlight for the TA function this year was recruiting the roles in the new Senior and Wider Leadership Teams of the Council using this new technique and proving it is the right way to attract talent.

3.5 The updated Business Plan (April 2023) which was agreed by Cabinet Member Decision outlines new service areas for 2023/24. Prior to the end of 2022/23, and in readiness for 2023/24, the Company agreed to expand into three new areas:

- Communications – The Council transferred management of its Communications Functions into the Company. The Council has challenged the Company to provide a more well-resourced, motivated and well-equipped service.
- Leisure Services – Since April 2023, the Company has managed the Council’s Leisure Centres. In addition the Company will project manage the delivery of new sports and leisure centres being provisioned through Community Infrastructure Levy funding.
- Disabled Facilities Grant (DFG) – Since April 2023, the Company has managed the DFG Service which has previously been provided externally. A significant backlog of applications and grant awards has been inherited as the function has transferred.

3.6 The strategy for growth for the Company is to continue to transfer appropriate services from the Council where doing so will provide the freedoms and flexibilities to offer better services to our residents and businesses, and to continue to look for opportunities to be innovative and entrepreneurial, introducing services that can contribute income or that can be traded to other organisations.

3.7 The Annual Report provides both the Company and the Council the opportunity to reflect on all that has been achieved in 2022/23 and look forward to the future.

Alternative Options	To request changes to the LWMTS Annual Report 2022/23
Consultation	A draft of the Annual Report 2022/23 was shared with Group Leaders and Deputies in August 2023 for comment. It was also received and agreed by Cabinet on 10 October 2023.
Financial Implications	The Annual Report 2022/23 does not include any further financial burdens that haven’t already been considered by Cabinet as part of agreeing updates to the Business Plan.  A summary of accounts has been provided in the Annual Report 2022/23.
Approved by Section 151 Officer	Yes

<b>Legal Implications</b>	<p>The shareholder agreement and the articles of association ensure the Council retains oversight of operations and direct control over the most important governance aspects of decision making.</p> <p>The Company can only act in accordance with the Business Plan. Changes to the Business Plan will require Shareholder (i.e. Council) approval.</p> <p>Directors are required to act in the best interests of the company and there is potential for conflicts of interest with their Council roles, processes are in place to manage potential conflicts.</p>
Approved by Monitoring Officer	Yes

<b>Contribution to the Delivery of the Strategic Plan</b>	<p>The Company supports the ambition to:</p> <ul style="list-style-type: none"> <li>• Be a good Council that is: <ul style="list-style-type: none"> <li>- Financially sound</li> <li>- Transparent and accountable</li> <li>- Responsive and customer focussed</li> </ul> </li> </ul>
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<b>Equality, Diversity and Human Rights Implications</b>	There are no equality, diversity and human rights implications.
EIA logged by Equalities Officer	No – not required

<b>Crime &amp; Safety Issues</b>	There are no crime and safety issues associated.
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<b>Data assessment</b>	Not required
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<b>Environmental Impact (including Climate Change and Biodiversity).</b>	There are no environmental impacts
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<b>GDPR / Privacy Impact Assessment</b>	Not required
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	<b>Risk Description &amp; Risk Owner</b>	<b>Original Score (RYG)</b>	<b>How We Manage It</b>	<b>Current Score (RYG)</b>
A	There is insufficient capacity in support services to enable advice and guidance to be provided to the Company.	Severity of Risk: Yellow Likelihood : Red Impact: Yellow	No income is assumed from the Company for services provided to the Company in the Council's Approved Budget.	Severity of Risk: Green Likelihood : Green Impact: Green
B	The Council and Company inadvertently breaches Procurement (TEKKAL) /	Severity of Risk: Red Likelihood :	Appropriate advice will be taken as Business Cases are developed to ensure risks are identified together with	Severity of Risk: Green Likelihood :

	Subsidy Control / Transfer Pricing Requirements.	Red Impact: Red	appropriate risk management approaches. The Council will monitor the 20% level based on the Business Plan provided by LWMTS with a 10% warning threshold.	Green Impact: Green
C	Service standards are not achieved or fraud, corruption or financial mismanagement occurs in the Company	Severity of Risk: Green Likelihood : Green Impact: Yellow	Internal Audit will continue to have a role in assessing the suitability of internal controls as part of the Council's approach to governance oversight and financial stewardship of the Company. It will also include any Open Book' arrangements and agreement requirements for audit 'access' to records/systems and employees.	Severity of Risk: Green Likelihood: Green Impact: Green
D	The Company does not have the required support infrastructure to manage its expanded portfolio	Severity of Risk: Yellow Likelihood : Yellow Impact: Yellow	The income from leisure centres will be retained by the Council with LWMTS receiving a management fee. The Council can account for the expenditure and income through its finance system until the necessary infrastructure is in place.	Severity of Risk: Green Likelihood : Green Impact: Green
E	The Company does not have the required skills and capacity on the Board to manage its expanded portfolio	Severity of Risk: Yellow Likelihood : Yellow Impact: Yellow	As agreed in the Audit Plan, there will be an internal audit conducted in Q3 of 2023/24 on the LATCo which will consider governance arrangements	Severity of Risk: Green Likelihood : Green Impact: Green

#### Background documents

- Cabinet Member Decision May 2023 – LWMTS Business Plan
- Cabinet Member Decision October 2022 – LWMTS Business Plan

#### Relevant web links





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Draft

# Annual Review 2022/2023



**LWMTS**  
Lichfield West Midlands Traded Services Limited  
stronger together

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# LWMTS

Lichfield West Midlands Traded Services Limited

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# Section 1 Introduction



# Highlights from the year

**£509k**  
Turnover



**Profit**  
**£13.6k**

**3** services

Landlord Services  
Project Management  
Talent Acquisition

**3** planned new services

Leisure  
Communications  
Disabled Facilities Grant

**£1.1m**

**Building contracts managed**

**187**

**Assets managed**

**18**

**Buildings Maintained**

**437**

**Public Enquiries**

**268**

**Reactive Maintenance Requests**

**230**

**Site Inspections**

**18**

**New leases negotiated**



**Community Cafe set up in District Council House**



**11**

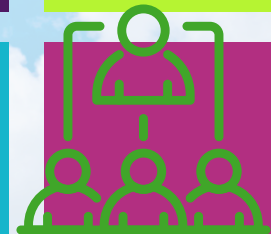
**New tenants in District Council House**

**9**

**New offices planned for additional tenants**

**4**

**Key management roles recruited**



# Introduction

In November 2021, Lichfield District Council's executive, the Cabinet, approved the creation of an improvement programme for the council called **Being a Better Council (BABC)**. Alongside a comprehensive programme of improvement for the Council itself, the programme included a review of the Council's trading activities (through its local authority trading company) to identify those areas where the Council can operate commercially and trade effectively.

Like much of local government, Lichfield District Council established a wholly owned trading company in 2019 (i.e., where 100% of its shares are owned by the Council). The company was called Lichfield Housing Ltd and provided equity of £225k plus a loan facility of £675k (reduced to £150k for up to 5 years). The stated purpose of the company at the time was 'to undertake activities for commercial purposes and to trade within the district and beyond' with its focus being within housing development. While a number of sites and buildings were considered for purchase and development, none were purchased, and the company did not trade.

The review identified that the initial housing aspirations were niche, long term and would require significant funding. It suggested the Council focus its company on short and medium term activities that had an immediate impact for residents and businesses and were achievable without the requirement of so much public funding. As a result, in March 2022 the company changed its name to LWM Traded Services Ltd to reflect a change in emphasis and focus on providing a range of professional services; initially to Lichfield Council but with a view to trading them externally at some future point once established.

A Shareholders agreement and Scheme of Delegation was established clearly setting out the powers, levels of authority and decision-making processes that must be followed and the company began trading in April 2022.

The Company has established its own Board of Directors with its own Managing Director. The Council is fully represented on the Board, with the appointment of a Councillor to it who usually fulfils the role of Chairperson.



**I am pleased to introduce this annual review report setting out our first full year of trading (2022/23) for LWM Traded Services Ltd, a company wholly owned by Lichfield District Council.**

The Council created this company with an ambition to support it to provide services to the residents and businesses of Lichfield district, with any surplus cash to be returned to it for reinvestment in those public services; not lining shareholders' pockets. Our company objective is to be 'creative in our thinking, commercial in our approach, innovative in our delivery'. Our managers are expected to lead with a clear sense of direction and context - owning this objective and the targets set and they are held to account to demonstrate leadership by example and support and encourage staff in the company to perform well in their roles.

We are determined to pioneer new ways of delivering public services and generate income to be used in the interests and for the benefit of residents. We want to be the benchmark for other councils across the country, as they look for new ways to meet the demands on their time and funds.

**This report sets out what we did last year to deliver against this ambition and points to what we want to do this year and beyond.**

For statutory reporting purposes, this document provides the strategic and directors report for LWM.

## Performance

The company performed well in 2022/23, achieving the targets set for it by Lichfield District Council. Initial services were introduced and commenced trading, performing well overall; especially our Corporate Landlord and Major Projects teams who did some terrific work in refurbishing District Council House and enabling the introduction to the building of commercial, public and voluntary sector tenants. These new tenants will not only create a more vibrant commercial feeling to the building but also share the circa £250k overhead costs of running it and thus significantly reducing the Council's contribution.

Talent Acquisition has started slowly; we struggled to bring in a specialist lead for the function; instead asking less experienced people to pick up the role, ultimately ineffectively. This taught us an important lesson and in FY23 we will bring in a skilled TA professional to take this activity forward.

Our revenue was strong, we exceeded the financial target to break-even, producing a small surplus at year-end after the management fee was paid to the Council.

## Strategy and outlook

As set out later in this report, in year two I expect to see a step change in terms of the number, variety and complexity of services we will provide and this in turn will result in a significant growth in revenues.

The strategy for growth of the company is to continue to transfer appropriate services from the council where doing so will provide them with the freedoms and flexibilities they need to be more successful, and to continue to look for opportunities to be innovative and entrepreneurial; introducing services we know will contribute income or that we can trade to other organisations. The board welcomes both the trust the Council is putting in us and the challenges that the new Leisure Centres, Disabled Facilities Grants and Communications services in particular will offer us.

## Board and governance

We had some change to membership of the board this year reflecting the significant change within the Council as it implemented the **Being A Better Council** transformation and new target operating model. Our Chair for the year, Cllr Iain Eadie decided to stand down from Council at the elections in May 2023, so was replaced by myself at the beginning of the new financial year and before this report was finalised.

During the year there were three planned board meetings, which were complemented by specific meetings of the managing director and directors to focus on financial assurance, business development and informal strategic discussions. These meetings were supplemented by adhoc board briefings by the Managing Director.

At the end of the year Breslins came on board and undertook an informal audit of governance. As expected they found that as a young company, governance needs further development in particular as we take on additional activities in the coming year. The board is committed to implementing their recommendations in full.



**Councillor Alex Farrell**  
**Chair of the Board**  
**LWM**



# Managing Director's Statement

**As noted by the Chair in his statement, FY22 was our first year of trading as a company. This first year has exceeded my expectations, and I am delighted we achieved the targets agreed with our shareholder as set out in our first business plan.**

In addition to generating a modest profit for the year, we set about forming the foundations for modern, efficient operations and business growth for the years ahead. The company year has seen us set up to trade, we have established the company's infrastructure, and started to create a high performing culture. The year was busy and not without challenge, but as it progressed and our confidence grew, we have looked to be more creative, commercial, and innovative.

We have started providing our initial services and delivered several significant projects this year, supporting the Councils drive to improve the management and utilisation of its assets. In the second half of the year we invested significant time to ensure that we are ready to take on delivery of the Council's leisure centres and the Disabled Facility Grants services from the previous external providers on 1st April.

I believe we are ready and capable, as we go into year two, of providing high quality, value for money, public services on behalf of Lichfield District Council and of growing external revenue streams which will help enable the Council to protect and enhance its own front-line services.

I would like to thank all the staff both within the Council and the Company for their help and support in establishing the LWM Traded Services Limited. While I appreciate the year ahead will be challenging and at times difficult, I am confident that with the people, the spirit and the culture that exists within the company we will deliver, we will meet our business plans, the expectations of the Council and of its residents.



**Simon Fletcher**  
**Managing Director**







## Section 2 Strategic Report



## Business Review

Our Business Plan for 2022/23 set out to establish three main services (divisions) while achieving a break-even point at year end and this was achieved. The initial services established are **Landlord Services, Project Management** and **Talent Acquisition**.

## Landlord Services

The Company through its property team acts as the Corporate Landlord on behalf of the Council, managing and maintaining the 187 assets (land and buildings) owned or leased by the Council. The Company undertakes and oversees all hard and soft facilities management services together with all planned, remedial and reactive maintenance activities.

We are not only responsible for ensuring the Council's estate is effectively and efficiently managed, maintained and fully compliant in respect of Health & Safety, but we also undertake all property transactions on behalf of the Council including acquisitions, disposals, lettings, rent reviews and associated tenant management.

During the year, the team undertook 230 site inspections, negotiated 18 new leases, maintained the Council's 18 buildings and completed 268 reactive maintenance requests.

## Project Management

In addition to Landlord Services the Company manages all major building projects of a capital and revenue nature to ensure they are delivered on time, on budget and to the required standards and specifications.

This year, the team managed £1.1m of building contracts, creating 11 new offices in our new Business Hub in District Council House and planned for a further nine offices for tenants. In addition, it created and now runs Penni Uni at DCH, a Community Café set up to cater to the needs of Council staff, tenants and visitors to the building.

## Talent Acquisition

Across Local Government throughout the UK, it has become increasingly difficult to find appropriately qualified and skilled staff to fill vacancies. Traditional recruitment campaigns and advertising are failing to deliver the type, quality, and quantity of candidates the Council requires.

The Company is setting itself up, after a number of earlier unsuccessful attempts, to provide comprehensive Talent Acquisition services to the Council and will be responsible for sourcing, attracting, hiring and onboarding new office-based employees. A highlight for the TA function this year was recruiting the roles in the new Senior and Wider Leadership Teams of the Council using this new technique and proving it is the right way to attract talent.

Going forward, the Company will adopt and employ more sophisticated and personal search techniques which will allow for more difficult, complex and critical roles to be recruited to.

## Our Employees

Our staff are our most important asset. We have committed to:

**Value them** – reward appropriately, offer challenge and opportunity.

**Invest in them** – develop the Best in the Business. We will ensure staff are professionally trained and qualified and provide career and personal development.

**Hear them** – develop a staff panel for regular opportunities to hear what staff have to say.

We expect our managers to:

- **Lead with a clear sense of direction and context** - owning corporate objectives and targets
- **Demonstrate leadership by example** and support and encourage staff to perform
- **Communicate effectively** so that staff can understand how they are affected
- **Provide clarity** on roles, duties and acceptable standards of performance
- **Support**, be approachable and demonstrate a “can do” attitude
- **Help** deal with challenges and change
- **Give regular constructive feedback** and participate in the appraisal process



## The Future

Prior to year-end and in readiness for the financial year 2023/2024, the Council transferred management of its **Communications Function** to LWM, along with a small number of staff, following normal TUPE arrangements. The Council has challenged the Company to provide a more well-resourced, motivated, and technically well-equipped service capable of identifying and realising commercial opportunities to generate additional income and utilise new technologies to better communicate with residents.

## And the growth continues...

From April 2023, LWM Traded Services will manage the Council's **Leisure Centres** after an agreement was made with the previous provider to exit their contract early, having managed the facilities since 2018. The Friary Grange and Burntwood Leisure facilities will now be managed by the Company with all 137 staff transferring to LWM as part of these arrangements and both facilities being maintained by the company's property team.

In addition, the company will project manage the delivery of new Sports and Leisure Facilities being provisioned through CIL funding namely a Climbing Wall and soft play facilities in Burntwood Leisure Centre, Padel Tennis courts, Adventure Golf and a competitive Obstacle Course in Beacon Park and a 3G pitch at the new leisure centre in Stychbrook Park.

From April 2023, LWM Traded Services will manage on behalf of the Council, the **Disabled Facilities Grant (DFG) Service** which has previously been provided externally and has been transferred back under the control of the local authority. A significant backlog (several hundreds) of applications and grant awards has been inherited by the team as the function transfer back under the Council's control (through its company).

A new team has been recruited and established for the management of the DFG Service. Their first job will be to tackle the backlog inherited which will make for a busy first year of activity. Funding for housing adaptations to enable disabled people to live independently will be administered by the Company who will also help plan, manage and organise works as required. The DFG pays for alterations to a person's home to enable wheelchair access and can include the installation of lifts and ramps, the widening of doors and provision of remote controls for heating and lighting.





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## Section 3 Directors' Report



## Principle Activities

LWM was formed in 2019 but its articles of association were amended in 2021 to reflect the new activities desired of it by its owner Lichfield District Council.

The principal activity of LWM is the provision of services to Lichfield District Council, through management contract and service specifications. The company will seek to generate external revenue, in line with TECKAL rules, from providing services to local communities, organisations and businesses in order to generate additional revenues.

## Financial Review

The results of LWM for the year show a profit before tax of £13,604 (2021/22 – loss of £5,185). Trading activity in the year was significantly greater than previous years. Gross profit was £221,150 (2021/22 – £0).

## Directors

Directors during this year were **Simon Fletcher** (from 19/08/21), **Jane Irving** (from 02/09/19, resigned on 25/04/22), **Ben Percival** (from 13/12/21 to 22/09/22), **Elizabeth Barton** (from 26/09/22 to 18/01/23), **CLlr Iain Eadie** (from 22/02/22, resigned 27/06/23), and **Kerry Dove** (from 27/01/23)

## Going Concern

Detailed budgets are prepared supporting the appropriateness of a going concern assumption. The directors have a reasonable expectation the company has adequate resources to continue for at least one year from the date the financial statements were signed.

## Background and Company Structure

LWM Traded Services is limited by shares and is wholly owned by Lichfield District Council. LWM holds 'TECKAL' status (under s12(1) of the Public Contract Regulations 2015) and is designed to trade primarily with its parent authority through contracts under which it provides a range of the Council's services.

As sole shareholder of LWM, Lichfield District Council has established a shareholder representative who is a member of the Council's Cabinet. The Council exercises control over the company through this shareholder representative and holds the company directors to account. The Council entered into a shareholder agreement with the company in 2021, to record and formalise its requirements of LWM. The shareholder representative holds meetings with the company directors as and when required, to receive reports on performance, finances and proposals, to set/confirm the company's strategic direction and enact any matters reserved to the shareholder, including consideration / approval of the annual Business Plan, appointment of directors etc. This annual review report is subject to scrutiny by the Council's Audit & Member Standards Committee and Overview & Scrutiny Committee.

## Company Board

The board is comprised of two members of the Council (officer) Leadership Team and one member of the Council's Cabinet. The current Chair of the Board is the Council's Councillor representative / member of Cabinet.

Quoracy for the company, in terms of decision making, currently relies on all three directors being present. Going forward, the company will consider additional representation on the board, as other Councils have done with their wholly owned companies, as a means to both address this key governance risk and bring new ideas and skills to the company.

## Committees

There are currently no sub-committees of the board.

## Schemes of Delegation

The company Scheme of Delegation enables and facilitates the efficient day-to-day running of the company, while retaining for the board sufficient control over major strategic and operational matters.

The current Scheme of Delegation was approved by the board in early 2022. It will continue to be reviewed to ensure it meets the needs of an increasingly sophisticated management structure as the company grows alongside meeting the need to empower staff to satisfy customer needs while ensuring the board retains adequate authority over and visibility of the significant activities of the company.

## Employees

With the growth of the company, it is important the company continues to place a priority on ensuring its employment policies respect the individual and offer career and personal development opportunities regardless of racial or ethnic origin, gender, age, religion, nationality, disability, sexual orientation, or marital status. Full and fair consideration is given to the employment of all individuals and reasonable adjustments can be made to accommodate the disabilities of LWM employees.



# Directors' Report

## Summary of Accounts

### Income Statement

For the period ended 31 March 2023

	2023	2022
	£	£
Turnover	509,289	0
Cost of sales	-288,139	0
<b>Gross profit</b>	<b>221,150</b>	<b>0</b>
Administrative expenses	-207,546	-5,185
<b>Operating profit/(loss)</b>	<b>13,604</b>	<b>-5,185</b>
<b>Profit (Loss) on ordinary activities before taxations</b>	<b>13,604</b>	<b>-5,185</b>
Tax on profit on ordinary activities	0	0
<b>Profit (Loss) for the financial year</b>	<b>13,604</b>	<b>-5,185</b>

### Statement of Financial Position

FAs at 31 March 2023

	2023	2022
	£	£
<b>Fixed assets</b>		
Tangible fixed assets	668	0
	668	0
<b>Current assets</b>		
Debtors	243,647	1
Cash at bank and in hand	65,422	212,597
	<b>309,069</b>	<b>212,598</b>
<b>Creditors: amount falling within one year</b>	-84,735	-1,200
<b>Net current assets</b>	<b>224,334</b>	<b>211,398</b>
<b>Total assets less current liabilities</b>	<b>225,002</b>	<b>211,398</b>
<b>Net assets</b>	<b>225,002</b>	<b>211,398</b>
<b>Capital and reserves</b>		
Called up share capital	225,001	225,001
Profit and loss account	1	-13,603
<b>Shareholder's funds</b>	<b>225,002</b>	<b>211,398</b>

## Financial Risk Management

Finance and accounting functions are undertaken by Breslins Lichfield Limited, Chartered Accountants on behalf of the company. The Council provides a management fee for the services the company is contracted to provide, quarterly in advance.

LWM's bank balances are managed within the company, in liaison with the Council's Section 151 Officer. The company does not have or require an overdraft facility.

The company contributes fees to the Council for use of its office space. It leases via LDC one vehicle from a commercial supplier.

LDC is the sole shareholder of the company and also its main customer.



## Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Review and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under accordance with that law, the directors have elected to prepare financial statements in according with International Financial Reporting Standards (IFRSs) and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the company and the profit and loss of the company for that period. In preparing these financial statements, the directors are required to:

- **Select suitable accounting policies and then apply them consistently.**
- **Make judgements and accounting estimates that are reasonable and prudent.**
- **State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in financial statements;**
- **Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of Disclosure to Auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps they ought to have taken as directors to make themselves aware of all relevant audit information and to establish that the auditor is aware of the information.

By order of the board



**Chair of Board**  
**LWM Traded Services**

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## Company information

**Directors**

**Cllr Alex Farrell**  
**Simon Fletcher**  
**Kerry Dove**  
**Ian Gardner**

**Secretary**

**Company Registration Number** **12184635**

**Incorporation date**

**2 September 2019**

**District Council House**  
**Frog Lane**  
**Lichfield**  
**Staffordshire**  
**WS13 6YY**

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# INTERNAL AUDIT QUARTERLY PROGRESS REPORT Quarter 2



**Cabinet Member for Finance & Commissioning**

Date: 28<sup>th</sup> November 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 September 2023 (**Appendix 1**).

## 2. Recommendations

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

## 3. Background

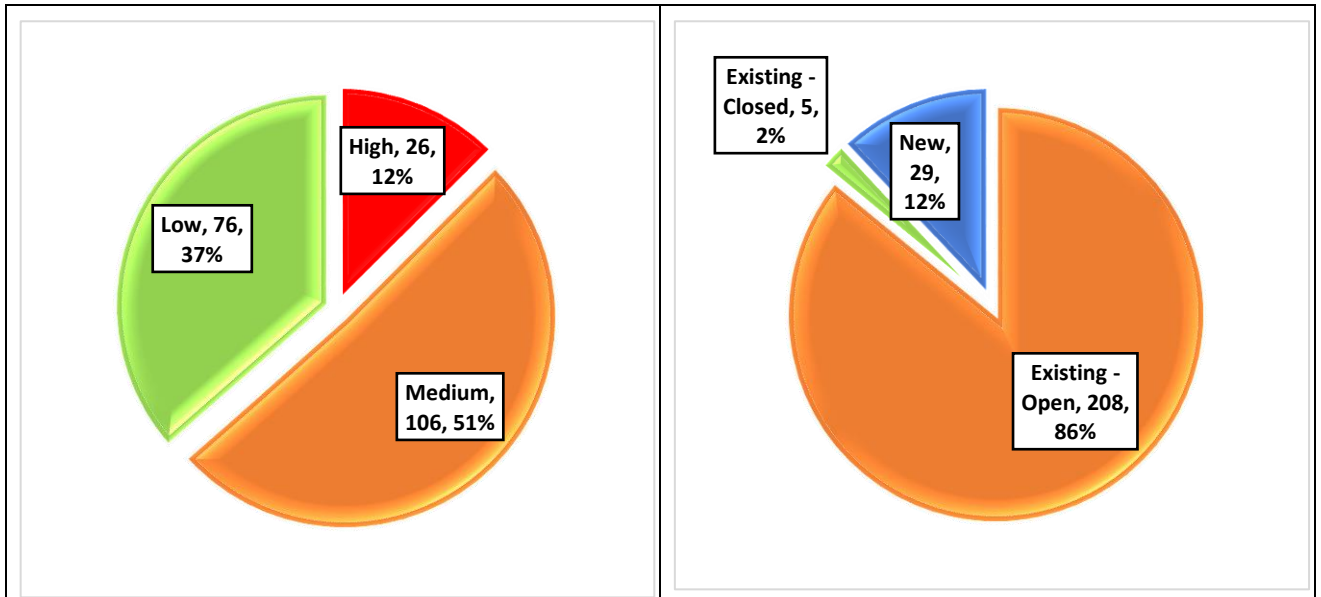
3.1 The internal audit plan 2023/24 comprises **19 (including the additional IT audits)**. The target of achieving **90%** of the plan and this has been profiled as within the table below;

	Q1	Q2	Q3	Q4
No of planned audits	4	7	4	4
Cumulative	4	11	15	19
<b>Profile %</b>	<b>21%</b>	<b>58%</b>	<b>79%</b>	<b>100%</b>
No of audits completed	2			
No of audits deferred to 24/25				
Cumulative	2	2		
<b>Profile</b>	<b>11%</b>	<b>11%</b>	<b>45%</b>	<b>85%</b>

3.2 As at 30<sup>th</sup> September 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 **58%** 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 31<sup>st</sup> March 2024. This planned work with BDO is reviewed on a fortnightly basis to ensure that the work is being completed in a timely and prompt manner. These actions together with the current progress of the plan is shown and detailed in **Appendix 1**, of this report.

3.3 Included within **Appendix 1** are the currently completed audit reviews and the respective assurance levels identified at the conclusion of the review. It is highlighted that a number of reviews have resulted in ‘Limited Assurance’, these are reported regularly to Leadership Team and also Internal Audit carry out follow up reviews to ensure that recommendations have been fully actioned. The follow up reviews are reported to this committee.

- 3.4 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.
- 3.5 In terms of outstanding recommendations, they currently total **208**, a summary is provided below with additional detail included within the **Appendix 1**:



- 3.6 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. An extensive exercise is currently being put into place to review the current levels of outstanding audit recommendations. This review is scheduled for completion by end of December 2023 and the results of which will be reported to committee. 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.
- 3.7 During 2022/23 and as reported to this committee on 23<sup>rd</sup> 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.
- 3.8 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	Approved.
Legal Implications	None
Approved by Monitoring Officer	Approved.

Contribution to the Delivery of the Strategic Plan	Delivery of the audit plan contributes to all aspects of the District Council's Strategic Plan.
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Equality, Diversity and Human Rights Implications	No equality, diversity or human rights implications arising from this report.
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EIA logged by Equalities	EIA logged by Equalities
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Crime & Safety Issues	None arising.
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Data Assessment	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 24 March 2023.
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Relevant web links	
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# Internal Audit Progress Report (Quarter 2) 2023/24 September 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](mailto:andrew.wood@lichfielddc.gov.uk)

The matters raised in this report are the ones that came to our attention during our internal audit work. While every care has been taken to make sure the information is as accurate as possible, internal audit has only been able to base these findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be needed. This report was produced solely for the use and benefit of Lichfield District Council. The council accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification.

**01 INTRODUCTION**

**BACKGROUND**

This report comprises Internal Audit’s Progress Report for quarter 1 to 30 September 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 final 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 3 and 4 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 30<sup>th</sup> September 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 September 2023, the following was undertaken:

- Fuel
- Review of DWP Searchlight
- Lichfield BID

**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 208 outstanding recommendations at 30 September 2023, shown in the table below:

<b>Action Priority Rating</b>	<b>Total Open Actions at 31 March 2023</b>	<b>Actions Raised Since April 2023</b>	<b>Total Overall</b>	<b>Total Closed out at 30 Sept 2023</b>	<b>Total Open at 30 Sept 2023</b>	<b>% Implemented in the period</b>
<b>High</b>	<b>13</b>	<b>17</b>	<b>30</b>	<b>4</b>	<b>26</b>	<b>13 %</b>
<b>Medium</b>	<b>102</b>	<b>5</b>	<b>107</b>	<b>1</b>	<b>106</b>	<b>1 %</b>
<b>Low</b>	<b>69</b>	<b>7</b>	<b>76</b>	<b>0</b>	<b>76</b>	<b>0 %</b>

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 completed a follow up of the GDPR limited audit and we can now provide a substantial assurance.

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 26 high priority recommendations of which 19 are overdue and 7 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 – **100%**
- 100% draft reports to be issued within 10 working days of closure meeting – **100%**
- 100% of all high priority actions are implemented at follow up – **100%**
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – **100%**
- Achieve an average customer satisfaction score of 4 or more – **100% 1 out 1 issued**
- 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 fieldwork has commenced.	
	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	Audit brief discussed during August 2023 with a proposed start date for February 2024.	
	Accounting & Budgetary Control (SR1)	Risk based review of the adequacy of controls surrounding accountancy and budgetary control arrangements across the council.	Q2	Audit brief discussed and finalised in September 2023 with a start date in October 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 completed.	
	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	Audit work commenced.	
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 with a proposed start date of December 2023.	


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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Page 133	Taxi Licences (SR4)	Risk based review to ensure licencing arrangements are effectively controlled.	Q4	Audit brief discussed and finalised in August 2023 with a start date in January 2024.	
	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	Audit brief discussed during June 2023 with a proposed start date for December 2023.	
	Strategic Housing (SR2, SR3, SR4, SR5)	A review of Strategic Housing to ensure effective management arrangements in place.	Q2	Allocated to be progressed Q3.	
	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	Audit brief discussed during August 2023 with a proposed start date for November 2023.	
	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	Audit brief discussed during June 2023 with a proposed start date for January 2024.	
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	<p>The council take card payments in a number of service areas and hence there is an obligation to comply with PCI DSS requirements. Card payments are taken online via the corporate website, over the telephone by Customer Services and at various locations using Chip &amp; Pin payment devices.</p> <p>A project has recently been started to achieve PCI compliance and it is being supported by an</p>	 Limited Assurance H-4 M-3 L-1


**APPENDIX 1**

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>external consultancy with expertise in this area. There is an action plan of the key tasks required for PCI compliance and a review of the timeline suggests that compliance can be achieved by 30<sup>th</sup> September 2023.</p> <p>A formal PCI Compliance Policy has been drafted and one of the other major achievements is the implementation of a PCI compliant system for taking telephone payments in Customer Services.</p> <p>The key tasks that remain outstanding are:</p> <ul style="list-style-type: none"> <li>• Confirming corporate roles and responsibilities for PCI compliance, including the corporate lead officer;</li> <li>• Identifying all merchant activities and defining the scope of the PCI environment;</li> <li>• Confirming the PCI compliance status of third-party systems and service providers;</li> <li>• Completing a PCI Self-Assessment Questionnaire, which is an annual requirement;</li> <li>• Verifying the PCI compliance status of all PIN transaction security devices;</li> <li>• Providing PCI training to all staff who process card payments; and</li> <li>• Agreeing a security scanning strategy and remediating the critical/high risk vulnerabilities from the last scan in October 2022.</li> </ul>	
ICT	Business Systems (SR7)	Risk Based review of Business systems and data migration following implementation of new financial systems.	Q1 – Q4	Audit work completed, at draft report stage.	
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 135	Governance, Fraud & Other Assurance	Disabled Facilities Grant	Assurance statement	Q3	Work completed	No assurance opinion required
		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	Final Report issued.	 Limited Assurance H-9 M-1 L-0	

**APPENDIX 1**


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
22/23 Planned Audits finalised	Agency Staff	Risk based review of controls in place for use of agency staff	Q4 2022/23	<p>Draft report issued.</p> <p>The Agency staff system is not designed with controls in place to mitigate the major risks. 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. 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. 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. 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</p>	 <p>Limited Assurance H-1 M-5 L-1</p>



## APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				through 1:1 meetings, team meetings and monitoring workload. At the time of the audit, only agency staff working at the depot had been subsequently transferred to 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 by management.	
	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
	S106	Risk based review.	Q4 2022/23	We have reached the overall opinion that the Council has Limited controls to support the monitoring of Section 106 agreement trigger points and the spending of the funds.  Section 106 contributions were often received significantly later than when the trigger point has been met as developers did not proactively inform the Council and sites are only visited annually to ascertain their progress. Similarly, there were some instances, specifically relating to the Cannock Chase	 Limited Assurance H - 3 M - 0 L - 1

**APPENDIX 1**


Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>Special Area of Conservation (CCSAC), where the Council had not obtained evidence from Stafford Borough Council, who are financially responsible for expenditure on projects by the CCSAC Partnership, that the contributions had been spent in accordance with the agreement. However, alternative project documentation has been provided to the Council and monthly officer meetings are held where issues and updates and projects are discussed. Joint Strategic Board meetings with officer and elected member attendance are held where necessary, where decision making for spending is undertaken.</p> <p>The performance of Section 106 allocations and collection of contributions was not monitored frequently, with the full SIG having not met since June 2022. These issues have been driven by a significant reduction in resources following a Council restructure and staff leaving the Spatial Policy and Delivery Team, with some roles remaining vacant while a further restructure of the team takes place.</p> <p>While significant issues were identified, the Council's Exacom system retained adequate records for each contribution, including notification for when it was due to be spent by and, in some instances, the evidence of the spend. Additionally, despite limited resources, the Spatial Policy and Delivery Officer is taking steps, such as periodic emails to developers to ascertain whether trigger points have been met.</p>	
Follow up all no and limited	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.	 Substantial Assurance

**APPENDIX 1**

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
assurance reports and all high priority recommendations.					H - 0 M - 3 L - 0

ASSURANCE AND RECOMMENDATION CLASSIFICATIONS

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

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

## APPENDIX 1

Audit	Year	Recommendation	Current Status
Epayers	2016/17	The relevant PCI Self Assessment Questionnaire (SAQ) should be completed and submitted to the sponsoring bank.	<ul style="list-style-type: none"> <li>- Currently outstanding and being addressed.</li> <li>- PCI DSS Audit in 2023/24</li> <li>- Implementation of Call Secure Plus January 2023</li> <li>- Additional and transformational IT support December 2022</li> <li>- IT Action Plan implemented</li> <li>- PCI Policy to be reviewed</li> </ul> <p><b>Internal Audit to complete a full follow up review during Q1 2023/24, PCI DSS audit completed with Limited Assurance</b></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"> <li>- The Property Team are reviewing all leases to be completed April 2023</li> <li>- Review of PPM compliance for tenants</li> <li>- Review of unsigned leases</li> </ul> <p><b>Internal Audit to complete a full review of Property Leases and Charges during 2023/24.</b></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"> <li>- Rent Reviews dates are all marked on the asset register and take place on time</li> <li>- Scheduled reviews being undertaken</li> <li>- Liaison with debt recovery team on rent increases and outstanding debts</li> </ul> <p><b>Internal Audit to complete a full review of Property Leases and Charges during 2023/24.</b></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>31<sup>st</sup> January 2023</p> <p><b>Scheduled for follow up in 2023/24.</b></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>31<sup>st</sup> January 2023</p> <p><b>Scheduled for follow up in 2023/24</b></p>
IT Disaster Recovery	2022/23	Scenario testing of the ICT Business Continuity Plan should be carried out at least annually.	<p>31 March 2023</p> <p><b>Internal Audit to complete a full follow up review during 2023/24</b></p>
Climate Change	2022/23	The Action Plan should be reviewed quarterly by Cabinet or the Overview & Scrutiny Committee with lead officers being amended to reflect staff changes at the Council.	<p>30<sup>th</sup> September 2023</p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>

## APPENDIX 1

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  <b>Internal Audit to complete a full follow up review during 2023/24.</b>
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).	31 <sup>st</sup> July 2023  <b>Internal Audit to complete a full follow up review during 2023/24.</b>
Strategi Risk Register	2022/23	The Council is not PSN compliant. Action is being taken to address Payment Card Industry Compliance which when complete will progress the PSN certificate.	31 <sup>st</sup> August 2023  <b>Scheduled for follow up in 2023/24</b>
LWMTS Searchlight	2023/24	9 recommendations raised at the conclusion of the audit and circulated to all members of the Committee.	All recommendations with implementation date of 31 July 2023  <b>Internal Audit to complete a full follow up review during 2023/24.</b>
S106	2022/23	The Council's Section 106 agreements are managed and monitored by the Spatial Policy and Delivery Team, and principally a Spatial Policy and Delivery Officer. The team are supported by the Finance Team on monitoring spend when requested.  In 2022 the Council had a restructure, resulting in staff leaving the Spatial Policy and Delivery Team reducing the resources from eight officers to three officers. The number of positions has been reduced to six, but two roles remain vacant while the structure of the team is finalised. Some of these roles had been vacant since January 2022 and not been filled due to the restructure.  Throughout our review, in findings 2-4 of this report, we identified gaps in the management and monitoring of Section 106 agreements, resulting in contributions not being collected and spent to alleviate the impacts of large developments.	31 October 2023  <b>Internal Audit to complete a full follow up review during 2023/24.</b>

<p>S106</p>	<p>2022/23</p>	<p>Section 106 agreements are established with developers to provide funding for community infrastructure and services, to alleviate the increase in demand driven by the development. All contributions in the agreements are payable by developers to the Council when a trigger point is reached. For instance, the trigger point for a contribution could be met when the first dwelling on the site is occupied. While the Council are reliant on developers informing it when trigger points have been met, quarterly site visits are undertaken by the Spatial Policy and Delivery Team to verify the development stage and determine if trigger points have been met. Once trigger points have been met, an invoice is issued to the developer for the contribution.</p> <p>However, due to a reduction in the Spatial Policy and Delivery Team's resources site visits have fallen to once a year, placing a higher reliance on the developer's notification of the trigger points being met. We were informed that developers do not tend to pro-actively inform the Council that a trigger point has been met. The Council does periodically email developers to enquire whether trigger points have been met.</p> <p>We reviewed contributions from 10 Section 106 agreements and found:</p> <ul style="list-style-type: none"> <li>• There were six instances where the contributions totalled £216,297 where the developer did not notify the Council that the trigger point had been met. Therefore, contributions were received late. While we are unable to verify the time gap between the trigger point being met and receipt of the contributions (as the Council were not notified of it), there appears to be a significant delay in these cases. For example, there was one instance where a contribution of £150,000 for a developer to support the enhancement of biodiversity across the Council's jurisdiction was due to be paid at the start of construction but was not received until the construction had been completed due to a lack of monitoring.</li> </ul>	<p>31 December 2023</p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>
<p>S106</p>	<p>2022/23</p>	<p>The Spatial Policy and Delivery Team report to the SIG who as part of their remit provide oversight and scrutiny on the allocation and spend of Section 106 monies. The SIG's membership includes officers from the Council's Development Management Team, Finance Team, Housing and Leisure Team, and the Spatial Policy and Delivery Team, plus two officers from Staffordshire County Council.</p> <p>However, the full group of SIG members have not met since June 2022 as the Chair of the SIG and several other members have left the Council.</p>	<p>31 October 2023</p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>

## APPENDIX 1

PCI DSS	2022/23	<p>The Interim ICT Manager has an informal list of merchant activities but it has not been validated by Finance.</p> <p>Once validated, it can be used to confirm the scope of the PCI environment in terms of people, processes and technology.</p>	<p>31 January 2024</p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>
PCI DSS	2022/23	<p>The following compliance activities have not been performed:</p> <ul style="list-style-type: none"> <li>• Completion of a PCI DSS Self- Assessment Questionnaire (SAQ) and Attestation of Compliance (AoC). There are a number of different SAQ's and the right one depends on merchant activities;</li> <li>• Confirmation that all third-party systems and services within the PCI scope are PCI compliant; and</li> <li>• All PIN Transaction Security (PTS) devices are compliant with the PCI PTS standard.</li> </ul> <p>These activities are included on the PCI action plan.</p>	<p>31 January 2024</p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>
PCI DSS	2022/23	<p>Staff who process card payments have not been provided with any training on their responsibilities for safeguarding cardholder data. A PCI training course is available on the on-line training platform and has been identified for staff. A review of the course found that it covers PCI requirements and risks of non-compliance but does not cover staff roles and responsibilities.</p>	<p>31 January 2024</p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>
PCI DSS	2022/23	<p>PCI requires annual security penetration testing and quarterly internal and external vulnerability scans by an Approved Scanning Vendor (ASV). The actual requirements are dependent on the relevant SAQ as per recommendation 4.</p>	<p>31 January 2024</p> <p><b>Internal Audit to complete a full follow up review during 2023/24.</b></p>



## Risk Management

### Cabinet Member for Finance & Commissioning

Date: 28 November 2023

Agenda Item: \_\_\_\_\_

Contact Officer: Andrew Wood

Tel Number: 01543 308030

Email: andrew.wood@lichfielddc.gov.uk

Key Decision? **No**

Local Ward **Full Council**

Members



## Audit and Member Standards Committee

### 1. Executive Summary

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

### 2. Recommendations

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

### 3. Background

- 3.1 The purpose of risk management is to effectively manage potential opportunities and threats to the Council achieving its objectives. The Risk Management Policy was reviewed at this committee's meeting in 20<sup>th</sup> July 2023. 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 27<sup>th</sup> September 2023 and subsequently reported to this committee and is detailed at **Appendix 1**. Following LT it was agreed that the Audit Manager Shared Services would consider updates to the risk register, together with the ‘horizon scanned’ risks, since the July report the following updates have occurred;

- **SR1** – inclusion of sub risk concerning potential growth items affecting budgetary pressures.
- **SR2** – removal of reference to COVID-19.
- **SR3** - updates to wording in respect of Being a Better Council.
- **SR5** - mitigating controls added with inclusion of Staffordshire Leaders Board and Staffordshire Chief Executives Group. Add wording in respect of first line of defence around day to day delivery of the Homelessness Strategy.
- **Horizon Scanned risks** – additional wording in respect of organisational commitments.
- **GDPR** – risks were identified in respect of this area in respect of ‘Limited Assurance’ review. Internal Audit have followed up on this review and will be reporting to management at the conclusion of the review. This has now been assessed as being ‘Substantial Assurance’. However, GDPR and potential data breaches are an ongoing risk which management needs to ensure is addressed.
- **Climate Change** – this continues to be a high profile area of risk in respect of addressing the public and political aspirations in this area. Internal Audit previously reviewed Climate Change and ongoing work is required to ensure implementation of recommendations.
- **Local/Strategic Plan** – costing of planning challenges and appeals with associated budget pressures.
- **Impact of Section 114 notices** – in the locality of Lichfield in terms of service demands and risks to the services provided e.g., Payroll and Car Parking.

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 September 2023 the risk profile of strategic risks of the Council is shown below. It is noted that the scoring and review of each strategic risk is continuing, however no changes in the risk profile were made between July and September 2023:

likelihood				
		SR3		SR7
			SR1, SR2, SR4, SR5	
Impact				

The overall aim to reduce the current scores by the use of mitigating control and robust management processes, progress has been made since the last Audit & Member Standards Committee meeting and strategic risks will continue to be reported quarterly.

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

3.6 Work to review of the effectiveness of our sub strategic (service / operational) and project risk has now been completed. In summary:

- The 3 lines of assurance approach (as used in the Strategic Risk Register) has now been adopted for sub-strategic risks (i.e. service level risks).
- Quarterly update meetings have been scheduled with Leadership Team and Audit Manager (Shared Service).
- There is no longer a requirement to record and manage risks below service level (services or teams are, however, at liberty to do so if it meets their business requirement).
- Project risks continue to be managed in accordance with accepted project methodology (i.e. PRINCE2).
- At this stage, no sub strategic risks need to be escalated to the strategic risk register

Alternative Options	There are no alternative options.
Consultation	Leadership Team receive monthly updates on Strategic Risk Register
Financial Implications	Risk management processes consider value for money at all times of the process. Failure to manage risks could lead to the Council being faced with costs that could impact on its ability to achieve its objectives.
Approved by Section 151 Officer	Approved.
Legal Implications	None identified.
Approved by Monitoring Officer	Approved

Contribution to the Delivery of the Strategic Plan	Sound risk management ensures that risks affecting the delivery of the strategic plan are identified and managed.
Equality, Diversity and Human Rights Implications	Sound risk management ensuring a consistent and robust approach all equality, diversity and human rights issues and their implications to the Council.
EIA logged by Equalities	EIA logged by Equalities
Crime & Safety Issues	None.
Data Assessment	None.
Environmental Impact (including Climate Change and Biodiversity).	Risk arising from climate change and the green agenda are considered by management and Leadership Team.
GDPR/Privacy Impact Assessment	Risks associated with non-compliance with GDPR are included within SR4: Failure to meet governance and / or statutory obligations e.g., breach of law (e.g., Health & Safety, GDPR, procurement, Safeguarding).

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Failure to manage known risks and opportunities proactively.  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 20 July 2023.
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Relevant web links	
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## Appendix 1: Strategic Risk Register – October 2023

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

## Appendix 1: Strategic Risk Register – October 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 150	<ul style="list-style-type: none"> <li>Inflationary pressures on procurement of services, cost of living/fuel/construction and replacement fleet vehicles.</li> <li>Potential growth items.</li> </ul> <p><b>Owner:</b> Assistant Director - Finance &amp; Commissioning (Section 151)</p>						<ul style="list-style-type: none"> <li>CIPFA Resilience Index with comparative information to nearest statistical neighbours and all District Councils.</li> </ul>
	<p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>External Audit – going concern test and sign off of financial statements 2021/22. Unqualified VFM assessment.</li> <li>Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income Management 20/21 – reasonable assurance, Procurement 22/23 substantial assurance</li> <li>LGA Corporate Peer Challenge</li> </ul>						
A good council, developing prosperity, shaping	<b>SR2 Resilience of teams to effectively respond to a further serious disruption to services</b> (e.g. multiple layer disruption arising from	12 (L3xL4)	<ul style="list-style-type: none"> <li>Mutual aid assistance</li> <li>Local Resilience Forum (LRF).</li> </ul>	3 (L1xL3)	6 (L2xL3)	<ul style="list-style-type: none"> <li>Tasks completing and move away from initial Pandemic response, move to</li> </ul>	<p><b>1st Line:</b></p> <ul style="list-style-type: none"> <li>Day to day business continuity plans in place.</li> <li>Regular BCP testing (generator)</li> </ul>

## Appendix 1: Strategic Risk Register – October 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).		<ul style="list-style-type: none"> <li>• <i>Tested business continuity arrangements in place including office power generation.</i></li> <li>• <i>Strong links with the Staffordshire CCU, Risk Action Working Group and wider LRF.</i></li> <li>• <i>Active workshop on BCP to LT.</i></li> <li>• <i>Actively engaged in ongoing Local Resilience Forum response and recovery work streams.</i></li> <li>• <i>Strategic and tactical flood planning work across LRF, to assist in our response and the multi-agency response to such events. This includes identifying 'at risk' areas in the District and specific actions required.</i></li> <li>• <i>Provision of Foodbank presence, Warm Spaces etc.</i></li> </ul>			Being a Better Council.	<ul style="list-style-type: none"> <li>• Training programme.</li> </ul>
	New people into organisation.						<p><b>2nd Line:</b></p> <ul style="list-style-type: none"> <li>• Annual Report to Leadership Team.</li> <li>• CCU test of arrangements feedback.</li> <li>• Response and learning from recent incident at Ridware House.</li> <li>• Report on recovery plan Overview &amp; Scrutiny (O&amp;S).</li> <li>• Approval of Climate Change Strategy.</li> </ul>
	Potential for power disruptions.						<p><b>3rd Line:</b></p> <ul style="list-style-type: none"> <li>• Internal Audit of business continuity 2019/20 – reasonable assurance, ICT – remote working 20/21 – reasonable assurance.</li> <li>• Flash Covid-19 Risk Assurance Business Continuity, Emergency Planning and</li> </ul>
	Affects to service delivery and office systems.						
	New SRF with added commitment/required capacity.						
	<b>Owner:</b> Leadership Team						

## Appendix 1: Strategic Risk Register – October 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 152			<ul style="list-style-type: none"> <li>Business Continuity planning.</li> <li>New SRF</li> </ul>				<p>Recovery 20/21 substantial assurance</p> <p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Internal Audits of Accountancy and Budgetary Control 2018/19 -substantial assurance, Capital Strategy 2020/21 – reasonable assurance, Capital Accounting 2020/21 – substantial assurance, Income Management 20/21 – reasonable assurance, Procurement 22/23 substantial assurance</li> <li>External Audit – going concern test and sign off of financial statements 2020/21. Unqualified VFM assessment.</li> </ul>
	<p>A good council, developing prosperity, shaping place,</p> <p><b>SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.</b></p> <p>Senior Leadership Team changes.</p>	6 (L2xI3)	<ul style="list-style-type: none"> <li>Regular review of progress against delivery plan outcomes and prioritisation process agreed between Leadership Team and Cabinet.</li> </ul>	4 (L2xI2)	4 (L2xI2)	<ul style="list-style-type: none"> <li>Management oversight and robust project management requirements for delivery of Council wide projects.</li> </ul>	<p><b>1<sup>st</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Day to day business / service planning, financial planning and performance management.</li> <li>Completion of OKRs.</li> </ul> <p><b>2<sup>nd</sup> Line:</b></p>



## Appendix 1: Strategic Risk Register – October 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.  <b>Owner:</b> Leadership Team		<ul style="list-style-type: none"> <li>• <i>Robust project management. Communications to all staff.</i></li> <li>• <i>Recruitment activity.</i></li> <li>• <i>OKR completion leading to identifying training and development needs.</i></li> <li>• <i>Monitoring resource demands.</i></li> <li>• <i>Mental health / wellbeing systems in place.</i></li> <li>• <i>Upcoming Community Power Strategy to increase capacity to deliver.</i></li> <li>• <i>New Strategic Plan to 2050.</i></li> </ul>				<ul style="list-style-type: none"> <li>• Delivery Plan reported 6 monthly to Cabinet and shared with Overview &amp; Scrutiny.</li> <li>• Quarterly updates to LT on Belonging and Wellbeing Strategy.</li> </ul>
							<p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>• Internal Audits of People Strategy and Workforce Development 2019/20 – reasonable assurance, Performance Management 19/20 – substantial assurance.</li> <li>• Inclusion in Audit Plan for reviews against delivery of themes.</li> <li>• LGA Corporate Peer Challenge follow up</li> </ul>
A good council	<b>SR4: Failure to meet governance and / or statutory obligations e.g. breach of the law</b> (e.g. Health & Safety, GDPR, procurement, Safeguarding), lack of openness / transparency in decision	9 (L3xI3)	<ul style="list-style-type: none"> <li>• <i>Regularly reviewed constitution, policies and procedures.</i></li> <li>• <i>Training and awareness for all staff and members.</i></li> <li>• <i>Effective Overview and Scrutiny and Audit &amp;</i></li> </ul>	3 (L1xI3)	3 (L1xI3)		<p><b>1<sup>st</sup> Line:</b></p> <ul style="list-style-type: none"> <li>• Day to day processes and Local Code of Governance</li> <li>• Forward plans/committee work plans/ delivery plan and service planning.</li> <li>• Use of Mod Gov and publication scheme.</li> </ul>

## Appendix 1: Strategic Risk Register – October 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 154	<p>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><b>Owner:</b> Chief Operating Officer</p>	<div style="background-color: red; width: 100%; height: 100%;"></div>	<p><i>Member Standards Committee oversight.</i></p> <ul style="list-style-type: none"> <li>• <i>Codes of Conduct.</i></li> <li>• <i>Internal audit.</i></li> <li>• <i>Dedicated Monitoring Officer</i></li> <li>• <i>Roles of Section 151 Officer and Monitoring Officer.</i></li> <li>• <i>Shared legal services.</i></li> <li>• <i>Procurement Team.</i></li> <li>• <i>Governance Team with additional capacity being recruited.</i></li> <li>• <i>Internal appointed DPO.</i></li> <li>• <i>Review of document storage and filing systems.</i></li> <li>• <i>Electronic retention of documentation.</i></li> <li>• <i>Sealed documents held in fire proof room.</i></li> <li>• <i>Education and development of Service Managers to support teams with advice and guidance.</i></li> </ul>	<div style="background-color: yellow; width: 100%; height: 100%;"></div>	<div style="background-color: yellow; width: 100%; height: 100%;"></div>		<p><b>2<sup>nd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>• Annual reports to Audit and Member Standards Committee.</li> <li>• Regular reports to leadership team.</li> <li>• Transparency data publication.</li> <li>• Completed review of document storage.</li> <li>• Procurement Team in place and operating.</li> <li>• Internal DPO in place</li> </ul> <p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>• RIPA, ICO and Ombudsman reports/returns.</li> <li>• External audit of Annual Governance Statement as part of the financial statements.</li> <li>• 2019/20 – adequate assurance, GDPR follow up 2019/20 &amp; 2022/23 – limited assurance and follow up Q1 23/24, Transparency code follow up Procurement 20/21 limited assurance – follow up.</li> <li>• Review of GDPR and agreed action place reported to</li> </ul>

## Appendix 1: Strategic Risk Register – October 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
							<p>A&amp;MS Committee for 2022/23 and 2023/24.</p> <ul style="list-style-type: none"> <li>External investigations and lessons learnt exercises to address internal control weaknesses.</li> </ul>
<p>A good council, developing prosperity, shaping place,</p> <p>Page 155</p>	<p><b>SR5: Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area.</b></p> <p>Relating specifically to the effects of the ‘cost of living crisis. This results in an increase in unemployment, business closures coupled with emergence of higher 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>9 (L3xI3)</p>	<ul style="list-style-type: none"> <li>Financial assistance from Government to businesses and the public.</li> <li>Prosperity is a key theme in the new Strategic Plan.</li> <li>Staffordshire Leaders Board</li> <li>Staffordshire Chief Executives Group</li> <li>Strong partnership working e.g. Lichfield District Board, Staffs CC, Birmingham Chambers. Burntwood Business Community LGA, DCN,</li> <li>New burdens funding.</li> <li>Partnership influences built into business case considerations.</li> <li>Continue to develop and improve the business</li> </ul>	<p>3 (L1xI3)</p>	<p>4 (L2xI2)</p>	<ul style="list-style-type: none"> <li>Continued delivery of immediate actions to support high street economy and business (including visitor economy and hospitality sector).</li> <li>Further government support – the Welcome back Fund - received to extend timescales and assist with the reopening of high streets and support to local businesses through to March 2022. Additional spend on a variety of projects currently in process of being identified.</li> </ul>	<p><b>1<sup>st</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Day to day delivery of homelessness strategy.</li> <li>Development and inclusion of Being a Better Council</li> </ul>
							<p><b>2<sup>nd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Leadership team review of 3, 6, 8 and 12 month Money Matters reports to Cabinet, Strategic (OS) Committee.</li> <li>Health and Wellbeing Strategy delivery reports.</li> </ul>
							<p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>Internal Audit of Economic Development Partnership Arrangements 2017/18 – adequate assurance, Tourism 2019/20 – reasonable assurance, Housing Benefits – overpayments 2017/18 – adequate assurance, Housing Benefits – verification and</li> </ul>

Appendix 1: Strategic Risk Register – October 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
	<p>Including Ukraine families and Refugee dispersal within area.</p> <p>New Strategic Plan from March 2024.</p> <p><b>Owner:</b> Leadership Team</p>		<p><i>contact and relationships locally.</i></p> <ul style="list-style-type: none"> <li>• <i>Development of Wellbeing indicators at ward level for both activity and response.</i></li> <li>• <i>Economic Prosperity Action Plan in place.</i></li> <li>• <i>Cost of living issues mitigated and off set by Tourism.</i></li> <li>• <i>Ongoing Council Plans development.</i></li> </ul>			<ul style="list-style-type: none"> <li>• UKSPF exploring further funding streams with LUF2</li> <li>• Management oversight and robust project management requirements for delivery of Council wide projects.</li> </ul>	<p>performance 2016/17 – substantial assurance, Housing Benefits and Council Tax Relief 20/21 substantial assurance</p>

## Appendix 1: Strategic Risk Register – October 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><b>SR7: Threat to the Council's ICT systems of a cyber-attack</b> following dramatic increase in remote working which if successful could result in loss of data / loss of access to applications – which may incur fines / reputational damage.</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"> <li>• <i>Use of firewalls and virus protection to manage cyber security, including penetration testing.</i></li> <li>• <i>Strong access level controls (including remote access).</i></li> <li>• <i>Training and regular awareness raising to staff of risks.</i></li> <li>• <i>Digital strategy.</i></li> <li>• <i>PSN compliance checklist.</i></li> <li>• <i>Revision of Service Business Continuity Plans.</i></li> <li>• <i>IT Auditor provision resourced from August 2021.</i></li> <li>• <i>Adoption of multi-factor authentication.</i></li> <li>• <i>Development of monthly reports from software supplier for follow up of</i></li> </ul>	8 (L2xI4)	4 (L1xI4)	<ul style="list-style-type: none"> <li>• Review mandatory training requirements.</li> <li>• Reminder to staff to complete training and awareness. Re-run Awareness Training/Meta Compliance</li> <li>• Completion of PSN Compliance checklist</li> </ul>	<p><b>1<sup>st</sup> Line:</b></p> <ul style="list-style-type: none"> <li>• Day to day operation of ICT Training programme for all staff.</li> <li>• Up to date versions of software and implement all IT security patches.</li> <li>• Awareness Training/Meta Compliance.</li> <li>• Maintenance of PSN Compliance.</li> </ul> <p><b>2<sup>nd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>• Regular monitoring and reporting on security issues to Leadership Team.</li> <li>• External penetration testing.</li> <li>• Full Council wide adoption of multi-factor authentication.</li> </ul>

Appendix 1: Strategic Risk Register – October 2023

Strategic Plan Link	Risk & Owner	Original Score	Mitigating Controls	Current Score	Target Score	Actions Responsibility / Timescale	3 Lines of Assurance
Page 158	<p>Failure by staff to complete ICT training and the take up of MFA.</p> <p>Move from copper to fibre (anti-surge/back up and servers).</p> <p><b>Owner:</b> Chief Executive</p>		<p><i>staff not completing mandatory ICT training.</i></p> <ul style="list-style-type: none"> <li><i>Implementation of Knowledge Hub training.</i></li> </ul>				<p><b>3<sup>rd</sup> Line:</b></p> <ul style="list-style-type: none"> <li>ICT Audit Procurement to review risk environment.</li> <li>ICT Audit Needs Assessment completed.</li> <li>Review of Microsoft 365 2021/22</li> <li>IT Remote Access 2021/22</li> <li>IT Website 2021/22.</li> <li>Increase in the amount of IT Audit days from 20 to 40 for 2022/23.</li> <li>PCI DSS 2023/24</li> </ul>

## Appendix 1: Strategic Risk Register – October 2023

Key to 3 lines of assurance:	
1 <sup>st</sup> Line	Day to day operations of internal control systems
2 <sup>nd</sup> Line	Management oversight and monitoring controls
3 <sup>rd</sup> Line	Independent assurance from Internal / external audit and other independent assurance sources (e.g. HSE, BFI)
Other Horizon Scanning Risks Arising August 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 capacity with no dedicated Elections Team.	
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 – update required.	
Planning application fees – self funding.	
LATCo review of governance arrangements and structures.	
Arrangements for legislative changes following Brexit and blanket withdrawal in December 2023.	
Insourcing of outsourced arrangements both cost and reputationally to the Council	
GDPR	
Climate Change – organisational commitments	
Local Plan/Strategic Plan costing of Planning challenges and appeals with associated budget pressures	
Impact of Section 114 notices in the locality of the Council in terms of service demands and risks to services provide e.g., Payroll and Car Parking	

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



# INTERNAL AUDIT COUNTER FRAUD UPDATE

Cabinet Member for Finance & Commissioning



Date: 28 November 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 To provide the Committee with an update on counter fraud.

## 2. Recommendations

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

## 3. Background

- 3.1 The system of internal control is designed to manage risk (including fraud), to a reasonable level. It cannot eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should be realised, and to manage them efficiently, effectively and economically.
- 3.2 As well as operation of the overall system of control, counter fraud work this financial year has included National Fraud Initiative (NFI), the Cabinet Office’s national data matching service. New matches continue to be received and processed.
- 3.3 The Council’s counter fraud plan is detailed at Appendix 5 of the Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes **Appendix 1** of this report.
- 3.4 There has been one ‘whistleblowing’ incidents reports during the year 2023/24 which is currently being reviewed. This means that we have had one in the last five years.
- 3.5 Committee will be aware that that its meeting on 12 November 2020 it was agreed that the review cycle for all Fraud Policies would be extended from annually to four years around elections cycle with a two year light touch review (unless there is a major change required in accordance with legislation/best practice) with minor amendments delegated to the Shared Head of Audit/Principal Auditor to undertake. In line with this delegation the Audit Manager have completed a refresh of the documents outlined below.
- Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes (**Appendix 1**)
  - Confidential reporting (Whistleblowing) Policy (**Appendix 2**)
  - Anti- Money Laundering Policy (**Appendix 3**)
  - Prevention of the Facilitation of Tax Evasion Policy (**Appendix 4**)

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

It is noted that the appendices contained with this report only relate to the Council and LWMTS will be looking to develop their own policies.

3.6 Subsequent to the endorsement of the appendices these will be communicated to all staff and held on the Council’s Intranet site.

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

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

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

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

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*November 2023*

## Document Location

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

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

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Name	Title	Approved
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Leadership Team	Leadership Approval	Yes
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## Document Review Plans

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

## Distribution

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

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## **LICHFIELD DISTRICT COUNCIL**

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

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

Chief Executive

Leader of the Council

# COUNTER FRAUD AND CORRUPTION STRATEGY

## 1.0 Introduction

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

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

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

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

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

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

Case 1 is where—

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

Case 2 is where—

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

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

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

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

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

associated policies.

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

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

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

## **2.0 Objectives**

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

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

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

## **3.0 Roles and Responsibilities**

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

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

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

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

#### **4.0 Culture**

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

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

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

## **5.0 Prevention**

### **5.1 Staff**

- 5.1.1 Staff recruitment is through the Company, LWMTS (Talent Aquisition) whereby candidates will be proactively sought to fill vacancies. The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, propriety and integrity of the individual. Offers of employment are conditional subject to satisfactory clearances, including references for the previous 3 years of employment, evidence of right to work in the UK and a satisfactory Disclosure and Barring Service (DBS), if applicable. Qualifications will be verified. In this regard temporary, agency and contract staff should be treated in the same manner as permanent staff. Service Managers are responsible for ensuring agencies engaged for the supply of temporary staff have rigorous vetting processes and that references are sought direct from previous clients with regard to the suitability and integrity of the candidate.

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

## **5.2 Members**

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



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

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

### **5.3 Systems**

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

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

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

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

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

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

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

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

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

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

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

## **6.0 Detection and Investigation**

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

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

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

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

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

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

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

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

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

## **8.0 Training & Awareness**

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

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

National Fraud Reports

National Anti-Fraud Network

Midlands Fraud Forum

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

Any other sources of fraud awareness/updates etc.

## **9.0 Sharing Information**

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

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

## **10.0 Implementing the Strategy**

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

Relevant Standards

Other best practice/statutory guidance as required

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

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

## **11.0 Conclusions**

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

# COUNTER FRAUD AND CORRUPTION GUIDANCE NOTES

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

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

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

(This is not an exhaustive list.)

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

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

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

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

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

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

- 1.6 The Council has determined that it should have a culture of honesty and openness in all its dealings, with opposition to fraud and corruption. The Council’s Whistleblowing Policy does this by :-
- making it clear that vigilance is part of the job. Knowingly not raising concerns may be a serious disciplinary offence,
  - recognising that early action may well prevent more worry or more serious loss/damage,
  - making it safe and simple to convey critical information ensuring that any concern in this area is seen as a concern and not a grievance,
  - encouraging information exchange, remembering that there are two sides to every story,
  - providing a way in which concerns can be raised in confidence and not necessarily via the nominated line manager or supervisor,
  - recognising the need for discretion,
  - ensuring the anonymity of the individual, where possible, should this be preferred by the employee, and by protecting employers from reprisals.
- 1.7 Under the Enterprise and Regulatory Reform Act 2013, any disclosure made using the Whistleblowing Policy, within reasonable belief of the worker making the disclosure will only be protected if it is made in the public interest. More detail is found in the Whistleblowing Policy.
- 1.8 There is a need to ensure that any investigation process is not misused and, therefore, any abuse such as raising unfounded malicious allegations may be dealt with as a disciplinary matter.
- 2.0 Why Do We Need This Advice?**
- 2.1 It is important that you follow the advice given and do not try to handle the problem yourself, without expert advice and assistance. A badly managed investigation may do more harm than good. There are a number of internal and external processes which have to be followed to yield a satisfactory conclusion.
- 3.0 How To Recognise A Fraud**
- 3.1 Each employee must be aware of fraud and the areas within their responsibility where fraud may occur.
- 3.2 Fraud can happen wherever staff or independent contractors complete official processes and can take financial advantage of the Council. The risk of fraud is enhanced where staff or contractors are in positions of trust or responsibility and are not checked or subjected to effective monitoring or validation. Consequently the following areas are susceptible to fraud:-



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

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

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

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

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

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

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

4.2 Managers need to :-

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

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

### **Supervision**

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

### **Organisation**

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

### **Authorisation**

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

### **Personnel**

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

### **Segregation of Duties**

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

### **Physical**

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

### **Arithmetical Accuracy**

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

### **Management Functions**

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

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

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

### **5.1 Action By Staff**

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

### **5.2 Action By Managers**

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

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

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

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

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

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

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

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

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

### **Selflessness**

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

### **Integrity**

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

### **Objectivity**

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

### **Accountability**

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

### **Openness**

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

### **Honesty**

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

### **Leadership**

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

### Statement of Expected Responsibilities

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

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

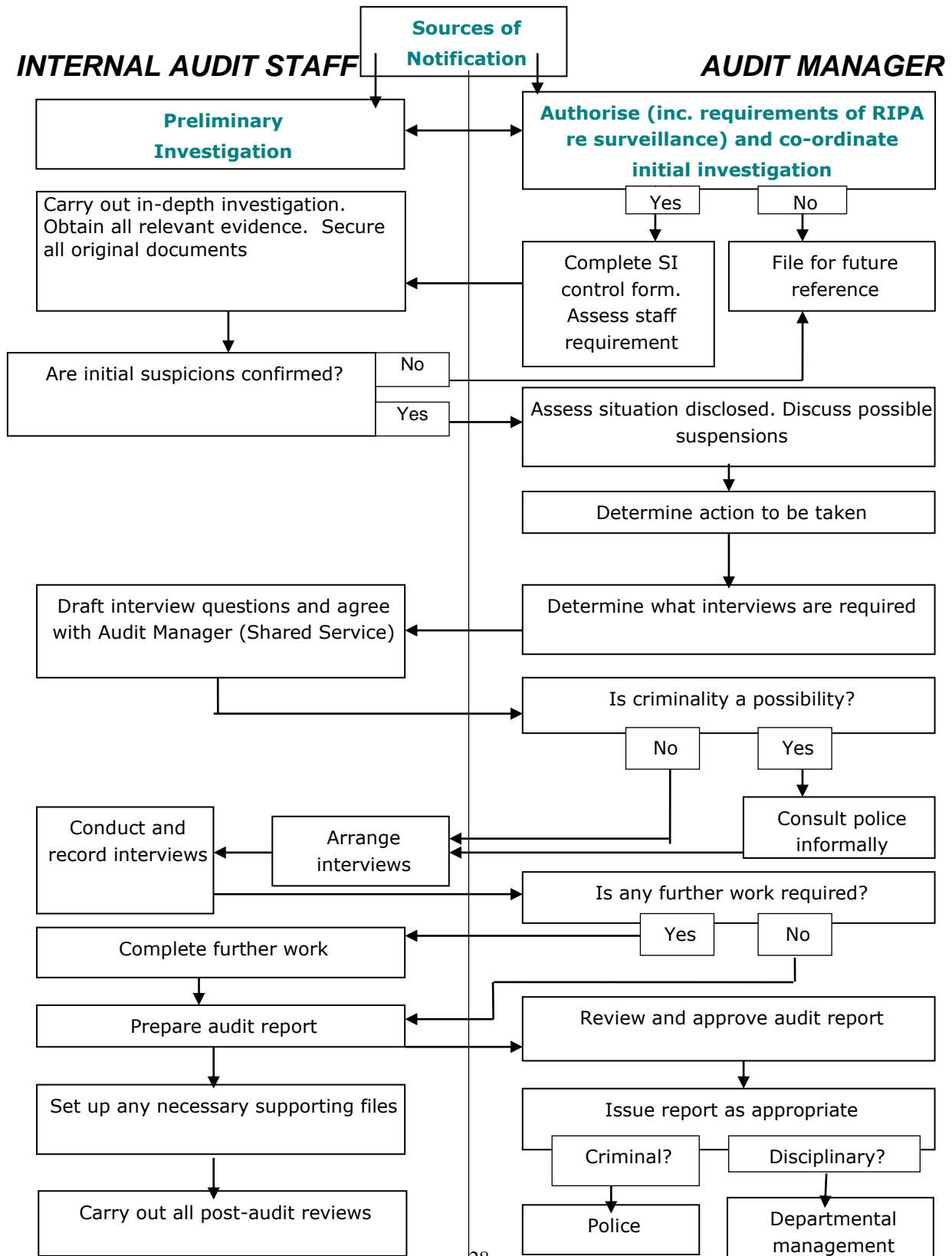
	Manager (Shared Service).
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns or suspicions. To ensure that effective controls are in place to mitigate risks to the Council.



Lichfield District Council

Fraud Response Plan

**OPERATIONAL CONTROL**



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

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

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

For all general issues:

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

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

Write to:

**Azets – Accountants and Business Advisors**  
**Ventura Park Road Tamworth B78 3HL**  
**Tel: 01827 302070**

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

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

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

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

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

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

## DETECTING FRAUD

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

## PREVENTING FRAUD

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

## DETECTING FRAUD

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

## INVESTIGATIONS

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

## SANCTIONS

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

**REDRESS**

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



## MANDATORY COUNTER FRAUD ARRANGEMENTS (STRATEGIC WORK)

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



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# **Confidential Reporting (Whistleblowing) Policy**

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**November 2023**

## Document Location

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

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

## Revision History

Revision Date	Version Control	Summary of changes
November 2020		Refresh
October 2021		Refresh
November 2022		Refresh
November 2023		Scheduled Review

## Approvals

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

## Document Review Plans

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

## Distribution

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

## Contents

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## LICHFIELD DISTRICT COUNCIL

### CONFIDENTIAL REPORTING (WHISTLEBLOWING) POLICY

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

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

#### **2 Introduction**

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

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

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

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

2.3 This policy is designed for workers. Workers include:

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

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

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

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

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

3.1 This policy aims to:

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

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

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

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

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

## **4 Safeguards**

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

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

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

## **5 Confidentiality**

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

## **6 Anonymous Allegations**

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

## **7 Untrue Allegations**

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

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

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



possible.

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

**Audit Manager (Shared Service) Tel: 308030**

## 9 External contacts

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

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

Child Welfare & Protection	Children's Commissioner NSPCC
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The full list of prescribed regulators can be found in The Public Interest Disclosure (Prescribed Persons) Order 2014.

- 9.3 **Protect 020 3117 2520 protect-advice.org.uk**, are a registered charity set up to give free independent advice to employees and workers who contact them with concerns. They have qualified legal staff.

## 10 How the Council Will Respond

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

- 10.2 Where appropriate, the matters raised may:

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

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

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

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

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

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

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

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

## **11 The Responsible Officer**

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

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

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

# **Anti Money Laundering Policy**

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November 2023

## Document Location

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

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

## Revision History

Revision Date	Version Control	Summary of changes
November 2020	1.0	Refreshed Policy
October 2021	1.1	Refresh
November 2022	1.2	Refresh
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## Approvals

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

## Document Review Plans

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## LICHFIELD DISTRICT COUNCIL

### ANTI-MONEY LAUNDERING POLICY STATEMENT

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

# LICHFIELD DISTRICT COUNCIL ANTI-MONEY LAUNDERING POLICY

## 1. Introduction

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

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

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

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

## 2. Scope of the Policy

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

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

## 3. Definition of Money Laundering

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

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

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



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

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

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

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

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

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

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

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

The main requirements of the legislation are:

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

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

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

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

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

## **6. Possible Signs of Money Laundering**

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

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

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

## **7. Due Diligence Procedures**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The report must include as much detail as possible including:

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

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

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

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

## **10. Additional Guidance**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **12. Training**

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

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

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

## **13. Conclusions**

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

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

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

#### **14. Review**

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

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

The duties of the Money Laundering Reporting Officer are:

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





## MONEY LAUNDERING – INTERNAL REPORTING FORM

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

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

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

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

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

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

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

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

Surname:		Forename(s):		Title:	

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

**Or**

**Main Subject (Company)**

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

**Bank Account Details**

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

**Other Information**

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

**Connected Subject Person (if any)**

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

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

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

--	--	--	--

**Bank Account Details**

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

**Other Information**

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

**Reason for the Suspicion**

**Please tick any or all of the following which might apply**

Drugs                                      Personal Tax Fraud                                      Vat Fraud

Crime    Company Tax Fraud

Immigration                                      Tobacco/Alcohol Excise Fraud

---

**Following on from above, please set out the reason for the suspicion:**

Please continue on separate sheet if required

---

**Names of all other colleagues (principals and staff) who have been involved in the case**

--

**Declaration**

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

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

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

**For Completion by the MLRO**

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

## APPENDIX 3

### MONEY LAUNDERING AVOIDANCE AIDE MEMOIR

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



## Prevention of the Facilitation of Tax Evasion

Document Status: **Final**

**Version: 01.03**

Date: **November 2023**

**Approved by Audit & Member Standards Committee - November 2023**

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## Document Location

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

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

## Revision History

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November 2020	1.0	New Policy
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## Approvals

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Assistant Director – Finance & Commissioning (Section 151 Officer) Approval	Policy Owner Approval	Yes

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

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

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

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

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

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

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

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

## 2. What is Tax Evasion?

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

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

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

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

## 3. Examples of Tax Evasion

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

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

## 4. The Criminal Finances Act 2017

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

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

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

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

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

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

## **5. Penalties**

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

## **6. Policy Statement – Tax Evasion**

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

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

## **7. Objective of this policy**

This policy provides a coherent and consistent framework to enable the Council's employees (and other "associated persons") to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

The Council requires that all relevant persons:

- Act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible
- Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities

## **8. Scope of this policy**

This policy applies to all of the Council's activities. For partners, joint ventures and suppliers, it will seek to promote the adoption of policies consistent with the principles set out in this policy.

Responsibility to control the risk of tax evasion occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all service areas and corporate functions.

This policy covers all workers, including all levels and grades, those permanently employed, temporary agency / casual employees, contractors, non-executives, agents, Members, volunteers and consultants.

## **9. The Council's commitment to action**

The Council commits to:

- Setting out a clear anti-tax evasion facilitation policy and keeping it up to date
- Making all workers aware of their responsibilities to adhere strictly to this policy at all times
- Raising awareness of the risks of tax evasion with workers so that they can recognise and avoid occurrences of potential tax evasion by themselves and others
- Undertaking a risk assessment to identify those areas of the Council's business where risk is considered to be highest

- Targeted training of individuals and service areas where the perceived risk is higher
- Promoting good ethical behaviour by employees in all of its forms
- Encouraging its workers to be vigilant and to report any suspicions of tax evasion, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Investigating instances of alleged tax evasion
- Referring investigations to the Police where it is appropriate to do so
- Taking firm and vigorous action against any individual(s) involved in tax evasion, or the facilitation of it
- Providing information to all employees on how to report breaches and suspected breaches of this policy
- Including appropriate clauses in contracts to prevent tax evasion.

The Council seeks to maintain relevant procedures, including top-level commitment to tackling tax evasion and effective communication, including training. Heads of Service have an additional responsibility (beyond that of the employees own) for ensuring this policy is communicated effectively to employees and frequently refreshed throughout their department along with other good practice regarding ethical behaviour.

## **10. Tax Evasion is not tolerated**

It is unacceptable to:

- Engage in any form of facilitating tax evasion (including foreign tax evasion);
- Aid, abet, counsel or procure the commission of a tax evasion offence by another person;
- Fail to promptly report any request from any third party to facilitate the fraudulent evasion of tax by another person;
- Engage in any other activity that might lead to a breach of this policy;
- Threaten or retaliate against another individual who has refused to commit a tax evasion offence or who has raised concerns under this policy;

- Commit an offence under the law of any part of the UK consisting of being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax.

## **11. Staff responsibilities**

The prevention, detection and reporting of all forms of financial irregularity, including suspected tax evasion, are the responsibility of all those working for the organisation or under its control (“associated persons”). All workers are required to avoid activity that breaches this policy.

As individuals you must:

- Ensure that you read, understand and comply with this policy.
- Raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil legal action and criminal prosecution, workers that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct or other sanctions available based on their contract or appointment

## **12. Raising a concern**

The Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity, and wants each and every worker to know how they can raise concerns.

All have a responsibility to help detect, prevent and report instances of tax evasion. If you have a concern regarding a suspected instance of tax evasion, please speak up – your information and assistance will help. The sooner it is brought to attention, the sooner it can be resolved.

There are multiple channels to help raise concerns. Please refer to the Council’s Whistleblowing Policy and determine the favoured course of action. Preferably the disclosure will be made and resolved internally (e.g. to a line manager or head of service). Secondly, where such disclosure would not be appropriate, concerns can be raised with the Shared Head of Audit. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

Concerns can be raised anonymously. In the event that an incident of suspected wrong doing is reported, the Council will act as soon as possible to evaluate the situation. It has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in an

investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

Workers who raise concerns or report wrongdoing could understandably be worried about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken. The Public Interest Disclosure Act 1998 (PIDA) protects individuals who make certain disclosures of information in the public interest. Our Whistleblowing Policy complies with PIDA. The Council is committed to ensuring nobody suffers detrimental treatment through the reporting of a concern in good faith.

### **13. Other relevant policies**

Other relevant policies include:

- Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes.
- Whistleblowing Policy.
- **Anti- Money Laundering Policy.**

### **14. Useful links**

- [Criminal Finances Act 2017, Part 3 – Corporate Offences of Failure to Prevent Facilitation of Tax Evasion](#)
- [HM Revenue & Customs](#)

### **15. Policy review**

The Assistant Director – Finance & Commissioning (Section 151 Officer) and the Council's Audit & Member Standards Committee will ensure the continuous review and amendment of this policy document, to ensure that it remains compliant with good practice and legislative requirements.

Responsible Officer: Assistant Director – Finance & Commissioning  
(Section 151)

Next Review date: November 2024



## 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
<b>FINANCE</b>							
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
LWMTS – Annual Report			√				
<b>INTERNAL AUDIT</b>							
Chair of the Audit Committee's Annual Report to Council						√	
Annual Report for Internal Audit (including year-end progress report)						√	
Internal Audit Plan, Charter & Protocol 2023/24					√		
Internal Audit Progress Report	√		√	√		*	*Included in the 'Annual Report for Internal Audit'

## AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2023/24

Review of the Effectiveness of the Audit & Member Standards Committee					√		
Quality Assurance and Improvement Programme /Public Sector Internal Audit Standards	√						
Risk Management Update	√		√	√		√	
Counter Fraud Update Report including Counter Fraud & Corruption/Whistleblowing/Anti-Money Laundering/ Prevention of Tax Evasion Policies			√				
Public Sector Internal Audit Standards and External Quality Assessment					√		
Skills Review & Discussion on the Appointment of An Independent Member		√					
<b>GOVERNANCE</b>							
Annual Governance Statement						√	
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	√						
<b>COMPLIANCE AND DATA PROTECTION</b>							
GDPR/Data Protection Policy				√		√	
Compliance and Data Protection verbal update		√					
<b>EXTERNAL AUDITOR – GRANT THORNTON</b>							
Audit Findings Report for Lichfield District Council 2022/23			√				
Audit Plan (including Planned Audit Fee 2022/23)	√*						*Deferred to 2023/24 at the request of the external auditors
Informing the Audit Risk Assessment - Lichfield District Council	√*					√	*Deferred to 2023/24 at the request of the external auditors

**AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2023/24**

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 Committee LDC Progress Report and Update – Year Ended 31 March 2024						√	
Private meeting with external auditors			√				
<b>EXTERNAL AUDITOR – AZETS</b>							
Audit Plan (including Planned Audit Fee 2023/24)				√			

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