



Committee: AUDIT COMMITTEE
Date: WEDNESDAY, 21 FEBRUARY 2018
Venue: LANCASTER TOWN HALL
Time: 6.10 P.M.

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

Minutes of meeting held on 13th September 2018 (previously circulated).

3. **Items of urgent business authorised by the Chairman**

4. **Declarations of Interest**

To receive declarations by Members of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Whilst not a legal requirement, in accordance with Council Procedure Rule 9 and in the interests of clarity and transparency, Members should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

In accordance with Part B Section 2 of the Code Of Conduct, Members are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

5. **Annual Report on Grants and Returns 16-17 (Pages 1 - 7)**

Report of KPMG LLP.

6. **External Audit Plan 17-18 (Pages 8 - 31)**

Report of KPMG LLP.

7. **Internal Audit - Future Management and Delivery (Pages 32 - 35)**

Report of the Chief Officer (Resources).

8. **Audit Committee Terms of Reference (Pages 36 - 39)**

Report of the Internal Audit and Assurance Manager.

9. **Internal Audit Charter** (Pages 40 - 50)

Report of the Internal Audit and Assurance Manager.

10. **Internal Audit Strategy and Risk Based Plan 2018/19** (Pages 51 - 57)

Report of the Internal Audit and Assurance Manager.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Abbott Bryning (Chairman), Colin Hartley (Vice-Chairman), Nathan Burns, Elizabeth Scott, Malcolm Thomas, David Whitaker and Nicholas Wilkinson

(ii) Substitute Membership

Councillors Stuart Bateson (Substitute), Tim Hamilton-Cox (Substitute), Brendan Hughes (Substitute), John Reynolds (Substitute) and Peter Williamson (Substitute)

(iii) Queries regarding this Agenda

Please contact Sarah Moorghen, Democratic Services - telephone 01524 582132, or email smoorghen@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Democratic Support, telephone 582170, or alternatively email democraticsupport@lancaster.gov.uk.

SUSAN PARSONAGE,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
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Published on 12th February 2018.



Annual Report on grants and returns 2016/17

Lancaster City Council

21 February 2018



Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £37.1m.

Under separate engagements we issued reports on one return as listed below.

- Certification of the Council's Pooling of Housing Capital Receipts return for 2016/17.

Certification and assurance results (Pages 3-4)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was unqualified.

Our work on the other grant assurance engagements resulted in the following reports:

- Assurance report in connection with DCLG Pooling of Housing Capital Receipts return for the year ended 31 March 2017.

One minor adjustment was necessary to the Council's Housing Benefit Subsidy claim as a result of our certification work this year. We identified one error during our certification work, relating to the incorrect classification of an overpayment on one claim as an eligible, claimant error overpayment. The overpayment should instead have been classified as a Local Authority error overpayment. More details are provided on Page 5 of this report.

Recommendations (Pages 7 – 8)

We did not make any recommendations to the Council from our work this year.

Fees (Page 5)

Our fee for certifying the Council's 2016/17 Housing Benefit Subsidy grant was £9,573, which is in line with the indicative fee set by PSAA.

Our fee for the assurance engagement over the Pooling of Housing Capital Receipts return was subject to agreement directly with the Council and was £3,000 for 2016/17. This is consistent with the fee for 2015/16.

Summary of reporting outcomes

Overall, we carried out work on two grants and returns:

- One was unqualified with no amendment; and
- One was unqualified but required some amendment to the final figures.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2016/17 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1			●	
Other grant/return engagements					
— Pooling of Housing Capital Receipts	2				●
		0	0	1	1

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy claim</p> <ul style="list-style-type: none"> — We identified one error during our certification work, relating to the incorrect classification of an overpayment on one claim as an eligible, claimant error overpayment. The overpayment should instead have been classified as a Local Authority error overpayment. — We completed additional testing of 40 overpayments made during the year, testing whether the classification of these overpayments was appropriate. We did identify any further such errors during this testing. Further, we identified no other classification errors within other benefit types or in the prior year. — On this basis, and following review also of a relevant internal audit report completed during 2016/17, we concluded that the error we identified was isolated. Consequently, an amendment of £62.88 was made to the two affected overpayment cells. 	<p>+/- £63</p>

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2016/17 was £12,573.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2016/17 of £9,573. Our actual fee was the same as the indicative fee and the 2015/16 fee for this claim.

Grants subject to other engagements

Our fee for the assurance engagement over the Pooling of Housing Capital Receipts return was subject to agreement directly with the Council and was £3,000 for 2016/17. This is consistent with the fee for 2015/16.

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	9,573	9,573
Pooling of Housing Capital Receipts return	3,000	3,000
Total fee	12,573	12,573



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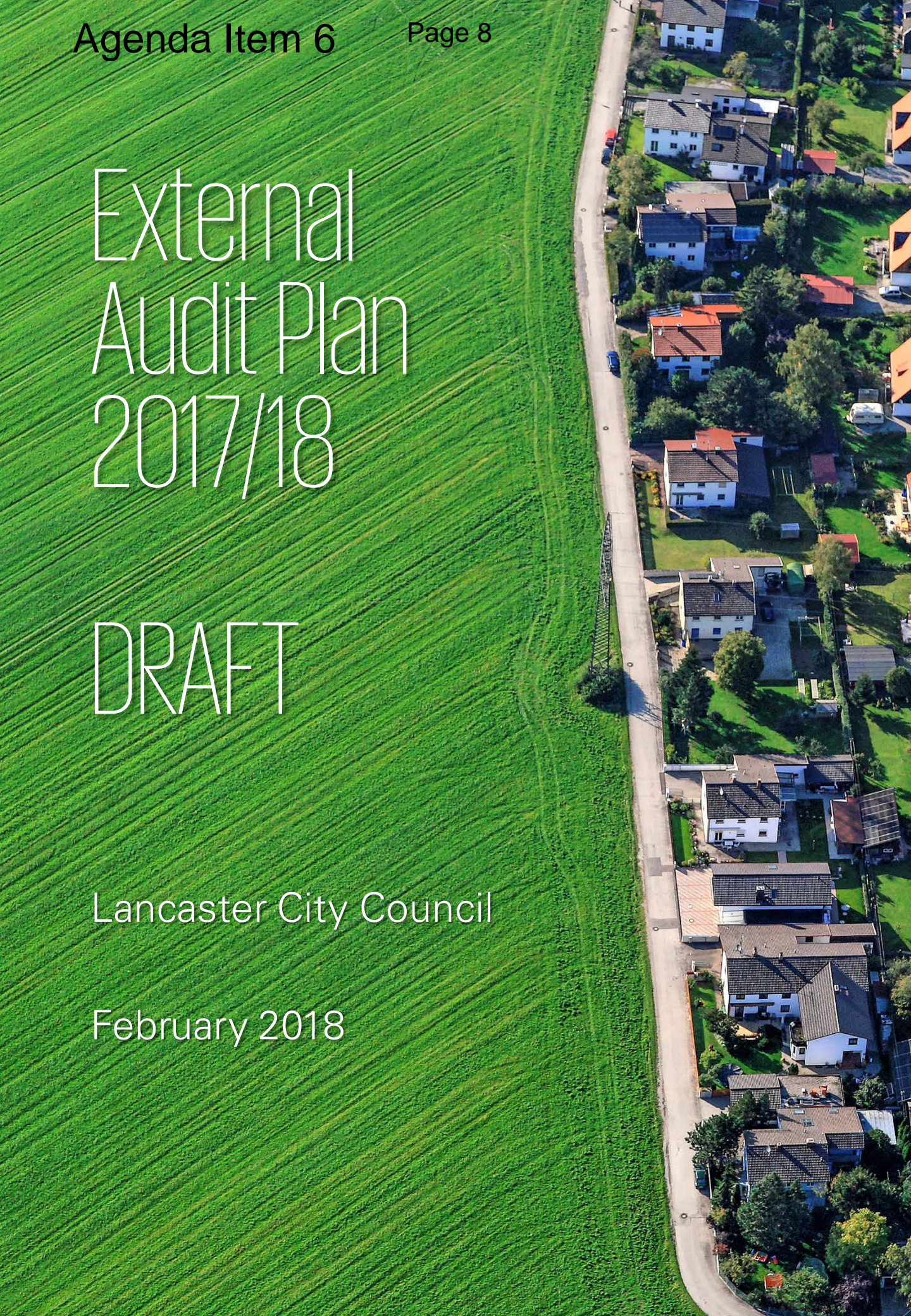
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External Audit Plan 2017/18

DRAFT

Lancaster City Council

February 2018



Summary for Audit Committee

Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. We recognise that the Authority has successfully advanced its own accounts production timetable so as to align with the new deadlines. As a result we have recognised an area of audit focus in relation to this matter.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

Materiality

Materiality for planning purposes has been set at **£2.9million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £145,000.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.

Summary for Audit Committee (cont.)

Financial Statements (cont.)

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Faster close - As set out on the previous page, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work.

See pages 4 to 9 for more details

Value for Money Arrangements work

Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk to date:

- Canal Corridor North project and the impact on reserves

See pages 10 to 14 for more details

Logistics

Our team is:

- Tim Cutler – Partner
- Chris Paisley – Senior Manager
- Sophie Watson – Assistant manager

More details are in **Appendix 2**.

Our work will be completed in four phases from November to July and our key deliverables are this Audit Plan and a Report to Those Charged With Governance as outlined on **page 17**.

Our fee for the 2017/18 audit is £58,388 (€58,388) 2016/2017) see **page 16**. These fees are in line with the scale fees published by PSAA

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office’s Code of Audit Practice and the PSAA Statement of Responsibilities.

Our audit has two key objectives, requiring us to audit/review and report on your:

- 01 | **Financial statements :**
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | **Use of resources:**
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reporting to the Audit Committee.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 10 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during December 2017 to February 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

01

Management override of controls

Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

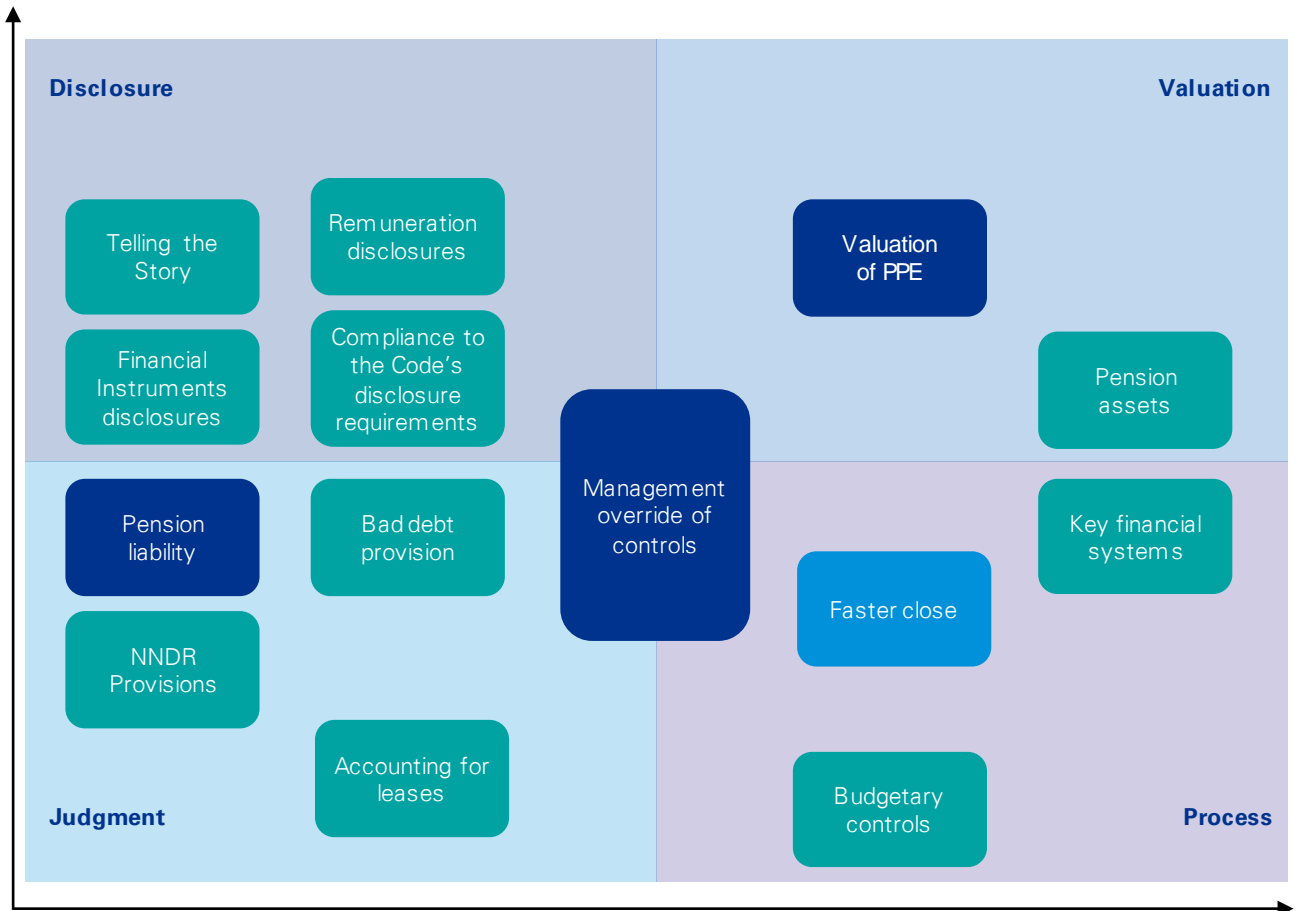
02

Fraudulent revenue recognition

We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Financial statements audit planning (cont.)

The diagram below identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ■ Significant risk ■ Other area of audit focus ■ Example other areas considered by our approach

Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:	<p>Valuation of PPE</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.</p>
Approach:	<p>We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.</p> <p>In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).</p>

Financial statements audit planning (cont.)

Significant Audit Risks (cont.)

Risk:	<p>Pension Liabilities</p> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Lancashire County Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
Approach:	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Mercers, the schemes Actuary.</p> <p>We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Mercers.</p> <p>In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.</p>

Financial statements audit planning (cont.)

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Issue:

Faster Close

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (including valuers and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;
- Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is the potential that the audit will not be completed by the 31 July deadline.

There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.

Approach:

We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.

Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.

Financial statements audit planning (cont.)

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £2.9 million, which equates to 2.0% percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Authority Prior Year Gross Expenditure: £147.4m (2016/17: £161.4m)

Materiality

£2.9m

2.0% of Expenditure

(2016/17: £3.0m,
1.85%)



£145k Misstatements reported to the audit committee (2016/17: £150k)

£2.0m Procedures designed to detect individual errors (2016/17: £2.25m)

£2.9m Materiality for the financial statements as a whole (2016/17: £3.0m)

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £145 thousand.

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

We will report:



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure (Corrected and uncorrected)

Value for money arrangements work

VFM audit approach

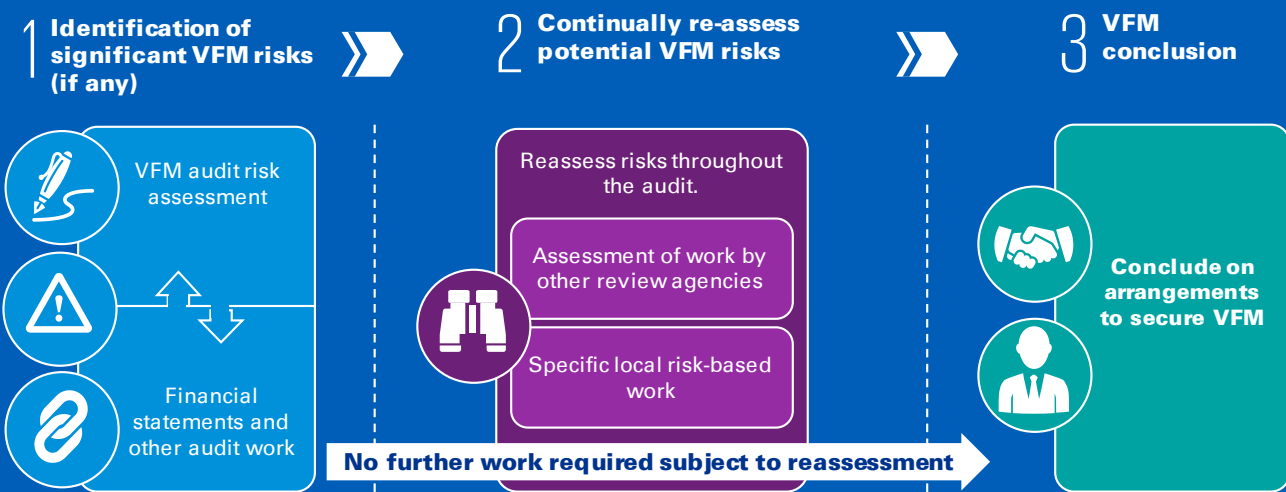
The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Value for money arrangements work (cont.)

Value for Money sub-criterion

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)

VFM audit stage



VFM audit risk assessment

Audit approach

We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from the Public Sector Auditor Appointments Limited VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



Linkages with financial statements and other audit work

Audit approach

There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.



Identification of significant risks

Audit approach

The Code identifies a matter as significant '*if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*'

If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Authority, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)

VFM audit stage



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



Concluding on VFM arrangements

Audit approach

At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



Reporting

Audit approach

On the following page, we report the results of our initial risk assessment.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Value for money arrangements work (cont.)

Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Risk:	<p>Canal Corridor North project and impact on reserves</p> <p>Lancaster City Council is currently working with developer British Land to bring forward options to deliver a new retail and leisure quarter for the city of regional importance. Lancaster University is also a key partner in this project, as part of the development is likely to centre on an innovative offer to prospective students.</p> <p>The City Council is currently working with British Land, Lancaster University and other key partners to agree final proposals which achieve the best for the city and the wider district.</p> <p>The timetable for the project includes agreement on heads of terms in early 2018 with a planning application by the end of the year. This project, if it goes ahead, will require a significant investment from all parties, and thus impact the reserves of the Council. Therefore appropriate risk analysis and scrutiny of the financial implications of the project are crucial to the decision making process of the Council.</p>
Approach:	<p>As part of our additional risk based work, we will review the project plan documents and progression against the timeline. We will review the risk assessment process associated with the project and consider the mitigating actions being taken in response to identified key risks.</p> <p>We will review the decision making process in place, including the final sign off of the decision to progress, if applicable.</p> <p>We will also review the financial plans in place for the project and the impact this will have on the Council. With respect to the financial plans, we will also ensure that any assumptions within the plans have been appropriately identified and communicated to members, and that appropriate sensitivity analysis has been undertaken.</p>
VFM Sub-criterion:	<p>This risk is related to the following Value For Money sub-criterion</p> <ul style="list-style-type: none"> — Informed decision making; — Sustainable resource deployment; and — Working with partners and third parties

Other matters

Whole of government accounts (WGA)

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Authority. Deadlines for completion of this for 2017/18 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.



Other matters

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2017/18 presented to you in April 2017 first set out our fees for the 2017/18 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £58,388 compared to 2016/17 of £58,388.

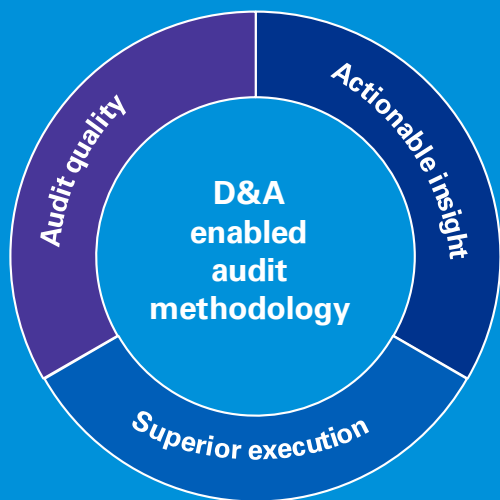
Key elements of our financial statements audit approach

Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

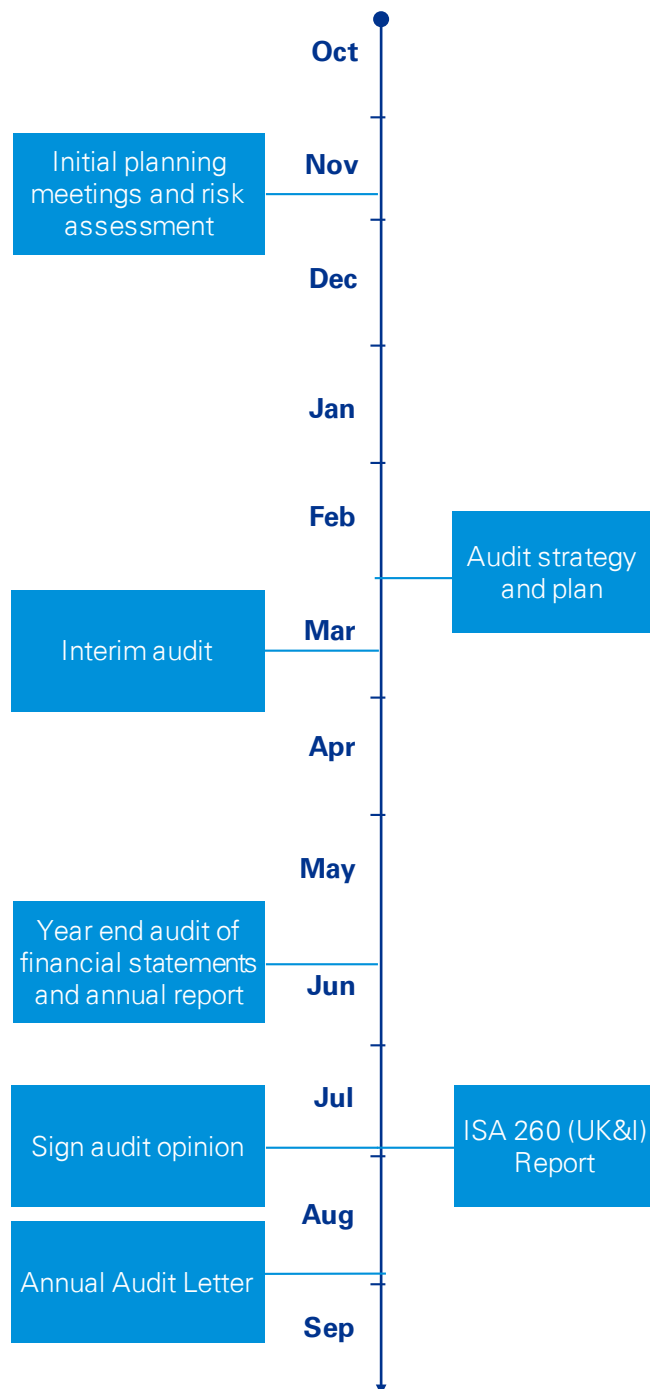
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals.



Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.



Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

Completion

- Perform completion procedures
 - Perform overall evaluation
 - Form an audit opinion
 - Audit Committee reporting
-



Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team will be led by Tim Cutler who has worked with the Council for a number of years.



Tim Cutler
Partner

T: +44161 246 4774
tim.cutler@kpmg.co.uk

'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee, Chief Executive and Chief Officer (Resources).'



Chris Paisley
Senior Manager

T: +44161 246 4934
christopher.paisley@kpmg.co.uk

'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Tim to ensure we add value. I will liaise with the Financial Services Manager and other key management personnel.'



Sophie Watson
Assistant Manager

T: +44161 246 4378
Sophie.Watson@KPMG.co.uk

'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF LANCASTER CITY COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its affiliates for professional services provided by us during the reporting period.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table overleaf.

Independence and objectivity requirements (cont.)

Independence and objectivity considerations relating to the provision of non-audit services (continued)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence and associated safeguards applied	Basis of fee	Value of services to be delivered in the year ended 31 March 2018 £000
Assurance report for grant claim no longer within the PSAA regime – Pooling of Housing Capital Receipts	<p>Self-interest: This engagements is entirely separate from the audit through separate contracts. The fee rate is low in comparison to the audit fees and is not contingent on any outcomes from the assurance work.</p> <p>Self-review: The nature of this work is to provide an independent assurance report to the relevant external body. This does not impact on our other audit responsibilities and there is no threat of our work under this engagement being reviewed through our audit.</p> <p>Management threat: This work provides a separate assurance report and does not impact on any management decisions.</p> <p>Familiarity: This threat is limited given the scale, nature and timing of the work.</p> <p>Advocacy: We will not act as advocates for the Council in any aspect of this work. The output is an independent assurance report to the relevant external body applying an approach issued by that body.</p> <p>Intimidation: not applicable to these areas of work.</p>	Fixed fee	£3,000

Appropriate approvals have been obtained from PSAA for all non-audit services above the relevant thresholds provided by us during the reporting period. In addition, we monitor our fees to ensure that we comply with the 70% non-audit fee cap set by the NAO.

In addition to the above, we will complete the certification of the Authority's housing benefit subsidy claim, which falls within the current PSAA regime. The proposed fee in respect of this work for 2017/18 is £9,573, which is in line with the scale fee set by PSAA.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Independence and objectivity requirements (cont.)

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.



KPMG LLP



kpmg.com/uk



This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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CREATE: CRT086281A

AUDIT COMMITTEE**Internal Audit – Future Management and Delivery****21 February 2018****Report of Chief Officer (Resources)****PURPOSE OF REPORT**

To receive endorsement for the continuation of the arrangements regarding the Internal Audit and Assurance Manager role through collaboration with Wyre Borough Council and to approve the Internal Audit re-structure.

This report is public

RECOMMENDATIONS

- (1) **That the Committee endorses the continuation of the collaboration arrangement with Wyre Borough Council for a further 12-month period (minimum), to cover the Internal Audit and Assurance Manager (IAAM) role.**
- (2) **That subject to the outcome of Budget Council, the Internal Audit re-structure be approved as set out in the report.**

1.0 Introduction

- 1.1 The Council's constitution (Part 3, Responsibility for Functions, Section 8) refers to the Audit Committee having responsibility for overseeing the internal audit function, in particular evaluating the effectiveness of internal audit and the use of audit resources.
- 1.2 The Accounts and Audit Regulations 2015 state that a relevant authority must ensure that it has a sound system of internal control. In order to achieve this, professional standards for internal audit in local government¹ must be applied. One of the standards refers to the "Head of Audit" role holding a professional qualification and being suitably qualified.
- 1.3 Following the departure of the former Internal Audit and Assurance Manager (IAAM) in May 2017, the Audit Committee endorsed an arrangement with Wyre Borough Council to enter into a 12-month collaboration pilot to cover the role of the IAAM. The pilot was designed to allow time and flexibility to review the

¹ *Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013)*

current structure and develop the two full time internal audit staff. This arrangement is due to cease on the 21 May 2018.

2.0 Proposal Details

- 2.1 Following a successful pilot, a continuation of the collaboration arrangement with Wyre Borough Council has been agreed, subject to the endorsement of the Audit Committee and approval through Budget Council (as part of Cabinet's budget proposals).
- 2.2 During the last 10 months, the IAAM has worked with the internal audit team to build resilience, develop their skills and review the future requirements of the team. It is clear, that in the absence of a full time IAAM, both members of the internal audit team have had to take on more responsibility and work at a much higher level. Consequently, both posts have now been reviewed and re-graded in line with the Council's job evaluation scheme, on the basis that the collaboration arrangement continues.
- 2.3 The new structure will comprise a part-time IAAM (provided from Wyre Borough Council, as now) who will be supported by a full time Assistant IAAM and a full time Auditor. The team will also be supported by an apprentice who will be shared with Financial Services on a 50/50 basis. The apprenticeship will be part-funded initially through the Apprenticeship Levy Scheme. Whilst it is expected that the apprentice will be in post from 1 April 2018, qualification training will not commence until January 2019, giving the successful candidate time to settle into their role. Other than the IAAM role, all other posts will continue to be employed directly by the City Council.
- 2.4 The Assistant IAAM has already started her qualification with the Institute of Internal Auditors, to which she is hoping to gain the Certified Internal Auditor qualification within 12-18 months. Once completed, all staff within the audit team (with the exception of the apprentice) will hold an audit qualification.
- 2.5 As before, the arrangements are solely focused on the provision of sufficient Officer capacity to ensure an effective audit function. They do not involve any Joint Committee or other proposals; the two authorities' governance and democratic arrangements will remain completely separate.

3.0 Details of Consultation

- 3.1 No specific consultation has been undertaken in compiling this report. Consultation with Wyre Borough Council has been undertaken in developing the proposals, and audit staff have been fully engaged in the process.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 Given that the pilot has been successful and the continuing arrangements will allow some flexibility should the need arise, no alternative options are considered appropriate at this time. The only other wider alternative would be to revert back to the Council directly employing its own Internal Audit and Assurance Manager, but that is considered less cost-effective. More specifically, there is some flexibility regarding the Apprenticeship post, should Members wish to maximise savings, but then such an approach would raise issues regarding succession planning and the Apprenticeship Scheme.

5.0 Conclusion

- 5.1 Endorsing the proposals will ensure the Internal Audit Service continues to deliver an effective audit service which complies with the relevant professional standards. The proposals are designed to support the delivery of the Audit Plan, as outlined elsewhere on the agenda.
- 5.2 The IAAM and the Assistant IAAM will continue to work with the Chief Officer (Resources) to embed a structure which will provide stability, increase resilience and retain its well-developed respect and standing throughout the organisation.

**CONCLUSION OF IMPACT ASSESSMENT
(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):**

None directly arising.

LEGAL IMPLICATIONS

Legal Services have been consulted. A legal agreement backs the collaborative arrangements and this will be completed following the Committee's consideration of this matter.

FINANCIAL IMPLICATIONS

The financial implications are included in Cabinet's budget proposals. The estimated cost of the collaboration agreement with Wyre Borough Council is around £20K per year, subject to pay inflation. The apprenticeship is estimated to cost around £22K per year, and the savings from other staffing changes (the deletion of the Audit Manager post, net of the re-grading of other posts) is estimated to save around £53K per year. Ongoing net savings are estimated at around £11K per year, but in next year the saving will be higher, because of the availability of funding through the Apprenticeship Levy scheme.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

The IAAM is in the process of resolving an issue in respect of the Assistant IAAM post. It is anticipated that while she obtains the required audit qualification allowing her to move to the next spinal point, an honorarium be paid in recognition of the additional duties currently being undertaken. It should be noted that this does not affect the overall outcomes and recommendations contained within this report.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has contributed to this report, which is in her name (as s151 Officer).

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS
Public Sector Internal Audit Standards

Contact Officer: Nadine Muschamp
Telephone: 01524 582117

Local Government application note for the UK
Public Sector Internal Audit Standards

The Accounts and Audit Regulations 2015

E-mail: nmuschamp@lancaster.gov.uk

Ref:

AUDIT COMMITTEE**21 February 2018****Audit Committee Terms of Reference****Report of Internal Audit & Assurance Manager****PURPOSE OF REPORT**

Annual Review of Audit Committee's Terms of Reference

This report is public**RECOMMENDATIONS**

- (1) That the proposed revision of the Audit Committee's Terms of Reference be accepted and recommended to full Council for adoption.
- (2) That the terms of reference be reviewed later in the municipal year following the publication of CIPFA's Audit Committee's: Practical Guidance for Local Authorities and Police (2017 Edition).

1.0 Background

- 1.1 Audit Committees are a key component of corporate governance. Their overall purpose being to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.
- 1.2 In 2013, CIPFA issued practical guidance for Audit Committees and provided local authorities with a suggested terms of reference setting out the purpose and the core functions required. The terms of reference state that 'The purpose of an Audit Committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes'.

2.0 Proposed Revision

- 2.1 Since its last review in 2015, there is only one proposed change to the Audit Committee's terms of reference (paragraph 8.23) in relation to the Committee undertaking the annual review of the council's use of the Regulation of Investigatory Powers Act (RIPA) 2000. CIPFA are in the process of reviewing current Audit Committee guidance, which will be published later in the year. The amended terms of reference is attached as Appendix A.

3.0 Details of Consultation

3.1 None specifically regarding this report.

4.0 Options and Options Analysis (including risk assessment)

4.1 The options available are to accept the proposed revisions to the terms of reference for recommendation to Full Council, or recommend alternative wording if necessary.

4.2 In addition, to agree that the terms of reference be reviewed later in the municipal year following the publication of CIPFA guidance, or wait until the next review in February 2019.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Contact Officer: Joanne Billington
Telephone: 01524 582028
E-mail: jbillington@lancaster.gov.uk
Ref:

Audit Committee Terms of Reference – Current Revision**SECTION 8 – AUDIT COMMITTEE**

Composition: 7 Members of the Council on a PR basis, Chairman and Members of the Committee appointed by Council annually. The Chairman must not be a member of Cabinet or Overview and Scrutiny. Changes can be made by Council during the course of the year.

Terms of Reference

- 8.1 To review all matters relating to Internal and External Audit. It will have the right of access to all the information it considers necessary and can consult directly with Internal and External Auditors.
- 8.2 To monitor arrangements for discharging the Council's responsibilities for efficient and effective financial and operational resource management. In pursuing this aim, it will consider:-
 - the soundness, adequacy and application of controls;
 - compliance with policies, procedures and statutory requirements;
 - arrangements for safeguarding the Council's assets and interests;
 - the integrity and reliability of management information and financial records;
 - the economic, efficient and effective use of resources.
- 8.3 To approve a Statement of Purpose for the Audit Committee.
- 8.5 To approve Internal Audit plans.
- 8.6 To monitor Internal Audit's progress with the annual Audit Plan, evaluating the effectiveness of Internal Audit and the use of audit resources and approving adjustments to the Audit Plan.
- 8.7 To receive and review the findings of both Internal and External Audit examinations and to ensure that management takes appropriate action to implement agreed recommendations and to remedy any internal accounting, organisational or operational control weaknesses identified.
- 8.8 To receive the Internal Audit Annual Report and annual controls assurance statement.
- 8.9 To review internal audit's compliance with public sector internal auditing standards or guidance, in accordance with the Accounts and Audit Regulations 2015.
- 8.10 To review and advise full Council on arrangements relating to the appointment of the Council's external auditor under the provisions of the Local Audit and Accountability Act 2014.
- 8.11 To receive and comment upon the External Auditor's Annual Plan, considering the scope and depth of external audit work and to ensure it gives value for money.
- 8.12 To monitor the External Auditor's progress with the Annual Plan.
- 8.13 To receive all scheduled outputs from the External Auditor's work, including the annual Audit Letter.
- 8.14 To review and comment upon liaison arrangements between Internal and External Audit with a view to optimising the effective deployment of audit resources.

- 8.15 To evaluate the adequacy and effectiveness of the Council's financial and operational policies and procedures including financial and accounting management through discussions with the External Auditors, Internal Auditors and appropriate officers.
- 8.16 To consider and endorse amendments to the Council's Financial Regulations and Contract Procedure Rules and, on behalf of full Council, give any instructions to the Section 151 Officer as may be appropriate.
- 8.17 To approve the annual Statement of Accounts on behalf of full Council in accordance with the Accounts and Audit Regulations 2015.
- 8.18 To monitor the effective development and operation of risk management and corporate governance by considering the effectiveness of the Council's adopted local Code of Governance. Also to oversee the production of the authority's annual Governance Statement in accordance with the Accounts and Audit Regulations 2015 and recommend its adoption.
- 8.19 To prepare an Annual Report to full Council setting out the committee's work and performance during the year and to refer to Council any matters it shall see fit.
- 8.20 To review any issue referred to it by the Chief Executive or any Council body.
- 8.21 To consider any matters referred to it by the Monitoring Officer in accordance with Overview and Scrutiny Procedure Rule 12.
- 8.22 With the Monitoring Officer to monitor and review the operation of the Constitution to ensure the aims and principles of the Constitution are given full effect.
- 8.23 To undertake the annual review of the council's use of the Regulation of Investigatory Powers Act 2000 (RIPA), ensuring compliance with the Code of Practice
- 8.24 With the exception of those parts of the Constitution which are assigned specifically to the Council Business Committee, to consider and propose to Council any other amendments to the Constitution as necessary.

AUDIT COMMITTEE**21 February 2018****Internal Audit Charter****Report of Internal Audit & Assurance Manager****PURPOSE OF REPORT**

Annual Review of the Internal Audit Charter

This report is public**RECOMMENDATIONS**

(1) That the Audit Committee agree the Internal Audit Charter (Appendix A).

1.0 Background

1.1 In accordance with Internal Audit Standards¹, the Internal Audit Charter should be reviewed periodically. The Audit Charter was last approved by the Audit Committee at its meeting on 18 January 2017.

2.0 Report

2.1 A review of the Audit Charter has identified that a few minor changes need to be made to the document at section 5.4 'Internal Audit Independence and Objectivity', namely:

- Alterations reflecting changes in the role of the deputy section 151 post. This role no longer sits with the Head of Internal Audit and Assurance; and
- Alterations reflecting changes to the functional and operational management of the Council's corporate Information Governance function. This now sits with the Chief Officer (Governance).

2.2 Any reference to the existence of the Internal Audit Manual have also been removed from the Audit Charter (3.2 & 3.3). It is felt the audit manual is merely a duplication of all the documents and information that are approved by the Audit Committee in accordance with the Audit Committee work programme, all of which are all available on either the Council's Internet or Intranet.

2.3 Members are asked to consider the changes and approve the revised Charter.

3.0 Details of Consultation

3.1 Management Team have been consulted in developing the Internal Audit Charter.

¹ Public Sector Internal Audit Standards

4.0 Options and Options Analysis (including risk assessment)

- 4.1 The options available to the Audit Committee are to:
- a) approve the Audit Charter, either as presented, or with suggested changes; or
 - b) propose an alternative course of action.
- 4.2 Option a) is the preferred option as it will provide the council and its Internal Audit function with the basis for continued compliance with established Internal Audit standards.

5.0 Conclusion

- 5.1 It is timely and appropriate to update the council's Internal Audit Charter; this is a key component in establishing compliance with professional standards for internal audit.

**CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Not applicable.

FINANCIAL IMPLICATIONS

None directly arising from this report.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

None directly arising from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Public Sector Internal Audit Standards
Local Government Application Note for the UK PSIAS - (CIPFA, in collaboration with the Chartered Institute of Internal Auditors)

Contact Officer: Joanne Billington
Telephone: 01524 582028
E-mail: jbillington@lancaster.gov.uk
Ref:



LANCASTER CITY COUNCIL INTERNAL AUDIT CHARTER

**TO BE APPROVED BY AUDIT COMMITTEE 21 FEBRUARY 2018
DRAFT - VERSION 4.01**

Revision History

Date of this revision:

Revision Date	Summary of Changes	Version
14/11/07	Initial Draft	0.01
23/01/08	Approved by Audit Committee	1.00
06/06/13	Complete Re-draft – to take account of PSIAS requirements	1.02
26/06/13	Approved by Audit Committee	2.00
17/12/13	Amendments arising from review of PSIAS etc	2.01
19/12/13	Further amendments	2.02
22/01/14	Approved by Audit Committee	3.00
21/09/16	Review amendments (DA and DCW)	3.01
18/01/17	Approved by Audit Committee	4.00
03/01/17	Review amendments (DA and JB)	4.01

Distribution

Name	Title
Internally via Intranet	Internal Audit Charter

Approvals

Name	Date Approved	Link to Approval Minutes	Version
Audit Committee	23/01/08	Minute 31 2007/08	1.00
Audit Committee	26/06/13	Minute 9(2) 2013/14	2.00
Audit Committee	22/01/14	Minute 21(2) 2013/14	3.00
Audit Committee	18/01/17	Minute 29 2016/17	4.00
Audit Committee	21/01/18		5.00

INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 Internal Audit in local authorities is a statutory function, required under section 5 of the Accounts and Audit Regulations 2015. Section 5 requires that local authorities to which the Regulations apply “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”
- 1.2 From 1st April 2013, “public sector internal auditing standards or guidance” are defined as those set out by the UK Public Sector Internal Audit Standards (PSIAS). The standards combine best practice from the global and private sector experience of the Institute of Internal Auditors (IIA), with the UK public sector expertise of CIPFA and other audit bodies in the public services and form the benchmark against which local authority internal audit services are assessed.
- 1.3 The Standards comprise a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all internal auditors working in the UK public sector.

2. Definition of Internal Audit

- 2.1 The PSIAS define internal auditing as “*an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*”

3. Framework for Internal Audit

- 3.1 The following diagram sets out the key legislative, professional and organisational elements which create the framework within which internal audit operates.
- 3.2 Whilst the Council’s highest level of commitment to internal audit is set out in the Financial Regulations, it is the Internal Audit Charter which plays the central and most significant role in establishing the internal framework and environment for internal audit. The Audit Charter sets the scene for the production and management of the more detailed elements, including strategic and operational plans, people management and development, and working practices.
- 3.3 Within the overall framework established under the Charter, internal audit is managed and delivered in accordance with more detailed elements including those relating to HR matters (competency framework, Job Descriptions and the Employee Development & Performance Appraisal regime); strategy and planning; and operational management.



4. Key Organisational Roles and Relationships

- 4.1 The PSIAS require that the Internal Audit Charter defines the terms *'Board'* and *'Senior Management'* in relation to the work of internal audit. For the purposes of internal audit work, the *'Board'* is taken to refer to the Full Council, although in practice, the Audit Committee has delegated responsibility for overseeing the work of internal audit, on behalf of full Council. *'Senior Management'* is taken to refer to the Chief Executive and Chief Officers.
- 4.2 The authority has adopted CIPFA's *"Statement on the Role of the Chief Financial Officer in Local Government", 2010*, and the associated *"Statement on the Role of the Head of Internal Audit in Public Service Organisations", 2011*. These statements set out principles and standards for the Chief Officer (Resources) (as CFO and Section 151 Officer) and the Internal Audit and Assurance Manager to act in a mutually supportive way in fulfilling their statutory and professional responsibilities.
- 4.3 Internal Audit supports the Chief Executive, as Head of Paid Service, in providing high level assurances relating to the council's strategy and governance arrangements.
- 4.4 Internal Audit also supports the Monitoring Officer, in discharging his/her responsibilities in maintaining high standards of governance, conduct and ethical behaviour.
- 4.5 The Internal Audit and Assurance Manager is responsible for the effective review of all aspects of governance, risk and internal control across the full range of the Authority's activities.

- 4.6 The existence of Internal Audit does not detract from or diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient, accountable and well-ordered manner.
- 4.7 Internal Audit works with, and is accountable to the council's Audit Committee, to ensure it can:
- o rely on the assurances provided by Internal Audit
 - o Rely on the assurances provided in respect of all other aspects of the Council's governance arrangements, to enable them to perform an informed critique of the Annual Governance Statement, on behalf of the Council.

5. Internal Audit Independence and Objectivity

- 5.1 Internal Audit operates independently within the Council to ensure it is able to appraise the Authority's governance, risks and internal control systems in the impartial and unbiased manner essential to the proper conduct of audits.
- 5.2 To ensure this independence, Internal Audit operates within a framework that allows unrestricted access to all council officers, senior management and elected Members. As such, all Internal Audit staff have the right to access all premises, records and documentation held by the council, its officers and Elected Members, and to seek explanations as they see necessary to effectively discharge their duties. This position is supported by §5(2) of the Accounts and Audit Regulations 2015.
- 5.3 The Internal Audit and Assurance Manager will report in his / her own name to officers and Elected Members, as they are charged with maintaining effective governance within the organisation. The work of Internal Audit will be performed and reported in accordance with the direction and agreement of the Internal Audit and Assurance Manager.
- 5.4 Objectivity is preserved by ensuring that internal audit personnel are free from conflicts of interest and do not undertake any non-audit duties. The exception to this being that the Internal Audit and Assurance Manager has functional (though not operational) management of the services provided by the shared Corporate Enquiry Team (CET). Where there is a call for internal audit review and opinion on any area in which the Internal Audit and Assurance Manager has fulfilled an operational role, this will be managed and reported on directly by the Principal Auditor, where possible. If necessary, consideration will be given to procuring audit services from an external source in order to maintain independence.
- 5.5 Where internal auditors have a perceived or real conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit management and supervisory process. Internal auditors are required to declare any potential conflict of interest both on an annual basis, and when they are assigned a particular audit review. The work will then be reassigned to another auditor.

6. Reporting Lines and Audit Reports

- 6.1 The Internal Audit and Assurance Manager reports administratively to the Chief Officer (Resources).
- 6.2 Functionally, the work of Internal Audit is reported in full to senior managers, Members of the Audit Committee and the External Auditor by means of specific reports, and in summary form to Audit Committee via periodic monitoring and activity reports.
- 6.3 The Internal Audit and Assurance Manager and the Chief Executive have mutual direct access to each other as they consider appropriate and hold regular one-to-one meetings, at least quarterly.

- 6.4 The Internal Audit and Assurance Manager and Chairman of the Audit Committee have mutual direct access to each other as they consider appropriate and hold regular one-to-one meetings.
- 6.5 Most internal audit assignments will result in the production of a formal report. Draft reports will be sent to the manager(s) responsible for the area under review for agreement of the factual accuracy of findings and to develop an action plan to address weaknesses in internal controls.
- 6.6 Once agreed, final reports will be copied to the relevant Chief Officer(s), the Chief Executive and the Chief Officer (Resources) as well as Members of the Audit Committee and the External Auditors.
- 6.7 Internal Audit will report regularly on the results of its work to senior management and the Audit Committee, highlighting significant control issues and potential for improving risk management and internal control processes.
- 6.8 Whilst management are responsible for the implementation of agreed actions, follow up work will be performed of agreed action plans to ensure they are being progressed. The Audit Committee will be advised of progress with the implementation of action plans, and the Committee may seek explanations directly from the managers responsible for any delays or failure to implement.

7. Scope of Internal Audit Work

- 7.1 The scope of Internal Audit covers all the council's governance arrangements, procedures for ensuring the effective management of all significant risks and ensuring regularity in all its financial affairs, including achieving value for money.
- 7.2 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis or agreed with the organisation through liaison with the relevant Chief Officer.
- 7.3 Where Internal Audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the Audit Committee and in consultation with the Chief Officer (Resources), to ensure that adequate audit resources remain available to provide assurance over the council's activities. External assurance work will result in a report and assurance statement to the relevant organisation's Board and recommendations to its senior management.
- 7.4 Internal Audit may undertake consultancy work in addition to its primary assurance role and the extent of each type of work will be set out in internal audit plans. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, the Audit Committee will be advised of any consultancy work requested and performed.
- 7.5 Where individual internal auditors undertake non-audit activities, for example in participating in corporate projects in a non-audit role, the auditor involved will not participate in future audits of the service/project area until at least one year has elapsed from completion of the activity.

7.6 The role of Internal Audit in fraud related work is set out in the following Council documents:

- Financial Regulations;
- Anti-Fraud, Bribery and Corruption Policy;
- Raising Concerns at Work Policy; and
- Fraud Response Plan.

7.7 The primary responsibility for maintaining a sound system of internal control, including arrangements to prevent and detect fraud and corruption lies with management. The completion of planned audit work assists this process by highlighting areas where controls are inadequate or are not operating as intended.

8. Internal Audit Obligations and Responsibilities

8.1 The Internal Audit and Assurance Manager is responsible for:

- Developing and proposing the future strategic direction for Internal Audit within the Authority;
- Developing an annual audit plan in the context of the strategic direction and based on an understanding of the significant risks to which the organisation is exposed;
- Managing the provision of a complete professional internal audit service to the authority that is compliant with the PSIAS;
- Monitoring and reporting the performance of the Internal Audit service in accordance with the documented Internal Audit Performance Management Framework;
- Producing and reporting to Audit Committee an annual audit opinion, based on the outcomes of internal audit work conducted throughout the year;
- Providing advice and guidance on risks and the application and development of internal controls;
- Maintaining good working relationships with External Audit based on mutual recognition and respect, leading to a joint improvement in performance and the avoidance of unnecessary overlapping of work;
- Assessing all matters of potential fraud or irregularity in line with the requirement of the Council's Anti-Fraud, Corruption and Bribery Policy. Internal audit will undertake or commission investigations as necessary into such matters and advise the Statutory Officers and Audit Committee of the outcomes.

9. Limitations of Internal Audit Responsibilities

9.1 In seeking to discharge the obligations and responsibilities set out in section 8 above, it should be noted that Internal Audit is not responsible for the following, which are the proper responsibility of management:

- Controlling the risks of the Authority;
- Establishing and maintaining systems of internal control;
- Determining operational policies or procedures; and
- Preventing or detecting fraud and irregularity.

10. Client Obligations and Responsibilities

- 10.1 The effective fulfilment of the objectives of internal audit reviews and the robustness of internal audit assurance opinions requires commitment from the managers of services under review to:
- understand their responsibilities to establish systems of internal control which ensure that activities are conducted in a secure, efficient, accountable and well-ordered manner;
 - identify, evaluate and manage business (including financial) risks on a day-to-day basis;
 - inform Internal Audit of proposed new systems to enable involvement from the outset, the scope of involvement to be mutually agreed;
 - discuss risks identified with the lead auditor at the start of an audit assignment with a view to agreeing the scope, objectives and methodology for the review, to be formalised in the audit brief;
 - agree with the lead auditor the plan for the review including timescales, communication lines and expectations;
 - provide constructive input and adequate resources to complete the review within the agreed timescale;
 - respond to audit requests and documentation on a timely basis ensuring that accurate, up-to-date information is made available to auditors as required;
 - evaluate and take ownership of agreed actions, taking account of risk and cost-effectiveness: and
 - implement agreed actions in line with agreed timescales.

11. Resourcing and Staffing Matters

- 11.1 The Internal Audit and Assurance Manager will hold an appropriate professional qualification (CMIIA, CCAB or equivalent) and have extensive internal audit experience.
- 11.2 Internal audit will be staffed according to the staffing structure as approved by the Chief Officer (Resources) and advised to the Audit Committee and will aim to maintain a suitable mix of experienced and qualified staff. Adequate resources will be maintained to enable meaningful, evidenced assurances to be provided.
- 11.3 The Internal Audit and Assurance Manager will ensure that the Internal Audit service has access to an appropriate range of knowledge, skill, qualifications and experience required to deliver the audit plan.
- 11.4 Individual training needs are established and agreed through the Employee Development and Performance Appraisal (EDPA) process along with the most cost effective means of meeting those needs. As a professional service, staff are expected to actively participate in relevant formal Continuing Professional Development (CPD) schemes.

12. Ethics

- 12.1 The PSIAS contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individuals are also required to adhere to the council's Code of Conduct for Employees and the Codes of Ethics of their professional bodies, where appropriate.
- 12.2 Internal Audit has adopted the PSIAS Code of Ethics. Staff will be required to declare annually any personal interests and certify that they understand and will comply with requirements of the Code.

13. Review

- 13.1 The Internal Audit and Assurance Manager will review this Charter annually and in the event of any substantive changes, present it to the Audit Committee for approval.

AUDIT COMMITTEE**Internal Audit Strategy and Risk Based Plan 2018/19****21 February 2018****Report of Internal Audit and Assurance Manager****PURPOSE OF REPORT**

To seek the Committee's approval for a proposed Internal Audit Strategy and Annual Risk Based Plan for 2018/19

This report is public

RECOMMENDATIONS

- 1. That the Internal Audit Strategy and Risk Based Plan for 2018/19 be approved.**

1.0 Introduction

- 1.1 The terms of reference of the Audit Committee include: "To approve Internal Audit strategic plans and the Annual Internal Audit Plan" (the Constitution, part 3 section 8, TOR 11).
- 1.2 Professional standards for Internal Audit in local government¹ specify that "The Chief Audit Executive (the Internal Audit and Assurance Manager) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."
- 1.3 The standards also specify that "The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities."

¹ *Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013)*

2.0 Proposal Details

Internal Audit Strategy

- 2.1 In accordance with the standards, an internal audit strategy has been incorporated in the risk-based plan. Both documents are attached to this report at appendices A and B.
- 2.2 As the organisation reviews its priorities and continues to respond to continuing financial pressures and political uncertainties, there is an ongoing need to ensure that standards of risk, governance and internal control in the organisation are maintained. Internal audit's strategy aims both to promote these standards and develop the level and quality of independent assurance provided to the organisation on the effectiveness of its arrangements.

Risk Based Plan 2018/19

- 2.3 The risk-based plan submitted at Appendix B takes account of the characteristics and relative risks of the council's activities. The on-going development of assurance mapping has assisted with re-focusing the risk-based plan. Although the plan is specific, it is important to note that it is flexible and should any new risks materialise, consideration will be given to making changes to this plan. The Audit Committee will be informed of any changes made in the future to the approved risk based plan.
- 2.4 Following the retirement of the former Internal Audit and Assurance Manager (IAAM) on the 19 May 2017, interim arrangements were put in place with Wyre Borough Council, providing temporary cover for the senior management responsibilities of the IAAM's post. The audit plan for 2018/19 has been formulated with the assumption that these arrangements will be extended for a further 12 months, subject to Audit Committee approval.
- 2.5 The risk-based plan for 2018/19 is based on estimated available resources of 464 days, this being delivered by the in-house team (2 FTE) plus the input of the IAAM for a further 12 months from the 1 April 2018.

Financial Considerations

- 2.6 The risk based plan for 2018/19 is expected to be delivered within the overall 2018/19 budget for the internal audit and assurance service.

3.0 Details of Consultation

- 3.1 Management Team has been consulted in the preparation of this report. Management Team, statutory officers and senior managers have been consulted in the preparation of internal audit's risk based audit plan for 2018/19.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 Members are invited to comment on and then approve the proposed risk based plan for 2018/19.
- 4.2 There are no alternative options identified.

5.0 Conclusion

- 5.1 Audit strategy and planning are key elements in the provision of an effective internal audit service. The proposed risk-based plan seeks to maintain a firm platform for the ongoing effectiveness and improvement of the council's internal audit service.

**CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

This report has no direct impact on these areas.

FINANCIAL IMPLICATIONS

The annual risk based plan for 2018/19 is expected to be delivered within the overall 2018/19 budget for the internal audit and assurance service.

There are no further financial implications arising from the report at this point.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

None arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

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Internal Audit Strategy

1. Internal Audit Strategy

- 1.1. This strategy is the high level statement of how the internal audit service will be developed and delivered in accordance with its approved terms of reference (the Audit Charter) and how it links to the council's organisational objectives and priorities.

2.0 Service Purpose

- 2.1 The key purposes of the internal audit service are to:

- provide the council* with independent assurance regarding the effectiveness of its systems of risk, governance and internal control;
- support the council in delivering organisational change and its development programme; and
- help the council secure and demonstrate value for money throughout its activities.

* This purpose also relates to Preston City Council with regards to the audit by Lancaster's internal audit of the revenues and benefits shared service arrangements.

3.0 Strategic Aims & Objectives

- 3.1 Internal audit's strategic aims and objectives are defined as:

- promoting and helping develop standards of risk management throughout the council's operations;
- contributing to improving standards of internal control and governance within the authority and its key partnerships;
- developing the corporate 'assurance framework' and coordinating the capture and reporting of sources of assurance;
- developing and supporting managers in the management of risk;
- working closely with the corporate enquiry team to develop programmes of work to combat and reduce the risk of fraud;
- supporting the council in identifying efficiencies and achieving value for money in service delivery; and
- continuing to develop the scope, robustness and effectiveness of internal audit's assurance work.

4.0 Identifying and accommodating significant local and national issues and risks

- 4.1 Emerging local and national issues that might warrant internal audit attention will primarily be identified through:

- contributing to the development, updating and monitoring of the assurance framework;
- reviewing the corporate plan and individual service plans; and

- regular consultation and liaison with Chief Officers, the statutory officers, service managers and the Corporate Management Team.

4.2 This approach will seek to ensure that significant risks are adequately identified, assessed and evaluated in terms of the level of assurance necessary and already available, and will involve:

- tracking corporate policy/priority developments and the decisions taken by the authority's decision-making bodies;
- regular consultation with service managers, the Corporate Management Team and the Audit Committee Chairman;
- regular liaison with other review bodies, especially the Council's external auditor;
- liaison with/considering the approach and work programmes of other internal review bodies, for example the Overview and Scrutiny function;
- liaison with other local government auditors and active participation in local/regional professional groups;
- consideration of key corporate risks; and
- maintaining a professional focus and taking advantage of opportunities for professional updates/development, including continuous professional development where appropriate.

4.3 In line with the Council's developing risk management strategy and associated assurance framework, the risk-based audit plan seeks to provide assurance in areas of significant risk where alternative sources of assurance are not readily available. Typically this will tend to focus on the auditing of "underlying risks", being those risks which are not being addressed by a current corporate or service-based project or initiative. The plan will be reviewed and updated on a rolling basis to accommodate any emerging significant risks and assurance needs identified through an ongoing review of the assurance framework.

4.4 Internal audit activity may involve any one, or a combination of the following:

- a specific piece of internal audit assurance work;
- efficiency/VFM or support work directed at improving the efficiency of existing procedures and/or standards of governance and control;
- contributing to corporate groups/projects/reviews (officer and/or Member based) established for a given purpose/objective.

Category of Audit	Total Days	Internal Audit & Assurance Manager	Audit Team (x2 FTE)
General / Meetings / Non-Chargeable			
Internal Audit Management / Audit Committee work	31	23	8
Advice and assistance	15	0	15
Qualification training	20	0	20
Total	66	23	43
2017/18 Audit Plan work (work rolled forward / work in progress)	22	2	20
Total	22	2	20
Audit Contingencies			
Contingencies for investigations/whistleblowing	20	0	20
Total	20	0	20
Follow Up Work			
Follow up of assurance audits	30	0	30
Total	30	0	30
Financial Systems			
Treasury Management	10	0.5	9.5
Creditors	10	0.5	9.5
VAT	10	0.5	9.5
Payroll	10	0.5	9.5
Insurance (position statement)	10	0.5	9.5
Total	50	2.5	47.5
Core Management			
Canal Corridor North Health Check	5	0	5
Council Housing Assets	12	0.5	11.5
Money Laundering (compliance with new regs)	12	0.5	11.5
Disabled Facilities Grants	10	0.5	9.5
Pre-employment checks	10	0.5	9.5
GDPR compliance	12	0.5	11.5
Ethical Governance Survey	12	0.5	11.5
Economic Development/Regeneration Strategy	12	0.5	11.5
Elections	12	0.5	11.5
Council Housing - compliance work	25	0.5	24.5
White Lund Nursery – cash and banking	5	0.5	4.5
Community Infrastructure Levy	10	0.5	9.5
Pest Control	10	0.5	9.5
Dog Warden Service	10	0.5	9.5
Communications	12	0.5	11.5
Emergency responses (to Flooding)	10	0.5	9.5
ICT related review (software licences, patch management)	15	0.5	14.5
Total	189	8.0	181
Revenue Shared Service Financial Systems			
Council Tax - Lancaster	10	0.5	9.5
Council Tax - Preston	10	0.5	9.5
Housing Benefits - Lancaster	10	0.5	9.5
Housing Benefits - Preston	10	0.5	9.5

Total	40	2	38
Other Areas of Work			
Annual Governance Preparation	13	5	8
Risk management and assurance framework	6	1	5
PSIAS Peer Review - Wyre Borough Council	3	0	3
National Fraud Initiative 2018/19	5	0	5
Supporting Corporate Enquiry Team	20	2	18
Total	47	8	39
GRAND TOTAL	464	45	419