



Committee: AUDIT COMMITTEE
Date: WEDNESDAY, 26 JULY 2023
Venue: MORECAMBE TOWN HALL
Time: 6.00 P.M.

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

Minutes of meeting held on 24 May, 2023 (previously circulated).

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

4. **Declarations of Interest**

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

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

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

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

5. **Exclusion of the Press and Public**

Whilst the following report is public, it contains an exempt appendix. The Committee is recommended to pass the following recommendation in relation to the following item:-
"That in accordance with Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business, on the grounds that it could involve the possible disclosure of exempt information as defined in paragraph 3 of Schedule 12A of that Act."

Members are reminded that, whilst the appendix has been marked exempt, it is for the committee itself to decide whether or not to consider it in private or in public. In making the decision, Members should consider the relevant paragraph of Schedule 12A of the Local Government Act 1972, and also whether the public interest in maintaining the exemption outweighs the public interest in disclosing the information. In considering their

discretion Members should also be mindful of the advice of Council Officers.

6. **Risk Management Q1 Update** (Pages 4 - 13)
Report of the Chief Executive
7. **Internal Audit Progress Report** (Pages 14 - 33)
Report of the Head of Internal Audit
8. **Internal Audit Annual Report 2022/23** (Pages 34 - 52)
Annual Report of the Head of Internal Audit and Assurance
Report of the Head of Internal Audit
9. **Counter Fraud Annual Report 2022/23** (Pages 53 - 81)
Report of the Corporate Fraud Manager
10. **CIPFA Financial Management Code** (Pages 82 - 117)
Report of the Chief Finance Officer
Published 19 July
11. **Annual Governance Statement 2022/23** (Pages 118 - 136)
Report of the Monitoring Officer
Published 19 July
12. **Audit Committee Assurances in Relation to the Financial Reporting Process** (Pages 137 - 158)
Report of the Chief Finance Officer
13. **Statement of Accounts Update** (Pages 159 - 164)
Report of the Chief Finance Officer
Published 19 July

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Paul Stubbins (Chair), Colin Hartley (Vice-Chair), Ruth Colbridge, Peter Jackson, Kate Knight, Shelagh McGregor and David Whitaker

(ii) Substitute Membership

Councillors Gerry Blaikie (Substitute), Dave Brookes (Substitute) and Tom Fish (Substitute)

(iii) Queries regarding this Agenda

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

(iv) Changes to Membership, substitutions or apologies

Please contact Democratic Support, telephone 582000, or alternatively email democracy@lancaster.gov.uk.

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

Published on 17 July 2023.

AUDIT COMMITTEE**Strategic Risk Management****26 July 2023****Report of Chief Executive****PURPOSE OF REPORT**

To provide the Committee with an update on the authority's progress in updating the Strategic Risk Register.

This report is public, with appendix B being exempt by virtue of paragraph 3 of Schedule 12A the Local Government Act 1972.

RECOMMENDATIONS

1. The Audit Committee note the updated Strategic Risk Register, as shown as appendix A (public report) and appendix B (restricted report).
- 1.0 Report**
- 1.1 Audit Committee received a report on 24 May 2023 providing an update of the Strategic Risk Register.
- 1.2 The GRACE (Governance, Risk Assessment and Control Evaluation) system has been updated since the end of Q1 and in line with our policy risks will be reviewed every quarter.
- 1.3 Since the previous report, four further strategic risks have been added labelled in the appendices as SR22-SR25. Each has control measures and action plans in place to manage the risks.
- 1.4 Target risk scores, along with a breakdown of how each risk is scored (impact x likelihood) have now been included in the appendices.
- 1.5 Audit Committee members are asked to note Appendices A and B; any comments will be considered and implemented as appropriate in the ongoing risk management process.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, 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 Map and Detail – 13.07.2023
Appendix B: Strategic Risk Register Restricted Items – 13.07.2023

Contact Officer: Chief Executive
Telephone: 01524 582501
Email: chiefexecutive@lancaster.gov.uk
Ref: N/A

Strategic Risk Register - Risk Map 13/07/23

NOTE: All risks have been reviewed between 4th and 14th July 2023

Impact	Very High (4)		9	6 25	22
	High (3)	13	2 3 5 7 8 10 12 14 20 21 24	4 11 23	
	Medium (2)		1 15 19	16 17 18	
	Low (1)				
		Unlikely (1)	Possible (2)	Likely (3)	Very Likely (4)
	Likelihood				

Strategic Risk Register, report created 13/07/2023

NOTE: All risks have been reviewed between 4th and 14th July 2023

Risk	Risk Description	Residual Risk Score (impact x likelihood)	Risk Category	Existing Control Measure	Existing Control Measure Description	Target Risk Level (impact x likelihood)	Action Plan Title	Action Plan Description	Action Plan Owners	Action Plan Type	Action Plan Due Date		
1	SR01 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. Link to Plan 2030: Value for Money	4 (2x2)	Financial	Officer/Member Working Groups	Capital Assurance Group (CAG) and Financial Resilience Group (FRG)	2 (2x1)	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.	Suzanne Lodge	In Progress	30/12/2024		
				Council Strategies	Outcome Based Resourcing (OBR), Investment Strategy, Reserves Strategy and Medium Term Financial Strategy		Commercialisation	Development of other alternative service delivery vehicles to deliver efficiencies and/ or operational surpluses which can be reinvested into Council Services.	Mark Davies	In Progress	01/10/2023		
				Monthly income monitoring by applicable services	Monthly income monitoring by applicable services		Funding the Future Strategy	The Strategy contains 4 Pillars to achieve Financial Stability. 1) Investment to reduce costs; 2) Pursuing efficiencies with vigour; 3) Outcomes based resourcing; and 4) Commercialisation	Paul Thompson	In Progress	31/03/2024		
				Quarterly reporting	Formal quarterly reporting to Cabinet and Budget and Performance Panel		Business Plans for Investments	Develop business plans for investment particularly in relation to decarbonisation and renewable energy generation.	Paul Thompson	In Progress	31/03/2024		
							Fees and Charges Income Monitoring	Regular monitoring and forecasting by services of all fees and charges. To be undertaken by Heads of Service and Managers.	Paul Thompson	In Progress	31/03/2024		
2	SR02 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. Link to Plan 2030: Value for Money	6 (3x2)	Financial	Budget and Performance Panel	Budget and Performance Panel	2 (2x1)	Outcomes Based Resourcing	Outcomes-Based Resourcing (OBR) approach focusing on where resources can have maximum impact on strategic priority areas.	Suzanne Lodge	Part Implemented	31/12/2024		
				Reserves Policy	Reserves Policy								
				Project Managers	Project Managers - suitably skilled PMS assigned to lead strategic projects						NOTE: This is also listed as a control measure as the programme is phased so has already delivered some savings with further outcomes and savings to follow.		
				Programme Managers	Programme Managers in place for specific programmes								
				Programme Delivery Board	Programme Delivery Board								
				Cabinet	Cabinet								
				Portfolio Holder	Portfolio Holder								
				Outcomes Based Resourcing for 23/24 financial year	Outcomes Based Resourcing for 23/24 financial year								
				Project Delivery Board	Project Delivery Board - Consisting of Leadership Team to monitor delivery via quarterly reports and provide support and challenge to each project as required.								
				Projects and Performance Manager	Established to provide a central co-ordination point for all the Council's projects and performance. Responsible for co-ordination and monitoring.								
Delivering Our Priorities Quarterly Monitoring Reports	Delivering Our Priorities Quarterly Monitoring Reports - Monitoring report linking Projects, Performance and Resources presented to Cabinet and Budget & Performance Panel.												

				Quarterly Cabinet Meetings	Quarterly Cabinet Meetings - Project and Financial information present to Cabinet/ Portfolio providing an opportunity for review and discussion of performance.								
				Outcomes Based Resourcing	Outcomes-Based Resourcing (OBR) approach focusing on where resources can have maximum impact on strategic priority areas.								
3	SR03 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. Link to Plan 2030: Investing in Our Skills	6 (3x2)	Management	New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk	New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk	6 (3x2)						
				Annual Appraisal Process	Annual Appraisal Process embedded								
				Pay and Grading Structure	Pay and Grading Structure - The new pay and grading structure and job evaluation process ensures 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.								
				Restructure Toolkit	Restructure Toolkit - In order to retain the most talented staff as we go through the OBR process, a restructure toolkit has been produced.								
				People Strategy	A People Strategy is launched to ensure staff experience, development and management are aligned to support the success of the council's workforce.								
4	SR04 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. Link to Plan 2030: Innovative Public Service	9 (3x3)	Financial Reputation Management Assets	Use of Council Assets	Capital Strategy Group	6 (3x2)	Asset Management Plan	Asset Management Plan will be written to ensure its findings can be incorporated into the 2024/25 budget cycle	Paul Thompson Joanne Wilkinson	In Progress	30/09/2023	
					Use of Council Assets	Ongoing OBR workstream reviewing assets							
					Use of Council Assets	Compliance review and structure update being undertaken		Council Assets	Review of Property Group being undertaken to ensure fit for purpose	Joanne Wilkinson	Proposed	29/09/2023	
								Council Assets	To progress with disposals of council assets as outlined through 22/23 OBR process.	Joanne Wilkinson	Proposed	29/03/2024	
5	SR05 Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national emergencies	Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national emergencies.	6 (3x2)	Regulatory	County wide emergency (such as widespread loss of power and extreme weather events)	The LERP (Lancashire Emergency Response Plan) and plans as required from box 2 and box 3 plans, held in resilience direct.	6 (3x2)	Financial Planning	Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.	Paul Thompson	In Progress	31/03/2024	
					Resourcing the emergency response function	The Council continues to adequately resource its emergency planning function, including maintaining its team of out of appropriately trained emergency response officers		Community Resilience	The Council supports community resilience through CEPGs and FLAG groups etc	Alex Kinch	In Progress	31/03/2024	
					Business Continuity	Business Continuity Plans							

				Plans			Adaptation Schemes	The Council appraises and potentially invests in schemes and activities that provide adaptation (eg Lune river defence)	Paul Blakeley Jonathan Noad	In Progress	31/03/2024	
				National Emergency (such as a pandemic)	LRF plans.							
				District emergency	Lancaster District Emergency Plan and LRF (Lancashire Resilience Forum) plans that cover site or incident specific risks, including for example: an incident at Heysham Power Station, or a flooding/weather event.							
				Financial Planning	Financial Planning - Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.							
				Business Resilience	Business Resilience - The Council continues to invest in resilience measures eg technology to facilitate remote working.							
				Partnerships	Partnerships - The Council continues to allocate resource to developing its key partnerships LRF, CSP (Community Safety Partnership) and local resilience partners.							
6	SR06 The Council fails to reduce its 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 associated with implementing the actions are considerable and are constantly under review. Link to Plan 2030: Carbon Zero	12 (4x3)	Environment	Delivery plan in place	Delivery plan in place	8 (4x2)	Delivery Plan	The Council continues to work on the delivery of its action plan. More details can be found on our website: https://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates	Mark Davies	In Progress	31/03/2024
					Peoples Jury	Peoples Jury - The Council considers the recommendations of the Peoples Jury and builds recs that can be delivered directly by the Council into its plans						
								Local area energy plan	Local area energy plan (LAEP) has proceeded through procurement (Energy Systems Catapult, June 2023). This document will provide a high-level, costed roadmap to net zero for the district. The LAEP is a 12-month project that will involve Member, stakeholder and public engagement.	Mark Cassidy	In Progress	30/06/2024
7	SR07 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.	6 (3x2)	Opportunities / Outcomes	Carbon Zero +	More details can be found on our website: https://www.lancaster.gov.uk/sites/climat	4 (2x2)	Local Development Plan	Local Development Plan	Mark Davies Suzanne Lodge	In Progress	30/09/2024
					Medium Term Financial Strategy (MTFS)	MTFS - in place to set out how the council proposes to manage its financial resources in line with corporate priorities.						
					Programme Management	Programme Management - in place to ensure strategy is followed and monitored on a regular basis.						
					Corporate Plan / Plan 2030	Corporate Plan / Plan 2030 - Updated in December 2021 to lay out the councils vision.						
8	SR08 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 Project Morecambe, OBR, My Mainway, Heysham Gateway, Frontierland 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. Link to Plan 2030: Investing in Our Skills	6 (3x2)	Financial New Partnerships / Projects / Contracts	Local Plan	Local Plan	3 (3x1)	Local Plan	Local Plan	Mark Davies	In Progress	31/03/2024
					Medium Term Financial Strategy (MTFS)	Medium Term Financial Strategy (MTFS)		Funding the Future Strategy	Funding the Future Strategy	Mark Davies	In Progress	31/03/2024
					Investment Strategy	Investment Strategy		Reserves	Adequate reserves are maintained to allow, due diligence of property investment, regeneration projects and key strategic planning strategies.	Mark Davies Paul Thompson	In Progress	31/03/2024
					Capital Programme	Capital Programme		Capital Programme	Ensure capital programme is prioritised to facilitate match funding leverage and maximise the potential to attract external funding.	Mark Davies Paul Thompson	In Progress	31/03/2024
					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.		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	In Progress	30/09/2023

10	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. Link to Plan 2030: Value for money	6 (3x2)	Regulatory	Continued monitoring and horizon scanning of Government policy Clear and focused Council strategy to maximise alignment with Government policy and resourcing Strategic Plans	Continued monitoring and horizon scanning of Government policy Clear and focused Council strategy to maximise alignment with Government policy and resourcing Strategic Plans - Continue to develop Council strategic plans and documentation in light of emerging Government policy	6 (3x2)					
11	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.	9 (3x3)	Financial	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues Strategic responsiveness through continued risk management review Agility and Resilience Strategic risk management approach	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues Strategic responsiveness through continued risk management review Agility and Resilience - Continue to develop agility and resilience across the organisation Strategic risk management approach	9 (3x3)					
12	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. Link to Plan 2030: Innovative Public Service	6 (3x2)	Financial	Budget Development	Comprehensive, robust and transparent approach to budget development and service delivery.	4 (2x2)	OBR	Outcomes-Based Resourcing (OBR) approach to focusing on where resources can have maximum impact on strategic priority areas.	Suzanne Lodge	In Progress	31/12/2024
13	SR13 The Council's reputation is damaged through local concerns or activities.	SR13 The Council's reputation is damaged through local concerns or activities. Link to Plan 2030: Community Engagement	3 (3x1)	Reputation	Communications Strategic Management of Activities Delivery of Services Strategic communication	Pro-active communications and transparency Strategic management of all Council activities to ensure continued high reputation 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. Strategically communicate and engage with residents, partners and stakeholders to ensure actions align with reputation	3 (3x1)					
14	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. Link to Plan 2030: Value for money	6 (3x2)	Financial	Budget and Performance Panel Reserves Policy Continue financial forecasting	Budget and Performance Panel Reserves Policy Continue financial forecasting and scenario planning e.g. for energy costs	6 (3x2)	Move to sustainable solutions	Minimise exposure to cost spikes such as energy by moving to sustainable solutions independent of external pressures	Mark Davies Paul Thompson	In Progress	31/12/2024
15	SR15 The Council's infrastructure fails to meet the future needs of the organisation and the residents of the district.	SR15 The Council's infrastructure fails to meet the future needs of the organisation and the residents of the district. Link to Plan 2030: Innovative Public Services, Value for money	4 (2x2)	Assets	Asset Management Plan Continuous review of assets and infrastructure	Asset Management Plan Continuous review of assets and infrastructure	2 (1x2)	Asset Management Plan	Conduct a major review of Council infrastructure and assets, taking a future focused approach to asset management.	Mark Davies	In Progress	30/09/2023
16	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. Link to Plan 2030: Enabling	6 (2x3)	Customers / Citizens	Corporate Plan Policy Framework Continuous review of strategy and policy	Corporate Plan Policy Framework Continuous review of strategy and policy, and alignment with service delivery.	3 (1x3)	LGA Workshop with Members		Alex Kinch	Proposed	29/09/2023

17	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.	6 (2x3)	Reputation Management	Corporate Governance	Corporate Governance	6 (2x3)	Training and development	Training and development to ensure staff and members are equipped to follow governance requirements	Luke Gorst	In Progress	31/03/2024
					Continuous review of governance processes	Continuous review of governance processes to ensure they are fit for purpose						
					Annual Governance Statement and Code of Corporate Governance	The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts. The Council has recently reviewed and adopted an amended Code of Corporate Governance (dated April 2022). The Preparation and publication of this Annual Governance Statement is in accordance with the principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (The Framework).						
18	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. Link to Plan 2030: Access to Quality Housing, Investment and Regeneration	6 (2x3)	Financial New Partnerships / Projects / Contracts	Programme Management	Programme Management	2 (1x2)	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	Mark Davies Jonathan Noad	In Progress	31/03/2024
19	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. Link to Plan 2030: Investment and Regeneration	4 (2x2)	Assets New Partnerships / Projects / Contracts	Programme Management	Programme Management	2 (1x2)	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	Jonathan Noad	In Progress	31/03/2024
20	SR20 - Non compliance with Building Safety Executive for LCC owned high-rise buildings	LCC has three high rise buildings which now fall under the Building Safety Act 2022, and require registration with the Building Safety Executive (BSE). There are numerous risks around non-compliance, due to the buildings not meeting specified standards. These risks are:- 1. Failure to register with BSE for 3 x blocks by 1st October 2023. 2. Submit safety case files for each block by 1st October 2023. 3. Establish Tenants Voice by 1st October 2023. 4. Undertake the legal obligations of the Act, including fire door audits, cladding survey, premises information box, signage 5. Risk of financial penalty for non-compliance with the Building Safety Act 2022.	6 (3x2)	Economic Financial Reputation Assets Customers / Citizens Regulatory	Registration with BSE for high rise blocks	Asset and Compliance Team in RMS working through registration documents	1 (1x1)	Registration with BSE for high rise blocks	Establish Tenants Voice by 1st October 2023 - Working with Pete Linsley / Rachael Harland to determine appropriate membership and establish terms of reference.	Pete Linsley Paul Mackie Joanne Wilkinson	Proposed	14/07/2023
					Registration with BSE for high rise blocks	Pennington Choices have been employed and providing guidance on registration process						
					Registration with BSE for high rise blocks	Further testing of fire doors being undertaken to seek certification						
					Registration with BSE for high rise blocks	Fortnightly senior housing management meetings updating on risks and plans around building safety review.		Registration with BSE for high risk blocks	Submit safety case files for each block by 1st October 2023 - Template obtained from Penningtons, currently under review in terms of records and resources (physical and financial)	Dennis Graham Paul Mackie Joanne Wilkinson	In Progress	30/09/2023
					Registration with BSE for high rise blocks	Fire safety works being completed.						
					Registration with BSE for high rise blocks	Fire door audits being undertaken						
								Registration with BSE for high rise blocks	Undertake legal actions of the Building Safety Act - fire door audits. Tersus appointed via Fusion 21 Framework - currently awaiting quotation for cladding survey and appointment of a Fire Engineer to review fire door test findings and specify remedial actions.	Dennis Graham Paul Mackie Joanne Wilkinson	In Progress	23/07/2023
21	SR21 - Non compliance with Regulator of Social Housing Standards	The Social Housing White Paper and subsequent amendments have highlighted a significant shift in requirements for social housing providers. This will be the biggest shift in a generation, with changes to standards and expectations. Failure to keep up with changes could result in unlimited fines / DLUHC, Regulator or Ombudsman intervention / bad publicity.	6 (3x2)	Economic Financial Reputation Management Assets Customers / Citizen Regulatory	Social Housing Regulation	Attendance at benchmarking groups with the Regulator / Ombudsman	2 (2x1)	Social Housing Regulation	Training for new members to be delivered so members are clear on regulation expectations.	Joanne Wilkinson	Proposed	29/09/2023
					Social Housing Regulation	Action planning within the service occurs in preparation for changes						
					Social Housing Regulation	Quarterly reports available for portfolio holder outlining changes in the previous quarter produced.		Social Housing Regulation	Seek to develop a member advisory group for continued / wider input into the housing service.	Joanne Wilkinson	Proposed	29/09/2023
					Social Housing Regulation	Service Improvement Plan well established						

23 SR23 - Corporate Health and Safety	The Council does not effectively manage health and safety and risk is not necessarily managed well, meaning all necessary steps to protect workers and others are not taken. A structure is not in place to ensure that Health and Safety is prioritised and a positive and proactive health and safety culture is not embedded.	9 (3x3)	Regulatory	Health and Safety Checklist for New Starters	Health and Safety Checklist for New Starters	4 (2x2)	Procurement of Health and Safety Consultants	H&S consultants being procured to assess as is and implement changes to address shortfalls and support create of culture of <u>collective ownership of Health and Safety</u> .	Alex Kinch	Proposed	29/02/2024
				Intranet guidance	Intranet guidance		H&S Committee being established	Health and Safety Committee to be set up. First meeting due in September 2023.	Alex Kinch	Proposed	29/09/2023
				Health and Safety Policy	Health and Safety Policy						
				Risk assessments	Risk assessments						
				H&S Training Courses	H&S Training Courses						
				DSE assessments	DSE assessments						
24 SR24 - ICT Data Centre	Data Centre is dated and improvements needed to satisfy future demand.	6 (3x2)	Assets	Air conditioning in place to keep the data centre at optimal		2 (2x1)	Full Fibre project		Nick Goulden	Proposed	28/06/2024
				Back up Date Centre at SALC							
				Regular fire safety servicing carried out							
				Water ingress alerts	To alert all ICT senior managers to any water detected in data centre						
25 SR25 - LCC Property Portfolio (non housing) does not meet its Health and Safety compliance obligations	The Council fails to effectively manage Property portfolio health and safety / compliance and meet statutory requirements. Risk is not managed and steps are not taken to protect workers and others from harm. A structure is not in place to ensure that compliance is prioritised and a proactive culture does not exist.	12 (4x3)	Financial Reputation Management Assets Opportunities / Outcomes Regulatory	Property Group compliance	Review of asset compliance being undertaken.	1 (1x1)	Property Group compliance	Review of Property Group and report shared with SLT including updated position statement on compliance	Joanne Wilkinson	Proposed	08/09/2023
							Property Group compliance	Review structure of Property Group ensuring team members have the right skill set and <u>workflows are set up correctly</u> .	Joanne Wilkinson	Proposed	29/09/2023
							Property Group compliance	Establish accurate data recording and position statement through individual workbooks for assets.	Joanne Wilkinson	Proposed	26/01/2024

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

AUDIT COMMITTEE

26 July 2023

Internal Audit Progress Report

Report of Head of Internal Audit

PURPOSE OF REPORT

To advise Members of the latest monitoring position regarding the Internal Audit plans 2022/23 and 2023/24

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 2022/23 and 2023/24 audit plans be noted.

1.0 Audit Plan monitoring

1.1 An Internal Audit Plan is agreed on an annual basis and is continually reviewed during the year for appropriateness.

1.2 As part of the service provision MIAA include a separate progress report to each Audit Committee detailing progress against the agreed plans and highlighting key messages for Audit Committee attention.

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

2.0 Options and Options Analysis (including risk assessment)

2.1 As this report is for noting there are no other options presented.

3.0 Conclusion

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

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Internal Audit Plan 2022/23

[Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council](#)

Internal Audit Plan 2023/24

[Agenda for Audit Committee on Wednesday, 22nd March 2023, 6.10 p.m. - Lancaster City Council](#)

MIAA Internal Audit Progress Reports

[Agenda for Audit Committee on Wednesday, 25th May 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 23rd November 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd March 2023, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 24th May 2023, 6.10pm - Lancaster City Council](#)

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Internal Audit Progress Report Audit Committee (July 2023)

Lancaster City Council

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Appendix E: Assurance Definitions and Risk Classifications

Your Team

Name	Role	Contact Details
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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 2022/23 and 2023/24 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 of May 2023 to July 2023.

2 Executive Summary

There has been the focus on the following areas:

<p>2022/23 Audit Reviews</p>	<p>Since the previous Audit Committee, the following reviews have been finalised:</p> <ul style="list-style-type: none"> • Assurance Mapping Exercise – Assurance rating not provided. • Council Time Recording Systems – Moderate Assurance • Risk Management – Moderate Assurance • Project Management – Moderate Assurance • Data Protection and Policy Follow-up Review – Limited Assurance <p>Appendix C provides details of Key Areas and Actions to be delivered.</p> <p>The following 2022/23 reviews are progressing or are in draft report stage:</p> <ul style="list-style-type: none"> • CCTV Compliance (Draft Report) • Key Financial Controls (Draft Report) • Recruitment (In progress) • Contract Management (In progress) • Climate Change (In progress)
<p>2023/24 Audit Reviews</p>	<p>The following 2023/24 audit review is being scoped:</p>

	<ul style="list-style-type: none"> • Efficiency Savings Review <p>Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2023/24.</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 118 actions followed up with 35 completed or superseded and of the remaining 83, 50 were not due, 21 in progress and 12 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"> • At the request of management, we would like to move the Corporate Health and Safety Review from quarter 2 to quarter 3. This will allow further improvement work to be completed by the Council.
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>
Cyber Essentials	<p>MIAA are committed to delivering and demonstrating the highest standards of information governance and cyber security in order to</p>

	<p>protect not only our information and systems but to protect the data we collect and create through our audit and advisory activities with clients.</p> <p>We have consistently submitted a compliant NHS Data Security and Protection Toolkit return and have, for several years, been certified to the national Cyber Essentials standard.</p> <p>This October, however, we enhanced this further becoming one of only circa 20 NHS organisations certified to the more exacting Cyber Essentials Plus standard. Certification to this standard required rigorous independent testing of our cyber security controls across our devices. That we have achieved this certification is a demonstration not only of the security of our devices but also a validation of the proactive monitoring and maintenance that we have in place to protect data and systems from malicious threats.</p>
Insights	<p>Events</p> <ul style="list-style-type: none">• <u>Strengthening our sector – How we can harness our community assets through effective community leadership (15th September 2023)</u>

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 outstanding 2022/23 Internal Audit reviews. Please note, reviews which were not included in the 2022/23 Head of Internal Audit Opinion*, will be included in the opinion for 2023/24

HOIA Opinion Area	Status	Assurance Level
2022/23 Reviews		
Risk Management	Completed	Moderate
Project Management	Completed	Moderate
Assurance Mapping	Completed	N/A Briefing Note
Time Recording Systems	Completed	Moderate
Data Protection and Policy Follow-up	Completed	Limited
CCTV Compliance	Draft Report	
Key Financial Controls	Draft Report	
Recruitment	Draft Report	
Contract Management*	In progress	
Climate Change*	In progress	

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 2023/24.

2022/23 Reviews		
HOIA Opinion Area	Status	Assurance Level
Risk Management		
Risk Management	Qtr 4	
Risk Based Reviews		

Key Financial Controls	Qtr 3	
Eden Project Governance	All	
Eden Funding Claims	All	
Efficiency Savings	Planning	
Corporate Health & Safety	Qtr 3	
Iken Case Management System	Qtr 2	
Air Quality Duty Review	Qtr 3	
Housing Inspections	Qtr 4	
Payroll (inc. Additional Payments)	Qtr 2	
Mobile Device Management Solution	Qtr 3	

Follow Up

Quarter 1	Completed	N/A
Quarter 2		
Quarter 3		
Quarter 4		

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	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
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	Assurance Mapping
Executive Sponsor	Chief Officer – Policy and People
Objective	To conduct an Assurance Mapping exercise with each Council Service to identify sources of assurance received.
Assurance Level	Not applicable
Summary	<p>The Council has risk registers in all its Directorates which support the Councils Strategic Risk Register. However, what is absent from these risk registers is the assurances which the Council, both positive and negative around the effectiveness of the controls and actions.</p> <p>It is useful to maintain a list of all the assurances that the Council receives both internally and externally to support the risk management process and allow for more accurate evaluation of the effectiveness of the controls in place at the Council.</p> <p>We reviewed the Terms of Reference’s for the Council committees and held discussions with a sample of key individuals at the Council to identify what assurances were received to support the entries on the Strategic Risk Register and those on the Directorate Risk Registers. These discussions identified that the recording of assurances has not been undertaken effectively at the Council.</p> <p>The October 2022 CIPFA Guide - Audit committees: cipfa.org/2022 edition practical guidance for local authorities and police sets out the high-level rationale for an assurance framework – a means to provide greater certainty over the operation of internal control arrangements and the implementation of policies and decisions. The guide also notes that some organisations have taken steps to map or summarise their arrangements in diagrammatic or tabular form and that CIPFA was in the process of establishing more detailed guidance for leadership teams on assurance frameworks, including high-level principles and the ‘Three Lines Model developed by the Institute of Internal Auditors (IIA)</p> <p>The output of the review is a suggested Assurance Map for the Council to use and update on an ongoing basis. This will be taken forward and developed by the Council with support from Internal Audit.</p>

Report Title	Time Recording Systems			
Executive Sponsor	Chief Officer – Policy and People			
Objective	To provide assurance on the systems and processes in place for the consistent capturing and recording of annual leave, sickness, and flexi absences across the council.			
Assurance Level	Moderate			
Recommendations	0 X Critical	1 x High	3 x Medium	3 x Low
Summary	<p>Overall, the review identified some improvements to strengthen the design of the controls and their operation.</p> <p>The council have introduced an online system for recording and approving absence. There is a suite of procedural guides and an App version available for ease of accessibility and use. It contains an embedded hierarchy which ensures that leave is approved by line managers or named deputies in the case of managerial absence.</p> <p>HR advisors have been recruited, to help with the work of the HR Business Partners, to deliver training, review absence reports and help Managers in the management of sickness absence.</p> <p>There were areas identified during the review where improvements are required, most notably the policies and guidelines reviewed were up to 12 years out of date. We understand this is currently being resolved with a member of HR staff performing a review and update. Additionally, testing highlighted return to work interviews, after periods of sickness absence, are either not being completed routinely or are being done outside of the required timeframes.</p> <p>Other points noted include the following:</p> <ul style="list-style-type: none"> • Training in respect of sickness and absence management has not taken place since the pandemic, it is anticipated that the new HR Advisors will be able to recommence the departmental visits in this respect. • There is currently no internal reporting of absence levels to the Management Team or other assurance forum, although reporting was being developed at the time of the audit. • There isn't a consistent flexitime process in place with different forms and approval methods across the Council. Testing also identified that forms were not being fully completed with 			

	<p>instances of forms not being checked or signed by the employee or manager.</p> <ul style="list-style-type: none"> The following years leave allocations and facility for booking leave in the system is added in September of the previous year. This was delayed for 2022/23 due the late addition of an extra bank holiday; this delay resulted in one depot having problems recording leave in the system and a duplication of work as staff were arranging and recording leave manually for the following leave year.
Key Risks Highlighted with No Agreed Action	N/A

Report Title	Risk Management			
Executive Sponsor	Chief Officer – Policy and People			
Objective	To provide assurance on the design and operating effectiveness of the Council’s risk management processes.			
Assurance Level	Moderate			
Recommendations	0 X Critical	0 x High	5 x Medium	0 x Low
Summary	<p>There has been good progress since our previous review. The refreshed risk management implementation project led by the Projects and Performance Manager has delivered in line with its expectations. A key positive difference to the previous implementation has been engagement with service users to facilitate risk recognition and system familiarisation. At the conclusion of our review of the improvement project, good progress had been made in populating the registers, and the first review cycle by the Projects and Performance Manager was commencing. This would identify areas for improvement and provide users with ‘on the job’ training to enhance risk register quality.</p> <p>Moderate assurance represents a good achievement from a position of no assurance in October 2022. We have made recommendations including formal assessment of risk management resources and a training programme to support further improvement.</p>			

Key Risks Highlighted with No Agreed Action	N/A
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Report Title	Project Management			
Executive Sponsor	Chief Officer – Policy and People			
Objective	To provide assurance over the design and operating effectiveness of Project Management arrangements at the Council.			
Assurance Level	Moderate			
Recommendations	0 X Critical	1 x High	8 x Medium	1 x Low
Summary	<p>Overall, the review identified that Project Management controls were generally effective, but improvements could be made to their operation.</p> <p>There was a comprehensive suite of guidance documentation and suggested templates available on the intranet, along with what was described as “invaluable” support and training being provided by the Projects and Performance Team.</p> <p>However, testing highlighted that the templates were not always used as intended, in particular those in respect of Project initiation, start-up and the documentation and approval of any significant changes We noted that changes to Projects were only highlighted when additional funding was required.</p> <p>All projects were linked to delivering the Council’s Corporate Priorities and had key roles and responsibilities assigned with support provided from Finance, Legal and HR where required.</p> <p>Whilst the review focussed on four strategic projects (Mellishaw, Lune Flood Defences, Customer Contact Centre and Working Well), the Council could benefit from putting in place a Project Definition with a set of rules to define small, medium and large projects based not only on financial cost, but complexity and risk to the Council. Differing, appropriate, processes could then be put in place based on each type of identified project.</p> <p>There was a dedicated area on the GRACE risk management system where all live Strategic projects had recorded their risks to enable them to be captured where necessary in the Strategic Risk Register</p>			

	<p>Cost control measures were in place, with each Project being provided with a cost centre. However, it was noted that for one Project tested revenue costs had not been ringfenced into a cost centre and were spread across services areas, making it difficult to track total expenditure against budget.</p> <p>The Leadership Team Meetings play an important role in Project Governance, as they received initial project proposals in order to consider and then decide on approval or, depending upon the nature of the project, whether to submit to the Cabinet and Full Council for consideration. Quarterly performance reporting is undertaken at these meetings prior to being presented to Cabinet and Full Council where necessary. We note that these meetings were not documented to record decisions, or any concerns or issues raised.</p> <p>Regular reporting was received by Cabinet including the quarterly project dashboard. This dashboard risk assesses each project and provides respective budgetary performance information.</p> <p>All of the projects, bar one, were risk assessed as being ‘Green’. This would seem to be unrealistic given rising costs and conflicting demands on resources.</p>
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<p>Key Risks Highlighted with No Agreed Action</p>	<p>N/A</p>
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<p>Report Title</p>	<p>Follow-up - Data Protection: Policy and Process Review</p>					
<p>Executive Sponsor</p>	<p>Chief Officer – Governance and Monitoring Officer</p>					
<p>Objective</p>	<p>To follow up and to obtain assurance that sufficient progress has been made in implementing the actions as detailed in the Data Protection: Policy and Process Report (May 2020) and there was continued oversight, monitoring, and reporting to ensure the council remains compliant with the legal requirements of the Data Protection Act (DPA) 2018.</p>					
<p>Assurance Level</p>	<p>Limited</p>					
<p>Recommendations</p>	<p>Recommendations</p>	<p>No.</p>	<p>Critical</p>	<p>High</p>	<p>Medium</p>	<p>Low</p>
	<p>Made / Agreed</p>	<p>48</p>	<p>-</p>	<p>14</p>	<p>23</p>	<p>1</p>

Fully Implemented		-	-	5	-
Partially Implemented (work in progress)		-	2	9	1
Not Implemented		-	11	20	-
Superseded		-	-	-	-

Summary

The council commissioned MIAA to undertake a review of its Data Protection Policy and Processes. A report was issued in May 2020 which identified areas of good practice but also areas where there were opportunities to strengthen arrangements which resulted in the review being assigned 'Limited' assurance.

Senior management commissioned this follow up review to obtain assurance that sufficient progress has been made in implementing the actions as detailed in the original report and there was continued oversight, monitoring, and reporting to ensure the council remains compliant with the legal requirements of the Data Protection Act (DPA) 2018.

Although some progress has been made to implement the recommendations from the original report, there is still some fundamental weaknesses in the council's data protection framework to ensure ongoing compliance with legislation. In addition, there is a lack of oversight and governance over the council's development and delivery of the Data Protection Framework, including regular reporting of progress to senior management to demonstrate support and backing at the most senior level of management. For example, although the audit in May 2020 included timescales for the delivery of the original agreed actions, these have long expired (September 2021). An action plan was collated by the Information Governance Manager to address the issues but the lack of progress against the action plan (31 out of the 48 recommendations not implemented) has not been escalated at senior management level.

The main areas that require immediate attention include:

- Establishing and documenting a Data Protection Framework within the council and raising awareness across all departments within the council;
- Approval of the recently revised key data protection policies and procedures to underpin current practice;

	<ul style="list-style-type: none"> • Creating the Record of Processing Activity (ROPA) as required by the General Data Protection Regulation; • Development and collation of the council’s information asset register; • Data flow mapping including information sharing arrangements; • Review of existing data privacy notices; • Ensure uptake of mandatory information governance training; • Delivery of specific training for Senior Information Risk Owner (SIRO) Information Asset Owners (IAO) Information Asset Administrators (IAA) to fulfil their roles and provide continued guidance to ensure compliance and understanding of the data that the council processes.
<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 July 2023.

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	3	2	-	-	-	-	-	-
Insurance (2019/20)	11	Limited	7	4	-	-	-	-	-	-
Procurement & Contract Management (2018/19)	18	Limited	6	3	9	-	-	-	-	-
MIAA Audit Reviews										
2021/22 Audit Reviews										
Main Accounting System	4	Substantial	1	3	-	-	-	-	-	3
Treasury Management	5	Substantial	4	1	-	-	-	-	-	1
Business Support Grants (2021/22)	4	Substantial	4	-	-	-	-	-	-	-
Council Tax	8	Moderate	3	4	1	-	-	1	4	-
P2P System	4	Limited	-	2	-	2	-	2	2	-
Conflicts of Interest	9	Substantial	5	2	2	-	-	-	1	3
Efficiency Delivery	5	Moderate	-	-	-	5	-	1	3	1
Property Investment Strategy	2	Substantial	-	-	-	2	-	-	1	1
Collection of Income and Reconciliations	4	Limited	2	-	-	2	-	2	-	-
2022/23 Audit Reviews										
Budgetary Controls	3	Substantial	-	-	-	3	-	-	1	2

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS			
			✓/S	P	X	Not due	C	H	M	L
Externally Managed Events	7	Substantial	-	-	-	7	-	-	1	6
Resilience and Emergency Preparedness	7	Limited	-	-	-	7	-	3	3	1
Time Recording Systems	7	Moderate	-	-	-	7	-	1	3	3
Risk Management	5	Moderate	-	-	-	5	-		5	-
Project Management	10	Moderate	-	-	-	10	-	1	8	1
Cyber Security	Confidential									
TOTALS	118		35	21	12	50	-	11	32	22

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 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 will include the points outstanding from this review in our Contract Management Review, which is in progress.

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

26 July 2023

**Annual Report of the Head of Internal Audit and Assurance
Report of Head of Internal Audit**

PURPOSE OF REPORT

The purpose of this Head of Internal Audit Opinion (HoIAO) is to contribute to the assurances available to the Accountable Officer and the Council which underpin the Council’s own assessment of the effectiveness of the organisation’s system of internal control. This Opinion will assist the Council in the completion of its Annual Governance Statement (AGS), along with considerations of organisational performance, regulatory compliance and the wider operating environment.

This report is public

RECOMMENDATIONS

- (1) **That the Audit Committee receive the HOIAO for the year 2022/23.**
- (2) **Options and Options Analysis (including risk assessment)**
There are no other options available.

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

In accordance with the Accounts and Audit Regulations, Internal Audit (IA) is required to form an opinion on the adequacy and effectiveness of the council’s internal control environment, which includes consideration of any significant risk or governance issues and control failures that have been identified throughout the year. In arriving at an opinion, consideration is given to;

- An assessment of the design and operation of the underpinning strategic governance, risk management arrangements and supporting processes;
- An assessment of the range of individual assurances arising from risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account the relative materiality of systems reviewed and management’s progress in respect of addressing control weaknesses identified.
- An assessment of the Council’s response to Internal Audit recommendations, and the extent to which they have been implemented.

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Internal Audit Plan 2021/22

Internal Audit Plan 2022/23

Internal Audit Progress Reports 2022 & 2023

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Internal Audit Annual Report & Head of Internal Audit Opinion 2022/23

Lancaster City Council

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- 1 Executive Summary
- 2 Head of Internal Audit Opinion
- 3 Internal Audit Coverage and Outputs
- 4 Areas for consideration – your Annual Governance Statement
- 5 MIAA Quality of Service Indicators

1 Executive Summary

We are pleased to have provided your internal audit services for 2022/23. The highlights of the delivery of our services are summarised in this report.

This annual report provides your 2022/23 Head of Internal Audit Opinion, together with the planned internal audit coverage and outputs during 2022/23 and MIAA Quality of Service Indicators.

Key Area	Summary
Head of Internal Audit Opinion	<p>The overall opinion for the period 1st April 2022 to 31st March 2023 provides Moderate Assurance, 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 of the organisation’s objectives at risk.</p> <p><i>In considering the overall opinion, we have recognised the improvement and development of Risk Management at the Council in the last year and this has been reflected in the Council moving just over the threshold from the previous overall limited opinion in 21/22 to an overall moderate opinion for 22/23. We have also considered that Internal Audit resource has been directed into known risk areas by Council Officers and the Audit Committee which has resulted in a number of moderate and limited assurance opinions being provided for individual reviews. Moving forward, the Council needs to ensure that there is a continued focus on the strengthening of its control framework.</i></p> <p>This opinion is provided in the context that the Council like other organisations across the public sector is facing a number of challenging issues and wider organisational factors particularly with regards to financial challenges and increasing collaboration across organisations and systems.</p> <p>In providing this opinion we can confirm continued compliance with the definition of internal audit (as set out in your Internal Audit Charter), code of ethics and professional standards. We also confirm organisational independence of the audit activity and that this has been free from interference in respect of scoping, delivery and reporting.</p> <p>The purpose of our Head of Internal Audit (HoIA) Opinion is to contribute to the assurances available to the Accountable Officer and the Council which underpin the Council’s own assessment of the effectiveness of the system of internal control. As such, it is one component that the Council takes into account in making its Annual Governance Statement (AGS).</p> <p>The opinion does not imply that we have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework.</p>

<p>Planned Audit Coverage and Outputs</p>	<p>The 2022/23 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year. Review coverage has been focused on:</p> <ul style="list-style-type: none"> • The organisation’s assurance framework; • Core and mandated reviews, including follow up; and • A range of individual risk-based assurance reviews. <p><i>Please include the summary text in the table above when referring to the HoIA Opinion in your AGS.</i></p>
<p>Recommendations / Management Actions</p>	<ul style="list-style-type: none"> • We have raised 71 recommendations as part of the reviews undertaken during 2022/23. All recommendations raised by MIAA have been accepted by management. • Of these recommendations: none were critical and 10 were high risk recommendations in relation to the reviews of Collection of Income & Reconciliations, Council Tax, Efficiency Programme Delivery, Council Resilience, Recruitment and Project Management. • During the year, we have undertaken follow up reviews and can conclude that the organisation have had 33 actions implemented or superseded during 2022/23 • The total number of recommendations yet to be implemented as at March 2023 is 61, with 41 of these not yet due, of the remaining 20 recommendations 18 of these relate to the previous in house audit team and do not have a risk rating. The two which have a risk rating are one medium and one low.
<p>MIAA Quality of Service Indicators</p>	<p>MIAA operate systems that comply with ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA (2020), provides assurance of MIAA’s full compliance with the Public Sector Internal Audit Standards PSIAS. We undertake regular internal assessments to ensure our ongoing compliance with requirements. We also conduct an annual self-assessment of compliance with PSIAS and we continue to confirm full compliance with these standards.</p> <p>MIAA are committed to delivering and demonstrating the highest standards of information governance and cyber security in order to protect not only our information and systems but to protect the data we collect and create through our audit and advisory activities with clients.</p> <p>We have consistently submitted a compliant NHS Data Security and Protection Toolkit return and in 22/23 MIAA is now certified to the national Cyber Essentials Plus standard.</p>

2 Head of Internal Audit Opinion

Your internal audit service has been performed in accordance with MIAA's internal audit methodology which conforms with PSIAS. PSIAS require that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform our work to obtain sufficient, appropriate evidence on which to base our conclusion.

2.1 Roles and Responsibilities

The whole Council is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The AGS is an annual statement by the Leader of the Council and Chief Executive, on behalf of the Council, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievements of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the assurance framework process; and
- the conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's assurance framework should bring together all of the evidence required to support the AGS requirements.

In accordance with Public Sector Internal Audit Standards, the HoIA is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which can provide assurance, subject to the inherent limitations described below. The outcomes and delivery of the internal audit plan are provided in Section 4.

2.2 Opinion

Our opinion is set out as follows:

- Basis for the Opinion;
- Overall Opinion; and
- Commentary

2.2.1 Basis for the Opinion

The basis for forming our opinion is as follows:

- 1 An assessment of the design and operation of the underpinning strategic governance, risk management arrangements and supporting processes.
- 2 An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account the relative materiality of systems reviewed and management’s progress in respect of addressing control weaknesses identified.
- 3 An assessment of the organisation’s response to Internal Audit recommendations, and the extent to which they have been implemented.

2.2.2 Overall Opinion

Our overall opinion for the period 1st April 2022 to 31st March 2023 is:

High Assurance, can be given that there is a strong system of internal control which has been effectively designed to meet the organisation’s objectives, and that controls are consistently applied in all areas reviewed.	
Substantial Assurance, can be given that that there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.	
Moderate Assurance , can be given that 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 of the organisation’s objectives at risk.	✓
Limited Assurance, can be given that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation’s objectives at risk.	
No Assurance, can be given that 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 organisation’s objectives.	

2.2.3 Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Our opinion covers the period 1st April 2022 to 31st March 2023 inclusive, and is underpinned by the work conducted through the risk-based internal audit plan.

Assurance Framework

Our work has consisted of:

- Assessing progress with implementing the recommendations from the internal audit review of risk management which was completed in 2021/22 and provided no assurance. This review identified that there was no or very limited central operational or strategic risk management oversight processes in operation throughout 2021/22.
- Conducting a further Risk Management Review in 2022/23 to consider the design and operating effectiveness of the Council's risk management processes which provided moderate assurance. A refreshed risk management implementation project has taken place and delivered in line with its expectations. A key positive difference to the previous implementation has been engagement with service users to facilitate risk recognition and system familiarisation. At the conclusion of our review of the improvement project, we were able to conclude that good progress had been made in populating the registers, and a new Policy had been introduced, along with a governance process, with the Strategic Risk Register being updated and presented to the Audit Committee regularly. Further areas for improvement are being actioned which will provide users with 'on the job' training to enhance risk register quality.

Core & Risk-Based Reviews Issued

We issued:

No high assurance opinions:	No reviews received High Assurance	Four limited assurance opinions:	Collection of Income and Reconciliations* Council Resilience Data Protection and Policy Follow-up CCTV Compliance – <i>Draft</i>
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Three substantial assurance opinions:	Property Investment Strategy/Capital Schemes* Budgeting Externally Managed Events	No no assurance opinions:	No reviews received No Assurance
Seven moderate assurance opinions:	Council Tax* Efficiency Programme Delivery* Risk Management Council Time Recording Systems Project Management Cyber Security Recruitment – <i>Draft</i>	Two reviews without an assurance rating	Effectiveness of HR Arrangements*: <i>good progress with implementation of actions</i> Assurance Mapping

Concluding Review: The Key Financial Controls Review is being concluded. The findings from the work and an indicative assurance opinion has been considered as part of the overall opinion. As such, the issue of the final report relating to this review will not impact on the overall assurance level provided in this report.

*21/22 reviews which were concluded during 22/23 and were not included within the 21/22 HoIAO.

Follow Up

During the course of the year we have undertaken follow up reviews and can conclude that the organisation has made **reasonable progress in some areas** with regards to the implementation of recommendations, noting that a number of recommendations have been superceded or not yet due. We will continue to track and follow up outstanding actions.

3rd Party Assurances

We have also considered the following assurances:

- DWP Subsidy – assessed as ‘certified’ by KPMG
- Revenues and Benefits Online Claim Form – assessed as ‘substantial assurance’ and carried out under the Shared Service Agreement with Preston Council
- Revenues and Benefits Application (Technical Audit) – assessed as ‘substantial assurance’ and carried out under the Shared Service Agreement with Preston Council by Salford Technical Audit

Chris Harrop

Managing Director, MIAA
July 2023

Louise Cobain

Assurance Director, MIAA
July 2023

3 Internal Audit Coverage and Outputs

The 2022/23 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year.

Of the reviews completed in the year, assurance ratings were given in 14 cases. Assurance ratings were not applicable 2 reviews, due to the nature of this work. The audit assignment element of the Opinion is limited to the scope and objectives of each of the individual reviews. Detailed information on the limitations (including scope and coverage) to the reviews has been provided within the individual audit reports and through the Audit Committee Progress Reports throughout the year.

A summary of the reviews performed in the year is provided below:

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
1	Risk Management	Moderate	0	0	5	0	5
2	Collection of Income and Reconciliations*	Limited	0	2	0	2	4
3	Key Financial Systems- <i>Draft</i>	To be agreed	N/A				N/A
4	Property Investment Strategy/Capital Schemes*	Substantial	0	0	1	1	2
5	Council Tax*	Moderate	0	1	4	3	8
6	Efficiency Programme Delivery*	Moderate	0	1	3	1	5
7	Effectiveness of HR Arrangements Briefing Note*	N/A	Feedback provided separately				N/A

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
8	Budgeting	Substantial	0	0	1	2	3
9	Council Resilience/Emergency Preparedness	Limited	0	3	3	1	7
10	Externally Managed Events	Substantial	0	0	1	6	7
11	Time Recording Systems	Moderate	0	1	3	3	7
12	CCTV Compliance - <i>Draft</i>	Limited	N/A				N/A
13	Data Protection and Policy Follow-up	Limited	Follow-up of previous recommendations				N/A
14	Recruitment - <i>Draft</i>	Moderate	0	1	4	1	6
15	Project Management	Moderate	0	1	8	1	10
16	Assurance Mapping Briefing Note	N/A	Feedback provided separately				N/A
17	IT Resilience/Cyber	Moderate	0	0	5	2	7
		TOTAL	0	10	38	23	71

*21/22 reviews which were concluded during 22/23 and not included within the 21/22 HoIAO

We will continue to follow up progress against all recommendations as part of the 2023/24 Internal Audit Plan.

ADVISORY SUPPORT AND GUIDANCE: Areas where MIAA have supported the organisation in strengthening arrangements in respect of governance, risk management and internal control.

Review of Audit Committee Terms of Reference

Review and Chief Internal Auditor Declaration of Biodiversity Net Gain Grant Review

Review and Chief Internal Auditor Declaration of Contain Management Outbreak Fund (COMF) Grant 2020/21 & 2021/22 Grant Claims

Review and Chief Internal Auditor Declaration of Local Authority Test and Trace Support Payment Scheme Funding (TTSP) Grant 2020/21 & 2021/22 Grant Claims

CONTRIBUTION TO GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENHANCEMENTS: *Additional areas where MIAA have provided added value contributions.*

Detailed insight into the overall Governance and Assurance processes gained from liaison throughout the year with the Officer/ Senior Management Team, regular review of Council papers and work to develop the assurance framework.

Involvement with the organisation in respect of advice and guidance relating to corporate governance documentation and assurance mapping.

Ongoing discussion with Lead Officers, Managers and Members throughout the year.

Delivery and input into Audit Committee member training sessions.

Effective utilisation of internal audit including in year communication, requests for support in Eden Project Governance and changes to the audit plan in respect of Apprenticeships, Project Management and Contract Management.

To keep our clients informed on emerging governance and wider policy developments we ran 5 events in 22/23 as part of our North West Masterclass Collaboration. Each event was accompanied by an event summary published on our website.

Continued involvement and representation on National Bodies including the Institute of Internal Auditors (IIA) and CIPFA enabling us to be proactive in sharing best practice, wider benchmarking and providing early insights on national issues.

4 Areas for Consideration – your AGS

The Head of Internal Audit Opinion is one source of assurance that the organisation has in providing its AGS other third party assurances should also be considered. In addition the organisation should take account of other independent assurances that are considered relevant. We have identified a number of other strategic challenges that should be considered by the Council when drafting the AGS. Whilst the scope of the Internal Audit Plan would have considered elements of these, it is important that the Council reflects more widely on how these should be factored into the AGS. Areas for consideration include:

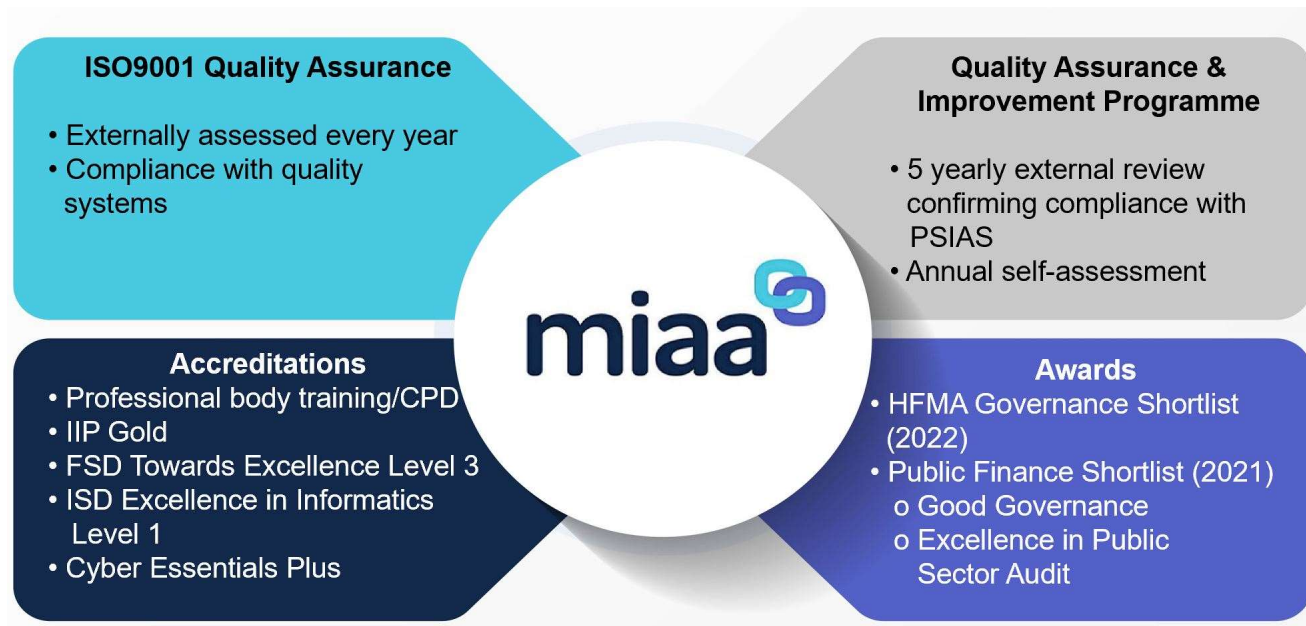
- Wider partnership/ collaborative working and engagement across the Lancashire Footprint (e.g. Lancashire Resilience Forum).
- Continued establishment and delivery of cross-organisation arrangements for the Better Care Fund and other pooled budgets development (e.g. Education, Lancashire County Council and the Health & Wellbeing Board)
- Impact of the revised financial regime on decision making, achieving financial duties, ongoing financial viability, delivery of savings, service pressures and key relationships/ performance of third parties.
- Changes to governance, risk management and internal control arrangements (including the impact on decision making processes).
- Impact of the COVID-19 response on the ongoing delivery of services and compliance with legislative and regulatory requirements (e.g. UK Corporate Governance Code). Maintenance and improvement of the quality of services alongside and overall organisation performance, including the delivery of targets.
- Council/Service leadership, including any significant changes to the Council Senior Management Team.
- Workforce capacity, engagement, wellbeing and development.
- Ensuring there is a fit for purpose infrastructure.
- Cyber security, information governance risks and any associated reportable incidents to the Information Commissioner.
- Relationship and management of 3rd party providers upon which the organisation places reliance, and the provision of assurances from these (e.g. Preston Council).
- Compliance with all relevant laws, standards and regulations.
- Organisation performance, including challenges in achieving financial duties, delivery of Priority Based Budgets and service pressures managed in year.
- Wider partnership working risks and challenges.

5 Ensuring Quality

MIAA's strategy has quality at the heart of everything we do and our overall approach to quality assurance includes ISO9001:2015 accreditation, compliance with Public Sector Internal Audit Standards, the quality of our people and how we supporting them, staffing levels, compliance and outcome measures.

Professional Standards and Accreditations

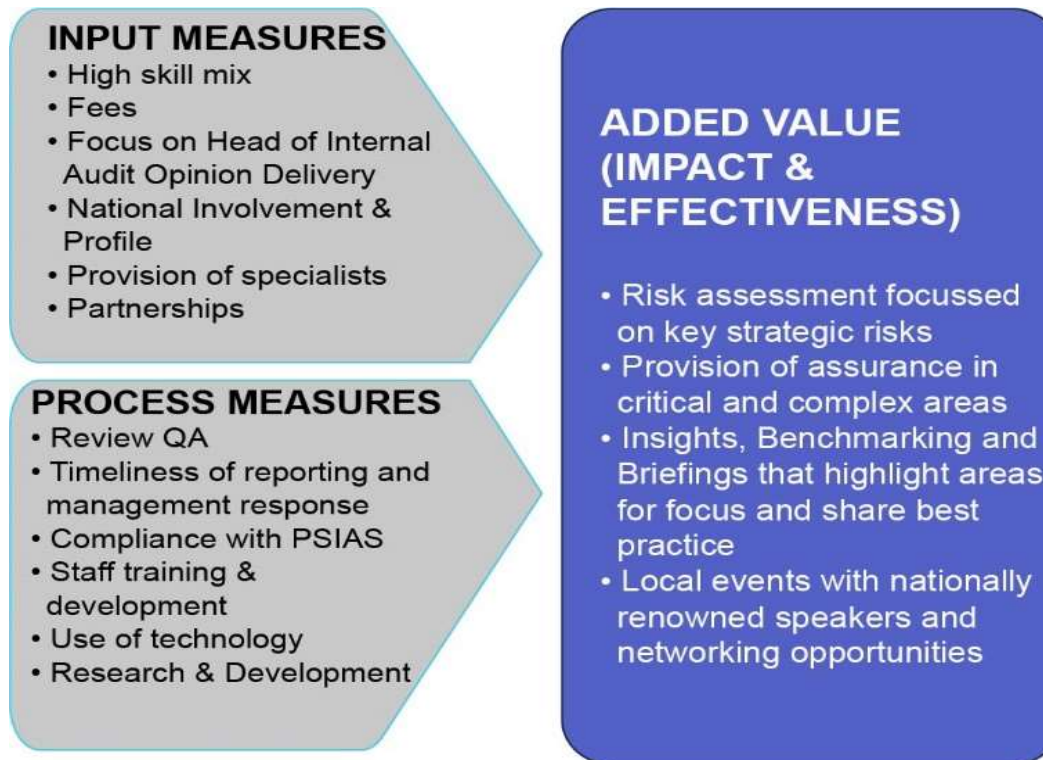
MIAA comply fully with professional best practice, internal audit standards and legal requirements. We assess our compliance with the PSIAS each year and can confirm ongoing compliance with required standards.



Service delivery and outcome measures

It is important that client organisations ensure an effective Internal Audit Service, and whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. The figure below confirms the measures that we believe demonstrate an effective service to you.

MIAA regularly report on input and process KPIs as part of our Audit Committee Progress reports, and the impact and effectiveness measures can be assessed through the HOIA Opinion.



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AUDIT COMMITTEE**Counter Fraud – Annual Report 2022/23****26th July 2023****Report of the Corporate Fraud Manager****PURPOSE OF REPORT**

To inform the Committee of the extent and outcome of counter fraud work during the 2022/23 financial year.

This report is public

RECOMMENDATIONS

1. That the report be noted.

1.0 Introduction

1.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. As responsibility for Housing Benefit fraud investigation passed to the Department for Work and Pensions on 1st June 2015, the Council made a decision to form a Corporate Fraud Team, shared between Preston, Lancaster and Fylde Councils. There is a duty to have effective controls and procedures in place to prevent, detect and investigate fraud and error in Council Tax Support, Council Tax and Business Rates. The Corporate Fraud, or Corporate Enquiry Team (CET) as it is also known, also works in partnership with the Housing Department and Social Housing providers to investigate tenancy fraud.

1.2 This report details performance and counter fraud activity undertaken by the Fraud Team/Corporate Enquiry Team during 2022/23 in this specialist area of work.

2.0 Background Information

2.1 Early in 2015, the Council supported a bid by Preston City Council for funding from the Department for Communities and Local Government (DCLG) to set up a shared Corporate Enquiry Team, with the partners being Preston City Council, Lancaster City Council and Fylde Borough Council. The bid was successful and £125,750 was awarded towards the cost. This team effectively replaced the former Benefit Fraud Team hosted by Preston City Council, with six staff from the share service transferred to the Department for Work and Pensions (“DWP”) on 1st June 2015.

2.2 At the same time, the Corporate Enquiry Team was established and throughout the year 2022/23 consisted of seven staff, including a Manager, one full time Investigator, one part time Investigator, one full time Compliance Officer, one full time Enforcement

Officer/Investigator, two Administrative Officers and a part time Apprentice. The staff continued to be employed by Preston City Council and resources are shared between the three authorities, giving Lancaster full time equivalent staff (FTE) of Manager (0.4 fte), Investigator (1.0 fte) and Administrative Officer (1.0 fte).

- 2.3 The objectives of the Corporate Enquiry Team are to:-
- Protect public funds
 - Undertake fraud prevention measures
 - Detect and stop fraud
 - Increase fraud awareness
 - Implement sanctions in accordance with Council prosecution policies
 - Ensure that investigations comply with the regulatory environment
 - Recover properties from fraudsters to enable re-housing of those identified as most in need of social housing
 - Encourage a strong culture of good performance in relation to cost
 - Promote the principles of fairness, equality of opportunity, social inclusion and poverty reduction through service provision
 - Embrace partnership working to enable the delivery of an excellent service, whilst achieving savings based on economies of scale, reductions in duplication and financial savings to the authority
- 2.4 The Corporate Enquiry Team strives to prevent and detect as much Council Tax Support fraud as possible, working with outside agencies such as the Department for Work and Pensions, HM Revenues & Customs, Police and Immigration when appropriate. The team has signed up to joint working with the DWP on cases involving Council Tax Support and national benefits. The project commenced on 29th April 2019 although, Covid19 has seen delays to the progression of this due to the redeployment of DWP fraud staff to other welfare benefit services.
- 2.5 The team acts as Single Point of Contact (SPOC) for providing information on Housing Benefit investigations to DWP.
- 2.6 The team has an excellent working relationship with Lancashire Police, participating in Operation GENGA, a multi agency project to help tackle serious and organised crime. This demonstrates our commitment to tackle fraud on a larger scale and other related crimes in partnership with external agencies
- 2.7 The team has an excellent working relationship with Lancashire Police and acts as SPOC for Police Data Protection Act requests.
- 2.8 The Corporate Enquiry Team are active members of the National Anti-Fraud Network (NAFN). NAFN's key services include:
- Acquiring data legally, efficiently and effectively from a wide range of information providers;
 - Acting as the hub for the collection, collation and circulation of intelligence alerts;
 - Providing best practice examples of process, forms and procedures.
- 2.9 The team are also members of the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre in order to share best practice and receive information on new counter fraud initiatives. They work closely with other Lancashire and Greater Manchester Local Authorities, meeting regularly to discuss common problems and best practice.

3.0 Performance

3.1 Performance data is detailed as below:

	Year	Target	Achieved
Overpayments	2022/23	£110,000	£623,359.76

Financial Source	Financials	Weekly Savings
Council Tax Support	£6,610.20	£88.94
Council Tax Benefit	£0.00	£0.00
Housing Benefit	£9,750.44	£322.64
Council Tax	£23,330.24	£113.25
Business Rates	£24,368.88	£134.10
Right To Buy	£549,300.00	£0.00
Covid Business Grant	£10,000.00	£0.00
Totals	£623,359.76	£718.93 (X52 = £37,384.36)

3.2 From 1st April 2022 to 31st March 2023 the Corporate Enquiry Team identified overpayments and 9 ineligible Right to Buy applications being denied following investigation and review (Lancaster City Council Housing stock) all of these areas totalled £623,359.76.

3.3 From 1st April 2017 the team has introduced an additional methodology to identify counter fraud performance. When a claim for an allowance, discount, reduction or exemption ends or reduces as a result of an intervention by the Corporate Enquiry Team the value of the intervention is not just the amount of any overpayment that has occurred. It is recognised that there is also a “future” saving made by preventing further incorrect payments being made. In these cases the weekly amount of reduced entitlement to an allowance, discount, reduction or exemption that is applied following fraud intervention should be multiplied by 52. It is reasonable to believe that the award would have continued unchanged for an average of a full year had no intervention taken place. This was agreed as an appropriate performance measure by the Lancashire and Greater Manchester Fraud Investigators Group. The weekly figure identified for Lancaster City Council is £718.93, multiplied by 52 gives total “future” savings for 2021/22 of £37,384.36.

- 3.4 The team works with Lancaster City Council Housing Department in relation to alleged tenancy fraud, there were 2 properties recovered during the year 2022/23 with temporary accommodation savings of £36,000.00. The Audit Commission's estimate of the average annual cost to a council of housing one homeless family in temporary accommodation because the property they should move into is already occupied under a fraudulent tenancy is £18,000.00.
- 3.5 The Corporate Enquiry Team has participated in the annual National Fraud Initiative (NFI) data matching exercise, including investigating Council Tax data matches where single person discount is in place, but more than one adult is listed on the electoral register for the property.
- 3.6 The team review 100% of all "right to buy" applications for Council Housing properties made to the Council. During the year 2022/23 home visits continued following a temporary suspension due to covid. This intervention saw the authority retain 9 properties from the Council's housing stock, resulting in £549,300.00 of ineligible Right to Buy applications being denied.
- 3.7 The year 2022/23 saw a significant increase in the amount of Right to Buy applications which the team had to review. For comparison 2021/22 saw a total of 15 applications whereas, 2022/23 saw the total increase to 37. The increase in the amount of applications is partly due to the temporary suspension of Right to Buy home visits and reviews during covid for part of 2021/22.
- 3.8 A management checking regime is in place, structured to monitor performance and compliance with legislation. This process includes:-
- 1-2-1's with staff to discuss the officer's full caseload, giving advice and direction, identifying any inactive cases, together with any training needs;
 - A review of all "Interviews Under Caution" before prosecution is considered;
 - A full management check on all sanction cases; and regular checks are undertaken of fraud officer's pocket notebooks.
- 3.9 Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). No surveillance took place during 2022/23. From 10th June 2019 the legislation governing surveillance changes to the Investigatory Powers Act (IPA).
- 3.10 The team has assisted Business Rates with the administration of business rate grants and the processing of cabinet office Spotlight checks as part of the prepayment assurance checks.
- 3.11 Covid19 saw a new area of fraud for the team to investigate with the introduction of the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund on the 17th March 2020 along with other Council administered grants. Investigations in this regard are both pre and post payment.

4 Details of Consultation

- 4.1 No specific consultation has been undertaken in compiling this report.

5 Options and Options Analysis (including risk assessment)

- 5.1 None – the report is for noting.

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

The Benefits Service has a major impact upon the wellbeing of the poorer members of the local community. The Council is committed to protecting the gateway to Benefits and Council Tax Support with a service that is accessible to everyone in the community, ensuring that customers receive all the allowances to which they are entitled. As an essential part of this service provision, the prevention and detection of fraud remains high on the Council's agenda.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report. However, the Corporate Enquiry Team has generated savings for the Council from their Corporate Fraud Shared Service work, and delivers value for money.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

None arising from this report

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

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**BUSINESS PLAN
2023/24**

**CORPORATE ENQUIRY TEAM
SHARED SERVICE**

**LANCASTER CITY COUNCIL,
PRESTON CITY COUNCIL & FYLDE
BOROUGH COUNCIL**

(This Plan will be refreshed annually)

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VISION STATEMENT:

To use available resources to enforce a zero-tolerance approach to fraud against the Councils and their partner organisations.

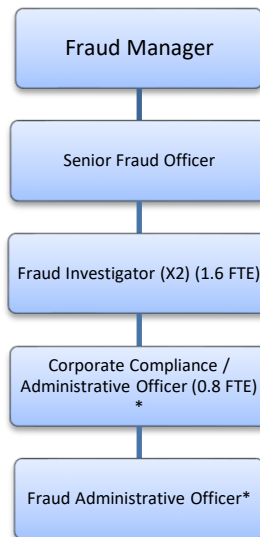
STATEMENT OF PURPOSE:

The Corporate Enquiry Team will:

- Prevent, detect and deter fraud against the respective Council and its partners;
- Investigate appropriate allegations of fraud to a criminal prosecution standard;
- Work with the Police and other agencies to protect the public purse;
- Act as single point of contact for data enquiries from the Police, the Department for Work and Pensions and other law enforcement agencies.

SERVICE OVERVIEW:

The shared Corporate Enquiry Team was created on 1 June 2015 and operates over three sites on behalf of Fylde, Lancaster and Preston Councils. In practice, it currently sits as part of the Customer Services Directorate within Preston City Council and the structure of the team is as follows:



* One post of the two Admin officer posts covers DWP liaison for both Lancaster & Preston and is therefore funded from the Revenues/Benefits Shared Service budget. The Corporate Compliance/Administrative Officer hours reduced with effect from 3rd July 2023 from full time to 0.8 FTE permanently.

The initial years of this partnership arrangement saw a period of development and enhancement in the field of corporate anti-fraud activity. The Corporate Enquiry Team

has focussed its attention on anti-fraud and error across the three authorities and work involves prevention, detection and investigative work.

Local authorities have a duty to safeguard public funds and to ensure that any public money is used appropriately. All three Councils have a zero-tolerance approach to fraud.

Fraud is often an opportunistic crime, committed by those who perceive the likelihood of being caught and punished as minimal. The Corporate Enquiry Team will use all legal powers available to work with our partners to reduce both the risk of fraud and the losses caused by it. This will be done by taking firm action against offenders and publicising positive outcomes to create a deterrent effect.

This Business Plan is produced to document the work of the Corporate Enquiry Team and to outline the responsibilities and key objectives for the team in coming years. It provides financial and performance information and provides a risk analysis of possible events that may adversely affect the service in the future.

CUSTOMERS & STAKEHOLDERS:

We continue to develop excellent working relationships with our customers and stakeholders, which include:

- All residents of the three districts;
- The business community;
- Benefit/Council Tax Reduction Scheme customers;
- Elected representatives.
- Other Council services;
- Department for Work and Pensions;
- Pensions Service;
- Valuation Office Agency;
- Registered Social Landlords;
- Private Landlords/Agents;
- HM Revenues and Customs;
- UK Border Agency;
- Cabinet Office;
- HM Courts and Tribunals Service;
- The Home Office;
- The National Crime Agency
- Advice Agencies – CAB & Welfare Rights Service;
- The Department for Levelling Up, Housing and Communities (DLUHC);
- Enforcement Agents;
- Other Local Authorities;
- Police.

CONTRIBUTION TO COUNCIL PRIORITIES:

This Business Plan is shaped by corporate priorities and we continue to contribute towards these priorities in our day to day work; by achieving our key service objectives. Our processes alongside new systems will support the revised ways of partnership working and help ensure that Council priorities can be achieved.

Local Authorities have a duty to protect the public purse. The Council has experienced significant reductions in funding from central Government. This means that we must

strive to do more for less. It is vital that we ensure our limited funds are directed towards the provision of essential services and that we minimise our losses to fraud.

The Corporate Enquiry Team proactively work with all services within each Council to offer a counter fraud and error service and to identify and investigate any fraudulent activity.

KEY SERVICE OBJECTIVES:

In preparing the objectives for this plan, the Shared Service Management Team has reviewed all of the known influences on the service. These include customer needs, staff needs/issues, the overall environment, performance issues and the various changes associated with improving service provision.

Key Service Objectives for the Shared Service for 2023/24 are:

- To create and promote a robust “anti-fraud” culture across the three authorities, highlighting the Council’s zero tolerance of fraud, bribery and corruption.
- To review supporting policies and procedures to strengthen governance and improve resilience to fraud and corruption.
- To embrace partnership working to enable excellent service delivery, whilst achieving financial savings to the partner authority.
- To ensure that investigations comply with the regulatory environment such as Criminal Procedures and Investigations Act 1996 (CPIA), Police and Criminal Evidence Act 1984 (PACE), Regulation of investigatory Powers Act 2000 (RIPA), Human Rights Act 1998 (HRA), Data Protection Act 2018 (DPA), Freedom of Information Act 2000 (FOI) and GDPR.
- To work with social housing providers to recover properties from fraudsters enabling those identified as being most in need of social housing to be re-housed.
- To encourage a strong culture of good performance in relation to cost and develop relevant performance measures;
- To promote the principles of fairness, equality of opportunity, social inclusion and poverty reduction through service provision;

OTHER MAJOR RESPONSIBILITIES:

Council Tax Support Scheme (CTS) Fraud

- The Council Tax Support (CTS) scheme replaced Council Tax Benefit and as such, responsibility for investigating related fraud lies with the Council. The DWP Single Fraud Investigation Service has no powers to investigate these issues. The DWP have now introduced joint working on CTS cases where there is also a suspected fraud against national benefits. The North West Region commenced joint working on 29th April 2019.
- Investigate allegations of fraud against the CTS systems administered across the three partner Councils;
- Undertake pro-active exercises in areas considered of being at a high risk of fraud;
- To consider appropriate sanction action against fraudsters, in line with all three Council's sanction policies;
- To use the authorised officer powers contained within the CTS scheme (Detection of Fraud and Enforcement) (England) Regulations 2013 in a fair, consistent and legal manner;
- To minimise financial losses as a result of fraud.

Business Rates/ Business Grant Fund/ Council Tax Fraud

To deal with an area of fraud where Council's may lose significant revenue through abuse of the discount, exemption and grant rules. General objectives are to:

- Investigate allegations of fraud across Business Rates, and Council Tax systems administered by the three partnering Councils.
- Participate in National Fraud Initiative data matching to identify irregularities.
- Work with Business Rates, Council Tax teams and visiting officers to help identify and deal with high risk areas of fraud.
- Undertake pro-active visits to high risk premises to identify business rates fraud.
- Utilise the Destin Solutions system to identify false claims for small business rate relief.
- Participate in the Cabinet Office Spotlight due diligence checks to identify potential areas of fraud.

Housing Tenancy Fraud

Lancaster City Council has retained its housing stock, which may be at risk of fraud such as subletting, key swapping, non-residency and right to buy fraud.

New criminal offences were introduced by the Prevention of Social Housing Fraud Act 2013. This includes powers for local authorities to obtain information and the use of unlawful profit orders. Only local authorities have the powers to prosecute these offences, which include all social housing, not just properties owned by the authority.

The Corporate Enquiry Team will work with the Housing team at Lancaster and other Registered Social Landlords to detect and punish tenancy fraud. This will create a deterrent and help to recover properties that are being misused, to be utilised to house those deemed to be most in need of the resource. This should help reduce temporary accommodation costs which are estimated to be around £18,000 per year for a homeless family. The Team will:

- Work closely with Lancaster City Council's Housing team, to encourage staff and residents to report fraud and allow us to deal with it effectively
- Encourage partnership working with our Registered Social Landlords to ensure that the properties they manage are not subject to fraud. This will free properties for some of our residents who are in genuine need.

Staff/Employee Fraud

To assist Audit, Human Resources (HR) and other services deal with investigations of employee fraud. These may include:

- Bribery and Corruption
- Abuse of financial systems, including payroll
- Abuse of personal data for criminal reasons
- Abuse of working time/flexi scheme arrangements
- False expenses claims
- Abuse of the absence and sickness procedure
- Recruitment fraud

KEY PROJECTS

Specific projects for 2023/24 include:

- Continue to participate in Operation GENGA, a multi agency project to help tackle serious and organised crime.
- Participate in the National Fraud Initiative data matching exercises.

FINANCIAL APPRAISAL

The 2023/24 proposed budget for the Corporate Enquiry Team Shared Service is £172,270.00.

The costs of the services over the past two years are shown in the table below along with the budget for the year ahead:

	2023/24 Budget	2022/23 Actual	2021/22 Actual
Employee Costs	161,920.00	163,001.43	141,499.29
Transport Costs	3,300.00	421.42	309.03
IT Equipment and Systems	4,500.00	6,000.00	5,858.22
Other Supplies and Services	2,550.00	3,487.96	3,779.15
Total	£172,270.00	£172,910.81	£151,445.69

The operating costs are met from partner Councils on a monthly basis, based on the annual budget. Contributions from partner Councils are split as follows:

- Preston City Council: 40%.
- Lancaster City Council: 40%
- Fylde Borough Council: 20%

In addition to Preston City Council's contribution of 40%, the Council absorbs the overheads relating to the Corporate Enquiry Team Shared Service team e.g. HR, Finance, and ICT.

The shared service has no capital expenditure.

EQUALITY IMPACT ASSESSMENT

The outputs / outcomes detailed within this Business Plan could affect service users or employees. The impact on different groups will depend on those referrals identified as sufficiently high risk to require investigation. However, processes are in place to ensure those affected are treated equitably. eg. interpreter facilities for those whose first language is not English.

The outcomes of our fraud work can affect some individuals, for example employees who are dismissed following a disciplinary hearing. However, where a disciplinary is held, the outcome lies with the individual manager concerned, as each case will be considered on its own merits.

An Equality Impact Assessment Action Plan is reproduced at **Appendix A**

PERFORMANCE

Performance management is an important component of the shared service arrangement and is a key measure in terms of:

- Developing a sustainable operation;
- Maintaining positive and pro-active partnerships;

- Develop new partnerships where it is beneficial for our residents

Senior managers work with peers and stakeholders in each Council and with external bodies, to measure and maintain performance levels.

The team will seek to find levels of fraud at least the equivalent of the cost of the service. However, it should also be noted that we expect additional “soft” benefits to accrue.

From 1st April 2017 the team introduced an additional methodology to identify counter fraud performance. When a claim for an allowance, discount, reduction or exemption ends or reduces as a result of an intervention by the Corporate Enquiry Team the value of the intervention is not just the amount of any overpayment that has occurred.

It is recognised that there is also a “future” saving made by preventing further incorrect payments being made. In such cases the weekly amount of reduced entitlement to an allowance, discount, reduction or exemption applied following fraud intervention is multiplied by 52, as it is reasonable to believe that the award would have continued unchanged for a full year (average) had no intervention taken place. This was agreed as an appropriate performance measure by the Lancashire and Greater Manchester Fraud Investigators Group. These will be reported as a separate figure from overpayments.

For social housing fraud the team will use the nationally accepted figure of £18,000 for every property recovered. This figure is based on estimated temporary accommodation costs. Again, this will be reported separately from actual overpayments.

In addition to this, targets have been set to identify actual overpayments during 2023/24:

- Preston £110,000
- Lancaster £110,000
- Fylde £55,000

FUTURE DEVELOPMENT

- **Corporate Fraud Awareness**

To work with Audit teams to identify areas of high fraud risk in all three Councils and to help staff recognise and refer potential discrepancies. The team will assist services in developing systems that reduce the risk of fraud.

- **Other new areas**

Possibility of additional NFI data-matching
To review resources (invest to save)

THREE YEAR HORIZON

- To maintain partnership working between the three partner Councils;
- To publicise positive results and sanction action taken against fraudsters, creating a deterrent against those seeking to defraud the Council and its partners;
- To participate in joint working with the Department for Work and Pensions where our investigations correlate;
- To ensure that staffing structures and resources are fit for purpose, shifting resources to areas of greatest need to achieve optimum results;
- To ensure compliance with the Governments proposed counter fraud standards.

Full Equality & Human Rights Impact Assessment (EHRIA)

<p>Department</p> <p>Customer Services</p>	<p>Division</p> <p>Revenues</p>	<p>Officers involved in the assessment</p> <p>Andrew Taylor, Head of Shared Service Haley Baron, Fraud Manager Candice Lancaster, Special Projects Manager</p> <p>Who is the owner of this EHRIA - responsible for monitoring outcomes?</p> <p>Haley Baron, Fraud Manager</p>
<p>Name of the policy, function or service provision to be assessed:</p> <p>Corporate Fraud Investigation</p>	<p>Date of assessment:</p> <p>29/09/15 31/03/17 01/05/18 28/05/19 02/07/20 02/07/21 29/04/22 10/07/23</p>	<p>Is this a new or existing policy or service provision?</p> <p>New Revised Revised Revised Revised Revised Revised Revised</p>

Who defined the policy, function or service provision and who are the main stakeholders?

Section 151 of the Local Authority Finance Act 1972 stipulates a requirement to protect public funds.

The main stakeholders are:-

- **All residents of the three districts;**
- **The business community;**
- **Benefit/Council Tax Support customers;**
- **Elected representatives.**
- **Other Council services;**
- **Department for Work and Pensions;**
- **Pensions Service;**
- **Jobcentre Plus;**
- **Valuation Office Agency;**
- **Rent Service;**
- **Registered Social Landlords;**
- **Private Landlords/Agents;**
- **HM Revenues and Customs;**
- **UK Border Agency;**
- **National Fraud Authority;**
- **HM Courts and Tribunals Service;**
- **The Home Office;**
- **The National Crime Agency**
- **Advice Agencies – CAB & Welfare Rights Service;**
- **Department for Communities & Local Government;**
- **Enforcement Agents;**
- **Solicitors;**
- **Other local authorities;**
- **Police.**

Who implements and who is responsible for this policy or service provision?
Andrew Taylor, Head of Shared Service

The EHRIA form above should be undertaken if your preliminary assessment highlights that you need to gather more information about the impact of your service on a group or if you know that there is potential for an adverse impact upon a section of the community.

Completing this form supports our work towards becoming an excellent council under the Equality Framework for Local Government (EFLG)

The Equality Framework for Local Government (EFLG) is based on three levels of achievement; 'developing', 'achieving' and 'excellent'

The five areas of performance are:

- Knowing your communities and equality mapping
- Place shaping, leadership, partnership and organisational commitment
- Community engagement and satisfaction
- Responsive services and customer care
- A modern and diverse workforce.

Visit the IDeA's website for more details on the Framework

<http://www.idea.gov.uk/idk/core/page.do?pagelId=9499336>

Public Sector Equality Duty

Which of the 3 general equality duties listed below does your policy or service provision impact upon – please use space to comment.

1. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
2. Advance equality of opportunity between people who share a protected characteristic and those who do not.
3. Foster good relations between people who share a protected characteristic and those who do not.

Please use the space above to outline what the relevance of the policy or service provision is to the general equality duties and equality groups. Remember to consider each of the general duties and not only the duty to eliminate discrimination.

Where it is concluded that the policy is not relevant to a specific duty, this should be recorded here with the reasons why and evidence.

The Equality & Human Rights Commission's **'The essential guide to the public sector equality duty'** has a useful example of how to consider relevance

'To ensure that you are having due regard to the aims of the duty, you need to consider all of your functions in order to determine which of them are relevant to the aims of the duty. Some functions will be relevant to most or

all protected groups, such as recruitment. Other functions may be relevant to one ‘arm’ of the duty but not to others, or to the needs of some protected groups but not to others. For example, your IT policies and practices will be relevant to the elimination of discrimination and the advancement of equality for disabled people but may not be for fostering good relations or for other groups.’

See link below for guidance

http://www.equalityhumanrights.com/uploaded_files/PSD/equality_impact_assessment_guidance_quick-start_guide.pdf

Understanding the importance of equality in visions of place, political and officer leadership, working with partners to challenge inequality

<p>– Describe the aims and objectives of the policy or service provision, how does it complement PCC Corporate Priorities:</p>	<p>Section 151 of the Local Authority Finance Act 1972 stipulates a requirement to protect public funds. Preston City Council has a zero tolerance stance on fraud, and ensures that resources are in place to prevent and detect fraudulent activity, and punish those who are found to have committed offences in accordance with the Council’s Sanction Policy. This contributes towards the Council’s good governance, openness and transparency and Well Run corporate priorities, working with partners and stakeholders.</p>
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	Protecting public funds that can be allocated to those individuals and groups who genuinely need it.
<p>– What are the expected outcomes from this policy or service provision?</p>	<ul style="list-style-type: none"> • To deliver cost effective services that provide value for money; • To ensure that investigations comply with the regulatory environment such as Criminal Procedures and Investigations Act 1996 (CPIA), Police and Criminal Evidence Act 1984 (PACE), Regulation of investigatory Powers Act 2000 (RIPA), Human Rights Act 1998 (HRA), Data Protection Act 1998 (DPA) and Freedom of Information Act 2000 (FOI). • To recover properties from fraudsters to enable re-housing of those identified as being most in need of social housing. • To encourage a strong culture of good performance in relation to cost; • To promote the principles of fairness, equality of opportunity, social inclusion and poverty reduction through service provision; • To embrace partnership working to enable the delivery of an excellent service, whilst achieving savings based on economies of scale, reductions in duplication and financial savings to the authority.

<p>– Is this policy or service provision being delivered in partnership? If so, please detail partnerships involvement</p>	<p>Shared Service with Preston City Council, Lancaster City Council and Fylde Borough Council for whom we deliver the counter-fraud service.</p>

Responding to Need

<p>– Who is intended to benefit from the policy, strategy or function and in what way?</p>	<ul style="list-style-type: none"> • Central Government benefit from not only the fraud identified, but from the deterrent effects. • The Council benefits reputationally by having a high profile successful fraud team,. • The Council generates an income from the counter-fraud work carried out on behalf of Fylde BC. • Tax payers within the City, by protecting the public purse and only paying claims where there is a genuine need. • Communities benefit from reduced poverty and deprivation through the correct allocation of support. • Any overpayment that is considered fraudulent can be recovered at a higher rate; therefore overpayments are recovered more expediently.
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<p>– What do you already know about who uses this service? Are there identified gaps in the information needed (Actions to collect this data should be included in your action plan)</p>	<p>Each referral of fraud is risk assessed and any investigation resulting from that is based on its own individual merits, regardless of gender, ethnicity, sexual orientation etc..</p> <p>It is unnecessary to collect detailed customer data as there is no intention to use this data to target investigations.</p> <p>We use registered interpreters when appropriate to ensure that customers are not disadvantaged by language barriers.</p>
<p>– What further consultation do you need to do? Please describe how you propose to proceed?</p>	<p>None.</p>

Comments

Are there any issues that you feel are important and have not been identified in this EHRIA?

[Empty rectangular box for comments]

Assessing Impact on each Protected Characteristic

Step 1

Consider the aims and expected outcomes of the service / function or project you are delivering and ask yourself the following questions:-

- How are the current needs of different equalities groups and communities being met?
- Is there any initial evidence that any part of it could discriminate unlawfully, directly or indirectly, against particular groups of people?
- How will you ensure that your chosen methods of communication will reach all communities?

Step 2

Look at each protected characteristic, would any group be affected differently than others ? If you believe they would please identify whether this would be positively or negatively.

If there is no differential impact then you should select the neutral option.

Positive = you can evidence that outcomes from this project have / will impact positively on a protected characteristic

Negative / Unsure = Outcomes have not / are not expected to impact positively (There must be a corresponding action in your plan to address this or comment to justify why you cannot address the impact)

Neutral = No evidence either way

Protected Characteristic	Positive	Negative	Unsure	Neutral	Comments
Race				*	
Disability				*	
Gender				*	

Protected Characteristic	Positive	Negative	Unsure	Neutral	Comments
Age				*	
Religion & Belief				*	
Sexual orientation				*	
Socio economic				*	
Transgender				*	
Carers*				*	
Human Rights				*	
Pregnancy & Maternity				*	
Rural Issues*				*	
Ex Offenders*				*	

<p>If you found adverse impact on any grounds at all, can it be avoided? What action will you take?</p> <p>(If you make changes because of adverse impact make sure these don't have a further adverse effect on any other group)</p>	<p>With regards to race, it is difficult and almost impossible to translate all correspondence into every spoken language within the City, but interpretation services are available.</p>	
<p>If there is nothing you can do about any adverse impact highlighted, can the reasons be justified on the grounds of promoting equality of opportunity for any groups?</p>		
<p>What lessons have been learnt from completing the assessment?</p>	<p>Although we don't collect detailed customer data, in the interests of fairness, it doesn't seem necessary due to our risk assessment procedures and prosecution policy that is in place.</p>	

Signed (completing Officer)..... Signed (Lead Officer).....

Action Plan

Issue	Equality Strand	Action Required	Targets / Measure	Date Due	Responsible Officer (Job Title Only)

The CIPFA Financial Management Code**26 July 2023****Report of Chief Finance Officer****PURPOSE OF REPORT**

The Chartered Institute of Public Finance and Accountancy (CIPFA) issued its Financial Management (FM) Code in 2019 which aims to ensure a high standard of financial management in local authorities. This purpose of this report is to provide an assessment of the Council's current compliance with the code, together with areas for improvement.

This report is public

RECOMMENDATIONS

The Committee is asked to

- **To note the assessment carried out at APPENDIX A of the Council's level of compliance compared to the Standards contained in CIPFA's Financial Management Code is consistent with its understanding, and whether there are any further comments it wishes to make.**

1.0 INTRODUCTION

- 1.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) launched a Financial Management Code (FM Code) in 2019 with an implementation date of 1st April 2021. It sets out seventeen standards of financial management for local authorities.
- 1.2 The standards have different practical applications according to the size and different circumstances of individual authorities and their use locally should reflect this. The principle of proportionality applies to the FM Code and reflects a non-prescriptive approach to how each standard is met.
- 1.3 This report is a self-assessment and review of the Council's compliance with the standards as set out in the FM Code. It documents detail of what is expected within the standard. It also records evidence of areas of compliance, non-compliance and documents any further actions required to meet and/or improve current processes in place. This report is to be considered alongside the 2022/23 Annual Governance Statement (AGS)

2.0 BACKGROUND

2.1 In response to recent concerns around financial resilience of Councils, CIPFA has introduced a new FM Code as part of a package of measures that it is putting in place. These measures have been driven by the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management. In particular there have been a small number of high-profile failures across local government which threaten stakeholders' confidence in the sector as a whole.

2.2 The first full year of compliance with the FM Code was 2021/22 and the Council is required to evidence its assessment of compliance with the code and identify any areas for further improvement annually. Appendix A sets out the review updated for the 2022/23 position and includes the activities undertaken in preparation for the 2023/24 budget.

2.3 CIPFA states that the manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority. Importantly, however, contextualising the FM Code cannot be done according only to the size of the authority but also according to the complexity and risks in its financial arrangements and service delivery arrangements.

3.0 THE CIPFA STATEMENT OF PRINCIPLES OF GOOD FINANCIAL MANAGEMENT

3.1 The FM Code applies a principle-based approach rather than prescribing the financial management processes that local authorities should adopt. They have been developed by CIPFA in consultation with senior practitioners from local authorities and associated stakeholders. The principles have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.

3.2 The principles include:

- i. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- ii. **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- iii. Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- iv. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- v. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- vi. The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

3.3 In turn the Code is structured around 7 areas of focus:

- The Responsibilities of the Chief finance officer and Leadership Team
- Governance and Financial Management Style
- Long to Medium Term Financial Management
- The Annual Budget
- Stakeholder Engagement and Business Plans
- Monitoring Financial Performance
- External Financial Reporting

- 3.4 Each of these areas is supported by a set of guidance standards against which Councils should be assessed. CIPFA’s expectation is that authorities will have to comply with all the financial management standards if they are to demonstrate compliance with the FM Code and to meet its statutory responsibility for sound financial administration and fiduciary duties to taxpayers, customers and lenders.
- 3.5 Although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities. The Code recognises that some organisations have different structures and legislative frameworks. Where compliance with this code is not possible adherence to the principles is appropriate.
- 3.6 The Council’s external auditors will have regard to the FM Code and will be looking to ensure that the Council is meeting the Code. Furthermore, CIPFA guidance issued in February 2021 stated that the Council’s Annual Governance Statement (AGS) should include the overall conclusion of the assessment of compliance with the principles of the FM Code. Where there are outstanding matters, or areas for improvement, these should be included in the action plan.

4.0 FINANCIAL MANAGEMENT CODE SELF- ASSESSMENT

- 4.1 A self-assessment exercise to benchmark the Council’s current processes and practice against the FM Standards has been undertaken using a RAG Rating approach as set out below:

Assessment	Description
GREEN	Compliance is being demonstrated.
AMBER	Minor to Moderate improvements are required to demonstrate full compliance.
RED	Moderate to Significant improvements are required to demonstrate full compliance.

- 4.2 The following table summarises the self-assessment RAG Rating for each standard

Standard Reference	Financial Management Standard	Previous Rating (2021/22)	Current Rating (2022/23)	Reason for Change
Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM).	AMBER	AMBER	
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government	AMBER	AMBER	
Section 2: Governance and Financial Management Style				
C	The Leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	RED	AMBER	The Council contracted with Mersey Internal Audit Agency (MIAA) in October 2021 and so have now been in operation for a full year.
D	The authority applies the CIPFA/SOLA CE Delivering Good Governance in Local Government: Framework (2016)	RED	GREEN	The Council contracted with Mersey Internal Audit Agency (MIAA) in October 2021 and so have now been in operation for a full year.
E	The financial management style of the authority supports financial sustainability	GREEN	GREEN	
Section 3: Long to Medium-Term Financial Management				
F	The authority has carried out a credible and transparent financial resilience assessment.	AMBER	AMBER	
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	AMBER	AMBER	
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	GREEN	GREEN	

I	The authority has a rolling, multi-year medium-term financial plan consistent with sustainable service plans.	AMBER	AMBER
Section 4: The Annual Budget			
J	The authority complies with its statutory obligations in respect of the budget setting process.	GREEN	GREEN
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	AMBER	AMBER
Section 5: Stakeholder Engagement and Business Plans			
L	The authority has engaged, where appropriate, with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	GREEN	GREEN
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	AMBER	AMBER
Section 6: Monitoring Financial Performance			
N	The Leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	GREEN	GREEN
O	The Leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	GREEN	GREEN
Section 7: External Financial Reporting			

P	The Chief Finance Officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	GREEN	GREEN	
Q	The presentation of the final outturn figures and variations from budget allows the Leadership team to make strategic financial decisions.	GREEN	GREEN	

Assessment	Description	Number of Financial Management Standards (2021/22)	Number of Financial Management Standards (2022/23)	Movement
GREEN	Compliance is being demonstrated.	7	8	+1
AMBER	Minor to Moderate improvements are required to demonstrate full compliance.	8	9	+1
RED	Moderate to Significant improvements are required to demonstrate full compliance.	2	0	-2
Total		17	17	0

- 3.7 The result of this assessment is documented at Appendix A and identified a range of further actions required, the majority of which were already planned areas of work. These are summarised as follows for standards rated Amber, or Red:

Standard	Action Required	Responsible Officers	Timescale
Responsibilities of the Leadership Team and Chief Financial officer (CFO)	Increased use of benchmarking data and peer review for inclusion in business case and as part of Outcomes Based Resourcing (OBR) to focus on VfM aspects.	Senior Leadership Team	February 2024 - To be incorporated as part of 2024/25 budget process
	Recruitment to address the capacity issues within finance function	Chief Finance Officer	September 2023
Governance and Financial Management Style	Re-establishment of Performance Management via the Council's "Annual Conversation"	Chief Officer (People and Policy) and Senior Leadership Team	March 2024
	Review of Financial procedure rules	Chief Finance Officer	November 2023
Long to Medium Term Financial Management	Further work will be required as part of the 2024/25 budget setting process to address the significant forecast deficits for 2024/25 and beyond and minimise the use of reserves.	Chief Finance Officer Executive Team and Cabinet	February 2024 – As part of the 2024/25 budget process

	Each lead portfolio member to be more involved in developing and setting the budget for their service areas.		
	Asset Management systems and plans containing condition surveys and information regarding the whole-life cost of assets need to be developed over the medium term and maintained. Current asset management plans will be reviewed as part of the new model.		
	As part of the process to address the structural deficit service plans will need to be re-aligned to reflect to Council's ambitions and outcomes		
Stakeholder Engagement and Business Plans	Review and consideration of the most effective methods of stakeholder engagement on financial matters.	Senior Leadership Team Cabinet	February 2024 – As part of the 2024/25 budget process
	Further work is required to fully embed project management and the accompanying disciplines throughout the Council and ensure that is consistently applied.	Senior Leadership Team Programme Manager	February 2024 – As part of the 2024/25 budget process

3.8 As noted above these areas for improvement will be included in the Council's Annual Governance Statement and progress monitored through the Audit Committee. The AGS is presented to the Committee elsewhere on this agenda.

4.0 **S151 OFFICER'S STATEMENT OF COMPLIANCE WITH THE FINANCIAL MANAGEMENT CODE 2022/23.**

4.1 Having considered the six principles of the Financial Management Code and the Financial Management Standards that underpin these principles the s151 Officer considers that although there are areas for improvement the Council complies with the Financial Management code with significant prospects for improvement.

5.0 **OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)**

5.1 As the assessment of performance against CIPFA's FM Code requirement is a regularity requirement and forms part of the Council's Annual Governance Statement no alternative options are identified.

6.0 **CONCLUSION**

6.1 The CIPFA FM Code is intended to be a live document to support continuous improvement of financial management. This will be reviewed and updated annually and progress on the

activities included within the Action Plan will be presented to a future meeting of the Audit Committee

CONCLUSION OF IMPACT ASSESSMENT

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

The report has no direct impact on the above issues.

FINANCIAL IMPLICATIONS

None arising directly from this report.

OTHER RESOURCE IMPLICATIONS, SUCH AS HUMAN Resources, Information Service, Property, Open Spaces:

None arising directly from this report.

SECTION 151 OFFICER'S COMMENTS

Section 151 of the Local Government Act 1972 states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

CIPFA's judgement is that compliance with the FM Code will assist local authorities to demonstrate that they are meeting these important legislative requirements.

LEGAL IMPLICATIONS

CIPFA's intention is that the FM Code will have the same scope as the Prudential Code for Capital Finance in Local Authorities, so although the FM Code does not have legislative backing, it applies to all local authorities. In addition to its alignment with the Prudential Code, the FM Code also has links to the Treasury Management in the Public Sector Code of Practice and Cross Sectoral Guidance Note and the annual Code of Practice on Local Authority Accounting in the United Kingdom. In this way the FM Code support authorities by re-iterating in one place the key elements of these statutory requirements.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and their comments have been incorporated.

BACKGROUND PAPERS

N/A

Contact Officer: Paul Thompson
Telephone: 01524 582603
E-mail: pthompson@lancaster.gov.uk
Ref:

CIPFA Financial Management Code – Self Assessment and Action Plan

Ref	Description	FM Code Ref	Detail	RAG Assessment	Compliance Assessment & Commentary Key Actions, Owners & Deadlines
Responsibilities of the Leadership Team and Chief Financial officer (CFO)					
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM).	17-18	<p>Legislative requirement for Authorities to deliver VFM.</p> <p>Delivery of VFM depends on decisions of Elected Members.</p> <p>Shared responsibility across the Leadership Team to communicate and understand the risks involved.</p>	AMBER	<p>The Council operates under a Leader/ Cabinet system. Councillors are supported by the Senior Leadership Team (SLT), which is headed by the Council's Chief Executive. SLT is responsible for the overall leadership and management of the Council, for setting and monitoring overall strategic direction and for ensuring high performance and VFM in the delivery of Council services. In addition, there are several scrutiny and regularity committees which hold Cabinet to account.</p> <p>The Council's various committees are governed by the Constitution which was updated in 2019, refreshed again in 2023 and is available on the Council's website. It sets out how the Council operates, its Budget and Policy Framework, how decisions are made and the policies which are followed to ensure that these are efficient, transparent, and accountable.</p> <p>The SLT regularly meet informally with Cabinet to bring to their attention the financial position of the Council. As part of the 2023/24 budget process a number of briefings were held outlining the financial challenges the Council faces these included Staff, Key Partners, Local MP's, all Councillors, and the General Public.</p> <p>The Council's Medium Term Financial Strategy (MTFS) and General Fund and Housing Revenue Budgets were agreed in February 2023 The MTFS delivers a financial plan through the implementation of a rigorous Outcomes Based Resourcing budget setting principles but clearly highlights the significant financial challenges the Council faces over the short, medium and long term. One of the key objectives of the MTFS is to provide cost effective services which demonstrate value for money.</p>

					<p>Business cases for spending plans are reviewed by the SLT before passing through to Members for discussion and challenge prior to formal consideration by Cabinet and recommendation to Council for formal approval, in line with the Constitution.</p> <p>Budget & Performance Panel reviews service and financial performance (against cost and performance) on a quarterly basis and uses its remit to periodically review key (off target) services.</p> <p>The Annual Governance Statement focuses on all aspects of governance, but critically on processes around VFM in service provision.</p> <p>Contract Procedure Rules clearly state the thresholds and routes to secure compliant supplies. These range from simple quotation, use of dynamic frameworks to full tendering exercise. A register of contracts is maintained by the Procurement team.</p> <p>Committee reports have been amended to provide members with information relating to the impact of decisions on Climate Emergency alongside matters of finance, employment and legal consideration.</p> <p>The Council's Project Management Model which is the compulsory method of managing projects within the council contains key templates for financial assessments and risk management</p> <p>Value for Money is assessed as part of the external audit process and although not yet formally commenced no issues have been raised by the External Auditor in relation to previous years.</p> <p>Assessment: Amber</p>
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				<p><u>Actions Required</u> Increased use of benchmarking data and peer review for inclusion in business case and as part of Outcomes Based Resourcing (OBR) to focus on VfM aspects.</p> <p><u>Ownership</u> Senior Leadership Team</p> <p><u>Deadline</u> February 2024 - To be incorporated as part of 2024/25 budget process</p>
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government	18-19	<p>In summary this Statement requires that the CFO:</p> <ul style="list-style-type: none"> • Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest. • Must be actively involved in, and able to bring influence to bear on, all material business decisions • Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. 	<p>AMBER</p> <p>From 1st April 2022 the posts of Chief Finance Officer (CFO) and Monitoring Officer were reinstated as members of the Councils. Senior Leadership Team.</p> <p>The CFO personally leads on the Budget process and MTFS and ensures that all risks are considered and detailed as part of the MTFS, in conjunction with the other members of the Council's Leadership Team (Cabinet and SLT). As a result, he is able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications,</p> <p>The CFO is CIPFA qualified with significant experience of local government finance. Continuing professional development is undertaken as required by their accounting body.</p> <p>The CFO reports to the Chief Executive, holds regular finance meetings with the Cabinet member with responsibility for Finance and works closely with other Local Authority S151 Officers.</p> <p>The CFO through the Finance team provides the quarterly financial reporting and monitoring to SLT and Cabinet, and then to Budget & Performance Panel for further scrutiny by Members. Treasury Management reporting is also presented Cabinet, Budget &</p>

		<ul style="list-style-type: none"> • Must lead and direct a finance function that is resourced to be fit for purpose. • Must be professionally qualified and suitably experienced. 		<p>Performance Panel and Council as prescribed in the CIPFA Prudential Code and the CIPFA Treasury Management Code.</p> <p>The Financial Services function consists of 23 FTE's and delivers financial, exchequer, insurance and procurement support to services. In addition there is oversight of the Council's Internal Audit function which is provided externally by Mersey Internal Audit Agency.</p> <p>The finance team includes 4 qualified accountants and a number of accounting technicians who meet monthly with Chief Officers, Service Managers and other budget holders. There has been a significant reduction in capacity with key vacancies held pending an ill fated director led service review and outcomes of the OBR process</p> <p>There are contracts in place for specialist financial advice such as technical accounting, treasury management and taxation.</p> <p>Financial implications and s151 Officer commentary is considered within all key decision making</p> <p>Assessment: AMBER</p> <p><u>Actions Required</u> Recruitment to address the urgent capacity issues within finance function.</p> <p><u>Ownership</u> Chief Finance Officer</p> <p><u>Deadline</u> September 2023</p>
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C	The Leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	21	<p>The leadership team espouses the Nolan principles.</p> <p>The authority has a clear framework for governance and internal control. The leadership team has established effective arrangements for assurance, internal audit and internal accountability.</p> <p>The leadership team espouses high standards of governance and internal control.</p> <p>The leadership team nurtures a culture of effective governance and robust internal control across the authority.</p>	AMBER	<p>The Council's SLT consists of the Chief Executive, 5 Chief Officers, the Monitoring Officer, the Section 151 Officer and the Chief Officer People and Policy. The roles and responsibility of Chief Officers are defined in agreed job profiles and set out in the Council's Constitution.</p> <p>The Council's Performance Management Framework has been inconsistently complied in recent years but has been re-established as the "Annual Conversation" in 2023/24. The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/ support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.</p> <p>The Council continues to keep under review Governance arrangements and related procedures to ensure best practice so that the highest standards are maintained. There is a Code of Conduct for Members which is overseen by the Standards Committee. Training in the requirements of the Code of Conduct is mandatory for all Members. In addition, there is a Code of Conduct for Officers.</p> <p>The Council's constitution is openly available on the Council's website and sets out; what powers are delegated to the Cabinet, Committees, individual members and what matters are reserved for collective decision of the Council, and the procedures to be followed to ensure that decisions are taken efficiently and transparently. The Scheme of Delegation sets out roles and responsibilities, links to departmental schemes and sets clear arrangements for internal control and role of internal and external audit. This was reviewed in 2023 following organisational changes.</p> <p>The Council has two effective scrutiny committees, Budget & Performance and Overview & Scrutiny, who meet regularly throughout the year, which provides challenge and enhances the</p>
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					<p>authority's performance overall. This is outlined in detail in the Council's Constitution.</p> <p>The Council's Audit Committee has no independent membership and is limited to Councillor representation. The Committee considers all aspects of audit activity and the regulatory framework including corporate governance, as part of its Terms of Reference. Within the Councils Constitution all Committees have separate Terms of Reference.</p> <p>All Members decisions are set out using templates which includes legal, regulatory, and financial implications. This requires legal and financial advice to be obtained or confirmed before all decisions are taken, to ensure decisions are appropriate.</p> <p>The Council maintains effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based through Minutes and Reports to Council. All non-exempt reports, agendas/ minutes are available on the Council's Website</p> <p>The Council contracted with Mersey Internal Audit Agency (MIAA) in October 2021 and so have been in operation for a full year and are compliant with Public Sector Internal Audit Standards (PSIAS). Both the CFO and Head of Internal Audit (HoIA) have developed an audit plan to provide assurance over the effectiveness of the Governance of the Council, and the system of Internal Control. This will enable the HoIA to provide their annual assessment to assist in the production of the Annual Governance Statement for 2022/23.</p> <p>The Financial Procedure Rules were last subject to a full review and approval by Audit Committee on 2014. Contract Procedure Rules, were reviewed and approved November 2020. Both documents are clear about the respective authorisation limits for authorisation of contracts and the subsequent commitment/ incurrence of expenditure.</p>
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				<p>As a Council we are defined by how we behave and what we do, driven by our values and behaviours;</p> <ul style="list-style-type: none"> • Pride, • Ownership, • Working Together and, • Ambition <p>Arrangements are in place to provide assurance that our behaviours are being upheld and that Members and Officers demonstrate high standards of conduct. These include:</p> <ul style="list-style-type: none"> • Member and officer protocol • Codes of conduct for members and officers. • Whistleblowing policy (Raising Concerns) • Complaint's procedure • Fraud, Bribery and Corruption Policy & Strategy • Registers of interest (members and officers) • Registers of gifts and hospitality <p>Assessment Amber</p> <p><u>Actions Required</u> Review of Financial procedure rules Re-establishment of Performance Management via the Council's "Annual Conversation"</p> <p><u>Ownership</u> Chief Finance Officer, Head of People & Policy and SLT</p> <p><u>Deadline</u> November 2023</p>
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D	The authority applies the CIPFA/SOLA CE Delivering Good Governance in Local Government: Framework (2016)	22	This framework recommends that the review of the effectiveness of the system of internal control is reported in an annual governance statement	GREEN	<p>The Council appointed MIAA in October 2021 and so have had an effective Internal Audit function in place for the whole of the 2022/23 financial year.</p> <p>The Council's Code of Conduct sets the standards for the conduct of Officers and Members at the City Council. It is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework, which was reviewed by the Audit Committee November 2022. The CIPFA/SOLACE Framework introduced the requirement to produce an annual governance statement from 2007/08.</p> <p>The Annual Governance Statement (AGS) is also available on the Council's website. The Statement is updated following the end of each financial year. The AGS includes an Annual Internal Audit Opinion on the effectiveness of the internal control environment and the systems of internal control, highlights issues identified annually along with planned action which is monitored by the Audit Committee.</p> <p>Induction training for all new Members, includes a focus on governance, code of conduct and officer/member relations. Assessment Green</p> <p><u>Actions Required</u> Where reviews of the corporate governance arrangements have revealed improvement recommendations, action is planned that will ensure effective governance in future.</p> <p><u>Ownership</u> Chief Finance Officer/ Monitoring Officer</p> <p><u>Deadline</u> On going</p>
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	<p>The financial management style of the authority supports financial sustainability</p>	22-23	<p>Strong financial management is assessed against a hierarchy of</p> <ol style="list-style-type: none"> 1. delivering accountability, 2. supporting performance 3. enabling transformation. <p>Need to perform well at each level before moving to the next. This is broadly linked to economy, efficiency and effectiveness.</p>	<p>GREEN</p>	<p>The Council Plan together with the MTFs and annual budgets set the strategic framework for the work and financial plans of the Council and recognise the agreed corporate priorities and objectives.</p> <p>Cabinets Budget was approved by Council 22nd February 2023 Although balanced it included significant savings proposals £2.424M and a call on reserves of £0.577M.</p> <p><u>Stage 1.</u> The Council has an effective framework of financial accountability through:</p> <ul style="list-style-type: none"> • Member delegations which include financial responsibilities. • Officer delegations which include financial responsibilities. • Financial Procedure Rules which set out financial responsibilities for Directors, Heads of Service and Budget Holders <p><u>Stage 2.</u> The Council has a performance management framework in place including, performance measures, customer satisfaction, monitoring of key strategic projects and quarterly performance reporting to Cabinet and Budget and Performance Committee. The Finance Team have attempted to implement a Finance Business Partnering approach, although this has been restricted pending the capacity issues and forthcoming service review.</p> <p><u>Stage 3.</u> There are many examples of financial management supporting transformation specifically in relation to key strategic projects as part of the 2023/24 budget process, but further work is required towards acting as an enabler.</p> <p>Budget holders are responsible for spend against their budgets and members of the Finance Team meet regularly with budget holders as</p>
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					<p>part of the in-year monitoring process to ensure financial implications of decisions are understood and that managers are responsible for those decisions.</p> <p>Detailed financial forecast and monitoring information is provided to Cabinet so that there is regular oversight of the Council’s financial position and of the ongoing funding pressures it faces. A process is in place for the tracking and monitoring of agreed savings and reported within financial monitoring reports.</p> <p>All Committee reports have a financial implication section and require commentary from both the s151 and Monitoring Officers</p> <p>Assessment Green</p> <p><u>Actions Required</u> Further work to develop business partnering model</p> <p><u>Ownership</u> CFO</p>
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Long to Medium Term Financial Management

F	The authority has carried out a credible and transparent financial resilience assessment.	25-26	<p>The authority has undertaken a financial resilience assessment.</p> <p>That assessment tested the resilience of the authority’s financial plans to a broad range of alternative scenarios.</p> <p>The authority has taken appropriate action to address any risks identified as part of the assessment</p>	AMBER	<p>The Council has reviewed the CIPFA Financial Resilience index and considers the findings to show the Council to be financially resilient with no areas of pressing concern. However, the index is based on data published for 2021/22 and has not yet been refreshed.</p> <p>The Local Government Association (LGA) undertook an independent assessment of the Council’s financial resilience 2021/22. A number of outlying areas were highlighted for a detailed review and consideration against performance and outcomes. A more thorough piece of work is planned for as part of the Council’s Outcomes Based Resourcing approach to budgeting from 2024/25.</p>
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					<p>In the MTFs there are some illustrative scenarios about how changes in key assumptions such as Business Rates, Council Tax, New Homes Bonus etc would impact on the budget. However, these do not cover all key variables, or the longer-term impact.</p> <p>The service and financial planning process provided information on cost and demand drivers to enable robust and informed financial planning in each service area.</p> <p>The Council has long recognised the underlying structural deficit within its budget Although significant savings were identified a £0.577M call on reserves was required to deliver a balanced budget for 2023/24. However, there still remains significant forecast deficits for 2024/25 and beyond. Further work will be required as part of the 2024/25 budget setting process to address these and minimise the use of reserves.</p> <p>The monitoring of revenue in year and at Outturn provides budget holders with information and BP's support this. This information informs financial planning. Improvements are required due to a number of issues, systems, staffing of experienced budget holders who own budgets etc.</p> <p>The s151 Officer undertakes Annual consideration of appropriate level of general reserves and the robustness and adequacy of estimates.</p> <p>Assessment Amber</p> <p><u>Actions Required</u> There still remains significant forecast deficits for 2024/25 and beyond. Further work will be required as part of the 2024/25 budget setting process to address these and minimise the use of reserves.</p>
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					<p><u>Ownership</u> CFO, SLT and Cabinet</p> <p><u>Deadline</u> February 2024 – As part of the 2024/25 budget process</p>
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	26	<p>The authority has a sufficiently robust understanding of the risks to its financial sustainability.</p> <p>The authority has a strategic plan and long-term financial strategy that addresses adequately those risks.</p> <p>The authority reports effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short- and medium-term decision making</p>	AMBER	<p>In consultation with Cabinet the Council produces a 5-year MTFS, a 5 year capital programme and a 30-year Housing Business Plan. The MTFS incorporates revenue and capital models using a range of assumptions for economic and service-related factors. The MTFS is refreshed annually considered by the SLT and Cabinet before being recommended to Full Council in February.</p> <p>Finance training is provided to all new Members and updates provided to a wide range of internal and external stake holders as part of the medium-term financial planning and budget setting process. These briefings provide an opportunity to explain the key assumptions and risk areas in financial planning including funding for local government, and the legacy impacts of COVID-19, as well as local factors such as the decommissioning of the Heysham Nuclear Power Stations. The risks around financial planning is clearly set out in the Council's MTFS and has been communicated to the SLT and Members. The growing structural deficit make producing a meaningful long-term plan very challenging.</p> <p>The Council retains prudent levels of resources to manage risks over the short term as outlined in the budget and MTFS papers.</p> <p>Although there is significant work to be completed to fully embed risk management throughout the Council, it is recognised that a considerable amount of work is undertaken to manage the Council's financial risks. The Council needs to continue to develop its overall</p>

					<p>approach in particularly around the key drivers underpinning the structural deficit.</p> <p>Quarterly Delivering our Priorities reports are presented to Cabinet and Budget & Performance Panel which track the outcomes of Council activities. These are set out against key performance indicators and include detailed commentaries on associated risks, achievements and other issues. These reports also highlight remedial actions being taken were slippage does occur.</p> <p>Assessment Amber</p> <p><u>Actions Required</u> Although the Council delivered a balanced budget for 2023/24 with call on reserves, further work will be undertaken during the year to utilise OBR principles as it works to address the structural deficit as part of the 2024/25 budget process.</p> <p>Additional work is required to continue to embed Risk Management within the Council</p> <p><u>Ownership</u> CFO, SLT and Cabinet</p> <p><u>Deadline</u> January 2024 – As part of the 2024/25 budget process</p>
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	26-27	<p>The authority is aware of its obligations under the Prudential Code.</p> <p>The authority has prepared a suitable capital strategy.</p>	GREEN	<p>The Council is aware of its obligations under the Prudential Code and has assessed itself as compliant with those obligations.</p> <p>The Council has a 5-year General Fund Capital Programme and supporting Capital Strategy in line with the Prudential Code. Although the Code suggests this could be extended the Council has judged that this is a reasonable period over which to have meaningful plans and</p>

		<p>The authority has a set of prudential indicators in line with the Prudential Code.</p> <p>The authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.</p>		<p>assumptions and allows key links between revenue and capital plans to be reported together. Both the Capital Strategy and Treasury Management Strategy are approved annually by Full Council in February.</p> <p>The Capital Programme sets out the high-level capital investment plans proposals but in addition contains a limited “development pool” for projects the Council wish to explore but where the supporting business case is not fully developed. Decisions made about schemes within the development pool are through consideration of robust business cases and separate reports to Cabinet. The Council also has a 30-year Housing Business Plan which includes a 30-year capital investment programme.</p> <p>As part of the budget setting process the Council reviewed and refreshed its Asset Management Plans reflecting forward planning of the operational estate. There are some key areas which will be further developed in line with Council objectives which will need to be reflected in the Capital Programme.</p> <p>The Council’s Capital Assurance Group (CAG) considers business cases for annual capital proposals and those schemes within the Development Pool, recommends to Cabinet, it also has a key role in development of the Capital Strategy.</p> <p>The Council’s Treasury management strategy assesses the financial risks from treasury activity, and details the council’s net borrowing position, investments, borrowing strategy and debt management.</p> <p>The Council’s prudential indicators are set in line with the Code and reflect current and forecast levels of investment and borrowing. There are effective mechanisms in place to monitor performance against the Code, with bi-annual reporting to the Cabinet, Budget & Performance Panel and Council.</p>
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					<p>Both the Capital and Treasury Management Strategies set out key affordability principals to ensure the Council's capital spending remains affordable in the long term. This includes the proportion of the revenue budget allocated to fund borrowing costs.</p> <p>In March 2023 Council approved its Flexible Use of Capital Receipts Strategy. Under direction from Government the Council can use capital receipts to fund revenue transformation expenditure. This strategy is expected to refreshed during 2023/24 and revised for 2024/25</p> <p>The Council's commercial investments ceased following the revisions to the Code in November 2020 and the Council has no plans for further debt for yield schemes. Previous commercial investments were undertaken in line with the Council's Commercial Property Investment Strategy and are under review annually.</p> <p>Assessment: Green</p> <p><u>Actions Required</u> Assess the implications arising from any proposed changes to the Prudential Code.</p> <p>Consideration be given to the development of a longer term Capital planning horizon.</p> <p><u>Ownership</u> CFO & CAG</p> <p><u>Deadline</u> Ongoing</p>
I	The authority has a rolling, multi-year medium-term financial	27	The authority has in place an agreed medium term financial plan.	AMBER	The Council has in place an agreed 5-year MTFS. The Finance team engages with Chief Officers and Budget Holders, to integrate service demand with finance reporting, using best data on

	<p>plan consistent with sustainable service plans.</p>		<p>The medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy.</p> <p>The medium-term financial plan has been prepared on the basis of a robust assessment of the relevant drivers of cost and demand.</p>		<p>cost drivers and identify any risk, opportunities, and budget gaps. The MTFS then forecasts the Council's financial position to reflect relevant strategic priorities, commitments, underlying assumptions as well as emergent local, or national issues. The MTFS plans for the delivery of services within an uncertain external environment and ensures the achievement of value for money.</p> <p>The development of service budgets is service led. Chief Officers hold overall responsibility for the budget of their service. Cost drivers and demand are considered within each service and used to form the basis of pressures identified and mitigations /savings put forward. The detail of the analysis of cost drivers is not contained specifically in the MTFS but forms part of the internal budget setting process, though reference is made to particularly large or significant changes in the narrative.</p> <p>Medium-term forecasts are kept up to date to reflect service needs subject to estimation uncertainties e.g., business rates retention approach, future government funding, pay, energy and general inflation Through the budget setting and in-year budget review processes, these are reviewed over a five-year period.</p> <p>The Council has reviewed its approach to operational property management. This will ensure the effective and efficient management of property by combining property service activities, decision making and budgets. It ensures that decisions about property are taken from a strategic perspective and that opportunities to deliver efficiencies are captured.</p> <p>This approach to operational property management ensures:</p> <ul style="list-style-type: none"> - Effective and efficient management of property by combining property service activities, decision making and budgets - Decisions about property are taken from a strategic perspective - Opportunities to deliver efficiencies are captured
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					<p>Informal Cabinet meetings are also held during the budget setting process to discuss emerging issues as well as feedback from Partnership, Staff and Public Briefings and decisions reflected in</p> <p>The MTFS is refreshed and reported to Cabinet and Council throughout the budget cycle. This starts in December as part of the base budget resetting, with further updates reflecting the impact of the local government finance settlement, current revenue and capital budget proposals etc</p> <p>Assessment: Amber</p> <p><u>Actions Required</u> Each lead portfolio member should be more involved in developing and setting the budget for their service areas.</p> <p>Asset Management systems and plans containing condition surveys and information regarding the whole-life cost of assets need to be developed over the medium term and maintained within an accessible system. Current asset management plans will be reviewed as part of the new model.</p> <p>As part of the process to address the structural deficit service plans will need to be re-aligned to reflect to Council's ambitions and outcomes</p> <p><u>Ownership</u> SLT & Cabinet</p> <p><u>Deadline</u> February 2024 – As part of the 2024/25 budget process</p>
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Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process.	29	<p>The authority is aware of its statutory obligations in respect of the budget-setting process.</p> <p>The authority has set a balanced budget for the current year.</p> <p>The authority is likely to be able to set a balanced budget for the forthcoming year.</p> <p>The authority is aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so.</p>	<p>GREEN</p> <p>The Council follows an annual budget setting process that meets all its statutory (Local Government Acts 2000, 2003 and Local Government Finance Act 1992) and constitutional requirements.</p> <p>The Council set its level of Council Tax 25th January 2023</p> <p>Application of OBR principles as part of the 2023/24 budget process identified the following key areas underpinning the budget.</p> <ul style="list-style-type: none"> - Savings proposals £2.423M, - Income Generation £0.420M - External Review of MRP Policy £1.500M <p>Even following these, a contribution of £0.577M was required from reserves to balance the budget.</p> <p>A structural deficit remains for 2024/25 with drawings on reserves of £1.703M currently required. The current overall level of reserves remains sustainable in the short-term. However, significant under delivery of the key areas identified above will place additional pressure on reserves.</p> <p>The Council approves an annual balanced budget that enables the S151 Officer to positively comment on the robustness of the estimates and the adequacy of the proposed financial reserves (s25 assurance statement) within the annual budget report.</p> <p>The annual pay policy statement explains the Council pay policies for its highest and lowest-paid employees. It is written and published in line with the Localism Act 2011 and guidance issued by the Secretary of State. The draft statement is considered by the Personnel Committee and approved by full Council March 2023.</p> <p>The Council is aware of the circumstances under which it should issue a section 114 notice and how it would go about doing so.</p>

					<p>Assessment: Amber</p> <p><u>Actions Required</u> Where in-year budget monitoring process highlights risk and potential for overspend with an established consider development of a formal escalation process</p> <p><u>Ownership</u> Chief Finance Officer Senior Leadership Team</p> <p><u>Deadline</u> March 2024</p>
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	29-30	<p>The authority's most recent budget report includes a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The report accurately identifies and considers the most significant estimates used to prepare the budget, the potential for these estimates to be incorrect and the impact should this be the case.</p> <p>The report sets out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the</p>	AMBER	<p>Both the General Fund and HRA budget reports include a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The budget reports and MTFS clearly sets out the detail of key estimates e.g., business rates, council tax, housing rents, specific grants, fees and charges, pay inflation etc. It does not set out specific service assumption details and the impact of variations in those.</p> <p>The report sets out the current level of the Council's reserves, the sufficiency of them and the plans for the use of reserves in the future. Based on current information the Council has sufficient reserves to meet the expected short term deficits, which ensures its sustainability for the short-term pending the outcome of the Council's on-going Outcomes Based Resources review.</p> <p>Assessment: Amber</p>

			<p>authority is taking to address any shortfall.</p> <p>The authority has sufficient reserves to ensure its financial sustainability for the foreseeable future.</p>		<p><u>Actions Required</u> A process is already underway to seek an in-year reduction in the use of reserves to deliver a balanced budget for 2024/25 and beyond</p> <p>Increased use of benchmarking services to consider performance against other Local Authorities</p> <p><u>Ownership</u> CFO, Senior Leadership Team and Cabinet</p> <p><u>Deadline</u> February 2024 – As part of the 2024/25 budget process</p>
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Stakeholder Engagement and Business Plans

L	The authority has engaged, where appropriate, with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	31	<p>The authority knows who its key stakeholders are.</p> <p>The authority has sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget.</p> <p>The authority has assessed the effectiveness of this engagement.</p> <p>The authority has a plan to improve its engagement with key stakeholders.</p>	GREEN	<p>The Council is aware of who its key stakeholders are and as part of the 2023/24 budget process undertook a wide range of briefings and consultations with both internal and external stakeholders in addition to the formal consultation through the Budget & Performance Panel meeting in January each year.</p> <p>Whilst recognising that engagement with the public on Council spending is hard for residents to engage with in a meaningful way progress is being made via its Community Connectors and Peoples Jury. Engagement with residents/ service users is also conducted in line with individual service changes proposed within the budget, as part of the development and delivery of those proposals.</p> <p>The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. The Council provides funding to support the Voluntary, Community and Faith Sector (VCFS) infrastructure locally and commissions these bodies to work with residents and other bodies.</p>
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					<p>The Council utilises online communication channels such as e-bulletins, Twitter and Facebook.</p> <p>Assessment: Green</p> <p><u>Actions Required</u> Review and consideration of the most effective methods of stakeholder engagement on financial matters. Build informal budget consultation period??</p> <p><u>Ownership</u> Senior Leadership Team and Cabinet</p> <p><u>Deadline</u> February 2024 – As part of the 2024/25 budget process</p>
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	31-32	<p>The authority has a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal'.</p> <p>The authority offers guidance to officers as to when an option appraisal should be undertaken.</p> <p>The authority's approach to option appraisal includes appropriate techniques for the qualitative and quantitative assessment of options.</p>	AMBER	<p>The main forums for reviewing all financial aspects of the capital programme are the Capital Assurance Group (CAG), Cabinet and Budget & Performance Panel.</p> <p>CAG is tasked with reviewing the accompanying business cases (Strategic or Full), which contain both quantitative evaluation of costs and benefits and qualitative evaluation of fit to Council Priorities and outcomes for residents/ service users. The project documentation includes an evaluation of risk and uncertainty and the extent that this can be mitigated for given options. Membership of CAG includes the chairs of Budget and Performance and Overview and Scrutiny Committees to allow any issues to be raised prior to submission to Cabinet, or Full Council if applicable for consideration and approval.</p> <p>As noted all capital proposals have to produce the following business cases:</p> <ul style="list-style-type: none"> - Strategic Outline Case (SOC) - Full Business Case (FBC)

		<p>The authority's approach to option appraisal includes suitable mechanisms to address risk and uncertainty.</p> <p>The authority reports the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s).</p>		<p>At each of the following stages of the five-case model, business cases must include the following five areas:</p> <ul style="list-style-type: none"> - The Strategic Case, - The Economic Case, - The Commercial Case, - The Financial Case and - The Management Case. <p>The accounting treatment and impact is determined at the time of the decision</p> <p>The Council recently established a Projects Team overseen by a Programme Manager as well as refreshing its project management methodology and supporting documentation, which is consistent with other government and other leading methodologies.</p> <p>The Council's project management framework is clear that that there are no major investments, or service changes without developing a business case including an options appraisal and project initiation documents although this not yet fully embedded significant improvements have been made in application across the Council</p> <p>Delivering our Priorities (DoP) quarterly reports are presented to Cabinet and Budget & Performance Panel. The DoP reports contains not only financial and project reporting but performance against the Council's key performance indicators (KPI's)</p> <p>External specialism is engaged when required and members of the Finance Team and are involved in the review and challenge of all financial modelling along with key input from other key support services and the service area leading on delivery.</p> <p>Assessment: Amber</p>
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				<p><u>Action Required</u> Further work is required to fully embed project management and the accompanying disciplines throughout the Council and ensure that is consistently applied.</p> <p><u>Ownership</u> SLT and Programme Manager</p> <p><u>Deadline</u> On-going</p>
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Monitoring Financial Performance

GREEN	<p>N</p> <p>The Leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p> <p>33</p> <p>The authority provides the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability.</p> <p>The reports cover both forward- and backward-looking information in respect of financial and operational performance.</p> <p>There are mechanisms in place to report the performance of the authority's significant delivery partnerships.</p> <p>The reports are provided to the leadership team in a timely manner and in a suitable format.</p> <p>The leadership team is happy with the reports that it receives and with</p>	<p>The Council's Budget, Statement of Accounts and MTFs reflect the main risks to sustainability. These are reported throughout the annual financial cycle in monitoring reports to SLT, Cabinet, Council and B&PP. The Budget and MTFs are formally agreed by Full Council in February.</p> <p>Quarterly financial and non-financial DoP reports are provided to SLT, Cabinet and Budget & Performance Panel. The reports identify significant variances and provides some commentary on any corrective actions being taken. The reports cover the position to date and the forecast for the remainder of the financial year. It also includes of the various capital schemes and planned use of reserves.</p> <p>DoP reporting also provides information in respect of the Council's basket of key operational performance indicators and major projects. Reports are clear, written to a standard format and contain narrative, tabular and graphic representations as well as service and subjective analysis of the information.</p> <p>Reporting to officers and portfolio holders is usually 1-month after the quarter end with reporting to Members in the following two weeks, dependent upon Committee cycles, which can create a time lag. Work</p>
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			its ability to use these reports to take appropriate action		<p>has been undertaken to better align reporting to the Committee cycles as part of the 2024/25 budget planning process.</p> <p>The Head of Internal Audit has regular meetings with the s151 Officer to discuss current and emerging risks.</p> <p>Assessment: Green</p> <p><u>Action Required</u> The Council will continue to review the format and usefulness of its performance reporting.</p> <p>The Council is currently reviewing its key KPIs to make sure they clearly support the Council's Priorities</p> <p><u>Owners</u> CFO and SLT</p> <p><u>Deadline</u> 2023/24 Quarter 1 Delivering our Priorities report.</p>
O	The Leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	33	<p>The authority has identified the elements of its balance sheet that are most critical to its financial sustainability.</p> <p>The authority has put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet.</p> <p>The authority is taking action to mitigate the risk identified.</p>	GREEN	<p>The Council has historically considered its reserves position, investments and borrowing, and debt levels as most critical and therefore reporting is currently only made on these elements of the balance sheet.</p> <p>Forecast use of reserves is reported on a quarterly basis to the Cabinet, Budget and Performance and SLT. This highlights any changes to planned use/ contribution to balances as well as movements in budgeted contributions to/from earmarked reserves. This then feeds into any MTFS refresh, or revised budget process, along with intelligence about key risks.</p>

			<p>The authority reports unplanned use of its reserves to the leadership team in a timely manner.</p> <p>The monitoring of balance sheet risks is integrated into the authority's management accounts reporting processes.</p>		<p>Borrowing and investments are reported to Cabinet, Budget and Performance and Council on a bi-annual basis as part of the Treasury Management reporting. Prudential Code requirements are adhered to provide the risk management of treasury activity. Additional reporting on areas including collection rates, arrears and write offs are now incorporated</p> <p>A Corporate Asset Management Strategy is prepared by Property Services containing condition surveys and information regarding the whole-life cost of assets need to be developed over the medium term and incorporated within the Council's budgets Current asset management plans will be reviewed as part of the new model.</p> <p>Assessment: Green</p> <p><u>Action Required</u> Continued review and refinement of the presentation of financial information</p> <p><u>Ownership</u> CFO</p> <p><u>Deadline</u> On going</p>
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External Financial Reporting

P	The Chief Finance Officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with	35	<p>The authority's leadership team is aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>The authority's CFO is aware of their responsibilities in terms of the</p>	GREEN	<p>Both the Council's leadership team and CFO are aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>These responsibilities form part of the CFO's role description and personal objectives.</p>
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	<p>the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</p>		<p>preparation of the annual financial statements.</p> <p>These responsibilities are included in the CFO's role description, personal objectives and other relevant performance management mechanisms.</p> <p>The authority's financial statements have hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</p>		<p>The Council's Statement of Accounts are prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom. A declaration to this effect is made within the accounts and signed by the S151 Officer.</p> <p>The External Auditor is yet to give their opinion on the 2018/19, 2019/20 and 2020/21 financial statements due to a long standing objection and the impact of changes to accounting for Infrastructure Assets. The audit work has substantially been completed and whilst a number of adjustments identified between draft and final accounts none are considered material or would suggest an adverse audit opinion. Unfortunately audit work on the 2021/22 Financial Statements is yet to commence</p> <p>Assessment: Green</p> <p><u>Actions Required</u> Accounts are prepared within statutory deadlines and working papers produced to a good standard. The Council will continue to work with the External Auditors to resolve historic issues</p> <p><u>Ownership</u> CFO</p>
Q	<p>The presentation of the final outturn figures and variations from budget allows the Leadership team to make strategic financial decisions.</p>	35	<p>The authority's leadership team is provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget.</p> <p>The information in these reports is presented effectively.</p>	GREEN	<p>The presentation of the Revenue and Capital outturn position is reported to Cabinet and Budget & Performance Panel for scrutiny in line with the Council's constitution. The report includes comparison of outturn to budget and explains the reasons for any key variances from budget in line with the in-year quarterly budget monitoring process.</p> <p>The report sets out the impact of these variances on general balances and earmarked reserves and makes proposals for further contributions to/ or from these.</p>

		<p>These reports are focused on information that is of interest and relevance to the leadership team.</p> <p>The leadership team feels that the reports support it in making strategic financial decisions.</p>		<p>These reports focus on material issues, which require action or awareness from the leadership team and therefore are appropriately focused</p> <p>In addition, the narrative report that accompanies the Statement of Accounts provides a link to achievement of outcomes and performance. The Members understand variances from budget and how they have been managed.</p> <p>Assessment: Green</p> <p><u>Actions Required</u> The Council will continue to review the format and usefulness of its performance reporting.</p> <p><u>Ownership</u> CFO</p>
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AUDIT COMMITTEE**Annual Governance Statement
2022/23****26 July 2023****Report of the Monitoring Officer****PURPOSE OF REPORT**

To approve the draft Annual Governance Statement (AGS) for 2022/23 for inclusion in the Annual Statement of Accounts following a review of the Council's governance arrangements.

This report is public

RECOMMENDATIONS

(1) To consider the Annual Governance Statement (AGS) for 2022/23 and be recommended for adoption and for signing by the Chief Executive and the Leader of the Council, subject to any minor non-material changes.

1.0 Introduction

- 1.1 The AGS is a valuable means of communication. It enables an authority to explain to the community, service users, taxpayers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.
- 1.2 In accordance with the Accounts and Audit Regulations 2015 the Council is required to prepare an AGS, which is published alongside the Statement of Accounts.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) jointly issued a Framework and guidance in relation to the AGS; 'Delivering Good Governance in Local Government'. The guidance urges local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.
- 1.4 The Framework recognises that effective governance is achieved through seven core principles.

- A. **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;**
- B. **Ensuring openness and comprehensive stakeholder engagement;**
- C. **Defining outcomes in terms of sustainable economic, social, and environmental benefits;**
- D. **Determining the interventions necessary to optimise the achievement of the intended outcomes;**
- E. **Developing the entity's capacity, including the capability of its leadership and the individuals within it;**
- F. **Managing risks and performance through robust internal control and strong public financial management; and**
- G. **Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

2.0 Proposal Details

- 2.1 The draft AGS for 2022/23 is attached at Appendix A. All key officers and the Head of Internal Audit were given the opportunity to provide information and key evidence to support how the organisation has complied with the principles set out in paragraph 1.4 above during the year.
- 2.2 The timescale to produce the AGS coincides with that for the approval of the audited financial accounts. The AGS must be approved at a meeting of the Council or delegated committee, in this case, the Audit Committee.
- 2.3 The Leader of the Council and the Chief Executive will be asked to sign the AGS certifying that they are aware of the governance issues within the Authority and of the measures that are needed to mitigate them.

3.0 Details of Consultation

- 3.1 Members of the Senior Leadership Team and other key officers across the Council have had the opportunity to participate in the formulation of this document.

4.0 Options and options analysis (including risk assessment)

- 4.1 As the production of a draft AGS is a legislative requirement, no alternative options are identified.

5.0 Conclusion

- 5.1 The draft AGS and the results of the review reflect the developments and issues impacting the Council's governance arrangements during the last twelve months. Addressing the significant issues identified in the statement will help ensure the Council maintains and improves its standards of governance in the future.

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

The report has no direct impact on the above issues.

FINANCIAL IMPLICATIONS

None arising directly from this report.

OTHER RESOURCE IMPLICATIONS, SUCH AS HUMAN Resources, Information Service, Property, Open Spaces:

None arising directly from this report.

SECTION 151 OFFICER'S COMMENTS

The S151 Officer has no comments to make on this Report.

LEGAL IMPLICATIONS

Legal Services has no further comments to make on this Report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has authorised this report.

BACKGROUND PAPERS

N/A

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Ref:

Annual Governance Statement 2022/2023

INTRODUCTION AND ACKNOWLEDGEMENT OF RESPONSIBILITY

Lancaster City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used efficiently, effectively and economically.

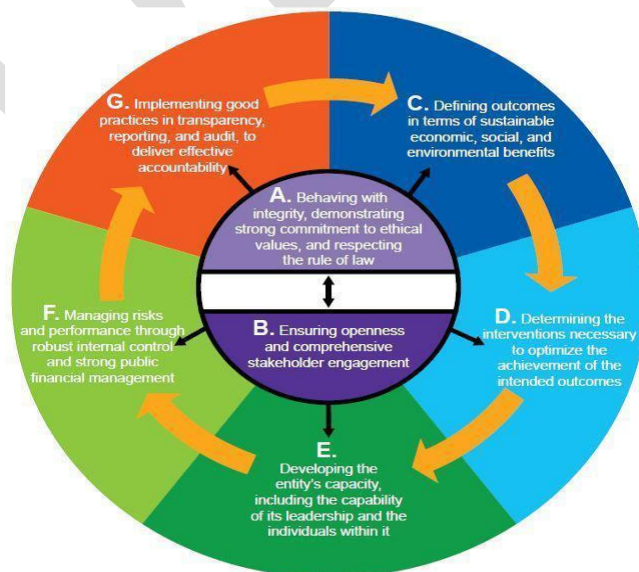
To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

The Council has recently reviewed and adopted an amended Code of Corporate Governance (dated April 2022). The Preparation and publication of this Annual Governance Statement is in accordance with the principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (The Framework). The Framework contains seven core interlinked principles detailed in table 1 below

Table 1. Principles for Delivering Good Governance in Local Government



The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

Key elements of the Council’s governance framework are summarised below.

Table 2. Overview of the key elements of the Council’s Governance Framework

<p><u>The Council, Cabinet and Leader</u></p> <ul style="list-style-type: none"> • Provide leadership, develop strategy, and set policy • Engage with and support the Council’s communities and neighbourhoods to thrive and succeed 	<p><u>Scrutiny and Review</u></p> <ul style="list-style-type: none"> • The Overview and Scrutiny Committee reviews Council policy and can scrutinize and challenge decisions • The Budget and Performance panel reviews operational and financial performance • The Audit Committee reviews internal control, fraud, risk management and governance
<p><u>Decision Making</u></p> <ul style="list-style-type: none"> • Meetings are held in public • Agendas, minutes and decisions are recorded on the Council’s website 	<p><u>Risk Management</u></p> <ul style="list-style-type: none"> • Risk management strategy ensures proper management of risks • Risk registers identify both strategic and operational risk
<p><u>Paid Service and Statutory Officers</u></p> <ul style="list-style-type: none"> • The Head of Paid Service is the Chief Executive who is responsible for all Council staff and leading an effective corporate management team of Chief Officers to deliver the strategies within the policy framework set by Elected Members • The Council’s Section 151 Officer is responsible for safeguarding the Council’s financial position and ensuring value for money • The Chief Officer (Governance) is the Council’s Monitoring Officer, who is responsible for ensuring legality and promoting high standards of public conduct 	

HOW WE COMPLY WITH THE CIPFA / SOLACE FRAMEWORK

Set out below is how the Council has specifically complied with the seven core principles set out in the CIPFA / SOLACE framework during 2022/23.

Table 3: Summary of Compliance against the Local Code of Corporate Governance

<p>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	
<p>Compliance Overview</p>	<p>The following key policies, procedures, and practices remained in place and were applied throughout the year.</p> <ul style="list-style-type: none"> • Code of Conduct for both members and staff • The Council’s ‘values and behaviours framework’ • Registers of interest policies for both staff and members • Council and Committee minutes show any declarations made at meetings are viewable on each Councillor’s record on the website • An electronic Gifts and Hospitality register for both staff and Members

	<ul style="list-style-type: none"> • Both Standards and Overview and Scrutiny Committees • There are policies and procedures in place for dealing with unacceptable behaviours for both officers and Members • Effective monitoring and review of counter fraud policies are in place and are monitored and reviewed annually by the Corporate Enquiry Team to ensure they are applied consistently. • A 'Raising Concerns' Policy (amended January 2023) is in place and sits with the Council's Monitoring Officer • The Council complies with CIPFA's Role of the Chief Financial Officer and the role of the Head of Audit in Local Government (provided by MIAA) • Training is provided for regulatory committees on a regular basis. • Compliance with specific legislation, law or guidance is documented in decision making documents • Council housing are in the process of creating a breaches policy with regards to Regulatory Standards • Council housing also produces an annual compliance statement and has a self-assessment process for Consumer Standards. • The Constitution includes terms of references, defines decision making powers and describes roles and functions • The Constitution is regularly reviewed and kept up to date
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Principle B: Ensuring openness and comprehensive stakeholder engagement	
Compliance Overview	<p>The following key policies, procedures, and practices remained in place and were applied throughout the year.</p> <ul style="list-style-type: none"> • The Council's Corporate Plan is published to all staff, elected members, partners and the community • An annual 'Narrative Report' is published and accompanies the Statement of Accounts • The Section 151 Officer publishes annual accounts within statutory deadlines to the community to report on the organisation's activities, achievements and its financial position and performance • The Council publishes information in accordance with the Local Government Transparency Code 2015 and continues to monitor effective compliance with the Code. • An Overview and Scrutiny and Budget and Performance Panel report is published annually • The Council publishes all key decisions on its website • A Freedom of Information publication scheme is in place • Standardised report pro-formas for decision making are in place and a published timetable of reporting deadlines for committees is published • The Council ensures that appropriate consultation and engagement takes place • The Council publishes all current and closed consultations on its website • Customer feedback forms are in place in key outlets e.g. Salt-Ayre Leisure Centre • The Council has subscribed to the Engagement HQ Platform, Keep

	<p>Connected. The platform is an easy and secure way for the public to participate in projects (https://keepconnected.lancaster.gov.uk)</p> <ul style="list-style-type: none"> • Participative democracy (People’s Jury) has been used to inform the Council’s strategy for dealing with climate change and this approach continues to be developed. • Council Housing have a District Wide Tenants forum (Tenant Voice) with annual reporting. • Housing Options has a monthly stakeholders meetings with stakeholders through homeless advisory group/homelessness forum. • The Council has a Community Connector team whose role is to engage and connect with partners, communities and elected members. • During the year virtual meetings and events for stakeholders and residents were held. Officers have been able to arrange meetings via Microsoft Teams when concerns arise, increasing the Council’s partnership working • The Council has several communication guidance documents in place e.g. the Intranet Policy and the Plain English and Style Guide • The Council complies with publication dates for reports and the ‘forthcoming decisions list (forward plan) • Robust arrangements are in place for both the shared service arrangements with Revenue and Benefits and the Corporate Enquiry Team • The Budget and Performance Panel was fully consulted in relation to the Council’s budget • The Council’s vision, strategic plans, priorities and targets are developed in consultations with the local community and other key stakeholders • Online publication of Councillors’ interest in accordance with the Localism Act 2011
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Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits

<p>Compliance Overview</p>	<p>The following key policies, procedures, and practices remained in place and were applied throughout the year.</p> <ul style="list-style-type: none"> • Corporate key performance indicators (revised as and when appropriate) are reported quarterly to Cabinet and the Budget and Performance Panel • A ‘Narrative Report’ is published within the Statement of Accounts to reflect the Council’s key achievements • There are effective arrangements in place to deal with failure in service delivery via the Council’s corporate complaints procedure • The Medium-Term Financial Plan, Revenue Budget and Capital Programme are designed to deliver the strategic priorities • The Council has a capital programme of works • The Council has an approved Capital Investment Strategy • Individual capital projects are equality impact assessed • All key decisions are required to consider (where applicable) the impact on Climate, Equality, Wellbeing & Social Value, Health & Safety and Community Safety. This includes consideration of fair access to services • The Council has an adopted local plan which is up-to-date i.e. adopted within the last five years (July 2020). • The Council has commenced a Climate Emergency Local Plan review which seeks to make amendments to the Local Plan following the Council’s Climate Emergency. The Examination process is ongoing and
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	<p>is currently in the stage of consulting on proposed modifications.</p> <ul style="list-style-type: none"> • Procedures are in place to address conflicting interests e.g. the call-in procedure and codes of conduct for members and officers. • The Council has declared a climate change emergency and has committed to becoming net carbon zero by 2030. A strategy has been developed to deliver on this, and work on a Local Area Energy Plan is about to be started. • Formal decisions take into account an assessment of environmental impact, proportionate to the nature of the decision
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Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

<p>Compliance Overview</p>	<p>The key arrangements for managing performance and delivery, to inform interventions, continued to operate throughout the year. These included</p> <ul style="list-style-type: none"> • Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and consideration on which decisions are based • Member and Officer briefings took place for more complex areas of decision making • The MTFs, Revenue Estimates and Capital Programme are configured to meet the requirements of the Council Plan and Ambitions document and are published annually. They are key documents for forecasting budget requirements and planning ahead • The MTFs sets out the framework for corporately managing the Council's resources in the years ahead • Corporate Key Performance Indicators are in place and are reported quarterly to Cabinet and the Budget and Performance Panel • Both Capital and Revenue bids consider 'social value'. • Proper, professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making • The Council considers public surveys, demographic information and public health reports when developing the Council Plan
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Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

<p>Compliance Overview</p>	<p>The key arrangements for building our capacity and capability continued to operate throughout the year. Leadership forums, including Wider Leadership Forum were maintained</p> <ul style="list-style-type: none"> • The Council is an active member of both the Local Government Association and District Council Network and has senior Members and Chief Executive in national representative roles. • The Council is member of APSE and regularly benchmarks several key Council services e.g. Street Cleansing, Council Housing, Internal Audit, Waste Management, Pest Control and Leisure • The Council has received both blue and green flag status for its clean beaches and parks and open spaces • The Leader, Chief Executive and Section 151 Officer regularly attend Lancashire Leaders, Lancaster Chief Executives and Lancashire Chief
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	<p>Finance Officer meetings</p> <ul style="list-style-type: none"> • The Chief Executive is responsible and accountable to the Authority for all aspects of operational management and has regular meetings/1-1's with the Leader, Cabinet and the Senior Leadership Team. • The Senior Leadership Team meet regularly with portfolio holders and Cabinet as a whole. • The Section 151 Officer is 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 and attends Senior Leadership Team meetings on invitation. • There is a clearly defined management structure and a scheme of delegation to officers, which is underpinned by the Members' Code of Conduct and a Protocol for Officer and Member relations • All new members receive a full corporate induction, ongoing support and role-specific training • An Accreditation review for Investors in People was carried out in January 2021, resulting in an upgrade to Silver accreditation (valid for 3 years) and an additional Health and Wellbeing Good Practice Award • An induction programme is provided for all new staff and Members • The Council has several policies and incentives to support the Health and Wellbeing agenda e.g. Agile Working, Absence Management, discounted gym membership and the Cycle to Work Scheme. • The process for employee annual appraisal was paused early in the pandemic. The process was reviewed and revised in late 2022 and early 2023 leading to a new process of employees' annual conversations being commenced in April 2023.
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Principle F: Managing risks and performance through robust internal control and strong financial management

<p>Compliance Review</p>	<ul style="list-style-type: none"> • The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied through the year for the Council. Examples of these include • The Council has a Risk Management Policy (last updated March 2023) • All services have Information asset registers and privacy notices are now in place for most the Council's service areas. • The Council has an Overview and Scrutiny Committee and a Budget and Performance Panel which have been set clear roles and responsibilities • Key Performance Indicators are reported quarterly to Cabinet and the Budget and Performance Panel and a 'Narrative Report' is published within the Statement of Accounts. • Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based • There is a calendar of dates for submitting, publishing and distributing timely reports to the Council's committees • The Council has an effective Internal Audit Service and all current Audit reviews are conducted under the Auditing Practices Board Guidelines and in line with Public Sector Internal Audit Standards (PSIAS) • An Audit Committee is in place, which is independent of the Executive
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	<p>and the Overview and Scrutiny function</p> <ul style="list-style-type: none"> • The Head of Internal Audit and Assurance (Louise Cobain of MIAA) is Consultative Committee of Accountancy Bodies (CCAB), Chartered Public Finance Accountant (CPFA) 2005 qualified and also holds a Chartered Management Institute Level 5 Leadership and Management Programme (2018). • The implementation of internal audit report recommendations is monitored by the Council’s Head of Internal Audit and Audit Service and Assurance (provided by MIAA) and the Audit Committee. MIAA has External Quality Accreditation (which is required every five years. This was undertaken in 2020 by CIPFA which confirms MIAA’s full compliance with the Public Sector Internal Audit Standards. MIAA also undertakes annual self-assessments against standards which again confirms full compliance. • The Council has several counter-fraud policies in place which assist against fighting fraud and corruption • The Council has a Anti Money Laundering Policy in place which is reviewed by the Audit Committee. A revised Anti Money Laundering Policy was approved by Audit Committee in March 2023 • The Council has an ‘Anti Money Laundering Reporting Officer’ • The Council’s Annual Governance Statement is prepared in compliance with CIPFA’s ‘delivering good governance in Local Government’ • The Council uses an on-line e-learning portal to promote the General Data Protection Regulations (GDPR) and information security and is mandatory for all new starters • The Council has a designated Data Protection Officer and continues to work towards ensuring it is fully compliant with GDPR. Progress is being made on a recent DP Audit and Action Plan. There are still areas for improvement including work on the creation of an Information Governance Framework, an awareness campaign, data flow mapping and , work on Privacy Notices and work around GDPR and contracts. • Secure arrangements are in place for the transfer of sensitive data (SFTP and encryption tools available within Office 365) • The Council has both a records management policy and a confidential waste policy in place. The records management and detention policy was last updated February 2023. • Those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications • Budget monitoring reports are issued to budget holders on a regular basis
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Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
Compliance Review	<p>The Council endeavors always to be open and transparent. The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied throughout the year for the Council and can be accessed here:</p> <ul style="list-style-type: none"> • The Council endeavors to publishes information in accordance with the Local Government Transparency Code 2015. • Each year we publish information on our website outlining how we spend Council Tax income.

	<ul style="list-style-type: none"> • A 'Narrative Report' is published within the Statement of Accounts to reflect the Council's key achievements • The Council's website is comprehensive, accurate and user friendly • The Council has an on-line Planning Application Policy • Annual presentations are delivered for elected Members concerning the Council's finances as part of the production of the Revenue Estimates, the Capital Programme and the update of the MTFS • An effective internal audit function is resourced and maintained enabling them to deliver an annual internal audit opinion • The Council ensures that there is a process in place for the follow up of audit recommendations • The Council complies with both the Public Sector Internal Audit Standards and CIPFA's Statement on the role of the Head of Audit (2019) • In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed annually • The Audit Committee members are able to have private and confidential discussions with the Head of Internal Audit and Assurance. This is safeguarded by the functions and responsibilities of the Audit Committee in the Council's Constitution. • In accordance with the Public Sector Internal Audit Standards (PSIAs) the Head of Audit & Assurance developed an Internal Audit Plan (2022/2023). This was approved by Audit Committee in March 2023. • The Council has a RIPA Policy in place and officers who use social media to carry out surveillance have received relevant training. The RIPA Policy was reviewed by the Audit Committee in March 2022 and is currently under review. • Arrangements for accountability and prevention of corruption when working with suppliers and partners are documented within the Council's Contract Procedure Rules
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Financial Management Code

The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. The implementation of the FM Code is mandatory from 2021-22, and the Council has assessed compliance with the Code, against each of the seven standards. This concluded that the current working practice and noted planned improvements (subject to works set out in the table below) will meet the expectations of the Code of Practice against each of the standards:

- Responsibilities of the Chief Finance Officer and Leadership Team.
- Governance and Financial Management Style.
- Long to Medium Term Financial Management.
- The Annual Budget.
- Stakeholder Engagement and Business Plans.
- Monitoring Financial Performance; and
- External Financial Reporting

Table

Standard	Action Required	Responsible Officers	Timescale
Responsibilities of the Leadership Team and Chief Financial officer (CFO)	Increased use of benchmarking data and peer review for inclusion in business case and as part of Outcomes Based Resourcing (OBR) to focus on VfM aspects.	Senior Leadership Team	February 2024 - To be incorporated as part of 2024/25 budget process
	Recruitment to address the capacity issues within finance function	Chief Finance Officer	September 2023
Governance and Financial Management Style	Re-establishment of Performance Management via the Council's "Annual Conversation"	Chief Officer (People and Policy) and Senior Leadership Team	March 2024
	Review of Financial procedure rules	Chief Finance Officer	November 2023
Long to Medium Term Financial Management	Further work will be required as part of the 2024/25 budget setting process to address the significant forecast deficits for 2024/25 and beyond and minimise the use of reserves.	Chief Finance Officer Executive Team and Cabinet	February 2024 – As part of the 2024/25 budget process
	Each lead portfolio member to be more involved in developing and setting the budget for their service areas.		
	Asset Management systems and plans containing condition surveys and information regarding the whole-life cost of assets need to be developed over the medium term and maintained. Current asset management plans will be reviewed as part of the new model.		
	As part of the process to address the structural deficit service plans will need to be re-aligned to reflect to Council's ambitions and outcomes		
Stakeholder Engagement and Business Plans	Review and consideration of the most effective methods of	Senior Leadership Team	February 2024 – As part of the

	stakeholder engagement on financial matters.	Cabinet	2024/25 budget process
	Further work is required to fully embed project management and the accompanying disciplines throughout the Council and ensure that is consistently applied.	Senior Leadership Team Programme Manager	February 2024 – As part of the 2024/25 budget process

REVIEW OF EFFECTIVENESS

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Council who have responsibility for the development and maintenance of the governance environment and by Internal Audit's annual report.

Issues arising from the review of the effectiveness of our governance framework are monitored by the Office of the Chief Executive and the Council's Audit Committee.

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

Internal Audit Assurance

One of the key assurances the Council receives is the Internal Audit Annual Report. In this report, the Internal Audit Service gives an opinion on the Council's internal control, risk management and governance framework.

The 2022/2023 Internal Audit Annual Report and Head of Internal Audit Opinion recognises that "the Council like other organisations across the public sector is facing a number of challenging issues and wider organisational factors particularly with regards to financial challenges and increasing collaboration across organisations and systems":

The overall opinion of the Head of Audit, as detailed in the report is that "...for the period 1st April 2022 to 31st March 2023 provides Moderate Assurance, 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 of the organisation's objectives at risk.

In considering the overall opinion, we have recognised the improvement and development of Risk Management at the Council in the last year and this has been reflected in the Council moving just over the threshold from the previous overall limited opinion in 21/22 to an overall moderate opinion for 22/23. We have also considered that Internal Audit resource has been directed into known risk areas by Council Officers and the Audit Committee which has resulted in a number of moderate and limited assurance opinions being provided for individual reviews. Moving forward, the Council needs to ensure that there is a continued focus on the strengthening of its control framework."

The 'Executive Summary' in MIAA's report further provides that:

“The 2022/23 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year. Review coverage has been focused on:

- The organisation’s assurance framework;
- Core and mandated reviews, including follow up; and
- A range of individual risk-based assurance reviews.”

With regards to MIAA’s recommendations / Management, the report states that:

- “We have raised 71 recommendations as part of the reviews undertaken during 2022/23. All recommendations raised by MIAA have been accepted by management.
- Of these recommendations: none were critical and 10 were high risk recommendations in relation to the reviews of Collection of Income & Reconciliations, Council Tax, Efficiency Programme Delivery, Council Resilience, Recruitment and Project Management.
- During the year, we have undertaken follow up reviews and can conclude that the organisation have had 33 actions implemented or superseded during 2022/23
- The total number of recommendations yet to be implemented as at March 2023 is 61, with 41 of these not yet due, of the remaining 20 recommendations 18 of these relate to the previous in house audit team and do not have a risk rating. The two which have a risk rating are one medium and one low.”

As part of the Shared Revenues & Benefits Service Agreement, Lancaster City and Preston City Council have completed the internal audit reviews of Housing Benefits and National Non-Domestic Rates.

External Audit Assurance

The Council’s external auditors, Deloitte provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The revised audit deadlines have impacted the external auditor’s ability to resource the audit and together with a long-standing objection the 2019/20, 2020/21 and 2021/22 financial statements audit is yet to be concluded.

All External audit work is conducted with regard to the Code of Practice produced by the National Audit Office. Going forward certain changes are still expected to external oversight as the recommendations from the Redmond Review are fully considered.

Deloitte appointment as external auditors was made in 2017 for the period covering the accounts for 2018/19 to 2022/23. The Council agreed at its meeting 23 February 2023 for the Public Sector Audit Appointments (PSAA) to appoint its external auditor for the appointing period spanning the audits from 2023/24 to 2027/28. The procurement process conducted by PSAA took place during the sum Spring/Summer of 2022. Following the procurement process KPMG have been appointed as the External Auditor for the Council for 5 years from 2023/24 to 2027/28.

A review of key performance indicators

The Council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2021/22 is set out in the table below.

Indicator	Performance in 2021/22
Formal reports issued by the Section 151 Officer or Monitoring Officer	No formal reports have been issued by the Section 151 Officer or the Monitoring Officer.
Number of data incidents reported to the Data Protection Officer (DPO)	42 incidents were reported to the DPO in 2022/23
Number of Data Breaches reported to the Information Commissioner's Office (ICO)	Of 42 reported to the DPO, 2 were reported to the ICO. No sanctions were imposed but advice given 1) further training of staff 2) adequate technological solutions. Both recommendations implemented
Outcomes from Standards Committee or Monitoring Officer investigations	10 breaches of the code of conduct were reported to the Monitoring Officer. One matter went to the Standards Committee. Other matters were either discontinued on the screening and finding of no breach by the Monitoring Officer or resolved by local resolution by the Monitoring Officer
Proven frauds carried out by councillors or members of staff	There have been no proven frauds carried out by Councillors' or members of staff in 2022/23
Local Government Ombudsman (LGO) referrals upheld	Eight referral has been made to the LGO in 2022/23. None were upheld but one carried a recommendation. This was partly upheld. Five referrals to the Housing Ombudsman were made in 2022/23, none have been finalised by the Housing Ombudsman as yet.

GOVERNANCE ISSUES AND SIGNIFICANT CHALLENGES

Issues Identified in Prior Years

Human Resource Assurance Work and Information Governance were identified as governance issues in 2019/20 and commented on during the last Governance reviews 2020/21 and 2021/22, further commentary on the progress to address these is provided below.

Significant Governance Issues

Human Resources Assurance Work

Following a number of concerns, Internal Audit undertook a review in late 2020 into the Council's Human Resources highlighting a number of control weaknesses which resulted in an internal audit report with minimal assurance and gave rise to a number of recommendations (35 in all). The last AGS confirmed that action had been undertaken to address the more serious concerns and that work was progressing to address other issues. The Audit Committee has been provided with updates on progress.

In March 2023 MIAA produced a report on the effectiveness of the HR review. As set out in the introduction to the report "Since the publication of the 2020 report there have been a number of significant changes within the HR Team. Following the instalment of an interim head of HR in July 2021, there has been a new permanent Head of HR appointed during 2022, who has instigated and implemented a HR restructure in September 2022."

The recommendations identified by the 2020 audit report (where still applicable) were transferred to the Council's Action Plan and have been progressed accordingly.

In March 2023 report confirms that "the Action Plan was last updated in October 2022 with 22 actions being noted as completed, nine actions as no longer applicable and four actions outstanding requiring the update of HR policies."

The HR review summary of the 35 recommendations confirms that nine actions are no longer applicable, five actions marked as complete by the Council have been assessed as in progress and require further work. Four actions require the review and update of HR policies, and one action requires internal audit review across the Council on Honorariums. The remaining 16 actions have been confirmed as completed.

MIAA have also identified further actions required. This includes (1) putting reporting in place against progress on the HR action plan; (2) All HR Policies and Procedures to be reviewed; (3) An Internal Audit Review of Honorariums and Additional Salary Payments to be included in a wider Payroll Review 2023/24 Internal Audit Plan.

The Council is currently taking steps to progress all outstanding actions and the further recommendations of MIAA.

Information Governance

The Council's Information Governance (IG) Team continues to work on compliance with the General Data Protection Regulations which came into force on the 25 May 2018. Our Internal Audit carried out a review of IG policy and processes in May 2020. Internal Audit recommendations, at this time, recognised that significant progress has been made in some areas. However, there were still a number of areas that required immediate attention, therefore only 'limited' assurance was provided.

A follow up review has been undertaken by Internal Audit with a final report being issued in June 2023. The report notes that "there has been some progress made to implement the recommendations from the original report". However, there are still issues around the Council's Data Protection Framework and its oversight/governance with regards to the development and delivery of the Data Protection Framework.

Whilst some recommendations have been implemented, there are still a significant number of issues to be addressed. The June 2023 identifies eight main areas that require immediate attention and continues to provide 'Limited Assurance' in respect of Data Protection: Policy and Processes.

IG have formulated an Action Plan against the recommendations of Internal Audit. The plan shows progress in a number of key areas and identifies issues yet to be resolved and further steps to be taken. The Senior Leadership Team are taking this matter seriously and is putting in place governance and resource measures to ensure that Internal Auditors' recommendations are tackled as a matter of priority – with the main areas requiring immediate attention being dealt with first.

Other Governance Issues

The last AGS referred to a number of other governance issues which were identified following an Annual Governance meetings with key officers. These were documented in an action plan and have been actioned and monitored. The Audit Committee were last updated on progress on 23 November 2022. Three out of eight actions have now been completed with five actions currently underway. Good progress has been made on most outstanding issues.

The Senior Leadership Team and Audit Committee will be kept updated on progress against the outstanding issues.

Significant Challenges for 2022/23 and Beyond

Risk Management

The Council's Internal Audit team undertook a review of Risk Management in 2022, the findings of which were published in July 2022. The Head of Internal Audit Opinion, in respect of Risk Management, was that no assurance could be given and that this was a significant factor in the Head of Internal Audit Opinion overall assurance being limited.

There has been significant improvement since the last review July 2022. The latest Risk Management Report 2022/23 issued 6 June 2023 provides an opinion of "Moderate Assurance". The key findings in the June 2023 provides:

"There has been good progress since our previous review. The refreshed risk management implementation project led by the Projects and Performance Manager has delivered in line with its expectations. A key positive difference to the previous implementation has been engagement with service users to facilitate risk recognition and system familiarisation. At the conclusion of our review of the improvement project, good progress has been made in populating the registers, and the first review cycle by the Projects and Performance Manager was commencing at the conclusion of our review. This would identify areas for improvement and provide users with 'on the job' training to enhance register quality."

Work since October 2022 has included approving a refreshed Risk Management Policy (March 2023 and updating the GRACE (Governance, Risk Assessment and Control Evaluation) system with strategic and operational risks. In line with quarterly reporting function, risks are to be reviewed by the assigned risk owners every 90 days.

The Internal Auditor has made further recommendations for improvement including formal assessment of risk management resources and a training programme to support further improvement.

The Senior Leadership Team continue to take this matter seriously. Oversight of strategic risk management now belongs to the Office of the Chief Executive. The Senior Leadership Team continue to prioritise the comprehensive review of the end-to-end policies, plans, controls, and capacity in place for Risk Management. This includes the recognition of areas of good practice and regular updates on this work to Audit Committee. This will lead to a significant improvement in the Council's risk management strategy and framework.

Financial Sustainability

Consistent with all public sector bodies the Council continues to face unprecedented levels of financial and economic uncertainty in terms of Local Government funding, on-going pandemic recovery, and the significant inflationary pressures stemming from cost-of-living crisis. This, and specific local issues such as those surrounding temporary postponement of decommissioning plans for Heysham power station, do hamper the degree of confidence with forecasts can be made and inevitably some key estimates and assumptions are likely to change in the coming months. As a result, balancing the budgets in the short and medium term represents a significant challenge and has resulted in some difficult and unpalatable decisions having to be made. Despite a range of proposals including the identification of £2.423M of savings and income generation opportunities a draw on reserves of £0.577M was required for 2023/24.

Based on current assumptions the forecast budget deficit for 2024/25 exceeds £1.5M, with the total 5-year deficit c£5M. Although there are many variables contained within the calculation of the deficit, funding purely from the Council's reserves is not an option as it does not address the underlying structural issues. Reserves can however be utilised to help to ensure the smooth transition of a number of initiatives aimed at eliminating the deficit. As the Council continues to deliver high-quality frontline services to the District's residents, a continued focus on the application of Outcomes Based Resourcing principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. All Members must work together and recognise that they will face a number of difficult but key decisions over the coming financial years which will affect the manner in which it delivers its services.

Progress from last year's AGS

There has been significant progress since last year's AGS. In particular, the Council has made good improvement with regards to Risk Management seeing the Internal Auditor's opinion change from no assurance to "Moderate Assurance". A refreshed risk management implementation project has been delivered in line with expectations and the Council's assessment and management of risk is much improved as a result.

Good progress has also been made with regards to HR assurance work with only 16 actions remaining out of 35 recommendations and the Council continues to make steady progress with other governance issues identified in the last AGS.

REVIEWING AND REPORTING ARRANGEMENTS

The CIPFA/SOLACE guidance recommends that authorities should undertake annual reviews of their governance arrangements to ensure continuing compliance with best practice as set out in the framework.

This year the Annual Governance Statement for 2022/23 has been pulled together via engagement with all key officers, who have the most appropriate knowledge, expertise and levels of seniority providing information and key evidence to support how the organisation has complied with the principles set out in guidance.

As well as demonstrating how the Council is meeting each of the principles, it is also an opportunity to identify any issues or gaps that could lead to a weaker governance structure.

The AGS is submitted for consideration by the Leader and Chief Executive who then sign to certify they are aware of the governance issues within the Council and of the measures that are required to improve the controls around the Council's governance framework.

CERTIFICATION

The Leader of the Council and Chief Executive both recognise the importance of having a solid foundation of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this Statement, and to further enhance our governance arrangements to enable delivery of our Corporate Plan.

Signed on behalf of Lancaster City Council:

Councillor Phillip Black
Leader of Lancaster City Council

Mark Davies
Chief Executive of Lancaster City Council

Date:

DRAFT

AUDIT COMMITTEE**Audit Committee Assurances in Relation to the Financial Reporting Process****26 July 2023****Report of Chief Finance Officer****PURPOSE OF REPORT**

To summarise how the Audit Committee gains assurance, as 'those charged with governance', from management in order to fulfil its responsibilities in relation to the financial reporting process.

This report is public

RECOMMENDATION

The Committee is asked:

- To consider whether the responses at Appendices 1 and 2 are consistent with its understanding, and whether there are any further comments it wishes to make.

1.0 BACKGROUND

1.1 The Council's external auditor, Deloitte, is required to comply with the requirements of the International Standards on Auditing (UK) (ISA), as adopted by the UK Financial Reporting Council (FRC), in conducting the audit of the Council's financial accounts for the year ended 31 March 2023.

1.2 Under the ISA's Deloitte's have specific responsibilities to communicate with the Audit Committee on certain specific matters and, as part of the risk assessment procedures, Deloitte is required to obtain an understanding of the management processes, and the Audit Committee's oversight, of a number of the following areas in respect of the year ended 31 March 2023.

- General Enquiries of Management
- Fraud.
- Laws and Regulations.
- Related Parties; and
- Accounting Estimates

1.3 To support this work and to assist the Audit Committee as 'those charged with governance' (TCWG), to fulfil its responsibilities in relation to the financial reporting process, management has reviewed a number of documents and compiled a series of questions and responses covering the 2022/23 financial year. Although not exhaustive details of these are provided at **Appendices A and B**. Additional assurance will be required from the Chair of the Committee, and also Internal Audit, these will be dealt with directly with the individuals and passed to the External Auditor.

2.0 GENERAL ENQUIRES OF MANAGEMENT

- 2.1 ISA's (UK) 300 and 315 deal with the external auditors' responsibilities to plan the audit of the financial statements and identify and assess the risks of material misstatement within them.
- 2.2 To assist in discharging these obligations the auditors make a range of detailed and general enquires.
- Significant changes to the Council's control environment
 - Key events & policies
 - Accounting policies
 - Complex transactions
 - Areas of litigation or contingencies

3.0 FRAUD

- 3.1 ISA (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements.
- 3.2 The primary responsibility for prevention and detection of fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider a number of issues such as the potential for override of controls and inappropriate influence over the financial reporting process.
- 3.3 The External Auditors are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. This includes considering the arrangements management has put in place with regard to fraud risks including.
- process for identifying and responding to risks of fraud, including any identified specific risks,
 - communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
 - communication to employees regarding business practices and ethical behaviour

4.0 LAW AND REGULATIONS

- 4.1 ISA (UK) 250 requires auditors to consider the impact of laws and regulations in an audit of the financial statements.
- 4.2 Management, with the oversight of the Audit Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.
- 4.3 As noted above auditors are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. Where the auditors become aware of information of non-compliance, or suspected non-compliance they need to gain an understanding of this and the possible effect on the financial statements.

5.0 RELATED PARTIES

5.1 ISA (UK) 550 requires auditors to review the Council's procedures for identifying related party transactions and obtain an understanding of the controls that have been established to identify such transactions.

5.2 The Council is required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

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

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

6.0 ACCOUNTING ESTIMATES

6.1 ISA (UK) 540 requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

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

6.2 As part of this process auditors also need to obtain an understanding of the role of TCWG, which is particularly important where the estimates have high estimation uncertainty or require significant judgement. Specifically does the Audit Committee

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

7.0 OPTIONS AND OPTIONS ANALYSIS

7.1 The Committee could choose to accept the responses put forward by management or amend the comments as it wishes.

8.0 CONCLUSION

- 8.1 The attached Appendices set out a series of questions and responses from Management in respect of each of the above areas for consideration by the Audit Committee.
- 8.2 The responses demonstrate that the Audit Committee can gain assurance from management in order for it to fulfil its responsibilities in respect of the financial reporting process.

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

The report has no direct impact on the above issues.

FINANCIAL IMPLICATIONS

None arising directly from this report.

OTHER RESOURCE IMPLICATIONS, SUCH AS HUMAN Resources, Information Service, Property, Open Spaces:

None arising directly from this report.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has authored this report in his capacity as Chief Finance Officer

LEGAL IMPLICATIONS

The Local Audit and Accountability Act 2014 (the Act) states that the accounts of a relevant authority for a financial year must be audited:

- (a) in accordance with the Act and provisions made under it, and
- (b) by an auditor (local auditor) appointed in accordance with the Act or provision made under it.

A local auditor must, in carrying out the auditor's functions in relation to the accounts of a relevant authority, comply with the Code of Audit Practice applicable to the authority that is for the time being in force. The current Code of Practice for UK Local Government is the Code of Audit Practice issued by the National Audit Office, which came into effect from the 2020/21 audit year. The Code adopts the International Standards on Auditing (ISAs) as issued by the FRC.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

N/A

Contact Officer: Paul Thompson
Telephone: 01524 582603
E-mail : pthompson@lancaster.gov.uk
Ref:

APPENDIX 1 – ENQUIRES OF MANAGEMENT

QUESTIONS & RESPONSES IN RELATION TO GENERAL ENQUIRES

	Question	Response
1	What are the key events or issues that have had a significant impact on the financial statements	<p>The continuing impact of the Coronavirus Pandemic as well as wider economic factors such as general and pay inflation, interest rates and energy costs have impacted the Council in a number of areas.</p> <ul style="list-style-type: none"> • additional costs and loss of income to the Council caused by the pandemic has led to variations in expenditure and income across all the Council's portfolios • impact on Collection Fund accounting • impact on provision for bad debts <p>In addition to these economic factors the ongoing issues around infrastructure assets and the need to resolve historic audit issues.</p>
2	Has there been any events, or transactions that has caused a change or adoption of new accounting policies?	No changes to the accounting policies section of the Statement of Accounts document.
3	Has Management and the Audit Committee considered the appropriateness of the Councils accounting policies?	Audit Committee considers the Proposed Accounting Policies and Critical Judgements used in the Preparation of the Statement of Accounts annually.
4	Does that Council use any financial instruments including derivatives	<p>There have been no changes to the Council's financial instruments in 2022/23, which remain simple and straightforward.</p> <p>The Council does not use LOBO's or derivatives or other complex arrangements.</p>
5	Are there any significant transactions outside of the normal course of Council business?	<p>Prepayment of all pension's deficit costs and employers' contributions for the period (2020/21 – 2022/23) totalling c£8M was made in April 2020 with a further top up payment £0.780M was made March 2022.</p>
6	Has there been any changes in circumstances or events that may lead to an impairment of non-current assets	The potential for impairment has been discussed with the in-house property valuer and the annual impairment review requested.

APPENDIX 1 – ENQUIRES OF MANAGEMENT

		We are not aware of any issues that would result in a significant impairment for 2022/23
7	Is the Council a guarantor to any contracts	No
8	Are there any contingent liabilities and/ or any un-asserted claims that would affect the financial statements?	Although there are a number of claims against the Council these are being handled by the Council's legal team and insurers and are not expected to have an impact on the financial statements. All known contingent liabilities are disclosed within the financial statements
9	Other than our in-house solicitors are there any other solicitors used by the Council during the year? Are they working on open litigation or contingencies from prior years?	a. Brabners LLP b. Eversheds Sunderland LLP c. Berrymans Lace Mawer LLP d. Weightmans LLP e. Gateley Plc f. Greenhalgh Kerr Solicitors Eversheds Solicitors have been engaged in the collection of monies owed to the Council from prior litigation.
10	Has any of the Council's service providers reported any items of fraud, non – compliance with laws or regulations affecting the financial statements	None that we are aware of currently
11	What other advisors has the Council consulted during the year?	Anderton Gables – Project management/ advice in relation to the Mainway project Link Group – Treasury Management advisors PeopleToo – Advice in relation to the Outcomes Based Resourcing programme.

APPENDIX 1 – ENQUIRES OF MANAGEMENT

12	Are you aware of any instances which may have had an impact on the Councils Internal Control Environment?	The Committee will be aware of the long standing capacity issues within Finance.
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QUESTIONS & RESPONSES IN RELATION TO FRAUD

	Question	Response
1	<p>What is management’s assessment of the risk that the financial statements may be materially misstated due to fraud</p> <p>What is the nature, extent, and frequency of such assessments?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p>	<p>Overall, it is considered that there is a low risk that the financial statements being materially misstated due to fraud.</p> <p>There are a number of processes in place to prevent and detect fraud with the accounts.</p> <p>These include:-</p> <ul style="list-style-type: none"> • Regular monitoring and review of expenditure/ income throughout the year with the budget holders • Finance Officers check accruals for reasonableness, including review of period on transactions. • Approval hierarchy/ limits in CIVICA – this is the point of authorisation for most of the spending. • Approval hierarchy for journals/ virements • Internal audit review of main control areas linking through to the Annual Governance Statement • Keeping up to date with the latest guidance to ensure proper accounting rules are adhered to. <p>The Council has appropriate arrangements in place to identify and respond to the risk of fraud.</p> <p>These include the Anti-Fraud, Bribery and Corruption Policy (including the Fraud Response Plan), Raising Concern (Whistle</p>

APPENDIX 1 – ENQUIRES OF MANAGEMENT

		<p>blowing) Policy and a dedicated Corporate Fraud Team. These set out the Council's position regarding this area.</p> <p>There are various processes to highlight fraud risks and raise awareness, these include the circulation of fraud alerts and information received from the National Anti-Fraud Network to relevant managers and staff and the provision of eLearning packages for managers and staff covering fraud awareness, preventing bribery and corruption, and working with the Bribery Act.</p> <p>The Council has a dedicated whistle blowing phone number in place which is monitored by external staff who will follow up any calls relating to fraud allegations for appropriate investigation.</p> <p>The audit team are also informed of any potential or suspected fraud which may be brought to management's attention through other channels, such as the corporate complaints process.</p> <p>These are followed up under the whistle blowing policy where relevant. The results are reported to senior management and the Audit Committee</p> <p>The Council also participates in the National Fraud Initiative (NFI). NFI data matches are followed up to determine the reasons for the matches being identified and assess if they are the result of timing difference, fraud, or other errors.</p> <p>Chief Officers are responsible for self-assessing the effectiveness of the control arrangements in their departments and are required to complete an Assurance Statement annually to evidence this as part of the process to support the Annual Governance Statement. These statements include specific reference to effective controls to prevent, detect and deter fraud, anti-fraud and corruption and confirmation that budget monitoring is carried out on a regular basis.</p>
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APPENDIX 1 – ENQUIRES OF MANAGEMENT

2	What do we determine to be the classes of accounts, transactions and disclosures most at risk to fraud?	<ul style="list-style-type: none"> • Handling cash and banking • Ordering and payment for goods and services • Bank mandate fraud • Direct payments
3	Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole or within specific departments since 1 April 2021?	None that we are aware of currently
4	<p>Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>The Council operates a shared Corporate Fraud Team with Preston and Fylde Councils and have identified a number of specific fraud risk areas such as Council Tax, Housing Benefit, Business Rates as well as COVID Business Grants. In addition, as noted above there are a number of areas of that are consider more susceptible to fraud.</p> <p>Audit Committee considers the Council’s control and risk management framework and processes as part of the development of its risk based plan, which is presented annually to the Audit Committee for approval, and as part of reviews of the related fundamental financial systems. Whilst areas for improvement have been identified to strengthen controls in place, with some exceptions identified regarding compliance with the controls in place, no material issues have been identified during the year.</p> <p>We do not have any particular concerns that there are any specific areas that are at particular risk of fraud or any locations where fraud is more likely to occur.</p>
5	What processes does the Council have in place to identify and respond to risks of fraud?	<p>The Council has various arrangements in place to identify and respond to the risk of fraud. These include.</p> <ul style="list-style-type: none"> • Anti-Fraud, Corruption and Bribery Policy • Sanctions Policy and • Raising Concerns Policy (Formally Whistleblowing)

APPENDIX 1 – ENQUIRES OF MANAGEMENT

		<p>These documents set out the Council’s position regarding this area. There are various processes to highlight fraud risks and raise awareness, these include the circulation of fraud alerts and information received from the National Anti-Fraud Network to relevant managers and staff and the provision of eLearning packages for managers and staff covering fraud awareness, preventing bribery and corruption, and working with the Bribery Act.</p> <p>The Council has a dedicated whistle blowing phone number in place which is monitored by external staff who will follow up any calls relating to fraud allegations and will refer matters to either Internal Audit or the Council’s Corporate Fraud Team. The Council also participates in the National Fraud Initiative.</p> <p>As noted above the Council operates a shared Corporate Fraud Team with Preston and Fylde Councils and has engaged Mersey Internal Audit Agency (MIAA) to deliver its internal audit service.</p> <p>Chief Officers are responsible for self-assessing the effectiveness of the control arrangements in their departments and are required to complete a Director’s Assurance Statement annually to evidence this as part of the process to support the Annual Governance Statement. These statements include specific reference to effective controls to prevent, detect and deter fraud, anti-fraud and corruption and confirmation that budget monitoring is carried out on a regular basis.</p>
6	<p>How do you assess the overall control environment for the Council, including</p> <p>the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control?</p>	<p>Despite previous issues around Internal Audit the Council has a comprehensive internal control framework in place, which includes Financial Regulations, Contract and Procurement Procedure Rules, an Officer Scheme of Delegation, an Anti-Fraud, Corruption and Bribery Policy and resource and budget monitoring processes.</p>

APPENDIX 1 – ENQUIRES OF MANAGEMENT

	<p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud</p>	<p>These various documents and processes are monitored and reviewed periodically to ensure that they are up to date and fit for purpose.</p> <p>Chief Officers are responsible for self-assessing the effectiveness of their arrangements and required to complete a Director's Assurance Statement annually to evidence this as part of the process to support the Annual Governance Statement. Internal Audit considers these control processes as part of the development of the risk based plan and as part of reviews of the related fundamental financial systems.</p>
7	<p>Are there any areas where there is potential for misreporting</p>	<p>Unlike private sector or other Public Sector bodies such as NHS there is little or no incentive for fraudulent reporting</p> <p>Accruals and other estimation techniques, however, detailed guidance and key deadlines are sent out to budget holders for cascade down to staff in departments. Also, Finance teams work closely with budget holders to advise on recording expenditure and income in the correct accounting period.</p>
8	<p>How does the Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Council has an Officer's Code of Conduct which is used to encourage ethical behaviour in staff.</p> <p>There are also instructions relating to Registers of Personal and Business Interests and the receipt of Gifts and Hospitality. An annual email is sent to senior staff reminding them of the importance of this area and the need to complete the appropriate declarations.</p> <p>Staff are expected to report any concerns that they may have regarding any potential or suspected fraud, either to their line manager or to Internal Audit</p> <p>There have been no significant issues reported.</p>

APPENDIX 1 – ENQUIRES OF MANAGEMENT

9	<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Those in relation to exchequer functions – making payments/collecting and recording income etc. Treasury management – dealing with borrowing and investments. HR & Payroll Setting up and of payment of staff. Posts responsible for procurement activity and raising and approving orders.</p> <p>Controls ensuring separation of duties e.g., setting up new vendors; change of bank details; authorisation hierarchy for ordering; set-up / changes to employee details etc. Financial Procedures, Procurement and Purchasing Rules are in place setting out staff roles and responsibilities.</p>
10	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None that we are aware of currently.</p> <p>Related party relationships and transactions are fully reviewed as part of the accounts closure process and all significant transactions disclosed in the notes to the accounts. Members Register of Interest reviewed for personal / business interest with which the Council has transactions. Executive Management Team each required to make a personal return in respect of their own/any family members potential interests with which the Council has transactions.</p>
11	<p>What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>The Audit Committee receives reports from Internal Audit setting out the progress of the approved Audit Plan and the Corporate Fraud Manager on progress against business plan.</p> <p>The Committee members are able to ask questions of Officers during the year regarding the details of the counter fraud activity to clarify any of the details reported and improve their understanding of this area. The Committee also invites senior officers to provide updates on any significant areas of concern raised in the reports in respect of key or fundamental financial systems.</p>

APPENDIX 1 – ENQUIRES OF MANAGEMENT

		<p>The 2023/23 Internal Audit Annual Opinion Report presented to the Committee in July 2021, concluded that the Council has moderate systems of risk management, control and governance in place which are being applied to an adequate standard.</p> <p>The Committee also receives a Counter Fraud Annual report setting out the results of investigations carried out and counter fraud activity undertaken during the previous year.</p>
12	Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	The Council has received one allegation under the Whistleblowing (Raising Concerns Policy). This is currently being investigated in accordance with the policy.
13	Have any reports been made under the Bribery Act?	None that we are aware of currently.

APPENDIX 1 – ENQUIRES OF MANAGEMENT

QUESTIONS & RESPONSES IN RELATION LAW AND REGULATIONS

	Question	Response
1	How does management gain assurance that all relevant laws and regulations have been complied with	<p>The Council's Legal and Finance departments provide advice on law and regulation on a number of areas that relate to Council's business and activities. In addition, the Procurement and HR teams also advise on laws and regulations relating to that area. There are a number of qualified legal, HR and finance professionals with expertise in specific areas, who would provide advice support to departments.</p> <p>The Customer Service Team, Information Governance and Legal Team coordinate complaints received, and where they escalate undertake internal investigation and liaise with the LGO when referred.</p> <p>The consideration of and dealing with complaints are supported by qualified legal staff. Any legal issues that are identified from the complaints are actioned appropriately. Instruction of external legal advisers including Counsel as appropriate in complex matters. To update knowledge, qualified legal staff are required to undertake extensive training and collate CPD points-regulated by the Solicitor's Regulatory Authority.</p> <p>The Council's Constitution is regularly reviewed and updated, ensuring that relevant changes in the law are reflected and that the governance framework is legally sound.</p> <p>There have been no actual claims for judicial review issued against the Council for a number of years. However, letters before action under the Judicial review protocol were received which were responded to adequately and thereby negating the need for a claim to be made.</p>

APPENDIX 1 – ENQUIRES OF MANAGEMENT

		<p>Staff who are members of professional bodies are bound by their codes of conduct and requirements to comply with professional standards and relevant laws and regulations.</p> <p>Corporate and Departmental risk registers are in place.</p> <p>Chief Officers are required complete and sign and an annual assurance statement as part of the process to prepare the Council's Annual Governance Statement</p> <p>The risk based audit plan would consider compliance with laws and regulations for key risk areas</p>
2	<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>See above, but also the Monitoring Officer and 2 Deputy Monitoring Officers ensure lawful decision-making as well as provision/ procedure to ensure legal implications are considered for all Cabinet, Council and other reports.</p> <p>The Monitoring Officer (MO) and Senior Manager Democratic Services (Deputy MO) attend Council and various regulatory committees to advise as appropriate. The MO is now a member of Senior Leadership Team.</p> <p>External Inspections would also detect non-compliance e.g. a recent VAT inspection did not highlight any areas of non-compliance.</p> <p>Training is provided to elected members and officers at all levels from the in-house legal team and externally on a wide range of subject matter relating to our statutory duties and legal compliance in specific areas.</p> <p>Regular Statutory Officers Group meeting has been set up to focus on the overall governance of the Council, assurance including better decision-making.</p>

APPENDIX 1 – ENQUIRES OF MANAGEMENT

3	Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	No
4	How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Through Internal Audit reports and opinions on specific areas of business via the delivery of the risk based annual audit plan
5	Have there been any instances of non-compliance or suspected non-compliance with laws and regulation	None that we are aware of currently
6	Is there any actual or potential litigation or claims that would affect the financial statements?	There are some on-going litigation matters. They are not thought to have a material effect on the Council's Financial Statements.
7	What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Litigation matters are covered by the Council's insurance policies are handled by the Authority's claim handlers and insurance solicitors in coordination with our in-house insurance officer. Matters not covered by insurance policies are identified by officers (in accordance with relevant policies) and referred to the Council's in-house legal department for evaluation. The Council has a designated litigation solicitor who evaluates and progresses litigation matters.
8	Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	There are no reports known of that would affect the financial statements. As noted above a recent VAT inspection did not highlight any areas of non-compliance.

APPENDIX 1 – ENQUIRES OF MANAGEMENT

QUESTIONS & RESPONSES IN RELATION REALTED PARTIES

	Question	Response
1	<p>Have there been any changes in the related parties including those disclosed in the Council's financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and the Council • whether the Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>The Council established a More Homes for the Bay a Local Authority Trading Company (LATCO) however although incorporated it is yet to commence trading and does not hold any assets.</p>
2	<p>What controls are in place to identify and account for and disclose related party transactions and relationships</p>	<p>Related party relationships and transactions are fully reviewed as part of the accounts closure process and all significant transactions disclosed in the notes to the accounts.</p> <p>Members Register of Interest reviewed for personal / business interest with which the Council has transactions. Executive Management Team are each required to make a personal return in respect of their own/ any family members potential interests.</p>
3	<p>What controls are in place to authorise and approve significant transactions and arrangements with related parties</p>	<p>Decision making hierarchy specified within the Council's Constitution. Significant transactions over £250K would be classed as "Key Decisions", which require reporting to/ decision making by the Executive Board and are published ahead of the decision on the Council's website.</p>
4	<p>What controls are in place to authorise and approve significant transactions and arrangements with related parties</p>	<p>As above.</p>

APPENDIX 1 – ENQUIRES OF MANAGEMENT

QUESTIONS & RESPONSES IN RELATION TO ACCOUNTING ESTIMATES

	Question	Response
1	What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>Those where the basis of measurement for the amount recognised in the accounts is uncertain, therefore an estimation technique is required, e.g.:</p> <ul style="list-style-type: none"> • Accruals of expenditure and income • Valuation and depreciation of property, plant, and equipment assets • Fair value measurements • Assumptions made when calculating accounting provisions. • The valuation of the Pensions liability
2	How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Management follows the latest professional guidance to assist in identifying issues that may impact on accounting assumptions and estimates used in preparing the statement of accounts e.g., events causing increased uncertainties. In addition, issues are discussed with:</p> <ul style="list-style-type: none"> • Lancashire CFO's Group and sub-groups to compare approach; and • external audit regarding any new areas they will be focussing on <p>Assumptions/ source data is taken from historical data wherever possible amended to reflect known/ likely changes.</p>
3	How do management review the outcomes of previous accounting estimates?	Comparison of actual outcomes to estimates made – review and update historical information to inform future estimates.
4	Have any changes made to the estimation processes and, if so, what was the reason for these?	None however a detailed review of sundry debt and impact of restrictions due to pandemic on collectability of debt
5	How do management identify the need for and apply specialised skills or knowledge related to accounting estimates	If estimates involve specialised professional judgements and access to specific relevant data, which the Finance team do not have or have

APPENDIX 1 – ENQUIRES OF MANAGEMENT

		access to, then a relevant expert/ advisor is needed e.g. Treasury Management Advisors/ Property Valuers/ Pensions Actuaries
6	How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	For significant accounting estimates provided by the advisors above, the Finance team will review supplementary information to support the calculations provided by the advisors and discuss the methodology to ensure they understand the estimates made.
7	How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	The Finance team will review movements in property valuations looking at significant movements in order to challenge the valuations carried out.
8	Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement	Possibly accounting treatment of various Covid related grants but otherwise no
9	How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Explicitly reported to Audit Committee with specific disclosures included within the Statement of Accounts

APPENDIX 2 – ACCOUNTING ESTIMATES

Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, Plant and Equipment Valuations	The Council engages a valuation expert, who is a member of the Council's Property Team, to undertake property valuations. All valuations are undertaken by qualified valuers. Properties are valued in line with accounting standard requirements and in accordance with Royal Institute of Chartered Surveyors Guidance on the basis of a three year rolling programme.	Appropriately qualified valuer is engaged to undertake valuations.	Yes	Since valuations are compiled by an expert using recognised measurement techniques and based on professional guidance, the underlying data is considered to be reliable and the scope to use judgement and change assumptions limited.	No
Council Dwellings Valuations	As above, however, HRA assets are revalued at least every five years on a rolling programme, with desktop valuations in the intermediate years.	As Above	As Above	As Above	As Above
Investment Property Valuations	As Above, however Investment Properties are valued on an annual basis	As Above	As Above	As Above	As Above
Property, Plant and Equipment and Council Dwellings	Real Asset Management software is used to calculate and process the annual depreciation charge based on the latest property valuation Depreciation is charged on a straight	Suitably qualified officers/valuer advise the estimate of	Yes	The main assumption in the depreciation is the useful life of the asset.	No

APPENDIX 2 – ACCOUNTING ESTIMATES

Depreciation	line basis over the useful life of each specific asset.	useful life for each asset.		Property assets have their useful life estimate by our expert valuer. Other assets have their useful lives estimated by a suitably qualified officer.	
Valuation of defined benefit net pension fund liabilities	<p>The Projected Unit method of valuation is used to calculate:</p> <ul style="list-style-type: none"> • benefit obligation (liability) - the total present value of individual scheme members benefits in relation to service completed up to the date of the calculations • Service cost - the total present value of individual scheme members benefits which is attributable to service during the accounting period 	Appropriately qualified experts used to derive valuations.	Actuarial services including calculation of accounting information provided by Scheme Actuary - Mercers	<p>Detailed information to support calculations and assumptions used is provided by the Actuary based on data submitted by the employer.</p> <p>The Council has not been subject to:</p> <ul style="list-style-type: none"> • Significant outsourcing / bulk transfer of scheme members Amalgamation/ reorganisation • Significant redundancy/ restructuring programs • Average pay increases significantly in excess of assumptions adopted <p>Therefore, the only cause of uncertainty is the impact of the Covid pandemic, war in Ukraine and general economic pressures on financial markets</p>	<p>Yes, prepayment will reduce liability from that assessed by Actuary</p> <p>Also fundamental changes in market- implied RPI due to a change in the RPI formula has impacted on Actuary's assumptions for CPI</p>

APPENDIX 2 – ACCOUNTING ESTIMATES

Fair value estimates	<p>PPE, investment property and treasury investments fair values as detailed above.</p> <p>The calculations for the fair value of borrowings are provided by the Council's treasury management advisers, Link Group. These are generally for disclosure notes only.</p>	Appropriately qualified experts used to derive valuations	Fair value calculations provided by Link Group	<p>The Council does not have any complex borrowings with high degrees of uncertainty.</p> <p>The Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value – being its professional treasury advisers, Link Group</p>	No
Provisions: Business Rates Appeals	Data from VOA for 2010, 2017 and current revaluation appeals	Approach discussed at LCFO's and Sub Group	Indicative levels of business rates appeals provided by Analysis Local	<p>Uncertainty due to variance in appeal decisions and significant backdating.</p> <p>. Check & Challenge, appeal system has curtailed activity to some extent</p>	No
Accruals	Creditors generated by Purchasing Module of Civica where orders receipted but not paid at 31/03/23.	Detailed guidance issued to budget holders and manual accruals reviewed by Finance team prior to input.	No	Some degree of uncertainty	No
Credit loss and impairment allowances	Consideration of age profile of arrears and other specific issues impacting on collectability of debt	The calculation is undertaken with Finance based on historic data	No	<p>Age profile of arrears over a 3 year rolling period is considered a best estimate based on known patterns.</p> <p>Some degree of uncertainty remains</p>	No

AUDIT COMMITTEE**Statement of Accounts Update****26 July 2023****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 and the preparations for production of the 2022/23 Financial Statements.

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. The state of preparation in closure and production of 2022/23 Statement of Accounts

1.0 INTRODUCTION

1.1 The position remains **broadly unchanged** from previous updates and Members will be aware of the long standing issues in relation to the 2019/20, 2020/21 and 2021/22 Statement of Accounts. This paper seeks to inform Members on their current progress and provide updates on the Council's actions to prepare for production of the 2022/23 statements.

1.2 Details of the outstanding works for each of the financial years together with a summary of the progress and impact of the work currently outstanding is included in the paragraphs below.

2.0 2019/20 STATEMENT OF ACCOUNTS POSITION

2.1 In line with previous updates, the only significant matters that remain outstanding are the objection from a local Council Taxpayer in regard to Note 42: Contingent Liabilities, and the impact of the national infrastructure assets issue as previously reported, both of these issues are discussed at section 5 below.

3.0 2020/21 STATEMENT OF ACCOUNTS POSITION

- 3.1 As noted previously all audit matters that have been brought to officers' attention and requests for additional information to date have been addressed and any required revisions made to the draft 2020/21 financial statements.
- 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. As noted above the impact of the national infrastructure assets issue will impact the 2020/21 Statements.

4.0 2021/22 STATEMENT OF ACCOUNTS POSITION

- 4.1 The draft 2021/22 Statement of Accounts were 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 External Auditors are yet to formally provide the Committee with a plan for the delivery of the 2021/22 Audit and neither the s151 Officer nor key members of the finance team are aware of any substantial audit work having been undertaken on the 2021/22 Financial Statements to date.
- 4.3 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. Further discussion is provided below.

5.0 OUTSTANDING MATTERS

- 5.1 The following paragraphs provide a summary of the significant issues that still remain outstanding, which should on completion allow the 2019/20 and 2020/21 audits to be concluded.

Objections to the Financial Statements

- 5.2 The Committee will recall that the 2019/20, 2020/21 and 2021/22 Statement of Accounts are subject to formal objections by local Council Taxpayer. In order to finally conclude the audit, the External Auditors requested that the Council seek assurance from a number of external third 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 and, without any information to the contrary, are assumed to have been accepted by them.
- 5.3 Following a meeting in December with the remaining third party a number of additional items have now been provided to the External Auditor and we await confirmation from them that they are satisfied, or, if not, what further assurances they require.
- 5.4 A meeting was held in early June with the external third party to discuss any issues in relation to information previously supplied, and what is required to resolve this matter. No issues were raised in regard to the information supplied and a series of proposals were considered to conclude this long running this matter with a decision expected imminently.

- 5.5 Committee Members should be aware that the annual Audit Fee does not contain an amount for dealing with objections and so the associated costs will be borne by the Council. Current estimates are an additional cost to the Council of c£31K.

Infrastructure Assets Restatement

- 5.6 As initially reported to the Committee 25th May 2022 and subject of several updates, CIPFA was made aware of issues relating to the derecognition of parts of infrastructure assets. Specifically, where Councils have incurred on the replacement, or enhancement of existing infrastructure assets they may not be readily able to identify the cost and accumulated depreciation relating to the original asset components being replaced or enhanced.

- 5.7 This has been a long running and contentious issue and has caused significant delays to a considerable number of Councils across the Country, which now appears to have been resolved. The restatement exercise is well underway, having been delayed by the work to address the auditors schedule of outstanding work during March, and subsequently by the closure of the 2022/23 accounts. It will be presented to the auditors for review at the earliest opportunity.

Work to Support the Value for Money Conclusions

- 5.8 In addition to providing an opinion of the Council's Financial Statements the External Auditor is required to consider and report on the Council's arrangements for securing economy, efficiency, and effectiveness in the use of resources.

- 5.9 Information requested by the External Auditor to support their consideration is being collated across the Council. However, as the assessments relate to both 2019/20 and 2020/21 the information requested can stretch back to 2017/18 and earlier. It is hoped that all the documents and internal assessment will be available to present to the External Auditor by September.

Statement of Accounts 2021/22

- 5.10 Although a substantial amount of work has been undertaken to address the 2019/20 and 2020/21 Statement of Accounts neither the s151 Officer nor key members of the finance team are aware of any substantial audit work having been undertaken on the 2021/22 Financial Statements to date.

- 5.11 As noted in previous updates this lack of work on the 2021/22 Financial Statements should be of concern to the Committee as this significant volume of work will need to be undertaken at some point which will severely impact staff, from both a well-being perspective and also prevent them from supporting other Council projects such as Eden, Mainway, OBR, Canal Quarter. In addition, the Council's incoming External Auditors, KPMG will require both the 2021/22 and 2022/23 audits to be concluded before they can commence their work in 2023/24.

6.0 PREPARATION FOR 2022/23 STATEMENT OF ACCOUNTS

6.1 At its March meeting the Committee noted the revised submission for the draft statement of accounts deadline has reverted to its pre COVID deadline of 31st May, a reduction of 2 months from the previous 31st July. The Committee supported the s151 Officers proposal to delay submission of the 2022/23 Draft Financial Statements. Given the continued backlog of work and lack of progress in addressing 2021/22 financial statements there was limited benefit in stretching the already under resourced finance team in achieving the shorter deadline. The closedown of the 2022/23 Financial Statements is progressing and we aim to have the draft statements published on the Council's website by 31st July 2023.

6.2 In accordance with regulation the Council has published a notice on its website advising of the delay, and once available they must publish the formal Notice of the Commencement of the Period for the Exercise of Public Rights. This is the 30 day period during which any person interested or any journalist may, on reasonable notice, inspect and make copies of the accounts or any Local Government Elector may raise an objection to any item of account.

7.0 DETAILS OF CONSULTATION

7.1 The report provides the Committee with an update on the progress of the audit of the Statement of Accounts 2019/20 to 2021/22 and preparation for the 2022/23 Statement production and so consultation has been limited to discussion with the External Auditors.

8.0 OPTIONS AND OPTIONS ANALYSIS

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

9.0 CONCLUSION

9.1 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

<http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

Statement of Accounts 2020/21

<http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

Statement of Accounts 2021/22

<https://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

External Audit Plan 2020/21

[Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council](#)

Statement of Accounts Updates

[Agenda for Audit Committee on Wednesday, 24th May 2023, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd March 2023, 6.10 p.m. - Lancaster City Council](#)

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Ref:

[Agenda for Audit Committee on Wednesday, 23rd November 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 25th May 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 24th November 2021, 6.10 p.m. - Lancaster City Council](#)