



**Committee:** AUDIT COMMITTEE  
**Date:** WEDNESDAY, 19 FEBRUARY 2020  
**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 27 November 2019 (previously circulated).

3. **Items of Urgent Business authorised by the Chair**

4. **Declarations of Interest**

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

Councillors 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, Councillors 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, Councillors 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. **Audit Committee Terms of Reference** (Pages 3 - 7)

Report of the Internal Audit and Assurance Manager.

6. **Internal Audit Charter** (Pages 8 - 17)

Report of the Internal Audit and Assurance Manager.

7. **Internal Audit Strategy and Risk Based Plan 2020/21** (Pages 18 - 23)

Report of the Internal Audit and Assurance Manager.

8. **Review of the Council's Counter Fraud Policies** (Pages 24 - 56)

Report of the Corporate Fraud Manager.

9. **Strategic Risk Management**

Verbal update from the Internal Audit and Assurance Manager.

10. **Consultation on scale of audit fees for 2020/21** (Pages 57 - 67)

Report of PSAA.

11. **Statement of Accounts 2019/20**

Report from the Council's Section 51 Officer.

Report to follow.

12. **Periodic Private Discussion with the Internal Audit and Assurance Manager**

Discussion with the Internal Audit and Assurance Manager.

**ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

Councillors Paul Stubbins (Chair), Geoff Knight (Vice-Chair), Alan Biddulph, Abbott Bryning, Jason Firth, Oliver Robinson and Malcolm Thomas

**(ii) Substitute Membership**

Councillors Jake Goodwin (Substitute), Tricia Heath (Substitute), David Whitaker (Substitute), David Whitworth (Substitute) and Joanna Young (Substitute)

**(iii) Queries regarding this Agenda**

Please contact Eric Marsden, Democratic Services - telephone 01524 582135, or email [emarsden@lancaster.gov.uk](mailto:emarsden@lancaster.gov.uk).

**(iv) Changes to Membership, substitutions or apologies**

Please contact Democratic Support, telephone 582170, or alternatively email [democraticsupport@lancaster.gov.uk](mailto:democraticsupport@lancaster.gov.uk).

KIERAN KEANE,  
CHIEF EXECUTIVE,  
TOWN HALL,  
DALTON SQUARE,  
LANCASTER, LA1 1PJ

Published on Tuesday 11<sup>th</sup> February 2019.

**AUDIT COMMITTEE****19 February 2020****Audit Committee Terms of Reference****Report of Internal Audit and Assurance Manager****PURPOSE OF REPORT**

Annual Review of Audit Committee's Terms of Reference

**This report is public****RECOMMENDATIONS**

**(1) That the attached Audit Committee's Terms of Reference be accepted and adopted and referred to Full Council for approval.**

**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 March 2018, CIPFA re-issued their practical guidance for Audit Committees (Audit Committees Practical Guidance for Local Authorities and Police) 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'. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

**2.0 Proposed Revisions**

2.1 At its last review in February 2019, a number of changes were made to ensure that the TOR accurately reflected the work of the committee and that it considered the suggested TOR recommended by CIPFA. Since this time, other than the amendments agreed and minuted at the meeting in February 2019, no further amendments to the Committees TOR have been made.

2.2 The 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 terms of reference attached at Appendix A or recommend alternative wording if necessary.

**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**

Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition

**Contact Officer:** Joanne Billington

**Telephone:** 01524 582028

**E-mail:** jbillington@lancaster.gov.uk

**Ref:**

## Audit Committee Terms of Reference

### SECTION 6 – AUDIT COMMITTEE

**Composition: Seven Councillors in political balance. Chair appointed by Council annually.**

**The Chair and Vice Chair must not be a member of the Cabinet or an Overview and Scrutiny Committee.**

**The Committee has the right of access to all the information it considers necessary in connection with the work of the Committee and may consult directly with Internal and External Auditors.**

#### **Statement of Purpose**

- 6.1 The audit committee is a key component of Lancaster City Council's corporate governance. It provides an independent high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 6.2 The purpose of an audit committee is to provide those charged with governance, independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of Lancaster City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

#### **Core Functions**

##### **Governance, Risk and control**

- 6.3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 6.4 To review the annual governance statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account the head of audit's annual audit opinion.
- 6.5 To consider the reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 6.6 To consider the council's arrangements to secure value for money and review assurances and assessment on the effectiveness of these arrangements.
- 6.7 To monitor the effective development and operation of risk management in the council and monitor progress in addressing risk-related issues reported to the committee.
- 6.8 To monitor counter fraud, actions and resources and review the assessment of fraud risks and potential harm to the council from fraud and corruption.

- 6.9 To review the governance and assurance arrangements for significant partnerships or collaborations.

### **Internal Audit**

- 6.10 To approve the internal audit charter.
- 6.11 To review proposals made in relation the appointment of external providers of internal audit services and to make recommendations on their effectiveness.
- 6.12 To approve the risk-based internal audit plan, including resource requirements and the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- 6.13 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 6.14 To approve and periodically review safeguards to limit impairments to independence or objectivity of the internal audit team.
- 6.15 To approve significant changes to the audit plan and resource requirements.
- 6.16 To consider reports from the head of internal audit on the performance during the year. This will include an update on the implementation of agreed recommendations.
- 6.17 To consider the head of internal audit's annual report.
- 6.18 To consider a report on effectiveness of internal audit to support the Annual Governance Statement and also any external assessments of effectiveness; i.e. the quality assessment of internal audit that takes place at least once every five years in accordance with the Public Sector Internal Audit Standards.
- 6.19 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### **External Audit**

- 6.20 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.
- 6.21 To monitor the External Auditor's progress with the Annual Plan.
- 6.22 To consider the external auditors' annual letter and the report to those charged with governance.
- 6.23 To consider specific reports as agreed with the external auditor.
- 6.24 To advise and recommend on the effectiveness of relationships between internal and external audit and other inspection agencies or relevant bodies.
- 6.25 To provide free and unfettered access to the audit committee chair for the external auditors, including the opportunity for a private meeting with the committee.

- 6.26 To consider periodically (at least annually) whether the Auditors appointed to carry out the External Audit function remain independent and objective and, that their judgement in carrying out that role has not been impaired as a consequence of their participation in any non-audits reviews, services or advice provided to the Council.

**Financial Reporting**

- 6.27 To review the annual Statement of Accounts on behalf of full Council in accordance with the Accounts and Audit Regulations 2015.
- 6.28 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 6.29 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.

**Accountability Arrangements**

- 6.30 To prepare an annual report to full Council setting out the committee's work and performance during the year in relation to the terms of reference and to refer to Council any matters it shall see fit.
- 6.31 To review any issue referred to it by the Chief Executive or any Council body.

**Other core functions**

- 6.32 To consider any matters referred to it by the Monitoring Officer in accordance with Overview and Scrutiny Procedure Rule 12.
- 6.33 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.
- 6.34 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
- 6.35 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**

**19 February 2020**

**Internal Audit Charter**

**Report of Internal Audit and Assurance Manager**

**PURPOSE OF REPORT**

Annual Review of the Internal Audit Charter

**This report is public**

**RECOMMENDATIONS**

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

**1.0 Background**

**1.1** In accordance with Public Internal Audit Standards, the Internal Audit Charter should be reviewed periodically. The Audit Charter was last approved by the Audit Committee at its meeting on 20 February 2019.

**2.0 Report**

**2.1** The annual review of the Audit Charter has only identified one minor change in relation to the removal of the 'Fraud Response Plan' at paragraph 7.6. This document has now been incorporating into the Council's Anti-Fraud, Corruption and Bribery Policy.

**2.2** Members are asked to approve the minor change made to the Audit Charter.

**3.0 Details of Consultation**

**3.1** No consultations have taken place when reviewing the Audit Charter.



**4.0 Options and Options Analysis (including risk assessment)**

**4.1** The options available are to either accept the Audit Charter which will provide the council and its Internal Audit function with the basis for continued compliance with established Internal Audit standards or recommend alternative wording if necessary.

**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)

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# **LANCASTER CITY COUNCIL INTERNAL AUDIT CHARTER**

**DRAFT**

**TO BE APPROVED BY AUDIT COMMITTEE 19 FEBRUARY 2020**

## **1. Introduction**

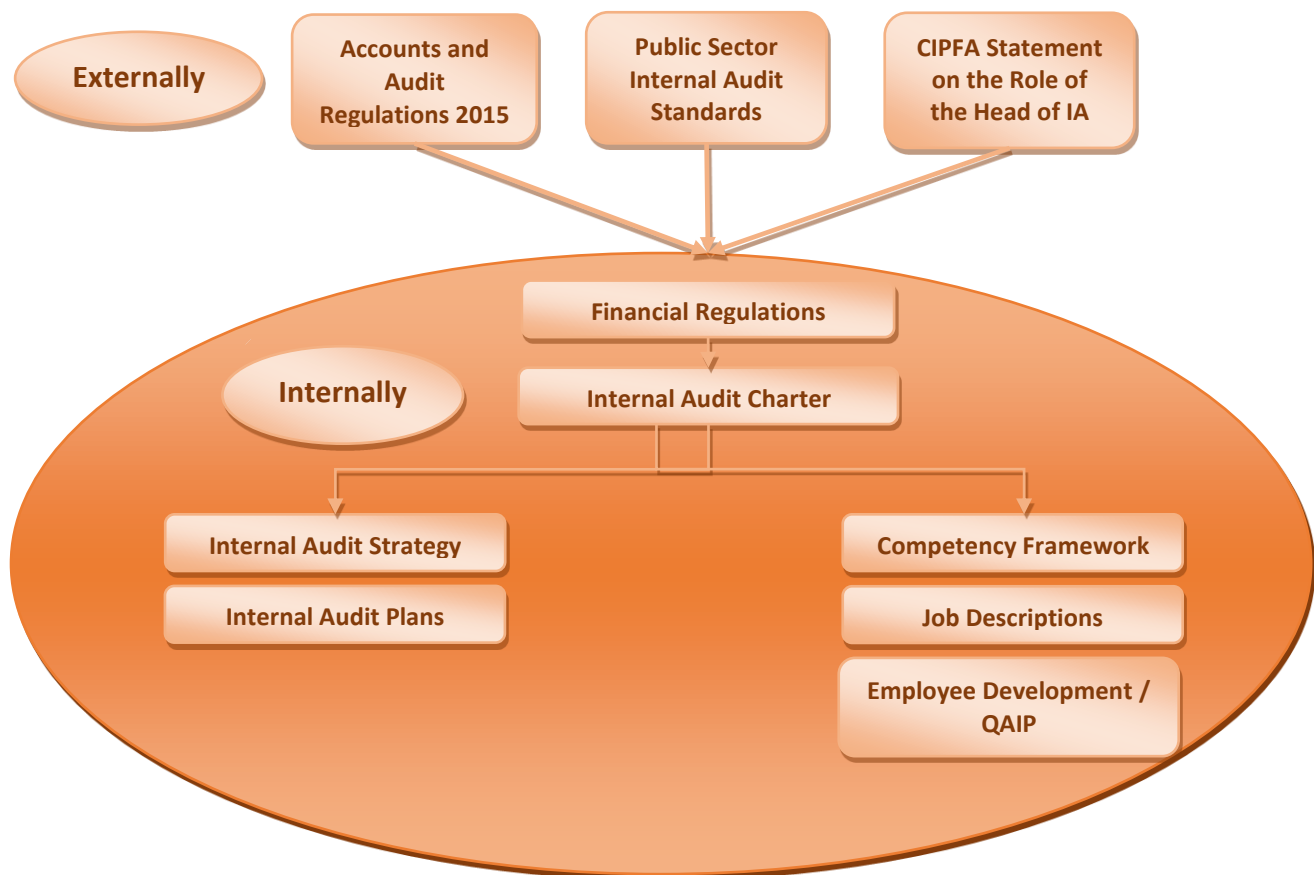
- 1.1 Internal Audit in local authorities is a statutory function, required under section 5 of the Accounts and Audit Regulations 2015. Section 5 requires that local authorities to which the Regulations apply “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”
- 1.2 From 1 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 and 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 the Executive Team.
- 4.2 The authority has adopted CIPFA's *"Statement on the Role of the Chief Financial Officer in Local Government"*, 2016, and the associated *"Statement on the Role of the Head of Internal Audit in Public Service Organisations"*, 2010. These statements set out principles and standards for the 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:
- rely on the assurances provided by Internal Audit; and
  - 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 S5(2) of the Accounts and Audit Regulations 2015.
- 5.3 The Internal Audit and Assurance Manager will report in their 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 another member of the audit team 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 Section 151 Officer.
- 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 the Internal Audit and Assurance Manager attends Executive Team meetings as and when required.
- 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 Section 151 Officer, relevant Directors, Service Managers 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 the Executive Team and the Audit Committee, highlighting significant control issues and potential for improving risk management, governance 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 Director and the Section 151 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 Section 151 Officer 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; and
  - Raising Concerns at Work Policy.
- 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;
  - 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 Section 151 Officer and advised to the Audit Committee and will aim to maintain 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 2020/21****19 February 2020****Report of Internal Audit and Assurance Manager****PURPOSE OF REPORT**

Review of the Internal Audit Strategy and consideration and approval of the annual risk based audit plan for 2020/21

**This report is public**

**RECOMMENDATIONS**

- 1. That the Internal Audit Strategy and Risk Based Plan for 2020/21 be considered and approved.**
- 2. That the Audit Committee approve the appointment of Lancashire County Council Internal Audit Services for the delivery of up to 50 audit days to assist with the delivery of the 2020/21 Audit Plan.**
- 3. That the Audit Committee note that the current arrangements with Wyre Council will continue on a yearly rolling contract for a further three years in relation to the post of the Internal Audit and Assurance Manager (IAAM).**

**1.0 Introduction**

- 1.1 The terms of reference of the Audit Committee include the wording: "To approve the risk-based internal audit plan, including resource requirements and the approach to using other sources of assurances and any work required to place reliance upon those other sources".
- 1.2 Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013) Professional standards for Internal Audit in local government specify that "The Chief Audit Executive (the IAAM) 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.”

## **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 2020/21**

- 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 the council's strategic risk register and assurance mapping has assisted with re-focusing the risk-based plan. Although specific pieces of work have been identified, 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 significant reduction of staffing within the Internal Audit Team over the last three years, subject to Audit Committee approval, arrangements have been made with Lancashire County Council to continue to provide up to 50 audit days to assist in the delivery of the 2020/21 audit plan.
- 2.5 The risk-based plan for 2020/21 is based on estimated available resources of 320 days, this being delivered by the in-house team (220 days – 1 FTE) the input of the IAAM (50 days) and up to 50 days from Lancashire County Council. Assurances sought from the mapping exercise and also the draft strategic risk register allows confidence to be sought that audit coverage is still sufficient to be able to deliver an overall opinion going forward.
- 2.6 The contract with Wyre Council for the post of the IAAM ceased on the 31 August 2019. However a rolling yearly contract has been agreed with the Director of Corporate Services, which will see the continuation of the current arrangements with Wyre Council for a further three years. On that basis, a full year's allocation of 50 days has been allocated to the 2020/21 audit plan for the IAAM.

### **Financial Considerations**

- 2.7 The risk based plan for 2020/21 is expected to be delivered within the overall 2020/21 budget for the internal audit and assurance service.

**3.0 Details of Consultation**

3.1 The Executive Team, which includes the Monitoring Officer and all Service Managers have been consulted in the preparation of the risk based plan for 2020/21.

**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 2020/21 which includes the appointment of Lancashire County Council to assist in the delivery.

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.

<p><b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p>
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<p>This report has no direct impact on these areas.</p>
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<p><b>FINANCIAL IMPLICATIONS</b></p>
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<p>The annual risk based plan for 2020/21 is expected to be delivered within the overall 2020/21 budget for the internal audit and assurance service. Due to a changes in staffing numbers and savings made as a result of these, up to 50 audit days are to be sourced from Lancashire County Council at a cost of £325 p/day (total £16,250 plus VAT). The costs will be met from vacancy savings.</p>
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<p>There are no further financial implications arising from the report at this point.</p>
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<p><b>SECTION 151 OFFICER'S COMMENTS</b></p>
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<p>The Section 151 Officer has been consulted and has no further comments</p>
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<p><b>LEGAL IMPLICATIONS</b></p>
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<p>None arising from this report</p>
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<p><b>MONITORING OFFICER'S COMMENTS</b></p>
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<p>The Monitoring Officer has been consulted and has no further comments</p>
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<p><b>BACKGROUND PAPERS</b></p>	<p><b>Contact Officer:</b> Joanne Billington</p>
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<p>Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note (LGAN)</p>	<p><b>Telephone:</b> 01524 582028</p>
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<p><b>E-mail:</b> jbillington@lancaster.gov.uk</p>
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<p><b>Ref:</b></p>
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## Internal Audit Strategy

### 1.0 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 strategic 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, strategic risk register and individual service plans; and
  - regular consultation and liaison with the External Auditors, Section 151 Officer, Service Managers and the Executive 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 Executive 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; or
  - contributing to corporate groups/projects/reviews (officer and/or Member based) established for a given purpose/objective.

<b>CATEGORY OF WORK</b>
<b><i>General / Meetings / Non-Chargeable</i></b>
Internal Audit management / audit committee work
Advice and assistance
Qualification training / professional development
<b><i>2019/20 Audit Plan work</i></b> (work rolled forward / work in progress)
Property Investment Strategy (PIS)
Financial planning and MTFS
Fixed asset register
Council housing assets
<b><i>Project assurance work</i></b>
Purchase to pay
Payroll e-budgeting
Customer service system replacement (Lagan)
Job evaluation
<b><i>Audit contingencies</i></b>
Contingencies for investigations/whistleblowing
<b><i>Follow-up work 2020/21</i></b>
Procurement and contract management
Fixed asset register (depending on assurance rating)
Financial planning and MTFS (depending on assurance rating)
Legal fees and charges and debt recovery
<b><i>Financial system work</i></b>
Debtors
Budget assumptions
<b><i>Assurance work requested / potential work</i></b>
Community infrastructure levy (CIL)
<b><i>Corporate priorities / ambitions</i></b>
Climate change / carbon neutral work
Healthy and happy communities
Psychological safety / staff wellbeing
<b><i>Service specific work</i></b>
Disaster recovery
Homelessness
CCTV compliance
Festival market
<b><i>Revenue shared service financial systems</i></b>
Housing Benefits - Lancaster
Housing Benefits - Lancaster
<b><i>Other areas of work</i></b>
Brexit preparedness
Use of social media for investigatory work
Compliance with the constitution
Preparation of the Annual Governance Statement
Validation of assurance mapping work

**AUDIT COMMITTEE****19 February 2020****Counter Fraud Policies****Report of Corporate Fraud Manager****PURPOSE OF REPORT**

Annual Review of the Council's Counter Fraud Policies

**This report is public****RECOMMENDATIONS**

- (1) That the Audit Committee approve the refreshed counter fraud policies, namely;**
  - a. Anti-Fraud, Bribery and Corruption Policy; and**
  - b. Raising Concerns Policy (formally Whistleblowing Policy)**
- (2) The Audit Committee note the Sanctions Policy, previously approved by Cabinet.**
- (3) The Audit Committee note the deletion of the Fraud Response Plan.**

**1.0 Background**

- 1.1** The Audit Committee's Terms of Reference state they have a discharged responsibility to "monitor counter fraud, actions and resources and review the assessment of fraud risks and potential harm to the council from fraud and corruption". Given this responsibility, the Audit Committee's work programme includes an annual review of the council's counter fraud policies.
- 1.2** It was identified during the preparation of the 2018/19 Annual Governance Statement that all of the counter fraud policies were out of date and had not been reviewed for some time, namely;
  - Raising Concerns Policy;
  - Anti-Fraud, Bribery and Corruption Policy;
  - Fraud Response Plan; and
  - Sanction Policy.
- 1.3** It was also identified that the ownership and responsibility for these policies sat in a number of places, e.g. Human Resources, Audit and Assurance and the Corporate Fraud Team. To ensure these policies are independently and



consistently applied and reviewed and approved by the Audit Committee on a regular basis, a decision was made to move all the policies stated in paragraph 1.2 under the Corporate Fraud Team.

**2.0 Report**

**2.1** The polices have all been reviewed and a number of changes have been made to each policy to ensure they comply with legislative changes and good practice guidance.

**2.2** A review of the Anti-Fraud, Bribery and Corruption Policy identified that there was significant duplication with the Fraud Response Plan. Therefore, the two documents have now been merged. The Fraud Response Plan has now been deleted.

**2.3** Members are asked to review and approve the refreshed Raising Concerns Policy and the Anti-Fraud, Bribery and Corruption Policy (Appendix 1 & 2) and note the Sanctions Policy (Appendix 3), previously approved by Cabinet.

**3.0 Details of Consultation**

**3.1** Consultations have taken place with Legal Services and the Internal Audit and Assurance Manager when reviewing the counter fraud polices.

**4.0 Options and Options Analysis (including risk assessment)**

**4.1** The options available are to either agree the changes made to the attached polices or recommend alternative wording if necessary.

**5.0 Conclusion**

**5.1** It is timely and appropriate to refresh and bring together all the counter fraud polices which assists the council in demonstrating that arrangements are in place that are designed to promote and ensure probity and propriety in the conduct of its business.

<b>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b>
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Not applicable.
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<b>FINANCIAL IMPLICATIONS</b>
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None directly arising from this report.
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<b>SECTION 151 OFFICER'S COMMENTS</b>
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The Section 151 Officer has been consulted and has no further comments.
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<b>LEGAL IMPLICATIONS</b>
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None directly arising from this report.
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**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

Annual Governance Statement 2018/19  
Action Plan  
Audit Committee Terms of Reference

**Contact Officer:** Joanne Billington  
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**Ref:**

**LANCASTER CITY COUNCIL****ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY****1.0 Definitions**

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines **Fraud** as “*Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss*”. In the UK, the term fraud is used to describe many acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

The Fraud Act 2006 further defines fraud in three classes:

- False representation
- Failure to disclose information where there is a legal duty to do so
- Abuse of position

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

1.3 CIPFA defines **Corruption** as the “*offering, giving, soliciting or acceptance of an inducement or reward which may improperly influence the action of any person*”. The United Nations’ defines it as an umbrella term for a number of delinquent behaviours, including: embezzlement; fraud; bribery; cronyism and nepotism; money laundering; extortion; abuse of position; and improper political funding.

1.4 CIPFA defines **Bribery** as “*an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.*”

1.5 This policy covers all the above and the Council acknowledges and will be vigilant to the fact that that, within these definitions, fraud, theft, bribery and corruption can take many diverse forms.

1.6 This policy is concerned with:

- Acts committed against the Council by individuals or organisations; and
- Acts committed by the Council’s employees, elected Members or contractors in the course of their duties (guidance on issues arising from the private and personal activities of employees which may impinge on the performance of their duties or risk bringing discredit to the Council is contained in the Employees code of conduct and the Members’ code of conduct).

**2.0 Scope of the Policy**

2.1 This Policy applies to all employees, contractors and elected Members of the Council and places expectations on the Council's partners and all individuals and organisations providing services for the Council.

2.2 This Policy sits alongside and is supported by the following Council documents:

- Raising Concerns Policy
- Anti-Money Laundering Policy
- Counter Fraud Sanction Policy
- Code of Corporate Governance
- Officers and Members Codes of Conduct.

**3.0 Commitment and Strategy**

3.1 Lancaster City Council is committed to delivering high quality, value for money services in a fair, open, honest and accountable manner. The Council is determined to protect itself and the public from all forms of fraud, theft, corruption and bribery, including any irregularity and the improper use or misappropriation of the Council's property or resources both from within and outside the Council.

3.2 In support of this commitment, the Council's strategy is to rigorously maintain and develop anti-fraud and corruption arrangements with the following objectives:

Objective	Key Characteristics
<b>Developing a strong anti-fraud and corruption culture</b>	<ul style="list-style-type: none"> <li>• A strong ethical framework – clear rules and procedures</li> <li>• Effective Leadership</li> <li>• Maintaining public confidence in the Council</li> <li>• A sound system of internal control</li> </ul>
<b>Deterring and Preventing Fraud and Corruption</b>	<ul style="list-style-type: none"> <li>• Continuous improvement of arrangements to combat fraud and corruption</li> <li>• Monitoring of potential exposure to fraud and corruption and acting accordingly</li> <li>• Ensuring the integrity of staff appointed</li> <li>• Consultants, contractors and suppliers acting with integrity</li> <li>• Ensuring adequate anti-fraud and corruption arrangements within partnerships</li> </ul>
<b>Raising Awareness</b>	<ul style="list-style-type: none"> <li>• Ensuring elected Members and officers understand the rules, regulations, policies, strategies and expectations placed upon them</li> </ul>

	<ul style="list-style-type: none"> <li>Elected Members and employees understand the risks and recognise their ability to protect the organisation against fraud and corruption</li> </ul>
<b>Maintaining effective reporting arrangements and preventing further loss</b>	<ul style="list-style-type: none"> <li>Ensuring that all genuine suspicions/concerns are raised</li> <li>Maintaining effective reporting arrangements</li> <li>Informing external parties where appropriate</li> <li>Minimising losses once a report has been received</li> </ul>
<b>Facilitating effective investigations and recovery and seeking suitable sanctions and redress</b>	<ul style="list-style-type: none"> <li>Carrying out timely, lawful and effective investigations and minimising impact</li> <li>Seeking appropriate sanctions and redress to deal robustly with the perpetrators of fraud and corruption</li> <li>Maximising the recovery of losses</li> <li>Learning from experience</li> </ul>

3.3 Implementation of the strategy is promoted and supported by an annually updated Fraud Team Business Plan.

3.4 Development of this strategy will be proportional to the risks facing the Council and will be informed by an objective and regularly reviewed assessment of those risks as part of a corporate risk assessment programme.

#### **4.0 Expectations, Responsibilities and Culture**

4.1 The public is entitled to expect Local Government employees and Members to conduct themselves to the highest standards and with the utmost integrity. The Council is determined to adopt a culture and tone around the seven principles of public life: (a) selflessness; (b) integrity; (c) objectivity; (d) accountability; (e) openness; (f) honesty; and (g) leadership.

The Council will convey this commitment through its Code of Corporate Governance.

4.2 In relation to anti-fraud, bribery and corruption Lancaster City Council employees should have particular regard to the Council's Code of Conduct, which is contained within part 4 of the Lancaster City Council Constitution and can be located [here](#)

4.3 The way in which the Council is organised and has defined responsibilities in relation to this policy is set out in the following table:

## Organisation and Responsibilities

Groups / Individuals	Key Roles and Responsibilities
<b>Standards Committee</b>	<ul style="list-style-type: none"> <li>• Setting and monitoring the standards of conduct for elected Members</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Approving the Anti-Fraud, Bribery and Corruption Policy</li> <li>• Monitoring the effectiveness of the Council's strategy and operational arrangements</li> </ul>
<b>Chief Executive</b>	<ul style="list-style-type: none"> <li>• Overall responsibility for the Council's operational procedures</li> <li>• Leading by example through sound ethical behaviour and the promotion of the Council's anti-fraud and corruption arrangements</li> </ul>
<b>Section 151 Officer (Head of Financial Services)</b>	<ul style="list-style-type: none"> <li>• Overall responsibility for the Anti-Fraud, Bribery and Corruption Policy and supporting procedures</li> <li>• Developing and maintaining policies to combat fraud, corruption and other forms of financial crime</li> <li>• Reviewing the Council's exposure to risk and</li> <li>• Ensuring that effective investigation procedures are in place</li> </ul>
<b>Monitoring Officer (Head of Legal Services)</b>	<ul style="list-style-type: none"> <li>• Ensuring that all the Authority's decisions are within the law and statutory codes of practice</li> <li>• Ensuring any actual or potential breaches or acts of maladministration are appropriately reported</li> </ul>
<b>Service Heads</b>	<ul style="list-style-type: none"> <li>• Reviewing their Service's exposure to risk and updating local action plans accordingly.</li> <li>• Leading by example in their service areas through sound ethical behaviour and by promoting the Council's anti-fraud and corruption arrangements</li> </ul>
<b>Internal Audit and Assurance Manager/Fraud Manager</b>	<ul style="list-style-type: none"> <li>• Reviewing the effectiveness of the Council's anti-fraud and corruption arrangements and reporting to the Section 151 Officer, Management Team and the Audit Committee</li> </ul>

	<ul style="list-style-type: none"> <li>• Maintaining a corporate overview of the Council's exposure to risk and advising management accordingly</li> <li>• Overseeing the operation of the Anti-Fraud, Bribery and Corruption Policy and related investigations</li> <li>• Reporting on any corrective measures required which have been identified through internal audit work and investigations</li> <li>• Undertaking investigations into suspected cases of fraud</li> <li>• Maintaining a record of investigations on the fraud case management system</li> <li>• Advising the Head of Human Resources of any investigations involving staff at an appropriate stage</li> <li>• Referring cases to the Police and other external agencies where necessary and appropriate</li> </ul>
<b>Managers</b>	<ul style="list-style-type: none"> <li>• Responding quickly and positively to concerns or allegations</li> <li>• Reporting to the Internal Audit and Assurance Manager immediately any suspected financial impropriety, including fraud or theft and taking all necessary steps to prevent further loss</li> <li>• Establishing and maintaining systems of internal control which effectively manage the risk of fraud or other malpractice</li> <li>• Responding positively to the results of any reviews of their internal control framework by incorporating changes to address any weaknesses found</li> <li>• Communicating to the Council's partners, contractors and suppliers the expectation that they will act with high standards of integrity and ethics</li> </ul>
<b>All employees and elected Members</b>	<ul style="list-style-type: none"> <li>• Managing the risk of fraud</li> <li>• Demonstrating a clear opposition to fraud and corruption through the adoption of procedures and practices which are beyond reproach and by reporting any suspicions</li> <li>• Adhering to legal requirements, the Council's codes, rules and regulations and relevant professional codes of conduct</li> </ul>

<b>Partners, Contractors and Suppliers</b>	<ul style="list-style-type: none"> <li>The Council expects its partners, contractors and suppliers to act with high standards of integrity and ethics</li> </ul>
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## 5.0 Deterrence and Prevention

- 5.1 The Council is committed to continually improving its anti-fraud and corruption arrangements. It will work closely with the police and other external agencies to strengthen and continuously improve its arrangements to combat fraud and corruption and, subject to legal constraints, will share information to support any related national or local initiatives.
- 5.2 The Council will monitor its potential exposure to the risk of fraud and corruption and the adequacy of its policies, systems and procedures to mitigate them. It will ensure there are effective arrangements to identify new and emerging risks and update its policies, systems and procedures accordingly.
- 5.3 The Council is committed to maintaining a strong ethical framework through clear rules, procedures and policies and clear lines of accountability. It will seek to maintain a sound system of internal control which is reviewed regularly by Internal Audit and the Council's external auditors and through the production of an Annual Governance Statement in accordance with the Accounts and Audit (England) Regulations 2011.
- 5.4 The Council is committed to learning from self assessment and independent reviews and will respond positively to recommendations made, by updating its internal control framework.
- 5.5 The Council will take appropriate and proportional action against those engaging in fraudulent or corrupt practices and will consider referral to the Police where appropriate. Any internal action against employees will be in accordance with the Council's Disciplinary Policy and Procedures; Members may be reported to the Standards Committee in accordance with the Constitution; contracts with third parties may be revoked per the formal contract; and the Council may withdraw from partnering arrangements per the partnership agreement. Prosecutions and alternative sanctions will be considered in line with the Councils' Sanction Policy (in relation to counter fraud).
- 5.6 The Council recognises that training and guidance is vital in maintaining the effectiveness of its anti-fraud and corruption arrangements and is committed to ensuring that Members and employees receive guidance, training and support appropriate to their role and areas of responsibility so as to ensure that risks are effectively managed.
- 5.7 The Council is committed to ensuring the integrity of the people it employs through the maintenance of robust recruitment and selection procedures and pre-appointment screening.



- 5.8 The Council will conduct its procurement practices in a fair and transparent manner and will undertake due diligence in evaluating prospective contractors, and suppliers. Contracts will seek to ensure third parties act with integrity and will set out the sanctions, including the termination of any relationship, in the event of the contractor or supplier adopting practices which are inconsistent with this Policy or the Council's Code of Corporate Governance.
- 5.9 The Council is committed to effective partnerships which deliver shared objectives. It will ensure that prospective partnering arrangements are supported by sound business cases and robust risk assessments. Due diligence will be exercised in carrying out proper checks on potential partners and arrangements will be approved through robust decision-making processes. Partnering agreements will seek to ensure that partners act with integrity and in accordance with corporate ethical standards as set out in the Code of Corporate Governance. Through partnering agreements the Council will secure its right to monitor the performance of its partners and agreements will set out the sanctions, including the Council's right to withdraw from the partnership, in the event of deficiencies.
- 5.10 The Council will, where appropriate, publicise the outcome of investigations and any subsequent prosecutions to make people aware of the possible consequences of engaging in fraud or corrupt practices.

## **6.0 Raising Concerns**

- 6.1 The Council's reporting arrangements seek to ensure that the interests of the public and the Council are protected against any form of malpractice that can reduce public confidence in the Council and its services, including acts committed outside of official duties but which may impact upon the Council's trust in the individual concerned.
- 6.2 Members and employees are expected to always be aware of, and vigilant to, the possibility of fraud, corruption, theft, and irregularity or the improper use or misappropriation of the Authority's property or resources. Members and employees are encouraged to report genuine concerns immediately.
- 6.3 The Council positively encourages external organisations and members of the public to raise any concerns they may have.
- 6.4 The Council is committed to taking seriously all concerns which are genuinely raised. It will, where appropriate, take action against those who raise unfounded malicious allegations. In the case of employees this may involve taking disciplinary action against the officer raising the concern.
- 6.5 The Council is committed to maintaining confidential reporting arrangements and anyone with genuine concerns should report them in accordance with guidance available through the following links:

## **7.0 Investigations**

7.1 The Council is committed to carrying out proper, prompt and formal investigations into all reports of suspected fraud, corruption, theft, irregularity or the improper use or misappropriation of the Council's property or resources to minimise and prevent further losses.

7.2 Investigations will be carried out in accordance with relevant legislation, including:

- The Criminal Procedure and Investigations Act 1996
- The Police and Criminal Evidence Act 1984
- The Human Rights Act 1998
- The Regulation of Investigatory Powers Act 2000

### **7.3 Police Investigations**

Where there is Police involvement, the following points should be borne in mind:

- The Police will normally remove original documentation. Copies should, therefore be taken of documents required for operational purposes, prior to them being handed over to the Police.
- All evidence related to the investigation should be stored securely, in such a way as to ensure confidentiality. Depending upon the nature of the irregularity, it may be appropriate to remove documents or software in a way that does not raise the suspicions of the person under investigation.
- It is important to collect as much documentary evidence as soon as possible since the onset of an investigation may trigger its destruction, if this has not happened already.

## **8.0 Sanctions, Redress and Recovery**

8.1 The Council is committed to dealing robustly and appropriately with the perpetrators of fraud and corruption. This may include criminal and/or civil proceedings as well as taking action under the Council's Disciplinary Policy and Procedure, Sanction Policy (in relation to counter fraud) or through the Standards Committee.

8.2 The Council will work with other organisations as necessary to take all reasonable measures to recover any losses arising from fraudulent activity.

## **9.0 Alternative methods for taking a complaint forward**

9.1 If either a member of the public, employee or Council Member feels it is right to take the matter outside these processes, the following are possible ways forward:

- **Your Local Councillor** - If you are unsure how to contact your Councillor please see: [www.lancaster.gov.uk](http://www.lancaster.gov.uk)

- **The External Auditor** - Paul Hewitson (Director) – [www.deloitte.co.uk](http://www.deloitte.co.uk) Tel: 0191 202 5353
- **Your Trade Union**
- **The Police**
- **The Local Government and Social Care Ombudsman** - [www.lgo.org.uk](http://www.lgo.org.uk)
- **Protect** - Protect is a registered charity that promotes accountability and good governance in organisations and responsibility amongst individuals. It can give you free, confidential advice at any stage about how to raise a concern about serious malpractice/wrongdoing at work. It may be contacted by telephone, 020 3117 2520, or by e mail, [whistle@protect-advice.org.uk](mailto:whistle@protect-advice.org.uk)

## Appendix A - Internal Investigations

Prior to the commencement of any investigation the nature of each matter must be determined on its merits, in order to decide upon the course of action to be followed:

- Where a criminal offence is suspected and the matter is potentially of a serious nature, an internal investigation may be undertaken whilst maintaining a close liaison with the Police, (In these cases , it may be appropriate to consider handing the case over to the Police, this may occur at any stage of the Council's own investigation).
- Where there are reasonable grounds to suspect an offence an interview under caution (IUC) must be considered. Any IUC's will comply with the Police and Criminal Evidence Act 1984 codes of conduct.
- Liaison with the Head of Human resources should be undertaken at all stages of the investigation process. This is particularly important where action is required at an early stage, including the possible suspension of the officer involved, in accordance with the Council's disciplinary procedure.
- Where a criminal offence is suspected but the matter is not considered material in terms of value or seriousness (for example petty theft), the matter may be dealt with under the Council's disciplinary procedure.
- Where the incident is not of a criminal nature, it should be dealt with under the Council's disciplinary procedure.
- Within the investigation process an interview may be held in order to gather information and ascertain facts, or more formally to examine and review information, verify and confirm facts, and if appropriate seek explanations for the interviewees conduct/actions
- All relevant facts pertinent to the investigation should be obtained prior to the interview.
- Representation should be offered to the interviewee, in terms of accompaniment by their Trade Union Official, a friend, or other such person. If the interviewee requests representation, the interview should only take place when this representation is adequately provided.
- A management representative should be present, who should have the power to suspend the employee if need be.
- An accurate record must be kept of the interview.
- Legal advice should be sought from the Head of Legal Services on the strength of the evidence obtained.
- Where a decision is made to interview an employee, the arrangements should be made as soon as possible.
- If, during the course of an interview which is not an interview under caution (IUC), it becomes clear that a criminal offence may have been committed, the interviewee must be cautioned before further questioning takes place, in order to comply with the Police and Criminal Evidence Act 1984. It is critical at this point that the suspect is informed that he/she may leave the interview at any time. If he or she does remain they must be informed that they may seek legal advice if they wish.

**Officers undertaking investigations are however advised to terminate the interview immediately and inform the Police should reasonable grounds exist for suspecting that a serious offence may have been committed. Serious**

**offences include either way offences involving fraud or theft with a value of over £50,000, corruption, bribery and conspiracy. The Police will then make the decision as where or not to interview the suspect.**

### **Interview Notes/Statements**

When compiling interview notes or statements regard should be given to the following:

- When an interview with a witness or a suspect takes place, questions and answers must be recorded contemporaneously and the suspect/witness must sign the statement.
- If the suspect/witness refuses to sign the record, this fact must be noted and the interview note signed by the two interviewers. Any other notes from an interview, whether shorthand or longhand, must be kept. Any change in persons in the interview room should be recorded, including time of changes, and people entering and leaving.
- If a statement is obtained from a suspect/witness, it must be kept in the correct format. Specific stationary is available for such records. It must begin with the name and job title of the suspect/witness making the statement and must be dated and timed. The suspect may write the statement or it may be written for him/her. The person giving the statement must not be prompted and they must sign at the bottom of each page and initial every alteration. When the statement has been completed, the suspect/witness must sign after the final word. The interviewer should also witness the suspect's/witness' signature. Where representation has been taken up, the representative should also sign any written statements made by the interviewee.
- The suspect/witness must be allowed to re-read the statement before the final signing and must be allowed to alter anything written. The suspect/witness must initial all amendments.
- It is imperative that record keeping is comprehensive, legible and accurate. It should be noted that all documents, including working papers, might be required as evidence.

An employee must be given every opportunity to explain his/her conduct/actions, and no unfair pressure or method should be used to obtain information. Where applicable, the Police and Criminal Evidence Act 1984 (Code of Practice C) will be followed.

### **Finalising the Investigation**

At the end of the investigation, the Investigating Officer should ensure that a report is produced which sets out all of the facts relating to the case. The subject of the investigation should be provided with a copy of the draft report at this stage, and given the opportunity to comment on, but not change the report. Following which, the final report including the conclusions drawn and recommendations made, should be produced and submitted to the Chief Executive and copied to the relevant Director and Service Head, if appropriate.

Where it is clear that no irregularity has occurred, the suspect must be told as soon as possible and this should be confirmed in writing. If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the person who made the allegation. **If, however, an allegation is suspected to have been**

**made frivolously, maliciously, or for personal gain, disciplinary action may be taken against the accuser.**

When the Service Head has received the advice and conclusions following from the investigation, and where appropriate has sought and received the advice from the Head of Legal Services and Monitoring Officer and the Head of Human Resources, He/she shall take appropriate action without delay.

If it is felt that there is a case to answer, the employee should be informed of the action that the Council proposes to take as soon as possible. If disciplinary action is to be considered, the Council's disciplinary policy must be carefully followed. If the Council is satisfied that an irregularity has occurred, and the Police are notified, the employee should not be suspended indefinitely solely because of subsequent Police investigations and/or court proceedings. Disciplinary proceedings should be completed as a matter of urgency.

Records should be kept at every stage of the inquiry. The employee should be personally informed of the final conclusions of the Council and a formal letter should subsequently confirm these.

Any systems weaknesses highlighted by the investigation should be included in the report and recommendations made as to how they can be overcome. Internal Audit will then obtain management responses to the recommendations made and ensure that a post audit review is carried out at a later date to assess progress in implementing the agreed recommendations. Details of the investigation, its findings and any recommendations will be reported to the Audit Committee as part of the internal Audit reporting procedures.

# **Raising Concerns (formerly “Whistleblowing”) Policy**

## **RAISING CONCERNS POLICY**

- 1. Introduction**
- 2. Aims and scope of this Policy**
- 3. Who is covered by this Policy**
- 4. Safeguards**
- 5. How to raise a concern**
- 6. How the Council, will respond**
- 7. How to take it further**
- 8. The Responsible Officer**

**Appendix A – List of Designated Officers**

**Appendix B – List of Regulatory Bodies**

**IMPORTANT**

**This Policy affects you. Please read it carefully.**

The law requires the Council to protect you should you raise a concern internally within the Council if you know or suspect that:

- **Possible corruption or malpractice is taking place**
- **The law or Council rules are being broken**
- **The health and safety of any person is being endangered**
- **Damage to the environment is taking place**

## **1.0 INTRODUCTION**

- 1.1 All of us might at some time have concerns about what is happening at work. Employees, members, or contractors are often the first to realise that there may be something seriously wrong within the Council. Usually these concerns are easily resolved. However when they are major concerns about serious malpractice, unlawful conduct, financial irregularities or dangers to the public or the environment, it can be difficult to know what to do. You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the Council. You may also fear harassment or victimisation. In these circumstances, it may appear easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2 Lancaster City Council is genuinely committed to providing an environment of openness and accountability where individuals feel that they are able to raise concerns regarding serious malpractice. We would encourage all employees, members, or contractors with serious concerns about any malpractice in the form of irregularity, wrongdoing or serious failures of standards of work, to come forward and voice those concerns. Therefore, the Council has introduced this policy and procedure to enable you to raise your concerns about such possible malpractice at an early stage and in the right way. If something is troubling you, which you think we should know about or look into, please use this procedure. If you follow its advice, the Council assures you that your concerns can be raised in confidence, as far as possible, and without any fear of reprisal. This policy is intended to encourage and enable employees, members, or contractors to raise serious concerns within the Council rather than overlooking a problem or blowing the whistle outside.
- 1.3 Employees should note that the Public Interest Disclosure Act 1998 and the Enterprise and Regulatory Reform Act 2013 have amended the Employment Rights Act 1996. The legislation provides protection for workers who raise legitimate concerns in the public interest about malpractice/wrongdoing. This Raising Concerns Policy has been drawn up to enable you to raise concerns without fear of reprisal and to ensure that they are dealt with effectively by the Council. This policy supports the Council's Anti Fraud, Bribery and Corruption Policy. In some organisations a policy such as this is known as a "Whistleblowing Policy"



1.4 If in doubt – raise it.

## 2.0 AIMS AND SCOPE OF THIS POLICY

2.1 This policy aims to:

- Encourage you to feel confident in raising serious concerns and to question and act upon concerns about misconduct or malpractice;
- Provide avenues for you to raise those concerns internally and receive feedback on any action taken, and to provide information about how, in exceptional circumstances, matters can be raised externally;
- Reassure you that genuine concerns will be taken seriously and in the interests of all concerned will be dealt with properly, quickly and discreetly;
- Ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied;
- Reassure you that as much as possible will be done to protect confidentiality, and that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in good faith;
- Reassure you that procedures for raising concerns can be independent from line management; and
- Advise and remind employees that the detrimental treatment of colleagues who raise concerns may be considered a disciplinary matter

2.2 There is a difference between a grievance and a “raising concerns” disclosure.

A grievance will concern an employee personally, i.e. the individual may have a complaint about their working conditions, their pay or working hours or the amount of work that they are expected to do. This is not a “raising concerns” matter and should not be reported as such.

A disclosure will be made in the public interest and will concern the conduct of another person or persons in the workplace, whether or not that conduct affects the complainant personally.

There are existing procedures in place to enable you to lodge a grievance relating to your own employment. This policy is intended to cover major concerns that fall outside the scope of other procedures. These concerns may include:

- Conduct which is an offence or a breach of law;

- Disclosures related to miscarriages of justice;
- Health and safety risks, including risks to the public as well as other employees;
- Damage to the environment;
- The unauthorised use of public funds;
- Non-compliance with Council rules, policies and procedures;
- Unauthorised use or misuse of the Council's financial or other resources, including information;
- Possible fraud and corruption;
- Sexual or physical abuse of clients;
- Other inappropriate or unethical conduct, or
- The deliberate concealment of information about any of the above.

2.3 Thus, any serious concerns that you have about any aspect of service provision or the conduct of officers or members of the Council or others acting on behalf of the Council, can be reported under the Raising Concerns Policy. This may be about something that:

- Makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to; or
- Is against the law or against Council's Procedural Rules or Financial Regulations and
- Policies; or
- Falls below established standards of practice; or
- Amounts to improper conduct.

The overriding concern should be that it would be in the public interest for the malpractice to be corrected and, if appropriate, sanctions applied.

### **3.0 WHO IS COVERED BY THIS POLICY**

3.1 This policy applies to all employees, elected Members and those contractually working for the Council on its premises, for example, volunteers, agency staff, builders and drivers. It also covers suppliers and those providing services under a partnership arrangement with the Council. Members of the public are also encouraged to report their concerns via this Policy.

### **4.0 SAFEGUARDS**

#### **Preventing Harassment or Victimisation**

4.1 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. If you raise a genuine concern under this policy, you will not be at risk of losing your job. Provided you are acting in good faith, it does not matter if you are mistaken; no action will be taken against you.

The Council has a “*Dignity at Work Policy*”. This policy makes it clear that the Council will not tolerate harassment or victimisation. The Council will take action to protect you when you raise a concern in good faith.

- 4.2 This does not mean if you are already the subject of any disciplinary or redundancy procedures, that those procedures will be halted as a result of the raising a concern. It should also be noted that these arrangements do not guarantee protection for any substantive misconduct which you may have been involved in.

### **Raising a Concern Openly**

- 4.3 The best culture is where an employee who has a concern feels it is safe and acceptable to raise the concern openly (where those involved know what the issue is and who has raised it). This openness makes it easier for the Council to assess the issues, to work out how to investigate the matter, to get more information, to understand any hidden agendas, to avoid witch hunts and to minimize the risk of a sense of mistrust or paranoia developing.

### **Raising a concern confidentially**

- 4.4 While openness is the ideal, the Council recognises that employees may nonetheless want to raise a concern in confidence under this policy. If you ask us to protect your identity by keeping your confidence, we will not disclose it without your consent unless required by law.

### **Anonymous Allegations**

We hope you will feel able to put your name to your allegation as concerns expressed anonymously are much less powerful. However, they will be considered at the discretion of the Council.

- 4.5 In exercising the discretion, the following factors will be taken into account:-
- the seriousness of the issues raised;
  - the credibility of the concern; and
  - the likelihood of confirming the allegation from attributable sources.

### **Untrue Allegations**

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

## **5.0 HOW TO RAISE A CONCERN**

- 5.1 As a first step, we would hope that you feel able to raise concerns initially with:-

- your Supervisor;
- your Line Manager;
- your Chief Officer; or
- your trade union representative;

- 5.2 This may be done orally or in writing. At this stage you should indicate if you want to raise the matter in confidence so that appropriate arrangements can be made when taking a matter forward. If your concern is serious or you suspect that your immediate management are involved, then please raise it with one of the designated officers listed at Appendix A.
- 5.3 Alternatively, you may wish to raise your concern with your local Councillor, who can then advise you on taking the matter forward and with whom it is most appropriate to do so.
- 5.4 Protect is a registered charity that promotes accountability and good governance in organisations and responsibility amongst individuals. It can give you free, confidential advice at any stage about how to raise a concern about serious malpractice/wrongdoing at work. It may be contacted by telephone, 020 3117 2520, or by e mail, [whistle@protect-advice.org.uk](mailto:whistle@protect-advice.org.uk)
- 5.5 Whilst it is not necessary to put concerns in writing, the Investigating Officer will need to keep details of the background and history of the concern. You will need to provide names, dates and places where possible, and the reason why you are particularly concerned about the situation. If you do not feel able to put your concern in writing, you can telephone or meet the appropriate officer. The earlier a concern is expressed, the easier it is to take action.
- 5.6 You are not expected to prove beyond doubt the truth of an allegation, but you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.
- 5.7 YOU CAN OBTAIN HELP, ADVICE AND GUIDANCE ON RAISING CONCERNS FROM ANY OF THE OFFICERS LISTED IN PARAGRAPH 5.1, OR THE DESIGNATED OFFICERS (as Appendix A).
- 5.8 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns. However, you should be careful not to convey the concern to anyone other than someone who has a right to know or the proper authority to deal with the concern. If the concern relates to fraud, you need to be careful that the individual against whom the concern is raised is not accidentally “tipped off”, as incriminating evidence could be destroyed.
- 5.9 If you do not wish to raise the concern personally, you may invite your trade union, professional organisation or local Councillor to raise a matter on your behalf.
- 5.10 If you suspect malpractice of any kind you should not:

- Ignore the matter
- Approach or accuse individuals directly
- Try to investigate the matter yourself
- Convey your suspicions to anyone other than those with the proper authority to deal with the matter
- Be afraid of raising your concern, as this policy will afford you protection.

### **Raising a concern if you work for a Contracting Organisation or Agency or in a Shared Service**

- 5.11 Contractor or Agency workers who become aware of possible malpractice within the Council should raise the problem in writing with the Procurement Manager, Head of Legal Services (Monitoring Officer), the Internal Audit and Assurance Manager or the Fraud Manager.
- 5.12 Employees of a contracting organisation who become aware of possible malpractice within their own organisation should use their own internal procedures for reporting the matter. However, if the issue is not resolved and is affecting the delivery of the Council's services, then the problem should be raised as above.
- 5.13 Likewise, employees who work in a shared service but are not employed by this Council should initially raise any concerns under the relevant policy of their employing Council. However, if they feel unable to do so, or the issues is not resolved, and it affects this Council, then they should raise the matter with any of the officers designated in Appendix A.

### **Procedure for Members**

- 5.14 Elected Members who have a genuine concern about malpractice should raise the concern with the Monitoring Officer.

### **Members of the Public**

- 5.15 The Council encourages those external to the Council who suspect fraud and/or corruption to contact the Internal Audit and Assurance Manager, Fraud Manager or Head of Legal Services (Monitoring Officer).

## **6.0 HOW THE COUNCIL WILL RESPOND**

- 6.1 It is a manager's responsibility:

- to deal with any concerns that are raised with them in accordance with this policy,
- to notify the Monitoring Officer of any concerns that are brought to the manager's attention which cannot be immediately resolved by the manager themselves,

- to ensure that concerns are treated seriously and investigated as appropriate,
- to ensure that appropriate arrangements are made if the individual wishes to raise the matter in confidence, and
- to ensure that anyone raising a concern in accordance with the terms of the policy is protected from reprisal.

6.2 The action taken by the Council will depend on the nature of the concern. The matters raised may:

- be resolved by agreed action without the need for investigation
- be investigated internally;
- be referred to the Police;
- be referred to the External Auditor; or
- form the subject of an independent inquiry

6.3 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns which fall within the scope of specific procedures (e.g. equality issues) will normally be referred for consideration under those procedures. During these initial inquiries, the officer concerned may seek advice from more senior officers, the Monitoring Officer and/or other relevant specialists or professionals within the Council as appropriate whilst protecting details relating to the concern (including your identity) as far as possible.

6.4 Within five working days of a concern being received, the Council will write to you:-

- acknowledging that the concern has been received;
- indicating how it proposes to deal with the matter, and who is dealing with the matter;
- giving an estimate of how long it will take to provide a final response;
- telling you whether any initial enquiries have been made; and
- telling you whether further investigations will take place, and if not, why not (e.g. there is no substantive case, or the matter can be resolved without investigation, or other formal channels should be used to raise the issue.)

6.5 The amount of contact between the officers considering the issues and you, will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.

6.6 When any meeting is arranged, you have the right, if you so wish, to be accompanied by a Union or professional organisation representative or work colleague who is not involved in the area of work to which the concern relates.

6.7 Where an investigation is appropriate, the Monitoring Officer will appoint an appropriate Investigating Officer who will investigate the facts surrounding the initial concern and report his/her findings to the Monitoring Officer. In some circumstances the Investigating Officer may seek information from other officers of the Council or individuals outside the Council. Those asked to provide information will be informed:

- that the information is being requested in connection with an investigation in response to a “raising concerns” complaint;
- if the way in which the information they provide is likely to be used;
- that they have a right to a formal meeting and representation if they wish;
- of the need to maintain confidentiality.

6.8 The Monitoring Officer is responsible for deciding at which point the individual against whom the concern is raised is to be notified of the concern raised and the evidence supporting it. Where the individual has not been notified and the Investigating Officer feels that the investigation cannot progress without such notification, he/she will liaise with the Monitoring Officer.

6.9 If at any time in the course of the investigation there is evidence of criminal activity, the Investigating Officer will inform the Monitoring Officer and a decision will be made as to whether a referral should be made to the Police. If at any time there appears to be evidence of a disciplinary case to answer, the Monitoring Officer will refer the matter to the relevant manager to be dealt with in accordance with the Council’s Disciplinary Policy and Procedure.

6.10 On completion of the investigation, the Investigating Officer will report the facts and his/her conclusions to the Monitoring Officer, who will decide what further action, if any, is required.

6.11 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise you about the procedure.

6.12 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will receive information about the outcomes of any investigations. Where working practices have been found to be at fault, you will be informed as to what action has been taken to correct them. However, it may not be possible to tell you the precise action being taken where this would infringe a duty of confidence owed by the Council to someone else.

## **7.0 HOW THE MATTER CAN BE TAKEN FURTHER**

7.1 This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes you will be satisfied. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:-

- The External Auditor (if you believe that there has been financial or procedural impropriety). Paul Hewitson (Director) – [www.deloitte.co.uk](http://www.deloitte.co.uk) Tel: 0191 202 5353.
- Lancashire Constabulary (if you believe that a criminal act has been committed). Tel 101
- Your Solicitor (if you believe that you have suffered loss as a result of what has happened and/or wish to receive further personal advice)
- A relevant professional or regulatory organisation (See Appendix B)

7.2 If you do take the matter outside the Council, you need to ensure that you do not disclose confidential information.

## **8.0 THE RESPONSIBLE OFFICER**

8.1 The Head of Legal Services as Monitoring Officer has overall responsibility for the maintenance and operation of this policy, and will receive copies of all correspondence and documentation relating to any concern raised under the policy. A record of concerns raised and the outcomes will be maintained by him but in a form which does not endanger your confidentiality. He will report as necessary to the Council's Standards Committee, who's Terms of Reference include monitoring and reviewing as necessary the operation of the Council's Raising Concerns Policy.



**Appendix A****LIST OF DESIGNATED OFFICERS**

Name	Position	Contact
Luke Gorst	Acting Head of Legal Services and Monitoring Officer	582024 <a href="mailto:lgorst@lancaster.gov.uk">lgorst@lancaster.gov.uk</a>
Jayne Cordley-Williams	Head of Human Resources	582179 <a href="mailto:jcwilliams@lancaster.gov.uk">jcwilliams@lancaster.gov.uk</a>
Jo Billington	Internal Audit and Assurance Manager	582028 <a href="mailto:jbillington@lancaster.gov.uk">jbillington@lancaster.gov.uk</a>
Paul Thompson	Head of Financial Services and S151 Officer	582603 <a href="mailto:pthompson@lancaster.gov.uk">pthompson@lancaster.gov.uk</a>
Kieran Keane	Chief Executive	582066 <a href="mailto:kkeane@lancaster.gov.uk">kkeane@lancaster.gov.uk</a>

## Appendix B

## LIST OF REGULATORY BODIES

<b>Health and Safety Executive</b>	<a href="http://www.hse.gov.uk">www.hse.gov.uk</a> tel: 0300 0031647 Redgrave Court Merton Rd Bootle Merseyside L20 LHS
<b>The Environment Agency</b>	<a href="mailto:enquiries@environment-agency.gov.uk">enquiries@environment-agency.gov.uk</a> tel: 03708 506506 National Customer Contact Centre PO Box 544 Rotherham S60 1BY
<b>The Information Commissioner</b>	<a href="https://ico.org.uk/">https://ico.org.uk/</a> tel: 0303 123113 Wycliffe House Water Lane Wilmslow SK9 5AF
<b>HM Revenues and Customs</b>	<a href="http://www.gov.uk/government/organisations/hm-revenue-customs">www.gov.uk/government/organisations/hm-revenue-customs</a> tel: 0800 788887
<b>The Food Standards Agency</b>	<a href="http://www.food.gov.uk">www.food.gov.uk</a> <a href="mailto:helpline@food.gov.uk">helpline@food.gov.uk</a> tel: 020 72768829 Floors 6 and 7, Clive House 70 Petty France London SW1H 9EX
<b>Homes England</b>	<a href="mailto:enquiries@homesengland.gov.uk">enquiries@homesengland.gov.uk</a> tel: 0300 1234500 50 Victoria St Westminster London SW1H 0TL
<b>Regulator of Social Housing</b>	<a href="mailto:enquiries@rsh.gov.uk">enquiries@rsh.gov.uk</a> tel: 0300 1245225 Referrals and Regulatory Enquiries Team 1 <sup>st</sup> Floor – Lateral 8 City Walk Leeds LS11 9AT
<b>Lancashire Supporting People</b>	<a href="mailto:sp.team@lancashire.gov.uk">sp.team@lancashire.gov.uk</a> tel: 01772 534266 The Supporting People Team Lancashire County Council Preston PR1 3EA

**Counter Fraud**

# **Lancaster City Council Sanction Policy**

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September 2019

Lancaster City Council is committed to protecting public funds through its investigations into cases of fraud. The Oxford English Dictionary defines fraud as *“Wrongful or criminal deception intended to result in financial or personal gain”*. Fraud may also occur by failure to disclose information where there is a legal duty to do so.

This policy is intended to cover any form of fraud that the Council may consider necessary to investigate. The Council will consider taking enforcement action against any individual or organisation which commits a criminal offence against the Council, (including criminal conduct related to the systems administered by the Authority or any of its partners) or the wider local community.

Areas in which the Council faces the risk of fraud include: (the list should not be considered exhaustive):

- Business Rates
- Council Tax
- Council Tax Reduction Scheme
- Employee Fraud
- Grants
- Insurance
- Mandate Fraud
- Procurement
- Social Housing Fraud

The Council may work with other organisations such as the Department for Work and Pensions, the Police, Home Office, HM Revenues and Customs and other local authorities in order to detect and deter fraud. The work may include joint investigations with them and, where appropriate, assist in any prosecution.

The Council recognises that the use of Simple Cautions, Penalties (as prescribed in the Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013 and the Social Security Administration Act 1992 (as amended) and prosecutions have a key role to play in deterring offenders.

In **all** cases where fraud is identified the Council will consider commencing legal processing to cover the debt from the fraudulent party

This document replaces the Lancaster City Council’s Sanction Policy for the Council Tax Reduction Scheme.

### Course of Action

The initial decision on what appropriate action may be taken lies with (1) the Fraud Manager who will submit a report to (2) the Director of the service affected, making recommendations on the appropriate sanction. If approved, the report will be counter signed by the Director and the approved action will be followed. If it is not approved, a case conference will take place between the recommending officer and the Director to discuss what action, if any, is appropriate.

In the event of the case being submitted for prosecution, the report, together with the investigation evidence, will be submitted to the Council's Governance (Legal) Team who in turn will determination on the institution of legal proceedings.

Consideration will be given to the individual circumstances of each case in deciding the appropriate enforcement action from a range of sanctions.

### **A) Simple Caution**

Where the evidential requirement for a prosecution is satisfied and the offender has admitted the offence, a caution is one of the enforcement actions available to the Council.

Whether an offer of a caution is suitable is an operational decision based on the specific circumstances of the individual case.

#### **The Council may offer a Simple Caution if:**

- The case involves low-level, mainly first-time, offending
- There is an absence of previous warnings, penalties, cautions or convictions
- A penalty is not appropriate
- The overall value of the fraud is below £5,000
- The person's subsequent attitude is one of penitence (eg. genuine expression of remorse for his actions and/or co-operation with the investigation)
- The person is elderly or suffering from either significant mental or physical ill health, but their fraudulent act is considered too serious to go unpunished
- There are no significant aggravating factors such as the person being in a position of trust, sophisticated nature of the offence or significant planning

**If the person refuses the offer of a simple caution the case will usually be referred for prosecution.**

### **B) Alternative Penalties**

The Council may offer an alternative penalty where appropriate and where legislation allows the offer of a penalty. The Council will have particular regard to:

- Circumstances where the case does not involve factors that make prosecution the only realistic option (such as collusion, abuse of position, sophisticated nature or significant planning);

- The loss to public funds;
- Whether the person has no unspent previous convictions; and
- Whether the person has no cautions or alternative penalties within the last two years.

### **Council Tax Support Scheme**

Regulation 11 of The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 allows the Council to offer a penalty of 50% of the amount of excess reduction/overpayment (rounded down to the nearest whole penny) subject to a minimum penalty of £100 and a maximum penalty of £1000 as an alternative to prosecution. The penalty is levied in addition to the amount of excess reduction/ overpayment. Upon accepting the penalty the person has 14 days in which to change their decision.

A penalty may be offered in cases of attempted fraud, as an alternative to prosecution, where an offence of Council Tax Support Scheme fraud has been committed but the fraud is discovered and stopped before any award of Council Tax Support is made. In these cases the amount of the penalty would be £100.

### **Housing Benefit, Council Tax and National Benefits**

Powers to investigate and prosecute benefit fraud now lie with The Department for Work and Pensions. Where an overpayment of Housing Benefit, Council Tax Benefit or National Benefits is also being considered for the offer of a penalty these will be dealt with under the provisions contained in the Social Security Administration Act 1992 (as amended). These penalties will be administered by The Department for Work and Pensions.

If a penalty is not accepted, or it is withdrawn, the Council must consider whether to prosecute, therefore all cases must be up to prosecution standard.

The offer of a penalty should happen at a **special interview**. The person should be told at the interview that:

- It is not an interview under caution
- In light of the evidence available, it is believed there are grounds for instigating criminal proceedings for the alleged offence
- It has been decided to offer them the alternative of agreeing to pay a penalty instead of their case being referred for prosecution
- They will be expected to make a decision on whether to agree to pay a penalty, by the end of the interview
- Acceptance of the penalty is not an admission of guilt

- Recovery of the penalty will occur in the same way as recovery of the overpayment
- They have 14 days in which to change their mind should they accept the penalty

Failure to repay the penalty or default on instalments will result in the person facing civil proceedings for recovery.

The officer who conducted the interview under caution will not conduct the special interview.

### **The Council may consider issuing a penalty if:**

- To the Council's knowledge the person has no previous unspent convictions
- The person has no cautions or alternative penalties within the last two years
- The person has not admitted the offence during an interview under caution
- The excess reduction/overpayment is under £5,000
- A Simple Caution is not appropriate
- The person is elderly or suffering from either significant mental or physical ill health, but their fraudulent act is considered too serious to go unpunished

**If the person refuses the offer of a penalty, the case will usually be referred for prosecution.**

### **C. Prosecution**

The Decision to Prosecute – additional factors:

- The Council shall always consider the principles set out in the Code for Crown Prosecutors. Accordingly, a prosecution will only be started when the case has passed both stages of the Full Code Test: the evidential test; followed by the public interest test.
- Each case will be considered on its own merits to determine the most appropriate course of action.
- In all cases considered for sanction, it is essential that each case is subject to scrutiny on the basis of its own particular details. The circumstances of each individual case will ultimately determine the eventual outcome of this exercise

- It should be noted that it may be appropriate to prosecute or take other sanction action against a person who has attempted to commit a fraud.





# **Consultation on scale of audit fees for 2020/21**

**Opted-in local government and police bodies**

**January 2020**

**Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.**

**In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government authorities for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.**

**From 2018/19 PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.**

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## Consultation on 2020/21 scale of fees

### Introduction

1. This consultation considers the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2020/21 financial statements for local bodies that have opted into Public Sector Audit Appointments' (PSAA) national auditor appointment scheme.
2. PSAA is specified by the Secretary of State for Housing, Communities and Local Government under the Local Audit and Accountability Act 2014 (the Act 2014) and the Local Audit (Appointing Person) Regulations 2015 (Regulations) as the appointing person for principal local government bodies in England, including local police and fire bodies. Under the Regulations we are responsible for consulting on and setting scales of fees for authorities that have opted into our auditor appointment scheme.
3. Scale fees are based on the expected audit work to be undertaken by appointed auditors under the requirements of the:
  - Code of Audit Practice (Code) and supporting Auditor Guidance Notes (AGNs) published by the National Audit Office (NAO);
  - financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC; and
  - professional standards applicable to auditors' work.
4. Other factors that may also need to be taken into consideration in setting the fee scale include changes in audit regulation and inflation. We also take account of the previous year's audits to identify and consider the ongoing implications of any relevant factors that may have emerged.
5. The Regulations require PSAA to set a fee scale before the beginning of the relevant financial year, and that this cannot be amended after the financial year has begun. However, the Regulations allow the audit fee for an individual body to be varied if substantially more or less audit work is required than envisaged by the scale of fees. In some cases this may result in a one-off fee variation affecting a single year, in others it may point to the need for a permanent adjustment to the scale fee for the body concerned.
6. The timing of this year's consultation is slightly later than usual. Under normal circumstances we would have consulted on our approach to the scale of fees for 2020/21 during October 2019 to December 2019. However, we wrote to all S151 officers explaining the need to delay the consultation pending finalisation of the new NAO Code of Audit Practice. The consultation on the Code has now been completed and the new Code was formally laid in Parliament on 22 January 2020. The AGNs that support the Code will provide more detail on the auditor's responsibilities, and we understand that the NAO intends to consult publicly in Summer/Autumn 2020 on them.
7. The background to the 2020/21 fee consultation is unusually turbulent and challenging. Following a number of significant corporate financial failures in the private sector, the Government has commissioned three important reviews. Sir John Kingman has reviewed

audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon has reported on the quality and effectiveness of audit. In addition to these reviews which focus primarily on private sector audit, Sir Tony Redmond is currently reviewing financial reporting and audit in local government and is expected to report later this year.

8. It is not yet clear what the long term implications of these reviews will be. However, the impact of early recommendations has been significant, heightening the pressure on auditors to meet regulatory requirements to deliver audits which reflect greater professional scepticism across all sectors, including local audit.
9. The outworking of these pressures has had a major impact on the conduct of local audits of 2018/19 financial statements, and has highlighted a number of significant underlying challenges for local auditors and/or audited bodies. These include the very tight timetables for preparation of accounts and delivery of audit opinions; recruitment and retention difficulties which are resulting in an increasing shortage of audit resources with suitable experience for local government work; auditor concerns about the quality of some bodies' pre-audit accounts and working papers; and challenges resolving technical issues within increasingly complex accounts. The end result has been a significant number of audit opinions being delayed beyond the 31 July target publication date set out in the Accounts and Audit Regulations.

### Responding to this consultation

We welcome comments on the proposals contained in this document. Please send comments by email to:

[workandfeesconsultation@psaa.co.uk](mailto:workandfeesconsultation@psaa.co.uk)

The consultation will close on **Friday 6 March 2020**.

## Proposed fee scale for 2020/21

10. Setting the fee scale for audits of 2020/21 financial statements is challenging. It requires consideration and assessment of the impact of a range of factors, many of which are difficult to quantify at this stage. They include:
  - issues which have given rise to additional audit work in relation to 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years;
  - new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews highlighted in para 7; and
  - the introduction of the new Code of Audit Practice and related AGNs, the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.
11. Paras 19 to 32 below provide further and more detailed information about some of the potential factors concerned. The list is illustrative rather than comprehensive.
12. The nature of many of the factors highlighted is that their impact is likely to vary from one audited body to another. Even within classes of similar bodies impacts may vary significantly depending upon local characteristics which have implications for audit risks. Importantly, although the new Code and the revised AGNs will clearly apply to all bodies, they may require different levels of audit work depending, for example, on the maturity of the body's value for money arrangements in respect of the specific themes/reporting criteria identified in relation to the new audit commentary, namely financial sustainability, governance and improving economy, efficiency and effectiveness.
13. In PSAA's view, discussions about the impact of the factors outlined needs to take place at local body level between the appointed auditor and an authorised representative of the audited body, such as the chief finance officer. This is the level at which each factor or variable can be considered in the distinctive context of the particular body, having regard to any implications for audit risk and the extent of any additional audit work which may be required to enable an appropriate level of assurance.
14. Our expectation is that such discussions should take place as soon as possible as part of planning discussions for 2019/20 audits and with a specific aim also to look ahead to identify any implications for 2020/21. Where a factor is relevant to the specific body concerned the parties should consider whether any additional audit work is likely to be required and, if it is, whether it is likely to be a one-off response, i.e. in all probability affecting a single audit year, or an ongoing requirement. The former will potentially translate to a one-off fee variation; the latter will logically lead to an ongoing scale fee adjustment.
15. In some cases it may not be possible to quantify the implications for audit work at this stage or perhaps even until the work is done. Nevertheless early discussions will help to align expectations and mitigate the risk of audited bodies being unaware of the prospect of charges for additional work until very late in the audit process - a cause of understandable frustration when it arises.

16. PSAA will consider the reasonableness of any proposed one-off fee variations and/or ongoing adjustments to scale fees arising from these discussions. Ideally the majority of such conclusions will reflect an agreed position which is supported by both the audited body and the auditor. However, even where agreement has been reached, PSAA will review proposals and advise the relevant parties if we have any significant concerns. In the event that authorised representatives and auditors are unable to reach an agreed position, PSAA will arrange a discussion with the parties with a view to determining a fair outcome in relation to any one-off variations or ongoing scale fee adjustments arising.
17. We believe that local discussions of the type outlined will enable an important exchange of views and information between auditor and audited body. As well as addressing the factors listed in this consultation document, it will provide an opportunity for both parties to raise any other issues which they consider to be relevant to the efficient conduct of the 2020/21 audit. The outcomes of the discussion will inform planning and preparation for the audit, and should be reflected in the audit plan submitted to the body's audit committee or other responsible group, ensuring that those charged with governance are appropriately informed.
18. PSAA does not need to increase scale fees for any other pressures affecting the company's own costs including inflation. Accordingly, we propose that the base scale of fees for 2020/21 should remain unchanged from the scale agreed in respect of 2019/20 audits. However, as outlined above, we envisage that local discussions between audited bodies and auditors will lead in some cases to ongoing adjustments to individual scale fees as well as to one-off variations. For transparency, we will summarise the volume and extent of these adjustments and variations as part of our established quarterly audit contract monitoring reporting arrangements ([Quarterly Monitoring Report](#)).

### **Auditors' assessment of risk and complexity – key variables**

19. The paragraphs below provide a summary of some of the variables which may have implications for audit risk and work and which may therefore need to be considered in local discussions between auditors and audited body representatives.

#### Code of Audit Practice and supporting guidance notes

20. Under the provisions of the 2014 Act, the NAO is responsible for publishing the statutory [Code of Audit Practice](#). It also publishes supporting AGNs for auditors. The 2014 Act requires the Code be reviewed and revisions considered by Parliament at least every five years. The current Code came into force on 1 April 2015, and the new Code will apply from 1 April 2020, i.e. from audits of 2020/21 accounts.
21. The current Code requires the auditor to give an opinion on the financial statements of a body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money (VFM). The new Code requires a sharper focus on VFM arrangements, with specific reporting criteria on: financial sustainability, governance, and improving economy, efficiency and effectiveness. The new Code also requires auditors to provide a commentary on their findings, rather than the current requirement to state a conclusion on whether the audited body did or did not have appropriate arrangements in place.
22. The proposed Code states that determining how much work to do on arrangements to secure VFM is a matter of auditor judgement, based on the requirements set out in the

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Code and supporting guidance. Supporting AGNs will be published later in 2020 as referenced earlier in this paper.

23. The extent of any additional work to be required on VFM arrangements will depend on local circumstances and may vary from year to year and from authority to authority. Further, there may be a one-off effect as both authorities and auditors make the transition from old to new requirements and lay the foundations for appropriate audit coverage.
24. Early discussions about the new Code will be helpful. However, definite conclusions about implications for audit risk and workplans will need to await and have regard to relevant guidance (AGNs). PSAA will also be able to consider the impact of the new Code requirements in more depth once the AGNs are finalised. At that stage we may be able to provide indicative ranges in relation to the likely fee implications for different types and classes of body.

## Financial reporting requirements

25. The scale fees reflect the audit work needed at audited bodies based on current financial reporting requirements. Any changes to these requirements may have an implication for the extent of audit work required to deliver an appropriate level of assurance.
26. For example, from 2020/21 the Code of Practice on Local Authority Accounting issued by CIPFA/LASSAC requires the adoption of the requirements of an updated version of IFRS16 on the treatment of leases. The changes to the requirements may mean additional work is needed.
27. The impact of the standard will vary between authorities and accounting periods, based on factors such as the volume of leases and quality of documentation. There may be a greater impact in the first year of implementation of the new standard compared to subsequent years.
28. Auditors will need to have local discussions with individual opted-in bodies about IFRS16 as the bodies will need to disclose the estimated impact in their 2019/20 accounts. These discussions will inform the auditor's judgement about the amount of additional audit work that will be needed for both 2019/20 and 2020/21. Bodies may wish to discuss with auditors if there are any actions which they can take to reduce the extent of additional audit work needed.

## Professional standards applicable to auditors' work

29. Auditors are under increasing pressure to demonstrate greater professional scepticism when carrying out their work, for example, by exercising greater challenge in areas where management makes judgements or relies on advisers/experts. The International Auditing and Assurance Standards Board (IAASB) has revised its standard on accounting estimates, 'ISA 540 (Revised) – Auditing Accounting Estimates and Related Disclosures', to respond to the evolving business environment. The revision is intended to ensure that the standard continues to keep pace with the changing market and fosters a more independent and challenging/sceptical mind-set in auditors. Audit firms in turn have updated their work programmes and reinforced their internal processes to meet the new expectations.



30. ISA 540 (Revised) becomes effective for financial statement audits for periods beginning on or after 15 December 2019 and will therefore apply for 2020/21 audits. The current version of the standard has 23 required procedures for auditors to apply to test each significant estimate in the accounts; the revised standard has 39. These changes are likely to have a variable impact on 2020/21 audit plans depending on the type, number and significance of estimates included in an individual authority's financial statements.
31. More generally, regulatory standards are being raised and seem set to continue to do so in response to widely reported financial failures in the private sector and resulting reviews commissioned by Government. Current regulatory practice is to apply standards to all relevant audits, unless specifically dis-applied or adapted (for example by Practice Note 10).

#### Quality of financial statements and supporting working papers

32. Scale fees are based on the expectation that bodies will provide the auditor with complete and materially accurate financial statements with supporting working papers. Where this is not the case, the auditor may need to undertake further work. Local discussions provide a useful opportunity to anticipate and highlight any issues which may give rise to incomplete or inaccurate accounts and/or supporting papers.

#### **The proposed fee scale for 2020/21**

33. We propose a fee scale for 2020/21 which is unchanged from the fee scale for 2019/20. As outlined above, we have not attempted to make allowance for matters such as those set out in paragraphs 19-32, because their impact will vary from one body to another and therefore requires local discussions between auditors and individual bodies.
34. If an auditor wishes to put forward a proposed adjustment to the scale fee in response to any of the matters set out in paragraphs 19-32 above, or other matters, we will, if time permits, take that into account in finally setting the scale fee before 31 March 2020. Otherwise such proposals will be considered in the usual way as part of the fee variation process.

#### **Fee consultation 2019/20**

35. We invited responses to the consultation on the 2019/20 fee scale from over 480 opted-in bodies and other institutions and received a total of 30 responses. They were generally positive about the proposal not to change the level of scale fees.
36. However, audit providers raised some concerns about the:
  - difficulties created by some very low scale fees, particularly for pension fund audits. Irrespective of size and complexity there are core audit requirements that auditors have to meet to complete an audit which is compliant with the requirements of the Code and professional standards, including the same suite of auditor reports and attendance at similar numbers of meetings with those charged with governance;
  - low hourly rates for charging additional fees – the standard hourly rates provided by PSAA for charging for additional Code related work have been adjusted in line with fee reductions over the years. Several firms challenged the logic of reducing rates in this way, explaining that fee variations increasingly relate to new, higher risk areas

and require expertise from elsewhere in the firm, at rates which routinely exceed audit rates; and

- additional audit work required for a Public Interest Entity (PIE), as this status requires an enhanced audit report. Given its ongoing nature, auditors suggest that these additional requirements should be reflected in adjustments to relevant scale fees rather than via a succession of one-off variations.

37. We accepted that if an audited body becomes a PIE, there is ongoing additional work needed and that a new scale fee should therefore be established. We are also currently exploring a range of issues in relation to scale fees in more detail, and have established a project which will conclude in 2020. The PSAA Board will consider the outcome of this research to determine any improvements that should be made to the processes for setting and varying scale fees including the methodology for making adjustments to any relevant individual scale fees.

### **Fee variations process**

38. Variation requests must be made to PSAA by the auditor using a standard process. The auditor cannot invoice an audited body until PSAA has approved the request.
39. Fees for considering objections will be charged from the point at which auditors accept an objection as valid. Similar arrangements will apply to any special investigations undertaken, such as those arising from disclosures under the Public Interest Disclosure Act 1998.

### **Value added tax**

40. All the 2020/21 fee scales exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

### Next steps

41. PSAA has a statutory duty to prescribe a scale of fees for the audit of accounts of bodies that have opted into its national auditor appointment arrangements. Before prescribing scale fees, we are required to consult opted-in authorities, representative associations of relevant authorities and bodies of accountants.
42. We welcome comments from audited bodies and stakeholders on the proposals outlined in this document. The consultation will close on **Friday 6 March**.

Please send comments or questions by email to:

[workandfeesconsultation@psaa.co.uk](mailto:workandfeesconsultation@psaa.co.uk)

43. Following responses to this consultation, we will publish the final 2020/21 scale of fees for publication in March 2020.
44. If you have complaints about the way this consultation has been conducted, these should be sent by email to [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk).