



Committee: AUDIT COMMITTEE
Date: WEDNESDAY, 23 NOVEMBER 2022
Venue: MORECAMBE TOWN HALL
Time: 6.10 P.M.

A G E N D A

1. **Appointment of Vice-Chair**

To appoint a Vice-Chair for the 2022/23 municipal year (the Vice-Chair must not be a member of Cabinet or Overview and Scrutiny)

2. **Apologies for Absence**

3. **Minutes**

Minutes of meeting held on 20th July 2022 (previously circulated).

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

5. **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.

6. **Internal Audit Progress Report (Pages 3 - 22)**

Report of the Internal Audit and Assurance Manager

7. **Code of Corporate Governance (Pages 23 - 40)**

Report of the Monitoring Officer and S151 Officer

This report was marked "to follow" and published on 18th November 2022.

8. **AGS Action Plan Monitoring** (Pages 41 - 43)

Report of the Monitoring Officer and S151 Officer

This report was marked "to follow" and published on 21st November 2022.

9. **Strategic Risk Management Update** (Pages 44 - 52)

Report of the Chief Executive

10. **Statement of Accounts Update** (Pages 53 - 57)

Report of the Chief Finance Officer

This report was marked "to follow" and was published on 18th November 2022.

11. **External Audit Plan: Year ending 31 March 2022**

Report of the External Auditor

Report to follow.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Paul Stubbins (Chair), Abbott Bryning, Darren Clifford, Sally Maddocks, Geoff Knight, Jean Parr and Peter Yates

(ii) Substitute Membership

Councillors Roger Cleet (Substitute), Jason Firth (Substitute), Erica Lewis (Substitute), David Whitaker (Substitute), John Wild (Substitute) and Joanna Young (Substitute)

(iii) Queries regarding this Agenda

Please contact Democratic Services - email democracy@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

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

MARK DAVIES,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER, LA1 1PJ

Published on 15th November 2022.

AUDIT COMMITTEE**23 November 2022****Internal Audit Progress Report****Report of Internal Audit and Assurance Manager****PURPOSE OF REPORT**

To advise Members of the latest monitoring position regarding the 2021/22 & 2022/23 Internal Audit plan.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

This report is public

RECOMMENDATIONS

(1) **That the latest monitoring position in relation to the 2021/22 audit plan be noted.**

(2) **Audit Plan monitoring**

Mersey Internal Audit Agency (MIAA) were appointed as the Council Internal Auditors in October 2021 and an initial internal audit plan agreed at that time by the Audit Committee. The plan is designed to focus on mandated and core assurances.

As part of the service provision MIAA include a separate progress report to each Audit Committee detailing progress against the agreed plan and highlighting key messages for Audit Committee attention. The report provided this month covers the period May to November 2022.

(3) Management Team and Service Managers continue to be consulted in delivering both the audit plan and the Annual Governance Statement action plan.

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

4.1 There are no other options available.

(5) **Conclusion**

5.1 The programme of audits for the rest of the year continues to be implemented in consultation with Service Managers.

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 s151 Officer has been consulted and has no comments to add

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments to add

BACKGROUND PAPERS

Internal Audit Plans for 2021/22 and 2022/23

Contact Officer: Fiona Hill

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Internal Audit Progress Report Audit Committee (November 2022)

Lancaster City Council

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Your Team

Name	Role	Contact Details
Louise Cobain	Engagement Lead	Louise.Cobain@miaa.nhs.uk 07795 564916
Fiona Hill	Engagement Manager	Fiona.Hill@miaa.nhs.uk 07825 592842

Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

1 Introduction

This report provides an update to the Audit Committee in respect of progress made against the Internal Audit Plans for 2021/22 and 2022/23 and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition, a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period May 2022 to November 2022.

2 Executive Summary

There has been the focus on the following areas:

2021/22 Audit Reviews

MIAA were appointed as the internal audit provider in November 2021 and as such, delivery of the 21/22 Internal Audit Plan did not commence until December 2021. There have been ongoing pressures at the council which have impacted on this delivery.

These reviews will be included in the 2022/23 Head of Internal Audit Opinion.

Since the we last reported our progress to the Audit Committee in May, the following reviews have been finalised:

- **Main Accounting System** (Substantial Assurance)
- **Treasury Management System** (Substantial Assurance)
- **Council Tax** (Moderate Assurance)
- **Conflicts of Interest** (Substantial Assurance)
- **Purchase to Pay System** (Limited Assurance)
- **Business Support Grants** (Substantial Assurance)
- **Risk Management** (No Assurance)

Grant Funding: We have also completed reasonable checks on the Local Authority Test and Trace Support Payment Scheme Funding 2020/21 and 2021/22 submissions along with the Contain Outbreak Management Fund 2020/21 and 2021/22 to ensure that conditions of the fund were met.

The reviews below are currently at draft report stage or are in progress:

	<ul style="list-style-type: none"> • Efficiency Programme Delivery (draft report) • Property Investment Strategy – Capital Schemes (draft report) • Collection of Income and Reconciliations – (draft report) • HR Assurance Review – (work in progress) <p>Appendix C provides details of Key Areas and Actions to be delivered.</p>
2022/23 Audit Reviews	<p>We have started to progress with the 2022/23 audit plan. The following 2022/23 reviews are progressing in fieldwork stage:</p> <ul style="list-style-type: none"> • Data Protection and Policy Follow-up Review • Council Time Recording Systems • IT Resilience/Cyber <p>The following 2022/23 reviews have agreed Terms of Reference and are due to start imminently or are being scoped:</p> <ul style="list-style-type: none"> • Externally Managed Events • CCTV Compliance • Assurance Mapping Exercise <p>Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2022/23.</p> <p>Appendix B provides information on Internal Audit performance.</p>
Follow-up	<p>A summary of the current status of follow-up activity is included in Appendix D, however, we would draw the committee's attention to the following:</p> <ul style="list-style-type: none"> • We have followed up three limited assurance reports from the previous auditors, along with the reports we have recently issued. • There were 73 actions followed up with 20 completed and of the remaining 53, 22 were not due, 11 are in progress and 20 have not yet been started or we are awaiting an update.
Audit Plan Changes	<p>Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.</p>

	<ul style="list-style-type: none"> • We have used the time assigned to Information Governance in the 2021/22 Audit Plan for the work completed on Grant Funding. • We propose to reschedule the Recruitment review from Quarter 3 to Quarter 4. This is due to other reviews already ongoing in HR and the introduction of a new Policy. • We propose to replace the Apprenticeships Review with another review to be advised. This is due to the Council not currently having Apprentices or an Apprenticeship Policy. This is planned to be introduced in 2023/24.
MIAA Quality of Service Indicators	<p>MIAA operate systems to ISO Quality Standards. Public Sector Internal Audit Standards (PSIAS) require MIAA to 'develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.' This programme must include internal and external assessments.</p> <p>External assessments must be conducted at least once every five years. Our last external assessment was completed in 2020 and concluded MIAA fully complies with PSIAS (as previously reported to Audit Committee).</p> <p>We also undertake regular internal assessments to ensure our ongoing compliance with requirements. We have recently completed our annual self-assessment of compliance with PSIAS and can confirm full compliance with PSIAS.</p>
Insights	<p>Collaborative Masterclass Events</p> <ul style="list-style-type: none"> • Digital as Disrupter (24th November 2022) • The Psychology of Leading High Performance Teams (8th December 2022) • Leading for Social Justice and Health Equality (2nd February 2023)

Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

Below sets out the position regarding the 2021/22 Internal Audit reviews. Please note, reviews which were not included in the 2021/22 Head of Internal Audit Opinion*, will be included in the opinion for 2022/23

HOIA Opinion Area	Status	Assurance Level
2021/22 Reviews		
Risk Management	Completed	No Assurance
Main Accounting System	Completed	Substantial Assurance
P2P Systems Assurance	Completed	Limited Assurance
Treasury Management	Completed	Substantial Assurance
Collection of Income & Reconciliations*	Draft Report	
Housing Benefit	To be delivered by Preston City Council	
Property Investment Strategy / Capital Schemes*	Draft Report	
Council Tax*	Completed	Moderate Assurance
NNDR	To be delivered by Preston City Council	
Business Grants	Completed	Substantial Assurance
Efficiency Programme Delivery *	Draft Report	
Effectiveness of HR Arrangements*	Phased review	
Conflicts of Interest & Gifts and Hospitality	Completed	Substantial Assurance

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 2022/23.

2022/23 Reviews		
HOIA Opinion Area	Status	Assurance Level
Risk Management		
Risk Management	Q4	
Risk Based Reviews		
Key Financial Controls	Q4	
Budgeting	Q3	
Project/Contract Management	Q4	
Assurance Mapping	Planning	
Climate Change/Carbon Neutral Work	Q4	
Recruitment	To be moved from Q3 to Q4	
Council Resilience/Emergency Preparedness	Q4	
Apprenticeships	To be replaced	
Time Recording Systems	In progress	
CCTV Compliance	Planning	
Externally Managed Events	Planning	
Data Protection and Policy Follow-up	In progress	
IT Resilience/Cyber	In progress	
Follow Up		
Quarter 2	Completed	N/A
Quarter 4	Scheduled Q4	

Management

Head of Internal Audit Opinion/Annual Report/Annual Governance Statement	Ongoing	N/A
Planning and Management		
Reporting and Meetings		
Contingency		

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	<p>There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.</p> <p>MIAA were appointed as the internal audit provider in November 2021 and as such, delivery of the 21/22 Internal Audit Plan did not commence until December 2021. It was agreed that delivery relating to 21/22 would continue into 22/23. In addition, there have been ongoing pressures at the council which have impacted on this delivery.</p> <p>These reviews will be included in the 2022/23 HoIAO.</p>
Issue a Client Satisfaction Questionnaire following completion of every audit.	Ongoing	Green	Link to questionnaire included within each audit report.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	Main Accounting System			
Executive Sponsor	Head of Financial Services and Section 151 Officer			
Objective	To provide assurance that the Main Accounting System Function was operating effectively to manage the cash flow requirements of the Council			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	2 x Medium	2 x Low
Summary	<p>Overall, the review identified that controls were designed and operating effectively.</p> <p>Control and bank reconciliations were completed timely in accordance with a reconciliation list maintained. The ledger and bank control accounts were all reviewed and approved separate from the original preparer of the reconciliation. The manager was undergoing a separate review of reconciling items on the payroll reconciliations, the approval of these could not be evidenced at the time of the review.</p> <p>Bank reconciliations could be improved, by making items clearer and amounts actioned on a timely basis.</p> <p>The system back up processes were carried out. The general ledger and feeder system interface was carried out with any validation errors held in a suspense account, investigated and cleared following the interface.</p> <p>The general ledger system used, Civica, has an in-built requirement that journals are approved according to a hierarchical structure.</p> <p>The cabinet were found to be involved in discussion and approval of the budget for the periods 2021/22 and 2022/23 and were also involved in regular, quarterly, monitoring of the budget prior to the papers being presented to the Budget and Performance Panel for further review, scrutiny, and acceptance.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Report Title	Treasury Management System			
Executive Sponsor	Head of Financial Services and Section 151 Officer			
Objective	To provide assurance that the Treasury Management Function was operating effectively to manage the cash flow requirements of the Council.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	1 x Medium	4 x Low
Summary	<p>Overall, the review identified that controls were designed and operating effectively to manage the cash flow requirements of the Council. There is adequate segregation of duties within treasury management processes and robust arrangements for monitoring investments to ensure that there remain within the limits prescribed within the Treasury Management Strategy. There were no borrowing transactions in 2021/22 and therefore we were unable to undertake any testing in this area.</p> <p>Reporting to Council met the requirements of the Financial Procedure Rules and Treasury Management Practices. However, the Treasury Management Practices have not been updated since 2011 and do not reflect current working arrangements and the CIPFA updated Treasury Management code.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Report Title	Council Tax			
Executive Sponsor	Head of Financial Services and Section 151 Officer			
Objective	To evaluate the effectiveness of the controls in place to manage key risks that would affect the effective operation of the system for Council Tax.			
Assurance Level	Moderate			
Recommendations	0 X Critical	1 x High	4 x Medium	3 x Low

Summary	<p>Overall, the review identified that there was an adequate system of internal control in place with Preston Council administering the Council Tax provisions on behalf of Lancaster Council.</p> <p>We confirmed that the Councils jointly had in place adequate processes around the collection of Council Tax and sufficient evidence was provided to support discounts and exemptions and debt recovery processes were in place to recover arrears and approve refunds and write offs in accordance with the Council's policies.</p> <p>Our testing further highlighted that Single Person Discounts have not been reviewed in some cases since 2008. Controls could also be further improved by ensuring accurate input of Valuation Office Agency (VOA) information into the academy system, ensuring detailed notes of discounts and exemptions are maintained on property accounts, the council tax suspense account and council arrears are reviewed and cleansed as well as ensuring, going forwards, all reconciliation completed detail the preparer, approver and dates.</p>
Key Risks Highlighted with No Agreed Action	N/A

Report Title	Conflicts of Interest			
Executive Sponsor	Monitoring Officer			
Objective	To evaluate the design and operating effectiveness of the arrangements that the Council had in place to manage conflicts of interest and gifts and hospitality, in line with Local Authority guidance.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	4 x Medium	5 x Low
Summary	<p>Overall, it was found that the Council has an appropriately designed system of control in relation to managing conflicts of interest, although we have noted some areas for further enhancement. The key issues identified related to the operation of the controls in place. The Council had a paper-based system in place to enable Officers and Councillors to declare any conflicts of interests including nil declarations. The Council's Constitution, Councillors' Code of Conduct and Officer Code</p>			

	of Conduct was in place which provided guidance in declaring conflicts of interests.
Key Risks Highlighted with No Agreed Action	N/A

Report Title	Purchase to Pay (P2P) System			
Executive Sponsor	Head of Financial Services and Section 151 Officer			
Objective	To provide assurance that the most significant key controls in the P2P system processes were appropriately designed and operating effectively in practice.			
Assurance Level	Limited			
Recommendations	0 X Critical	3 x High	2 x Medium	0 x Low
Summary	<p>Our review identified weaknesses in relation to the controls in place within the Council's 'purchase to pay system'. We identified three high risk findings in relation to the design and operation of the controls in place which has therefore resulted in an overall limited assurance opinion being provided.</p> <p>Through our testing we found evidence of a lack in the segregation of duties in some areas.</p> <p>Testing also identified that some invoices could not be automatically 'matched' to either a purchase requisition; purchase order or a supporting goods received note and a significant number of supporting goods received notes were dated post the suppliers invoice date.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Report Title	Business Support Grants			
Executive Sponsor	Head of Financial Services and Section 151 Officer			

Objective	To identify and evaluate the controls in place to manage the key risks which could impact the effective operation of the payment of Business Support Grants during the Covid-19 pandemic.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	1 x Medium	3 x Low
Summary	<p>The pandemic resulted in a number of new grant payments being made to businesses, based on central government guidance, administered by local government.</p> <p>The Council ensured that sufficient segregation existed between those staff assessing applications and those authorising payments. National guidance was followed, but the Council did not create procedure documents.</p> <p>The Council undertook the checks for payment of grants on a pre-assurance basis in accordance with Department of Business, Energy and Industrial Strategy (BEIS) guidance. The evidence required for a selection of grants was present in all cases reviewed. However, there was no post assurance system in place to ensure that all grants were paid in accordance with scheme guidelines.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Report Title	Risk Management			
Executive Sponsor	Head of Financial Services and Section 151 Officer			
Objective	To provide assurance on the design and operating effectiveness of the Council's risk management processes.			
Assurance Level	No Assurance			
Recommendations	1 X Critical	4 x High	0 x Medium	0 x Low
Summary	The review identified that there were no or very limited central operational or strategic risk management oversight processes in operation throughout 2021/22. This has given rise to the policy being out of date, an absence of risk management training, the risk			

	<p>management (GRACE) system not being embedded and utilised which has resulted in no update to the Strategic Risk Register and risks and action plans held centrally during 21/22. Furthermore, there is no linkage between the corporate plan and the Strategic Risk Register.</p> <p>It is acknowledged that there are some pockets of risk management in operation, including department risk registers and review of specific areas such as project risks and finance risks, However, these are managed in silo's and there is no central oversight and reporting.</p> <p>The continuing impact of COVID, together with significant staff change within the risk management portfolio has significantly contributed to this position. This has also affected the use of the specifically purchased (2020) electronic risk management system GRACE, which is not yet embedded and utilised.</p> <p>A progress update was provided to Audit Committee in May 2022 by the Section 151 Officer which provided a summary position on overall risk management and acknowledged the current position.</p> <p>Since the report was issued, corporate support for Risk Management practice across the organisation is now within the Office of the Chief Executive. A detailed project plan has been developed to address the issues and recommendations raised within this report</p>
<p>Key Risks Highlighted with No Agreed Action</p>	<p>N/A</p>

Appendix D: Follow-up of previous internal audit recommendations

The status of the actions is as at November 2022

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS			
			✓/S	P	X	Not due	C	H	M	L
Previous Audit Team Reviews										
Debt Legal Recovery Services (2021/22)	5	Limited	2	-	3	-	-	-	-	-
Insurance (2019/20)	11	Limited	7	4	-	-	-	-	-	-
Procurement & Contract Management (2018/19)	18	Limited	1	-	17	-	-	-	-	-
GDPR	Being followed up as a separate review in the 2022/23 Audit Plan									
MIAA Audit Reviews										
Main Accounting System (2021/22)	4	Substantial	1	1	-	2	-	-	-	3
Treasury Management (2021/22)	5	Substantial	2	-	-	3	-	-	1	2
Business Support Grants (2021/22)	4	Substantial	1	-	-	3	-	-	1	2
Council Tax (2021/22)	8	Moderate	1	1	-	6	-	1	3	2
P2P System (2021/22)	4	Limited	1	-	-	3	-	2	2	-
Conflicts of Interest (2021/22)	9	Substantial	4	-	-	5	-	-	1	4
Risk Management (2021/22)	5	No Assurance	-	5	-	-	1	4	-	-
TOTALS	73		20	11	20	22	1	7	8	13

Key to recommendations:

✓/S Implemented or Superseded

- P Partially implemented/recommendation in progress
- X Recommendation not implemented
- ND Not due for follow up
- C Critical priority recommendation
- H High priority recommendation
- M Medium priority recommendation
- L Low priority recommendation

Debt Recovery – Key actions outstanding are regarding putting in place updated guidance and exploring the reporting functions of the systems in use.

Insurance – Key actions are around improvements to be made to the claims spreadsheet. These are all in progress.

Procurement & Contract Management – We are awaiting an update. Actions outstanding are regarding Policies and Procedures and training.

Appendix E: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.
Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function, or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or could have a significant impact upon the achievement of key system, function, or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function, or process objectives. has exposed the system, function, or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function, or process objectives; however, implementation of the recommendation would improve overall control.

AUDIT COMMITTEE**Local Code of Corporate Governance
23rd November 2022****Report of Monitoring Officer & S151 Officer****PURPOSE OF REPORT**

To seek Members' approval of a Local Code of Corporate Governance, which has been prepared in accordance with the statutory guidance.

This report is public

RECOMMENDATIONS

- (1) **That the Local Code of Corporate Governance, at Appendix 1, be approved**

1.0 Introduction

- 1.1 The Council must ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, and used in accordance with its duty under the Local Government Act 1999 to secure continuous improvement in the way its functions are exercised, having regard to economy, efficiency and effectiveness.
- 1.2 It is good practice to have a Local Code of Corporate Governance which enables an improved understanding for members, officers and the public of how the Council discharges its obligations and functions.
- 1.3 In discharging this overall responsibility, the Council must put in place proper governance arrangements for its affairs. The Local Code of Corporate Governance is consistent with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

2.0 Report

- 2.1 The framework was first published by CIPFA/SOLACE late in 2007. This framework has been reviewed by CIPFA and Solace in 2015 and a revised framework published in spring 2016. It details 7 core principles which should form the basis for each council's Local Code.
- 2.2 While the 2016 Guidance is the product CIPFA and SOLACE, it amounts to statutory guidance because Regulation 6(4)(b) of the Accounts and Audit Regulations 2015 requires an Annual Governance Statement to be prepared in accordance with proper

practices in relation to accounts.

2.3 The seven principles are:

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Principle B - Ensuring openness and comprehensive stakeholder engagement.

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle E - Developing the Authority's capacity, including the capability of its leadership and the individuals within it.

Principle F - Managing risks and performance through robust internal control and strong public financial management.

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

2.4 The Council's Monitoring Officer & s151 Officer and have drafted a Local Code of Governance, at Appendix 1 to this report, in accordance with these 7 principles.

3.0 Options and Options Analysis (including risk assessment)

	Option 1: Approve the code	Option 2: Approve the code but with amendments	Option 3: Not approve the code
Advantages	Improved understanding for members, officers and the public of how the Council discharges its obligations and functions.	Improved understanding for members, officers and the public of how the Council discharges its obligations and functions.	None
Disadvantages	None	None	Lack of transparency and trust in how the Council operates
Risks	None	None	Reputational and governance

4.0 Officer Preferred Option (and comments)

4.1 Option 1 - To approve the code as drafted

5.0 Conclusion

5.1 Audit Committee members are asked to consider and approve the Local Code of Corporate Governance at Appendix 1.

<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):</p> <p>The Council must ensure that its business is conducted in accordance with the law and proper standards. A Local Code of Corporate Governance enables an improved understanding for members, officers and the public of how the Council discharges its obligations and functions.</p>	
<p>LEGAL IMPLICATIONS</p> <p>Whilst there is no legal requirement to have a Local Code of Corporate Governance it is considered good practice</p>	
<p>FINANCIAL IMPLICATIONS</p> <p>No direct financial implications arising from this report</p>	
<p>OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces</p> <p>No direct resource implications arising from this report.</p>	
<p>SECTION 151 OFFICER'S COMMENTS</p> <p>The s151 has assisted in drafting this report</p>	
<p>MONITORING OFFICER'S COMMENTS</p> <p>The Monitoring Officer has helped draft this report</p>	
<p>BACKGROUND PAPERS</p> <p>Appendix 1: Local Code of Corporate Governance</p> <p>CIPFA/SOLACE Framework <i>Delivering Good Governance in Local Government.</i></p>	<p>Contact Officers: Monitoring Officer & s151 Officer</p> <p>Email: lgorst@lancaster.gov.uk pthompson@lancaster.gov.uk</p> <p>Ref: N/A</p>

Lancaster City Council

Local Code of Governance 2022/2023

1.0 Introduction

1.1 This Local Code of Governance has been developed from a framework document produced by The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

1.2 The CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016) defines governance as follows:

“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.”

1.3 The framework contains seven principles as follows:

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Principle B – Ensuring openness and comprehensive stakeholder engagement

Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Principle E – Developing the Authority’s capacity, including the capability of its leadership and the individuals within it

Principle F – Managing risks and performance through robust internal control and strong public financial management

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

The diagram below, illustrates how the principles relate to each other.



1.4 The Council is committed to these principles and has adopted them into its Local Code.

1.5 The remainder of this document sets out the local arrangements that support the achievement of these principles. The Council will review the effectiveness of these arrangements against the Framework on an annual basis.

2.0 The Council commits itself to the following principles:

Principle A, Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

In pursuance of this principle we will:

- A1. make a Chief Executive (or equivalent) responsible and accountable to the authority for all aspects of operational management;
- A2. make a senior officer (the Section 151 Officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
- A3. appoint a professionally qualified and experienced Chief Finance Officer (Section 151 Officer), who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds, together with professional accountability for finance staff throughout the Council with regard to CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2016);
- A4. make a senior officer (the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.
- A5. develop and maintain shared values including leadership values and ethics both for the Council and its staff reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the Council;
- A6. use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council

- A7. develop and adopt formal codes of conduct defining standards of personal behaviour;
- A8. develop and maintain an effective standards committee that acts as the main means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture;
- A9. put in place arrangements to ensure that members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice;
- A10. put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice;
- A11. ensure that systems and processes for financial administration and control, protection of the Authority's resources and assets, are designed in conformity with appropriate ethical standards; and are subject to monitoring of their effectiveness;
- A12. put in place arrangements so that conflicts of interest on behalf of members and employees can be avoided and put in place appropriate processes to ensure that they continue to operate in practice;
- A13. put in place effective transparent and accessible arrangements for dealing with complaints;
- A14. actively recognise the limits of lawful activity placed on the Council by the ultra vires doctrine but also strive to utilise the Council's powers to the full benefit of our communities;
- A15. observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the Council's procedures and decision making;
- A16. put in place effective systems to protect the rights of staff. Ensure that policies for whistle blowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistle blowers, are in place;
- A17. put in place effective anti-bribery, fraud and corruption policies that comply with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014);
- A18. use a statement of business conduct to make its expectations clear to partners and external providers of services;

- A19. provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis:
assess the skills required by members and officers and make arrangements to agree a development plan to develop those skills and address any training gaps, to enable roles to be carried out effectively;
- A21. determine a scheme of delegated and reserved powers within the constitution and ensure that it is monitored and updated when required;
- A22. ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications.

Principle B,

Ensuring openness and comprehensive stakeholder engagement

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

In pursuance of this principle we will:

- B1. develop protocols to ensure effective communication between members and officers in their respective roles;
- B2. develop protocols to ensure that the leader and chief executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained;
- B3. ensure that the Council's vision, values, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;
- B4. in pursuing partnerships, agree a set of values against which decision making and actions can be judged in line with and having referred to the Partnership Register and Guidance;
- B5. develop and maintain open and effective mechanisms for documenting evidence for

decisions and recording the criteria, rationale and considerations on which decisions are based;

B6. put in place effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority;

B7. make clear to ourselves, all staff and the community, to whom we are accountable and for what;

B8. consider those institutional stakeholders to whom we are accountable and assess the effectiveness of the relationships and any changes required:

B9. establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;

B10. put in place arrangements to enable the authority to engage with all sections of the community effectively. These arrangements will recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;

B11. develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making;

B12. to put in place measures to ensure freedom of information requests and transparency requirements are adhered to, including publication through the Council's website;

B13. to ensure committee decisions are fully documented through the use of appropriate report templates, agenda submission processes and minutes;

B14. publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance;

B15. promote the use of technology to enhance efficiency and quality of service;

B16. ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications;

B17. when working in partnership, ensure that there is a clear statement setting out the purpose of the partnership and the outputs to be achieved.

Principle C, Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it

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

In pursuance of this principle we will:

- C1. make a clear statement of the authority's purpose and vision and use it as a basis for corporate and service planning. and shaping the Council Plan;
- C2. review on a regular basis the authority's vision for the local area and its impact in the authority's governance arrangements;
- C3. when working in partnership, ensure that there is a clear statement setting out the purpose of the partnership and the outputs to be achieved;
- C4. develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall;
- C5. produce an annual report on scrutiny function activity;
- C6. ensure performance, financial and non-financial, is reported to senior management and Members including action plans where necessary;
- C7. link service plans to agreed measures and targets within the Council plan;
- C8. ensure strategic investment decisions are managed through the capital budgeting process and Medium Term Financial Plan linked to the Council Plan, including the economic, social and environmental impacts;
- C9. ensure committee reports are shared with senior management and portfolio holders as part of the pre agenda submission process;
- C10. ensure that the Council's vision, values, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;
- C11. ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job;
- C12. put arrangements in place to capture and manage risks corporately;
- C13. develop and maintain open and effective mechanisms for documenting evidence for

decisions and recording the criteria, rationale and considerations on which decisions are based.

C14. ensure the Council fully complies with the requirements of the CIPFA Financial Management Code (CIPFA FM Code).

Principle D, Determining the interventions necessary to optimise the achievement of the intended outcomes

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

In pursuance of this principle we will:

D1. decide how the quality of service for users is to be measured and ensure that the information needed to review service quality effectively and regularly is available;

D2. decide how value for money is to be measured and ensure that we have the information needed to review value for money and performance effectively; measure the environmental impact of policies, plans and decisions;

D3. produce timely, accurate and impartial financial information for decision making, enabling the Authority to meet its objectives and providing effective stewardship and value for money;

D4. ensure that effective mechanisms exist to monitor service delivery;

D5. ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications;

D6. produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council;

D7. establish a medium term business and financial planning process in order to deliver a financial strategy ensuring sustainable finances, a robust annual budget process ensuring

financial balance and an adequate monitoring process; all of which are subject to regular review;

D8. when working in partnership ensure that appropriate governance arrangements are in place that include responsibilities and arrangements for managing risk for each counterparty;

D9. agree annually a calendar of meetings to be used as the basis for forward planning of decision making;

D10. to ensure committee decisions are fully documented through the use of appropriate report templates, agenda submission processes and minutes;

D11. develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;

D12. establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;

D13. ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job;

D14. Consider social value when preparing service plans, considering procurement and commissioning and monitoring performance.

Principle E, Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole.

Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is

strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

In pursuance of this principle we will:

- E1. publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance;
- E2. assess the skills required by members and officers and make arrangements to agree a development plan to develop those skills and address any training gaps, to enable roles to be carried out effectively;
- E3. embed financial competencies within all appropriate person specifications and appraisals;
- E4. ensure that Councillor's roles and responsibilities for monitoring financial/budgetary performance are clear; and they are provided with and have access to adequate financial skills and training to assist in discharging these responsibilities;
- E5. develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed, in line with the member development strategy;
- E6. provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis;
- E7. ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority;
- E8. consider career structures for members and officers to encourage participation and development;
- E9. manage the strategic Human Resource Management and Organisational Development needs of the organisation through relevant policies and accreditation;
- E10. promote the use of technology to enhance efficiency and quality of service;
- E11. ensure members and officers are aware of corporate guidance around partnership working through annual partnership review;
- E12. decide how value for money is to be measured and ensure that we have the information needed to review value for money and performance effectively; measure the environmental impact;

E13. when working in partnership, ensure that appropriate governance arrangements are in place that make clear the financial controls, data sharing, audit and scrutiny arrangements;

E14. develop protocols to ensure effective communication between members and officers in their respective roles;

E15. develop protocols to ensure that the leader and chief executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained;

E16. determine a scheme of delegated and reserved powers within the constitution and ensure that it is monitored and updated when required;

E17. ensure effective internal control arrangements exist for sound financial management systems and processes;

E18. establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively.

Principle F, Managing risks and performance through robust internal control and strong public financial management

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

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

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny

and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

In pursuance of this principle we will:

- F1. maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved;
- F2. ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management;
- F3. put in place effective arrangements to deal with a failure in service delivery;
- F4. determine a scheme of delegated and reserved powers within the constitution and ensure that it is monitored and updated when required;
- F5. require appropriate management accounting, functions and controls to be in place within the Council;
- F6. ensure budget calculations are robust and reserves are adequate;
- F7. ensure that effective management arrangements are in place at the top of the organisation;
- F8. ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job;
- F9. ensure effective internal control arrangements exist for sound financial management systems and processes;
- F10. review the scope of the Chief Finance Officer's (Section 151 Officer's) non financial areas of responsibility to ensure financial matters are not compromised;
- F11. provide the Financial Services with the resources, expertise and systems necessary to perform its role effectively within the Council;
- F12. on an annual basis, publish an annual report giving information on the authority's vision, strategy, plans and financial statements as well as information about the outcomes, achievements and the satisfaction of service users in the previous period;
- F13. set out clear financial and contract procedure rules, kept under review as part of the overall Constitution of the Council;
- F14. put arrangements in place for sharing, gathering and storing data and ensuring data quality;
- F15. put arrangements in place to capture and manage risks corporately;

F16. when working in partnership, ensure that appropriate governance arrangements are in place that make clear the financial controls, data sharing, audit and scrutiny arrangements;

F17. ensure performance, financial and non-financial, is reported to senior management and Members including action plans where necessary;

F18. to ensure committee decisions are fully documented through the use of appropriate report templates, agenda submission processes and minutes;

F19. ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications;

F20. develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall;

F21. ensure that systems and processes for financial administration and control, protection of the Authority's resources and assets, are designed in conformity with appropriate ethical standards; and are subject to monitoring of their effectiveness;

F22. ensure an effective internal audit function is resourced and maintained and complies with Public Sector Internal Audit Standards (PSIAS);

F23. put in place effective anti-bribery, fraud and corruption policies that comply with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014);

F24. require our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports;

F25. ensure audit committee complies with Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2018).

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

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

In pursuance of this principle we will:

G1. set out a clear statement of the respective roles and responsibilities of the Council's executive committee and the members individually and the authority's approach towards putting this into practice;

G2. set out a clear statement of the respective roles and responsibilities of the Council's other committees and members and senior officers;

G3. set out the terms and conditions for remuneration of members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011;

G4. ensure an effective internal audit function is resourced and maintained and complies with Public Sector Internal Audit Standards (PSIAS);

G5. develop and maintain effective arrangements for determining the remuneration of senior staff;

G6. ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications;

G7. enable the Chief Finance Officer (Section 151 Officer) to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained;

G8. require our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports;

G9. ensure that the authority as a whole is open and accessible to the community, service users and staff and make a commitment to openness and transparency in all our dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so;

G10. develop and maintain an effective audit committee which is independent of the executive and scrutiny functions;

G11. enable the Chief Finance Officer (Section 151 Officer) to have direct access to the Council's Audit Committee and External Auditor;

G12. ensure audit committee complies with Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2018);

G13. establish clear channels of communication with all sections of the community and

other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;

G14. publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance;

G15. produce timely, accurate and impartial financial information for decision making, enabling the Authority to meet its objectives and providing effective stewardship and value for money;

G16. produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.

3.0 Annual Review of Corporate Governance

At the end of the year, the Council will produce its Annual Governance Statement which will review the effectiveness of the actual system of internal control in place against both the Local Code of Governance and the CIPFA best practice framework. The review will draw various sources of evidence including:

- detailed self-assessment against the CIPFA best practice examples
- the Internal Audit annual opinion,
- relevant reports from External Audit,
- year end reports from Scrutiny, Audit and Standards committees
- assurances from senior management and significant partners

As part of its governance role, the Audit Committee will oversee this review on behalf of the Council.

AUDIT COMMITTEE**Annual Governance Statement Action Plan
23rd November 2022****Report of Monitoring Officer****PURPOSE OF REPORT**

To provide Members with an update on the Action Plan referred to in the AGS in connection with other governance issues identified.

This report is public

RECOMMENDATIONS

- (1) **That the progress and steps yet to be taken on the Action Plan be noted.**

1.0 Introduction

- 1.1 In July 2022 the Council issued its Annual Governance Statement (AGS) following the Audit Committee's consideration of the document on 20 July 2022. The AGS identified various issues to be addressed. These are split into two categories – (a) Other Governance Issues and (b) Significant Challenges for 2022/33 and beyond. This report deals with the first category. That is the issues identified as "Other Governance Issues".
- 1.2 As set out in the AGS, an Action Plan has been put together to address the areas identified. The issues covered by the Action Plan include:
- (a) Updating the Code of Corporate Governance
 - (b) Policy review/updating
 - (c) The Corporate Complaints Policy and other service complaint procedures
 - (d) Publication of Information
 - (e) Information on the Council's website
 - (f) The Raising Concerns Policy
 - (g) The use of electronic signatures
 - (h) Publication of key officers on the Council's website

- 1.3 Good progress is being made against the Action Plan. Although, more work is yet to be done.

Work undertaken/to be completed

- 2.0 A revised Code of Corporate Governance has been produced and has been submitted to the Audit Committee for consideration. The amended code is in line with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016. It is an important document helping to ensure that the Council keeps its governance arrangements up to date and relevant.
- 2.1 Work has started on reviewing Council policies and on how these documents are managed, maintained and effectively reviewed in the future. A list of policies and key information is currently being collated. The next step will be to involve services in the process of producing a comprehensive list of policies and relevant information. A target date of February 2023 has been given for the completion of this work.
- 2.2 The Council's Corporate Complaints policy and other service complaint policies are being reviewed for consistency and clarity. Ensuring that the Authority's approach to complaints and the process of making complaints is clear and uniformed will ensure that issues can be easily raised, without confusion, creating greater transparency and accountability. The relevant policies are currently being amended for consideration by the Senior Management Team. A target date of January 2023 has been given for the completion of this work.
- 2.3 The information that the Council publishes under the Local Government Transparency Code 2015 is currently being considered. This work requires careful review between our finance team and other services. A target date of April 2023 to tie into the start of the financial year, has been given for completion of this work.
- 2.4 The information displayed on the Council's website is being examined. In particular, officers are looking at whether further content can be added to inform local residents about Council Tax and how the City Council uses its contribution. A target date of December 2022 has been given for this piece of work.
- 2.5 The Raising Concerns Policy is being reviewed. It is not thought that much work is needed on the policy. It has been noted that contact detail in the policy needs updating. At target date of November 2022 has been set for this work.
- 2.6 The Council's position with regards to electronic signatures is being reviewed. A draft policy on the use of electronic signatures has been produced. The draft policy will need to be circulated to Council services for comment. A target date of March 2023 has been given for this work.
- 2.7 The Authority is looking to ensure that it better identifies key senior officers on its website. This work is pending the outcome of the Council's OBR process.

3.0 Conclusion

- 5.1 Audit Committee members are asked to note the progress and work yet to be done under the Action Plan on the other governance issues identified in the AGS.

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

The Council must keep its governance processes under review and must ensure that it take steps to ensure that its processes are kept up-date and relevant. Good governance ensures that resources are properly used for the community it serves. Implementing the action plan on other governance issues helps ensure the Council's good governance.

LEGAL IMPLICATIONS

There are no direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

No direct financial implications arising from this report

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

No direct resource implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The S151 officer has seen this report and has no further comments.

MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has helped draft this report

BACKGROUND PAPERS

Contact Officers: Monitoring Officer

Email: lgorst@lancaster.gov.uk

Ref: N/A

Audit Committee**Strategic Risk Management
23 November 2022****Report of Chief Executive****PURPOSE OF REPORT**

To provide an update on the authorities progress in updating the Strategic Risk Register.

This report is public.

RECOMMENDATIONS

- (1) The Audit Committee note the updated Strategic Risk Register, shown as appendix A.

1.0 Report

- 1.1 Audit Committee received a report on 20 July 2022 providing an update of the Strategic Risk Register.
- 1.2 Audit Committee members are asked to note Appendix A; any comments will be considered and implemented as appropriate in the ongoing risk management process.
- 1.3 Following the review by the council's Internal Audit Team in summer 2022, a project has been established to roll out the GRACE (Governance, Risk Assessment and Control Evaluation) system for Strategic and Operational risks. This work was started in October 2022 and is planned to be complete in March 2023.
- 1.4 Regular updates of the risks held within the GRACE system will take place every 90 days by the assigned officers, following the system roll out.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing):

No direct impact arising from this report, which provides an updated copy of the authority's Strategic Risk Register.

LEGAL IMPLICATIONS

No direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

No direct financial implications arising from this report.

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

No direct resource implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has contributed to this report in his role as Head of Financial Services, including responsibility for Internal Audit.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Appendix A: Strategic Risk Register, 15 November 2022

Contact Officer: Chief Executive

Telephone: 01524 582501

E-mail: chiefexecutive@lancaster.gov.uk

Ref: N/A

Strategic Risk Register - November 2022 - Risk Map

Impact	Very High (4)		6	
	High (3)	13	2 3 5 7 8 10 12	4 11 14
	Medium (2)		1 9 15 19	16 17 18
	Low (1)			
		Unlikely (1)	Possible (2)	Likely (3)
	Likelihood			

Risk Name	Risk Description	Risk Owner	Inherent (Gross) Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Risk Category	Target Risk Level	Action Plan Title	Action Plan Description	Action Plan Owners
Strategic Risk Register - 15th November 2022 - NOTE the risks are not in numerical order											
SR1 Central Government funding is insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability.	SR1 Central Government funding and/or revenues collected (CTAX, Business Rates, Fees & Charges etc) are insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability.	Mark Davies (Chief Executive) Paul Thompson (s151 Officer)	9	Officer/Member Working Groups Capital Assurance Group (CAG) and Financial Resilience Group (FRG)	4	Reduce	Financial - Budgetary pressures, Loss of/reduction in income/funding, Cost of living/inflation, interest rates, etc.	1	Outcomes Based Resourcing	Review of existing budgets to identify areas for realignment/ refocusing or cessation to deliver efficiencies but ensuring that Services remain aligned with the Councils Priorities.	Paul Thompson (s151 Officer) Mark Davies (CEO)
				Council Strategies Funding the Future Strategy, Road to Ambition, Investment Strategy, Reserves Strategy and Medium Term Financial Strategy					Commercialisation	Development of LATCO's or other alternative service delivery vehicles to deliver efficiencies and/ or operational surpluses which can be reinvested into Council Services.	LATCO's Established
									Funding the Future Strategy	The Strategy contains 4 Pillars to achieve Financial Stability. 1) Investment to gain financial return; 2) Pursuing efficiencies with vigour; 3) Outcomes based resourcing; and 4) Commercialisation	Paul Thompson (s151 Officer)
									Fees & Charges Income monitoring	Regular monitoring and forecasting by services of all fees and charges	Relevant HoS/ Service Managers/
									Formal quarterly monitoring (DoP- Financial, Projects and KPI performance)		Paul Thompson (s151 Officer) Jez Bebbington Claire Dubelbaise (Programme Manager)
									Business Plans for Investments	Develop business plans for investment particularly in relation to decarbonisation and renewable energy generation. (Part of OBR Process).	Paul Thompson (s151 Officer)
	Monthly income monitoring by applicable services										
	Formal quarterly reporting to Cabinet, & B&PP										
SR10 Changes in Government policy impact on our ability to deliver major projects and programmes that would benefit our communities.	SR10 Changes in Government policy impact on our ability to deliver major projects and programmes that would benefit our communities.	Mark Davies (Chief Executive)	9	Continued monitoring and horizon scanning of Government policy Clear and focused Council strategy to maximise alignment with Government policy and resourcing	6	Reduce	Regulatory - Legislation and internal policies/regulations including: Health & Safety at Work Act, Data Protection etc.	6	Strategic Plans	Continue to develop Council strategic plans and documentation in light of emerging Government policy	Mark Davies (Chief Executive)
SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities.	SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities.	Mark Davies (Chief Executive)	12	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues	9	Reduce	Financial - Budgetary pressures, Loss of/reduction in income/funding, Cost of living/inflation, interest rates, etc.	9	Agility and Resilience	Continue to develop agility and resilience across the organisation	Mark Davies (Chief Executive)
				Strategic responsiveness through continued risk management review					Strategic risk management approach	Strategic risk management approach	Mark Davies (Chief Executive)
SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation.	SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation.	Mark Davies (Chief Executive) Paul Thompson (s151 Officer)	9	Comprehensive, robust and transparent approach to budget development and service delivery	6	Reduce	Financial - Budgetary pressures, Loss of/reduction in income/funding, Cost of living/inflation, interest rates, etc.	4	OBR	Outcomes-Based Resourcing (OBR) approach to focusing on where resources can have maximum impact on strategic priority areas	Mark Davies (Chief Executive) Paul Thompson (s151 Officer)

Risk Name	Risk Description	Risk Owner	Inherent (Gross) Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Risk Category	Target Risk Level	Action Plan Title	Action Plan Description	Action Plan Owners
SR13 The Council's reputation is damaged through local concerns or activities.	SR13 The Council's reputation is damaged through local concerns or activities.	Mark Davies (Chief Executive)	6	Pro-active communications and transparency	3	Reduce	Reputation - Negative publicity (local and national), increase in complaints	3	Delivery of Services	Continue to manage and deliver services in a way that supports the authority's reputation as a Co-operative, Kind and Responsible Council.	Mark Davies (Chief Executive)
				Strategic management of all Council activities to ensure continued high reputation					Strategic communication	Strategically communicate and engage with residents, partners and stakeholders to ensure actions align with reputation	Mark Davies (Chief Executive)
SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services.	SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services.	Mark Davies (Chief Executive) Paul Thompson (s151 Officer)	9	Budget and Performance Panel	9	Reduce	Financial - Budgetary pressures, Loss of/reduction in income/funding, Cost of living/inflation, interest rates, etc.	6	Continue financial forecasting	Continue financial forecasting and scenario planning e.g. for energy costs	Paul Thompson (s151 Officer)
				Reserves Policy					Move to sustainable solutions	Minimise exposure to cost spikes such as energy by moving to sustainable	Mark Davies (Chief Executive)
SR15 The Council's infrastructure and assets fail to meet the future needs of the organisation and the residents of the district.	SR15 The Council's infrastructure and assets fail to meet the future needs of the organisation and the residents of the district.	Mark Davies (Chief Executive) Jason Syers (Director for Economic Growth and Regeneration)	9	Asset Management Plan	4	Reduce	Assets - Property (land, buildings and equipment), Information (security, retention, timeliness, etc.)	2	Review Council Assets	Conduct a major review of Council infrastructure and assets, taking a future	Jason Syers (Director for Economic Growth and Regeneration)
									Continuous review of assets and infrastructure	Continuous review of assets and infrastructure	Jason Syers (Director for Economic Growth and Regeneration)
SR16 The Council's services fail to adapt to socioeconomic and demographic trends within the district, resulting in failure to meet the needs of local residents and businesses.	SR16 The Council's services fail to adapt to socioeconomic and demographic trends within the district, resulting in failure to meet the needs of local residents and businesses.	Mark Davies (Chief Executive)	6	Corporate Plan	6	Reduce	Customers/Citizens - Changing needs and expectations of customers (poor communication/consultation), Poor quality etc.	3	Continuous review of strategy and policy	Continuous review of strategy and policy, and alignment with service delivery.	Mark Davies (Chief Executive)
				Policy Framework							
SR17 Negligent or unlawful action by the Council, resulting in financial or other liabilities.	SR17 Negligent or unlawful action by the Council, resulting in financial or other liabilities.	Mark Davies (Chief Executive) Luke Gorst (Head of Legal Services)	6	Corporate Governance	6	Reduce	Reputation - Negative publicity (local and national), increase in complaints Management - Loss of key staff, recruitment and retention issues, Training issues, Lack of/or inadequate management etc.	3	Continuous review of governance processes	Continuous review of governance processes to ensure they are fit for	Luke Gorst (Head of Legal Services)
									Training and development	Training and development to ensure staff and members are equipped to follow governance requirements	Luke Gorst (Head of Legal Services)
SR18 Failure of the South Lancaster Growth Catalyst programme to deliver high quality homes and recoup financial investment.	SR18 Failure of the South Lancaster Growth Catalyst programme to deliver high quality homes and recoup financial investment.	Jason Syers (Director for Economic Growth and Regeneration)	6	Programme Management	6		Financial - Budgetary pressures, Loss of/reduction in income/funding, Cost of living/inflation, interest rates, etc. New Partnerships/Projects/Contracts - New initiatives, new ways of working, new policies and procedures etc.	2	Partnership Working with County Council	Continued development of partnership working with Lancashire County Council to successfully deliver the programme alongside engagement with local partners and residents	Jason Syers (Director for Economic Growth and Regeneration)

Risk Name	Risk Description	Risk Owner	Inherent (Gross) Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Risk Category	Target Risk Level	Action Plan Title	Action Plan Description	Action Plan Owners
SR19 Failure of the Canal Quarter programme to deliver regeneration through use of the Council's assets in the area.	SR19 Failure of the Canal Quarter programme to deliver regeneration through use of the Council's assets in the area.	Jason Syers (Director for Economic Growth and Regeneration)	4	Programme Management	4	Reduce	Assets - Property (land, buildings and equipment), Information (security, retention, timeliness, etc.) New Partnerships/Projects/Contracts - New initiatives, new ways of working, new policies and procedures etc.	2	Development of a Canal Quarter Masterplan	Development of a Canal Quarter Masterplan that sets out a route to successful regeneration of the area in line with local needs and the Council's priorities	Jason Syers (Director for Economic Growth and Regeneration)
SR2 The Council fails to meet the 2024/25 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.	SR2 The Council fails to meet the 2024/25 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.	Mark Davies (Chief Executive) Paul Thompson (s151 Officer)	9	Budget and Performance Panel	6	Reduce	Financial - Budgetary pressures, Loss of/reduction in income/funding, Cost of living/inflation, interest rates, etc.	2	Project Delivery Board	Consisting of Executive Team to monitor delivery via monthly and quarterly reports and provide support and challenge to each project as required. Meeting Monthly.	Paul Thompson (s151 Officer)
				Reserves Policy					Programme Manager	Established to provide a central co-ordination point for all the Council's projects and performance. Responsible for co-ordination and monitoring.	Paul Thompson (s151 Officer)
				Project Managers					Delivering Our Ambitions Quarterly Monitoring Reports	Monitoring report linking Projects, Performance and Resources presented to Cabinet and Budget & Performance Panel.	Paul Thompson (s151 Officer) Claire Dubelbeis (Programme Manager) Jez Bebbington
				Programme Managers					Outcomes Based Resourcing	Outcomes-Based Resourcing (OBR) approach to focusing on where resources can have maximum impact on strategic priority areas	Mark Davies (Chief Executive) Paul Thompson (s151 Officer)
				Programme Delivery Board					Quarterly Cabinet Meetings	Project and Financial information present to Cabinet/ Portfolio providing an opportunity for review and discussion of performance. See above	Paul Thompson (s151 Officer)
				Cabinet							
				Portfolio Holder							
SR3 The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver	The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver effective services, projects and council priorities. The cost of living crisis means will further exacerbate this.	Mark Davies (Chief Executive) Alex Kinch (Head of HR)	12	Pay and Grading Structure in place Recruitment and Retention Policy Annual Appraisal Process	6	Accept	Management - Loss of key staff, recruitment and retention issues, Training issues, Lack of/ or inadequate management etc.	6	Pay and Grading Structure	The new pay and grading structure and job evaluation process will ensure that all posts are objectively evaluated and then placed on a new pay and grading scale. Recent experience suggests that this assisted in attracting applicants with the desired skills and values. A People Strategy is also in development to ensure staff experience, development and management are aligned to support the success of the council's workforce.	Alex Kinch (Head of HR) Suzanne Lodge (Corporate Director of Communities & Environment)

Risk Name	Risk Description	Risk Owner	Inherent (Gross) Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Risk Category	Target Risk Level	Action Plan Title	Action Plan Description	Action Plan Owners
SR4 The use of council assets is not maximised leading to insufficient funding to meet the funding gap and deliver capital projects.	Future capital investment is dependent on capital receipts from the sale and utilisation of council assets. At present the Council does not have an Asset Management Plan to assist with the identification and management of council assets.	Mark Davies (Chief Executive) Jason Syers (Director for Economic Growth and Regeneration)	12	Capital Strategy Group	9	Reduce	Assets - Property (land, buildings and equipment), Information (security, retention, timeliness, etc.)	6	Asset Management Plan	Asset Management Plan will be completed in September 2022 to ensure its findings can be incorporated into the 2023/24 budget cycle	Jason Syers (Director for Economic Growth and Regeneration)
SR5 Council services are disrupted and / or additional services are required and costs are incurred as a result of national emergencies	SR5 Council services are disrupted and / or additional services are required and costs are incurred as a result of national emergencies.	Suzanne Lodge (Corporate Director of Communities & Environment)	9	Lancashire Resilience Forum Emergency plans Business Continuity Plans Government Planning	6	Accept	Regulatory - Legislation and internal policies/regulations including: Health & Safety at Work Act, Data Protection etc.	6	Follow Government direction	The Council continues to adequately resource its emergency planning function, including maintaining its team of out of appropriately trained emergency response officers.	Suzanne Lodge (Corporate Director of Communities & Environment)
									Financial Planning	Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.	Suzanne Lodge (Corporate Director of Communities & Environment)
									Business Resilience	The Council continues to invest in resilience measures eg technology to facilitate remote homeworking	Suzanne Lodge (Corporate Director of Communities & Environment)
									Partnerships	The Council continues to allocate resource to developing its key partnerships LRF, CSP and local resilience partners	Suzanne Lodge (Corporate Director of Communities & Environment)
									Community Resilience	The Council supports community resilience through CEPGs and FLAG groups etc	Suzanne Lodge (Corporate Director of Communities & Environment)
									??	The Council appraises and potentially invests in schemes and activities that provide adaptation (eg Lune river defence)	Suzanne Lodge (Corporate Director of Communities & Environment)
									Financial Planning	Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.	Suzanne Lodge (Corporate Director of Communities & Environment)
SR6 The Council fails to reduce it's direct Co2 emissions to 'net zero' by 2030.	In January 2019 the Council declared a 'climate change emergency' and have now sought endorsement of an approach to reduce the Council's direct Co2 emissions to 'net zero' by 2030. Whilst an action plan is in place, costs	Mark Davies (Chief Executive)	16	Delivery plan in place	8	Accept	Environment - Recycling, green issues, energy efficiency, land use and green belt issues, noise, contamination etc.	8	Delivery Plan	The Council continues to work on the delivery of its action plan	Mark Davies (Chief Executive)
									Delivery Plan	The Council considers the recommendations of the Peoples Jury and builds recs that can be delivered directly by the Council into its plans	Mark Davies (Chief Executive)

Risk Name	Risk Description	Risk Owner	Inherent (Gross) Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Risk Category	Target Risk Level	Action Plan Title	Action Plan Description	Action Plan Owners
SR7 The Council fails to deliver its key priorities due to the lack of an underpinning strategy setting out expected delivery / outcomes.	On the 29 January 2019, Full Council approved the Council's strategic priorities for the purpose of informing budget decisions for 2020-21 and future years. At present there is no underpinning strategy setting out how the priorities will be realised and delivered which may result in non-delivery or the strategic priorities.	Mark Davies (Chief Executive) Luke Gorst (Head of Legal Services) Suzanne Lodge (Corporate Director of Communities & Environment) Jason Syers (Director for Economic Growth and Regeneration) Paul Thompson (s151 Officer)	9	Carbon Zero +	6	Reduce	Opportunities/ Outcomes - Add value or improve customer experience/satisfaction, Reduce waste and inefficiency etc.	4	Prosperity Plan	Prosperity Plan	Mark Davies (Chief Executive) Suzanne Lodge (Corporate Director of Communities & Environment) Jason Syers (Director for Economic Growth and Regeneration) Paul Thompson (s151 Officer)
				Medium Term Financial Strategy (MTFS)					Local Development Plan	Local Development Plan	
				Programme Management Corporate Plan / Plan 2030					Community Wealth Building Strategy	Community Wealth Building Strategy. No Change for FtF Strategy Cabinet and Exec team are undertaking an extensive programme to develop the corporate planning, budgeting and performance management of the Council (Circles)	

Risk Name	Risk Description	Risk Owner	Inherent (Gross) Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Risk Category	Target Risk Level	Action Plan Title	Action Plan Description	Action Plan Owners
SR8 The Council fails to deliver its key projects due to the lack of staffing capacity and resources (financial) within the Council.	The Council has a number of key projects (Canal Quarter, Eden North, OBR, My Mainway, Heysham Gateway, Bailrigg etc) all of which have detailed strategies for implementation however delivery may not be achieved due to the lack of staff/resources within the council.	Jason Syers (Director for Economic Growth and Regeneration)	9	Local Plan	6	Reduce	Financial - Budgetary pressures, Loss of/reduction in income/funding, Cost of living/inflation, interest rates, etc. New Partnerships/Projects/ Contracts - New initiatives, new ways of working, new policies and procedures etc.	3	Local Plan	Local Plan	Jason Syers (Director for Economic Growth and Regeneration)
				Medium Term Financial Strategy (MTFS)					Funding the Future Strategy	Funding the Future Strategy	Jason Syers (Director for Economic Growth and Regeneration)
				Investment Strategy					The Council continues to resource key service teams in Planning, economic development, regeneration, property investment	The Council continues to resource key service teams in Planning, economic development, regeneration, property investment and facilities management.	Jason Syers (Director for Economic Growth and Regeneration)
				Capital Programme					Adequate reserves are maintained to allow, due diligence of property investment, regeneration projects and key strategic	Adequate reserves are maintained to allow, due diligence of property investment, regeneration projects and key strategic planning strategies.	Jason Syers (Director for Economic Growth and Regeneration)
									Ensure capital programme is prioritised to facilitate match funding leverage and maximise the potential to attract external	Ensure capital programme is prioritised to facilitate match funding leverage and maximise the potential to attract external funding.	Jason Syers (Director for Economic Growth and Regeneration)
									Staffing Capacity Issues	HRBPs working with services where there are staffing capacity issues to find solutions, e.g. succession planning where there are hard to fill roles, more creative online campaigns for recruitment; service reviews to be undertaken as part of OBR. Wider People Strategy to support services to attract and retain staff.	Alex Kinch (Head of HR) Jason Syers (Director for Economic Growth and Regeneration)
SR9 The Council's services are disrupted by a cybersecurity issue.	SR9 The Council's services are disrupted by a cybersecurity issue. Failure to prevent data loss and privacy incidents leading to financial/ data loss, disruption or damage to the reputation of the Council.	Paul Thompson (s151 Officer)	6	Business Continuity Plans	4	Reduce	Assets - Property (land, buildings and equipment), Information (security, retention, timeliness, etc.) Reputation - Negative publicity (local and national), increase in complaints	4	Cyber Treatment Plan	Cyber treatment plan funding obtained to help achieve increase Council resilience and security	Paul Thompson (s151 Officer)
				Training of staff in cybersecurity					LGA training funding key officers trained in CISM & CISSP	LGA training funding key officers trained in CISM & CISSP	Paul Thompson (s151 Officer)
				Vulnerability Testing					Staff trained in information security principles	Staff trained in information security principles	Paul Thompson (s151 Officer)
				Cloud Hosted Immutable Backups							
Anti virus devices											
Network Monitoring											
Use of firewalls											
NCSC active cyber defence services											

AUDIT COMMITTEE

Statement of Accounts Update

23 November 2022

Report of Chief Finance Officer

PURPOSE OF REPORT
To provide the Committee with an updated position regarding the conclusion of the audits of the 2019/20, 2020/21 and 2021/22 Statement of Accounts
This report is public.

RECOMMENDATIONS

The Audit Committee is recommended to note the following areas

1. The progress of the audit of the 2019/20, 2020/21 & 2021/22 Statement of Accounts
2. Public Sector Audit Appointments Ltd's provisional appointment of the Council's external auditor for the 5 year period 2023/24 to 2027/28.

1.0 INTRODUCTION

1.1 Members will be aware of the long standing issues in relation to the 2019/20 and 2020/21 Statement of Accounts. This paper seeks to inform Members on their current progress, provide updates on the progress of the 2021/22 audit and the national infrastructure assets issue highlighted at the Committee meeting 25 May 2022.

1.2 The position in regard to the Statement of Accounts audits broadly remains unchanged from previous updates, however, the position for each of the 3 years is provided in the sections below.

2.0 2019/20 STATEMENT OF ACCOUNTS POSITION

2.1 In line with previous updates, the only significant matter that remains outstanding is in regard to Note 42: Contingent Liabilities, which as the Committee will recall was subject to two formal objections by local Council Taxpayers. The External Auditor considered the objection in accordance with the National Audit Office's Audit Guidance Note 4 and has formally written to the objectors stating his grounds for not considering the objection.

2.2 In order to finally conclude the audit the External Auditors have requested that the Council seek assurance from a number of external 3rd parties. Officers from Legal and Economic Growth and Regeneration services have been collating this information with two of the assurances requested having been presented to the External Auditors for

consideration. Although every endeavour has been made by officers to obtain the final source of assurance, supplementary information has been requested in regard to Council wide process which officers are currently assembling. This work is expected to conclude shortly and a meeting arranged with the 3rd party in early December to discuss and draw the matter to a close.

- 2.3 Whilst this is extremely disappointing for all concerned it is hoped that it will finally allow the audit to be concluded. I am sure the Committee appreciates all efforts by Council officers in working to finally resolve this long running, contentious and sensitive issue.

3.0 2020/21 STATEMENT OF ACCOUNTS POSITION

- 3.1 The Committee will recall that the External Auditor presented his plan for the audit of the 2020/21 Financial Statements for consideration by this Committee at its meeting 23 March 2022. As highlighted as part of the Statement of Accounts Update paper presented at the last meeting, a significant body of audit work has been performed but as noted in previous updates work in relation to Property Valuations is still yet to be concluded.

- 3.2 The Council's Housing Revenue Account dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH) which was first introduced on 01 April 2001, following the introduction of Resource Accounting in the HRA. Values are then rebased annually, with periodic full revaluation exercises every 5 years, the fifth of which updated all values to 01 April 2020. This has resulted in a net increase in asset values of £5.391M in the year across the Council's estimated 3,600 dwellings.

- 3.3 All audit matters that have been brought to officers' attention to date have been addressed and any required revisions made to the draft 2020/21 financial statements. The Committee should note that given the potential volume and complexity of transactions relating to Property Valuations that any substantial issues reported at this late stage may well have a significant impact on the Council.

- 3.4 The Committee will also be aware that, as with 2019/20 statement, Note 42: Contingent Liabilities, was once again subject to formal objections by a local Council Taxpayer. The External Auditor is still considering the objections in accordance with regulatory guidance.

4.0 2021/22 STATEMENT OF ACCOUNTS POSITION –

- 4.1 The draft 2021/22 Statement of Accounts have now been finalised and published on the Council's website ahead of the 31 July 2022 deadline. A link was sent to Council Members, and paper copies are available on request.

- 4.2 The Committee should also note that, as with the 2019/20 & 2021/20 Statement of Accounts, Note 42: Contingent Liabilities, is subject to formal objections by local Council Taxpayer. The External Auditor is still considering the objections in accordance with regulatory guidance but it is hoped that the information supplied will assist in resolving all outstanding matters in this area. Members, should note that it is expected that additional costs to the Council in dealing with these on-going objections is likely to exceed £20K

- 4.3 As noted previously the deadline for publication of audited accounts has been revised to 30 November 2022. As a result, during the period August to November, our External Auditors, should conduct an audit of the accounts, however, this work has yet to commence. Members will recall from July's Committee meeting that the External

Auditors had expectations to conclude all outstanding audits by December 2022, with a long stop date of March 23. The External Auditors plan is included elsewhere on the agenda. Although both officers and audit staff will work to ensure the deadline is achieved, the exact timing of the work will need to be carefully considered as this short time frame will provide a significant challenge and may well impact officers' ability to support key Council aspirations such as Outcomes Based Resourcing, delivery of its 2023/24 Budget and supporting policy framework requirements.

5.0 NATIONAL ISSUE - INFRASTRUCTURE ASSETS UPDATE

5.1 Members will recall from a previous update, the national issue regarding the derecognition of parts of infrastructure assets specifically where Councils have incurred costs on the replacement, or enhancement of existing infrastructure assets.

5.2 It is understood that the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities, have developed a solution for the recording of Infrastructure Assets. This would be enacted via Statutory Instrument on 30 November 2022 and have effect from 21 December 2022. Once the process is defined, we will ensure that all necessary revisions and amendments are actioned to allow this area of outstanding work to be concluded.

6.0 PUBLIC SECTOR AUDIT APPOINTMENT LIMITED AUDITOR APPOINTMENTS 2023/24 TO 2027/28

6.1 Under the Local Government Audit & Accountability Act 2014 ("the Act"), the Council is required to appoint an auditor to audit its accounts for each financial year. Whilst there was a range of options available to the Council, at its meeting 23rd February 2022, the Council formally opted into the national auditor appointment scheme administered by Public Sector Audit Appointments Limited (PSAA).

6.2 PSAA Ltd wrote to all s151 Officer and Chairs of Audit Committees (3rd and 17th October 2022) informing them of the provisional results of the formal procurement exercise. KPMG was successful in winning a contract and they propose appointing this firm as the Council's auditor for five years from 2023/24.

6.3 Formal consultation on the appointment closed on 14th November 2022 and, as the Council's s151 Officer, I wrote to PSAA Ltd (21st October 2022) confirming that there were no independence issues, or joint working arrangements that would prejudice or compromise the appointment and confirmed my satisfaction with the appointment.

6.4 Members should note that this appointment is still provisional and PSAA Ltd will provide formal notification on, or before 31st December 2022.

6.5 By way of background KPMG is one of the 'Big Four' audit firms and operates in over 100 countries with over 230,000 employees providing audit, assurance, tax, consulting and advisory services to the public and private sectors. KPMG employees around 16,000 people in the UK. Within the public sector they have 14 active Key Audit Partners supported by a team of 100 staff and a range of specialists.

6.6 KPMG undertakes a range of other public sector audit work including Local Audits in the NHS, central and local government audit work on behalf of NAO and Audit Scotland and a range of external audits in the education and social housing sectors. Prior to 2018, KPMG were the Council's appointed auditors.

7.0 OPTIONS AND OPTIONS ANALYSIS

7.1 As the report is for noting no alternative options are put forward, but the Committee could make supplementary recommendations regarding any matters arising.

8.0 CONCLUSION

8.1 Members should note the progress and matters arising to date.

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

No implications directly arising.

LEGAL IMPLICATIONS

S27 of the Local Audit and Accountability Act 2014 makes provision for an elector of the Council's area to make an objection to the local auditor in respect of the grounds set out at paragraph 3.4 of this Report. On receipt of an objection the local auditor must decide (a) whether to consider the objection, and (b) if the auditor does so, whether to take action within paragraph (a) and (b) of s27(1) in response.

In considering any objection, the auditor will need to have regard to the provisions of the 2014 Act and the code of audit practice applicable to the Council. The Local auditor must in carrying out functions under the 2014 Act, have regard to guidance issued by the Comptroller and Auditor General under paragraph 9 of Schedule 6 of the 2014 Act. This includes the Auditor Guidance Note 4.

An objector aggrieved by a decision of a local auditor not to consider the objection or not to apply for a declaration under s28 of the 2014 Act may within 6 weeks from notification of the decision require the auditor to provide written reasons for the decision and within 21 days from receipt of the written reasons may appeal against the decision to the court.

FINANCIAL IMPLICATIONS

There are no financial implication flowing directly from this report.

However, Member's should be aware of the additional audit fees that may accrue because of the objection to the financial statements.

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

No implications directly arising.

SECTION 151 OFFICER'S COMMENTS

This report forms part of the Chief Finance Officer's responsibilities, under his role as s151 Officer.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Statement of Accounts 2019/20

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<p>http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts</p> <p>Statement of Accounts 2020/21 http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts</p> <p>Statement of Accounts 2021/22 https://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts</p> <p>External Audit Plan 2020/21 Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council</p> <p>PSAA External Audit Procurement 2023/224 to 2027/28 Agenda for Council on Wednesday, 23rd February 2022, 6.00 p.m. - Lancaster City Council</p>	<p>Ref:</p>
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