



Committee: AUDIT COMMITTEE
Date: WEDNESDAY, 27 NOVEMBER 2024
Venue: MORECAMBE TOWN HALL
Time: 6.00 P.M.

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

To receive as a correct record the Minutes of the meeting held on 31st July 2024 (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. **Strategic Risk Management (Pages 4 - 17)**

Whilst this report is public, Appendix B is exempt, and notice is hereby given that the meeting is likely to move into private session if it is necessary to refer to the exempt appendix.

Report of the Chief Executive.

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

The Committee is recommended to pass the following recommendations 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 following item has been marked as exempt, it is for 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.

7. **Internal Audit Progress Report** (Pages 18 - 40)
Report of the Head of Audit
8. **Counter Fraud Annual Report 2023/24** (Pages 41 - 45)
Report of the Corporate Fraud Manager
9. **Business Plan 2024/25 - Corporate Enquiry Team** (Pages 46 - 69)
Report of the Corporate Fraud Manager
10. **Anti-Fraud, Bribery and Corruption Policy**
Report of the Corporate Fraud Manager
Report to follow
11. **Revised Financial Regulations**
Report of the Chief Finance Officer
Report to follow
12. **AGS Action Plan Monitoring**
Report of the Monitoring Officer
Report to follow
13. **External Audit Plan: 2021/22 & 2022/23**
Report of Deloitte LLP
Report to follow
14. **External Audit ISA 260**
Report of Deloitte LLP
Report to follow

15. **External Audit Plan: Year ending 31 March 2024** (Pages 70 - 99)

Report of KPMG

16. **Statement of Accounts Update**

Report of the Chief Finance Officer

Report to follow

17. **Work Programme**

Report of the Chief Finance Officer

Report to follow

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

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

(ii) Substitute Membership

Councillors Gerry Blaikie (Substitute), Dave Brookes (Substitute), Sally Maddocks (Substitute) and Sandra Thornberry (Substitute)

(iii) Queries regarding this Agenda

Please contact Sarah Moorghen, Democratic Support - email smoorghen@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 19th November 2024.

AUDIT COMMITTEE**Strategic Risk Management****27 November 2024****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 Strategic Risk Register, as shown as appendix A (public report) and appendix B (restricted report).

1.0 Report

1.1 Quarterly Strategic Risk Report as updated by Leadership Team to be seen by Audit Committee to be noted.

1.2 There are currently 22 Strategic Risks open on the register.

1.3 The attached appendices show the changes to the council's Strategic Risk Register made during the last quarter, up until 29th October 2024. Changes are highlighted using red text. A summary of the main changes are:

1.1 The attached appendices show the changes to the council's Strategic Risk Register over the last quarter. Changes are highlighted using red text in the appendices. A summary of the main changes are:

- Risk reviews have been run against 9 Strategic Risks.
- Action plan due dates updated for risks SR04 and SR20.
- Action plan details added or updated for risks SR06, SR16 and SR26.
- New control measures added for risks SR04 and SR26.
- Risk SR25 (LCC Property Portfolio (non housing) does not meet health and safety compliance obligations) has been closed as compliance is now significantly improved with regular monitoring and requirements being fed through to the budget setting process, alongside of review of condition surveys.
- Risk SR06 has been reclassified to be risk category "Strategy" and "Project / Programme" from "People" and "Financial".

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 Chief Officer Resources, including responsibility for Internal Audit.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

N/A

Contact Officer: Claire Dubelbeis, Projects and Performance Manager
Telephone: 01524 582505
Email: CDubelbeis@lancaster.gov.uk
Ref: N/A

Strategic Risk Register - Risk Map 29.10.24

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

NOTE 1: All risks have been reviewed in the run up to the production of the report on 29th October 2024.
 NOTE 2: Only risks which are unrestricted are shown.
 NOTE 3: The numbers shown on the risk map relate to those on the next page in the first column, not the Strategic Risk (SR) numbers.

Risk No.	Risk	Risk Description	Risk Owner	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 Due Date	Review Date	Review Comment
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.	Central Government funding and/or revenues collected are insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability. Link to Council Plan 24-27: 4.1 Value for Money	Mark Davies Paul Thompson	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.	Mark Davies	30/12/2024	15/07/2024	Actions changed to be control measures and dates and titles reviewed. In conjunction with Paul Thompson.
						Council Strategies	Outcome Based Resourcing (OBR), Investment Strategy, Reserves Strategy and Medium Term Financial Strategy		Fit for the Future Strategy	The Strategy contains a number of principles to achieve Financial Stability.	Mark Davies Alex Kinch	31/12/2024		
						Monthly income monitoring by applicable services	Monthly income monitoring by applicable services							
						Quarterly reporting	Formal quarterly reporting to Cabinet and Budget and Performance Panel							
						Commercialisation	Development of other alternative service delivery vehicles to deliver efficiencies and/ or operational surpluses which can be reinvested into Council Services.							
						Business Plans for Investments	Develop business plans for investment particularly in relation to decarbonisation and renewable energy generation.							
						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.							
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.	The Council fails to meet the 2024/25 funding gap as a result of ineffeective delivery of the efficiency programme and failure to deliver on key projects. Link to Council Plan 24-27: 4.1 Value for Money	Mark Davies Paul Thompson	6 (3x2)	Financial	Budget and Performance Panel	Budget and Performance Panel	2 (2x1)	Outcomes Based Resourcing / Fit for the Future	Outcomes-Based Resourcing (OBR) approach focusing on where resources can have maximum impact on strategic priority areas.	Mark Davies	31/12/2024	15/07/2024	Updates made in conjunction with Mark Davies
						Reserves Policy	Reserves Policy			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.				
						Project Managers	Project Managers - suitably skilled PMs assigned to lead strategic projects							
						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. As part of the Funding the Future Strategy, the Outcomes Based Resourcing exercise is commencing July 2022 to identify revenue savings for 2023/24 and beyond.							
					Outcomes Based Resourcing / Fit for the Future	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 Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	Alex Kinch	6 (3x2)	People	New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk Annual Appraisal Process Pay and Grading Structure Recent experience suggests that this assisted in attracting applicants with the desired skills and values.	New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk	6 (3x2)			22/10/2024	Risk reviewed on behalf of Alex Kinch. Confirmed no changes since last risk review.	
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 Council Plan 24-27: 4.5 Innovative Public Service	Paul Thompson Joanne Wilkinson	9 (3x3)	Property Financial	Use of Council Assets Use of Council Assets Use of Council Assets Use of Council assets Use of Council assets Use of Council Assets Use of Council Assets Use of Council Assets	Capital Strategy Group Ongoing OBR workstream reviewing assets Performance monitoring of leases implemented Budget Monitoring Implemented active asset management inc. financial modelling for stock rationalisation. Appointed Eckersleys to support the council in asset disposal. Stock Condition Surveys for property group underway. Asset Management Strategy in place	6 (3x2)	Council Assets Council Assets Council Assets	To progress with disposals of council assets as outlined through 22/23 OBR process. Updated Asset Management Plan to be developed to incorporate property performance. Climate Strategy for Housing and Property to be developed	Joanne Wilkinson Paul Mackie Joanne Wilkinson Dan Wood Paul Mackie Joanne Wilkinson	31/03/2025 18/10/2024 31/10/2024 27/12/2024	Continued progress - condition surveys completed and information being analysed and presented to various formal groups. Disposal of assets being considered on a case by case basis when reasonable offers are being made. The Asset OBR group is meeting regularly. An Officer led energy group has been established which reports into the Assets group with recommendations report being submitted. Commercial Property Manager recruited to.

					Use of Council Assets	Officer energy fit for the future group established - reporting into main Assets group								
					Use of Commercial Assets	Commercial Manager post recruited to.								
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.	Kirstie Banks-Lyon Alex Kinch	6 (3x2)	Financial	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.	6 (3x2)	Community Resilience	The Council supports community resilience through CEPGs and FLAG groups etc. The local CEPG own and update their own plans in liaison with the Resilience Officer	Alex Kinch	31/03/2025	21/10/2024	Risk reviewed on behalf of Alex Kinch. All Service Resilience Plans are almost complete.
						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.		Adaptation Schemes	The Council appraises and potentially invests in schemes and activities that provide adaptation (eg Lune river defence). This will be undertaken through the emerging Our Future Coast programme.	Paul Blakeley Jonathan Noad	31/03/2025		
						Business Continuity Plans	Business Continuity Plans							
						National Emergency (such as a pandemic)	LRF plans.							
						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.							
						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.							
						Financial Planning	Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.							

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 Council Plan 24-27: 1.1 Carbon Zero	Mark Cassidy	8 (4x2)	Strategy Project / Programme	Delivery plan in place	Delivery plan in place	8 (4x2)	(i) Local Area Energy Plan and (ii) Council Action Plan (now Climate and Nature Strategy)	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	25/02/2025	29/08/2024	The Council continues to make good progress across a number of climate workstreams, including: (i) The final Workshop (#6) of the Local Area Energy Plan is next week and will involve the main authorising stakeholders. Following this, the LAEP will be presented to Cabinet. (ii) Preparation of the new Climate and Nature Strategy (CaNS) (iii) Implementation work continuing for the latest, successful Salix-funded decarbonisation programme for 3 further council buildings. (iv) The Council's proposed solar PV scheme at Burrow Beck is likely to be presented to the late-September Planning Regulatory Committee.						
														02/08/2024	Having checked the risk categories with Mark Cassidy (as risk owner) a decision has been made to reclassify the risk type as Strategy and Project / Programme.					
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. Link to Council Plan 24-27: Whole document.	Mark Davies Luke Gorst Paul Thompson	6 (3x2)	Strategy	Carbon Zero +	More details can be found on our website: https://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates	4 (2x2)	Local Development Plan	Local Development Plan	Mark Davies	30/09/2024	19/07/2024	Risk reviewed and no changes made						
														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 capacity and resources.	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. In order to deliver these key projects it is essential they are properly prioritised and resourced. Link to Council Plan 24-27: 4.5 Innovative Public Services	Mark Davies	6 (3x2)	People Financial	<p>Local Plan</p> <p>Medium Term Financial Strategy (MTFS)</p> <p>Investment Strategy</p> <p>Capital Programme</p> <p>The Council continues to resource key service teams in Planning, economic development, regeneration, property investment</p> <p>Collaborative Working</p> <p>Partnership Working</p> <p>Capital Programme</p> <p>Funding the Future Strategy</p>	<p>Local Plan</p> <p>Medium Term Financial Strategy (MTFS)</p> <p>Investment Strategy</p> <p>Capital Programme</p> <p>The Council continues to resource key service teams in Planning, economic development, regeneration, property investment and facilities management.</p> <p>We work in collaboration with other stakeholders. For example, on the Eden Project we are working closely with the County Council.</p> <p>Many of our projects involve working in collaboration with other partners. For example, working with the County Council for the Eden Project Morecambe.</p> <p>Ensure capital programme is prioritised to facilitate match funding leverage and maximise the potential to attract external funding.</p> <p>Funding the Future Strategy</p>	3 (3x1)	Local Plan	Local Plan, due to be adopted in Jan 27	Mark Cassidy Mark Davies	01/01/2027	15/07/2024	Updates made on consultation with Mark D and Mark C.	
						Reserves	Adequate reserves are maintained to allow, due diligence of property investment, regeneration projects and key strategic planning strategies.			31/03/2025					
						People Plan	3-Year People Plan in place and being delivered, which includes emphasis on upskilling and staff development, as well as initiative to support recruitment and retention.	Alex Kinch	31/03/2026						
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 Council Plan 24-27: 4.1 Value for money	Mark Davies	6 (3x2)	Strategy	<p>Continued monitoring and horizon scanning of Government policy</p> <p>Clear and focused Council strategy to maximise alignment with Government policy and resourcing</p> <p>Strategic Plans</p>	<p>Continued monitoring and horizon scanning of Government policy</p> <p>Clear and focused Council strategy to maximise alignment with Government policy and resourcing</p> <p>Strategic Plans - Continue to develop Council strategic plans and documentation in light of emerging Government policy</p>	6 (3x2)						15/07/2024	Reviewed with Mark D, this remains as-is.

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. This risk is outside of the control of the Council. It can not be fully mitigated against but should still be recorded on the strategic risk register.	Mark Davies	9 (3x3)	Strategy Financial	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues	9 (3x3)				15/07/2024	Reviewed in conjunction with Mark D. This risk remains as-is.	
						Strategic responsiveness through continued risk management review	Strategic responsiveness through continued risk management review							
						Agility and Resilience	Agility and Resilience - Continue to develop agility and resilience across the organisation							
						Strategic risk management approach	Strategic risk management approach							
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 Council Plan 24-27: 4.5 Innovative Public Service	Mark Davies Paul Thompson	3 (3x1)	Strategy Financial	Budget Development	Comprehensive, robust and transparent approach to budget development and service delivery.	3 (3x1)	OBR / Fit for the Future	Outcomes-Based Resourcing (OBR) approach to focusing on where resources can have maximum impact on strategic priority areas.	Mark Davies	31/12/2024	15/07/2024	Reviewed in conjunction with Mark D. The residual risk score and target risks scores have been lowered (likelihood reduced from possible to unlikely).
13	SR13 The Council's reputation is damaged through its own actions or actions of others in the District	SR13 The Council's reputation is damaged through its own actions or actions of others in the District. Link to Council Plan 24-27: 3.4 Community Engagement	Mark Davies	3 (3x1)	Strategy People	Communications	Pro-active communications and transparency	3 (3x1)					19/07/2024	Risk reviewed and no changes made
						Strategic Management of Activities	Strategic management of all Council activities to ensure continued high reputation							
						Delivery of Services	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.							
						Strategic communication	Strategically communicate and engage with residents, partners and stakeholders to ensure actions align with reputation							
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 Council Plan 24-27: 4.1 Value for money	Mark Davies Paul Thompson	6 (3x2)	Operations Financial	Budget and Performance Panel	Budget and Performance Panel	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	31/12/2024	11/07/2024	The s151 Officer is required to review its minimum level of unallocated reserves annually. Over recent years this has been increased to £5M based on a number of scenario's and is deemed to be appropriate to enable the Council to operate a level of service in the short term whilst alternative funding or other corrective action undertaken
						Reserves Policy	Reserves Policy							
						Continue financial forecasting	Continue financial forecasting and scenario planning e.g. for energy costs							

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 Council Plan 24-27: 4.5 Innovative Public Services; 4.1 Value for money	Mark Davies Jonathan Noad	4 (2x2)	Strategy	Asset Management Plan	Asset Management Plan	2 (1x2)	Asset Management Plan	Conduct a major review of Council infrastructure and assets, taking a future focused approach to asset management.	Mark Davies	27/09/2024	12/07/2024	Risk reviewed on behalf of Jonathan Noad. Confirmed no changes since last risk review.
						Continuous review of assets and infrastructure	Continuous review of assets and infrastructure							
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 Council Plan 24-27: 4.5 Innovative Public Services	Mark Davies (Chief Executive) Alex Kinch (Chief Officer People & Policy)	6 (2x3)	Strategy	Corporate Plan Policy Framework	Corporate Plan Policy Framework	3 (1x3)	CPC review and action plan.	CPC review and action plan.	Alex Kinch	28/02/2025	22/10/2024	New action added. Risk review carried out on behalf of Alex Kinch.
						Continuous review of strategy and policy	Continuous review of strategy and policy, and alignment with service delivery.							
						LGA Workshop with Members	These took place in September 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. Link to Council Plan 24-27: 4.6 Openness	Mark Davies Luke Gorst	6 (2x3)	Legal	Corporate Governance	Corporate Governance	6 (2x3)					15/07/2024	One action transferred to be a control measure at the request of Luke Gorst, action owner.
						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).							
						Training and development	Ongoing training and development to ensure staff and members are equipped to follow governance requirements.							

18	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 Council Plan 24-27: 2.4 Investment and Regeneration	Mark Davies Jonathan Noad	4 (2x2)	Project / Programme	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. This now needs to be updated to preparing a business case for investment options to deliver adopted masterplan.	Jonathan Noad	31/03/2025	12/07/2024	Action plan updated on behalf of Jonathan Noad. The Canal Quarter Masterplan was adopted in Summer 2023. Focus now shifts to delivery but this is limited by wider Council financial pressures and availability for grant funding to deliver.
19	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. Link to Council Plan 24-27: 3.1 Access to Quality Housing	Dennis Graham Paul Mackie Joanne Wilkinson	6 (3x2)	Property Financial	Registration with BSE for high rise blocks	Fortnightly senior housing management meetings updating on risks and plans around building safety review.	2 (2x1)	Registration with BSE for high rise blocks	Tenant engagement strategy for building safety to be approved.	Pete Linsley Paul Mackie Joanne Wilkinson	29/11/2024	18/10/2024	Limited change - safety case files not yet called in. Engagement strategy for high rise blocks drafted - to be approved via ICMD in coming weeks.
						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	Monthly Compliance Steering Group comprising staff from across the Housing Service meet to discuss issues and tasks that are needed.							
						Registration with BSE for high rise blocks	Tenants Voice group established							
						Registration with BSE for high rise blocks	Registration of blocks with BSE complete							
						Registration with BSE for high rise blocks	On-going and regular campaigns on fire safety undertaken with residents.							
						Registration with BSE for high rise blocks	Cabinet (Feb 24) approved decommissioning Bridge House - Housing team now progressing decision.							
						Registration with BSE of high rise blocks	Building Safety Case files prepared ready for call in.							

20	SR21 Non compliance with Regulator of Social Housing Standards	The Social Housing White Paper and subsequent amendments through to the introduction of the Social Housing Regulation Act 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. However clearly the Regulator has laid out that it is unlikely that Councils will meet the required new standards fully and expect to work with landlords to improve performance against new requirements. Link to Council Plan 24-27: 3.1 Access to Quality Housing	Dennis Graham Pete Linsley Joanne Wilkinson	6 (3x2)	Property Financial	<p>Social Housing Regulation Attendance at benchmarking groups with the Regulator / Ombudsman to stay abreast of updates / developments / best practice / learning</p> <p>Social Housing Regulation Action planning within the service occurs in preparation for changes</p> <p>Social Housing Regulation Quarterly reports available for portfolio holder outlining changes in the previous quarter produced.</p> <p>Social Housing Regulation Service Improvement Plan well established</p> <p>Social Housing Regulation Annual self assessment undertaken against current standards</p> <p>Social Housing Regulation Member advisory group for continued / wider input into the housing service established.</p> <p>Social Housing Regulation Various external audits utilised e.g. TPAS, Resolve, Pennington Choices</p> <p>Social Housing Regulation Breaches Policy in place</p>	2 (2x1)				18/10/2024	Limited change. Self assessment completed and action planning ongoing against gaps / areas for improvement. First inspections have been announced with mainly council providers receiving C3 gradings. Continue to keep abreast of what's going on through the sector.	
22	SR24 ICT Data Centre	Data Centre is dated and improvements needed to satisfy future demand. Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	Paul Thompson	6 (3x2)	Technology	<p>Air conditioning in place to keep the data centre at optimal temperature</p> <p>Back up Date Centre at SALC</p> <p>Regular fire safety servicing carried out</p> <p>Water ingress alerts To alert all ICT senior managers to any water detected in data centre</p>	2 (2x1)	Data Centre	In progress, due for completion by December 24	Nick Goulden Paul Thompson	31/12/2024	16/07/2024	Dates updated on risk action.

23	SR26 - Increasing costs of temporary accommodation for the homeless	In 23-24 we are forecasting the Council will be required to contribute an additional £500k towards the cost of B+B accommodation for homeless residents. This is expected to continue into 24-25. Increase in costs is linked to increasing homelessness, reduced subsidy recovery from HB and reduced grant availability. Costs of accommodation also increasing and increase in larger families needing to be accommodated for longer. The subsidy can be met from within budgets this year (23-24), however this will need to be factored into future budgets moving forward. Funding temporary accommodation for those who need it is a stat requirement. Link to Council Plan 24-27: 3.1 Access to Quality Housing	Joanne Wilkinson	6 (2x3)	Financial	Increasing homeless temporary accommodation costs	Budget reviews ongoing with service accountant.	2 (1x2)	Increasing homeless temporary accommodation costs	Letter to registered provider chief execs to be sent reminding of responsibility around consumer regulation and responsibilities to supporting local authorities around homelessness.	Joanne Wilkinson	27/12/2024	18/10/2024	Seeing some impact with reduction against forecast spend by about £100k at this point of the year. All placements are being passed by a manager. A recent homelessness audit has taken place and actions are now needed to be followed through.
						Increasing homeless temporary accommodation costs	Some access to grant funding to off-set costs (although limited and unpredictable).		Increasing homeless temporary accommodation costs	To review costs of accommodation with each provider to ensure reaching VFM	Sharon Parkinson	27/12/2024		
						Increasing homeless temporary accommodation costs	Bed and breakfast plan developed for DLUHC		Increasing homeless temporary accommodation costs	Exploring leasing arrangements with private landlords to seek to reduce bed and breakfast costs	Sharon Parkinson Joanne Wilkinson	10/01/2025		
						Increasing homeless temporary accommodation costs	Regular case work management in team of cases in bed and breakfast		Increasing homeless temporary accommodation costs	Conversion of former CAB building on King Street to 4 x units of temporary accommodation.	Sharon Parkinson Joanne Wilkinson	28/03/2025		
						Increasing homeless temporary accommodation costs	All B+B placements passed by manager for approval		Increasing homeless temporary accommodation costs	Progress actions from internal audit.	Sharon Parkinson	30/08/2025		
						Increasing homeless temporary accommodation costs	New Homelessness Strategy approved by Cabinet Oct 2023							
						Increasing homeless temporary accommodation costs	Housing Taskforce established - clear focus on how the private rented sector can support reduction in B+B usage.							
						Increasing homeless temporary accommodation costs	Cabinet briefing provided on homeless service and bed and breakfast costs							
						Increasing homeless temporary accommodation costs	Monthly spend / income monitoring now in place.							
						24	SR27 - Waste Strategy		Increased revenue cost burden to the authority and failure to deliver in line with milestones set out by government (31st March 2026). Link to Council Plan 24-27: 1.5 Reduced Waste	Will Griffith	6 (2x3)	Strategy Financial		

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

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AUDIT COMMITTEE**Counter Fraud – Annual Report 2023/24****27th November 2024****Report of the Corporate Fraud Manager****PURPOSE OF REPORT**

To inform the Committee of the extent and outcome of counter fraud work during the 2023/24 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 2023/24 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 2023/24 consisted of six staff, including a Manager, one full time Senior Investigator, one full time Investigator, one part time Compliance Officer, one

Administrative Officer and a part time temporary Investigator. 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.
- 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
Financials	2023/24	£110,000	£349,006.36

Financial Source	Financials	Weekly Savings
Council Tax Support	£24,332.99	£352.77
Council Tax Benefit	£0.00	£0.00
Housing Benefit	£63,222.53	£1771.86
Council Tax	£66,930.84	£640.53
Business Rates	£0.00	£0.00
Right To Buy	£194,520.00	£0.00
Totals	£349,006.36	£2765.16 (X52 = £143,788.32)

3.2 From 1st April 2023 to 31st March 2024 the Corporate Enquiry Team identified overpayments and 3 ineligible Right to Buy applications being denied following investigation and review (Lancaster City Council Housing stock) all of these areas totalled £367,006.36.

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 £2765.16, multiplied by 52 gives total “future” savings for 2023/24 of £2765.16.

3.4 The team works with Lancaster City Council Housing Department in relation to alleged tenancy fraud, there was 1 property recovered during the year 2023/24 with temporary accommodation savings of £18,000.00. 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 2023/24 home visits continued. This intervention saw the authority retain 3 properties from the Council’s housing stock, resulting in £194,520.00 of ineligible Right to Buy applications being denied.
- 3.7 The year 2023/24 saw a total of 25 applications reviewed by the team.
- 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 2023/24. From 10th June 2019 the legislation governing surveillance changes to the Investigatory Powers Act (IPA).

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.

<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p>

<p>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.</p>

<p>FINANCIAL IMPLICATIONS</p>

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

Contact Officer: Haley Baron-wright
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E-mail: h.baron-wright@preston.gov.uk



**BUSINESS PLAN
2024/25**

**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.

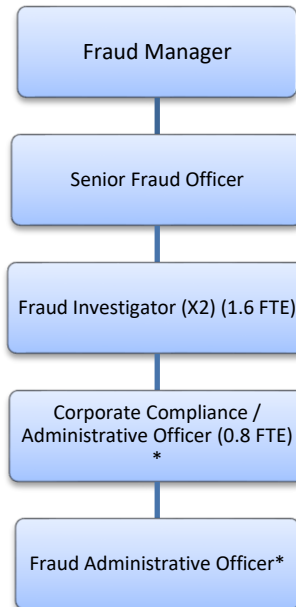
STATEMENT OF PURPOSE:

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;
- Ministry for Housing, Communities and Local Government (MHCLG);
- 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 2024/25 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.

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 2024/25 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 2024/25 proposed budget for the Corporate Enquiry Team Shared Service is £186,360.00.

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

	2024/25 Budget	2023/24 Actual	2022/23 Actual
Employee Costs	175,010.00	148,523.00	161,334.39
Transport Costs	3,300.00	460.87	421.42
IT Equipment and Systems	4,500.00	3,937.50	6,000.00

Other Supplies and Services	3,550.00	5,894.29	3,487.96
Total	186,360.00	158,815.66	171,243.77

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-Wright, Fraud Manager Candice Lancaster, Special Projects Manager</p> <p>Who is the owner of this EHRIA - responsible for monitoring outcomes?</p> <p>Haley Baron-Wright, 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 19/8/24</p>	<p>Is this a new or existing policy or service provision?</p> <p>New Revised 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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<p>– Do the anticipated outcomes meet or hinder other policies, values or objectives of the authority?</p> <p>Can you identify how this may impact on promoting good relations between different groups within the city?</p>	<p>Our objective is to promote the principles of fairness, equality of opportunity, social inclusion and reduce poverty through excellent service provision.</p> <p>The Council is governed by the Police and Criminal Evidence Act 1984 (PACE) codes of practice when conducting interviews with customers who are suspected of committing an offence.</p> <p>PACE sets out to strike the right balance between the powers of the police and investigatory bodies and the rights and freedoms of the public. Maintaining that balance is a central element of PACE ensuring that customers are treated fairly, given the right to representation and it is the responsibility of the interviewing officer to ensure that the customer is fit for interview both physically and mentally, to identify any language or literacy barriers and to allow the customer to have an appropriate adult or friend with them during the interview for moral support. If the interviewing officer has any doubts as to the capabilities of the customer when being interviewed, the interview will be terminated.</p> <p>The member endorsed Sanction Policy ensures that a consistent approach is adopted when dealing with offenders.</p> <p>As an alternative to prosecution the Authority can offer a simple caution or administer an administrative penalty of 50% of any overpayment for Council Tax Support with penalties ranging from a minimum of £100 to a maximum of £1000. The sanction policy considers each case on its merits, including social factors and the public interest test.</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.
---	--

<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?

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)

Lancaster City Council

DRAFT – Report to the Audit Committee

Indicative External Audit Plan & Strategy for the year ending 31 March 2024

20 November 2024

Introduction

To the Audit Committee of Lancaster City Council

We are pleased to have the opportunity to meet with you on 27 November 2024 to discuss our audit of the financial statements of Lancaster City Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO was consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code and confirmation of our subsequent work.

This report outlines our draft risk assessment and planned audit approach. Our planning activities are ongoing and we will communicate any significant changes to the planned audit approach. We note that an audit opinion has not been expressed on the prior period, once the prior period audit opinion has been expressed we will communicate any significant changes to the planned approach. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

We will continue to update our risk assessment procedures, which may result in changes to the indicative risks set out in this report. We will update the committee on any changes once this work is completed.

The engagement team

Richard Lee is the engagement director on the audit. He has 20 years of industry experience. Richard shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Imogen Milner and Goabaone Phuthego with 10 years and 6 years of experience respectively.

Yours sincerely,

Richard Lee

Director - KPMG LLP

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Overview of planned scope including materiality	3
Significant risks and Other audit risks	5
Audit Risks and our audit approach	6
Mandatory communications	12
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How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the entity financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £2.25m driven by our expectations of normal level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as officers' remuneration and where we require a higher level of precision based on our risk assessment.

We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £0.15m.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

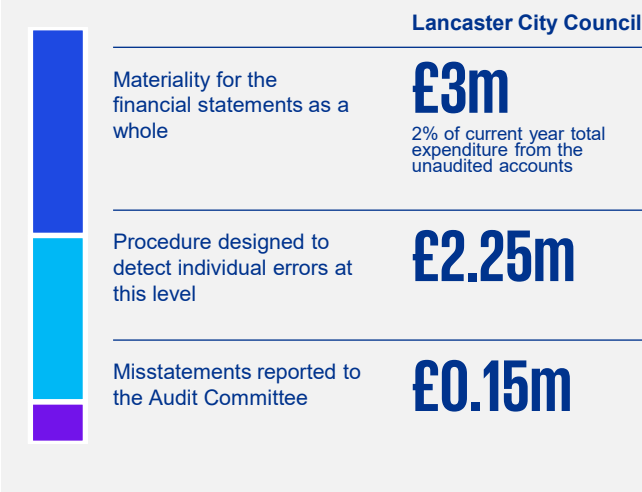
Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures.

File review

We will undertake an appropriate prior year file review dependent on the final opinion issued by the previous auditors.

Lancaster City Council Materiality



Overview of planned scope including materiality (cont.)

Timing of our audit and communications

- We will maintain communication led by the engagement partner and manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in May 2024, and we present our draft audit plan in September/October 2024 outlining our audit approach and discuss management's progress in key areas;
- Due to the work of previous auditors still on-going, we will be communicating dates for audit completion at a future Committee;
- Audit Committee meeting in November 2024 where we present our audit plan;
- Status meetings with management regularly where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management once our work is complete where we discuss the auditor's report, any findings and any outstanding deliverables;
- Audit Committee meeting where we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
Internal Audit	We do not rely on any work performed by internal audit, however we review the reports to aid our understanding.
KPMG Pensions Centre of Excellence	They will complete our work over the LGPS scheme.

Significant risks and Other audit risks

Our indicative risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Lancaster City Council operates.

We also use our regular meetings with senior management to update our understanding and take input from the sector and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit Committee.

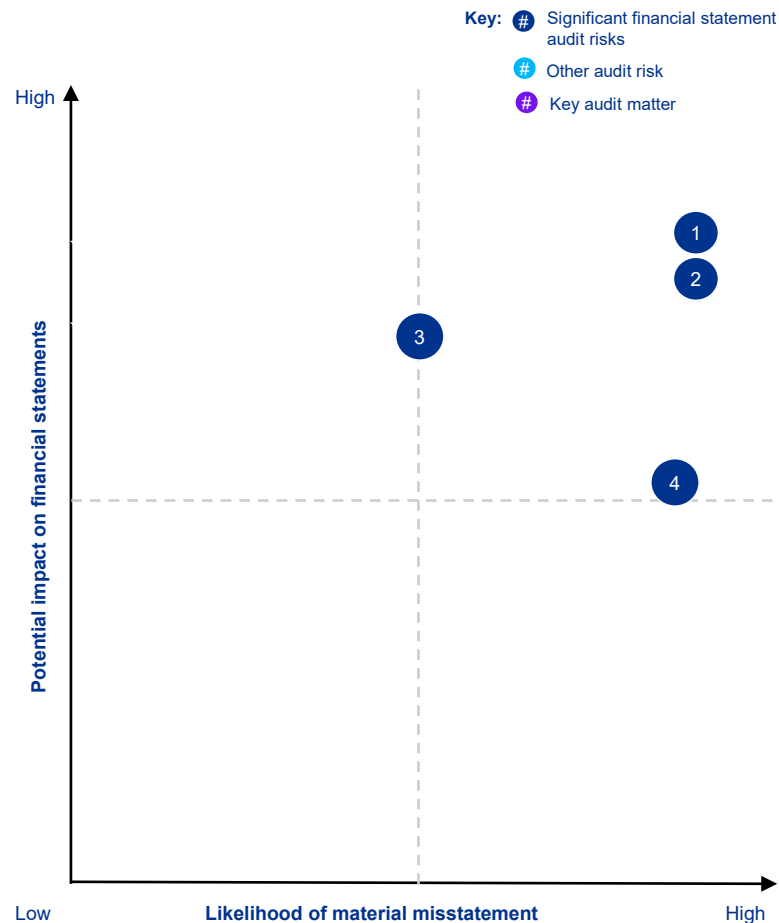
Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

Our risk assessment procedures are not yet completed and will be reported to a future Audit Committee.

Significant risks

1. Valuation of land and buildings
2. Valuation of investment property
3. Management override of controls
4. Valuation of post retirement benefit obligations



Audit risks and our audit approach (cont.)

1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the in-house valuer.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. Lancaster City Council hold investment property of £40.9m as at 31 March 2024, half of the value of which relates to level 2 assets with other significant observable inputs and the remaining half are level 3 assets with significant unobservable inputs.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuer used in developing the valuation of the Council's investment property at 31 March 2024;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

3 Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual.
- We will analyse all journals through the year and focus our testing on those with a higher risk.

Audit risks and our audit approach (cont.)

4 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Planned response

We will perform the following procedures:

- Understand the processes the Council have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Where applicable, assess the level of surplus that should be recognised by the entity; and
- Assess the impact of a new triennial valuation model and/or any special events, where applicable.

Audit risks and our audit approach

Expenditure – rebuttal of Significant Risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

Based on our risk assessment to date, having considered the risk factors relevant to the Council and the routine, non-complex nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.

In order for us to conclude on our rebuttal of the significant risk over expenditure, we will review the medium term financial strategy and forecasts to determine whether there are any indications of a position that would provide an incentive to manipulate expenditure recognition.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

Mandatory communications - additional reporting



Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
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We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor’s responsibilities	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Auditor’s responsibilities – Fraud	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
Auditor’s responsibilities – Other information	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
Independence	<p>Our independence confirmation at page 21 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

Lancaster City Council

Value for money

Our approach

Year ended 31 March 2024

September 2024

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following pages.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments. **We have not yet been able to start our value for money risk assessment procedures as management have asked us not to commence this until the prior year assessment has been completed, and therefore will report our risk assessment summary to a future Audit Committee.**

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of your previous auditor's recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

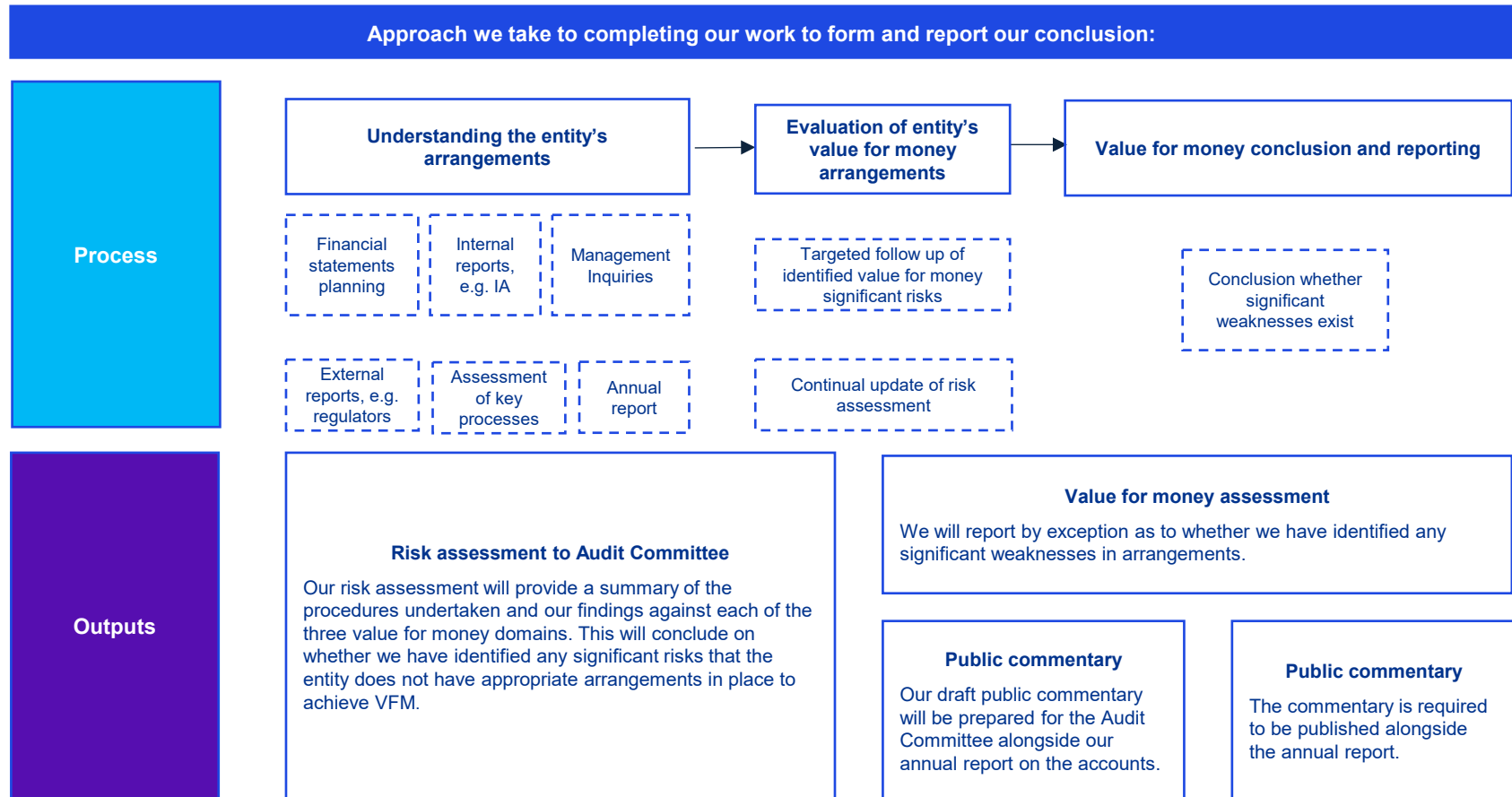
Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money



Appendix

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Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.

	<p>Richard Lee is the director responsible for our audit. They will lead our audit work, attend the Audit Committee and be responsible for the opinions that we issue.</p>		<p>Imogen Milner is the manager responsible for our audit. They will co-ordinate our audit work, attend the Audit Committee and ensure we are co-ordinated across our accounts and VFM work.</p>		<p>Goabaone Phuthego (Abi) is the in-charge responsible for our audit for the second year. They will be responsible for our on-site fieldwork. She will complete work on more complex section of the audit.</p>
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To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be Richard's first year as your engagement lead. He is required to rotate every five years, extendable to seven with PSAA approval.

Audit cycle & timetable

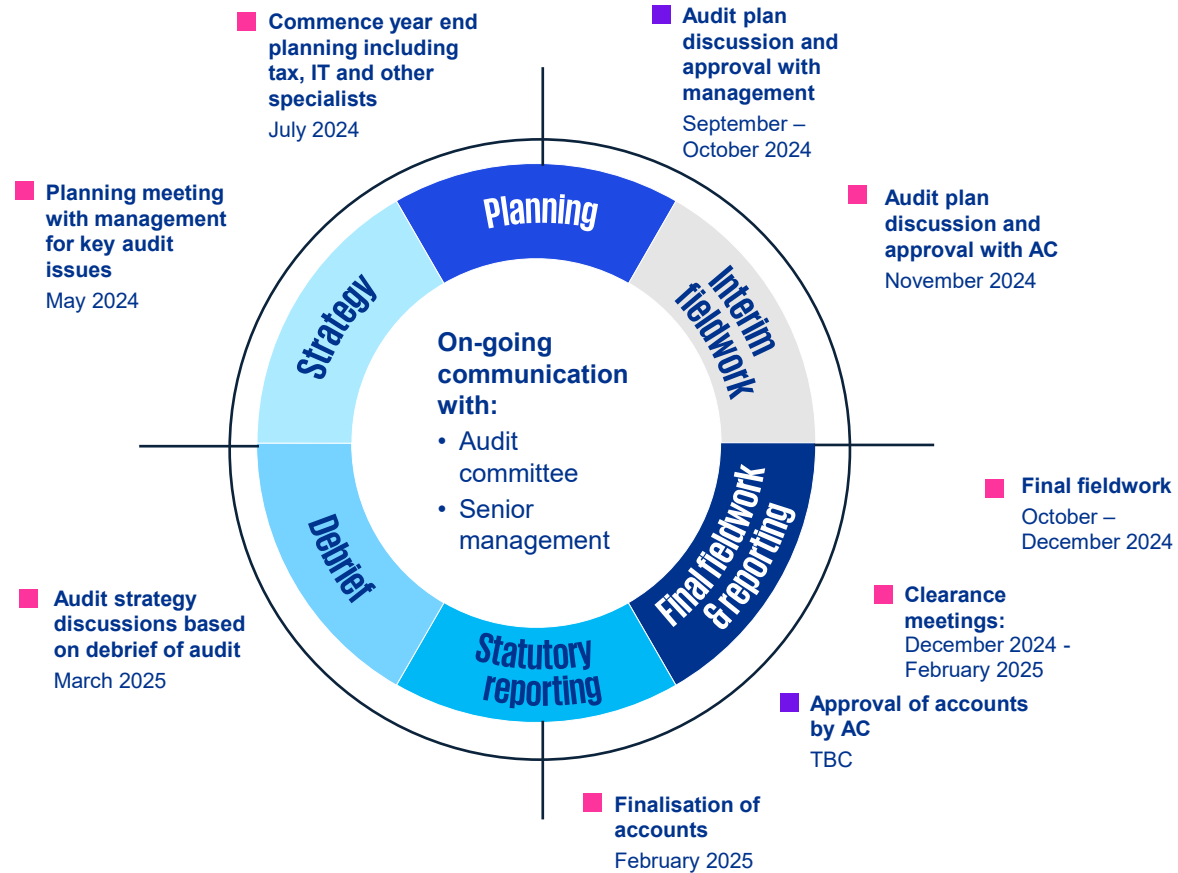
Our schedule 2023-2024

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by February 2025.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Council at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government this audit **schedule may be subject to change.**



Key:

- Timing of AC communications
- Key events

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	161	45*
ISA315r	TBC	-
ISA240	TBC	-
TOTAL	161	45

*fee charged by Deloitte - your predecessor auditor.

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud. The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- The entity's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The entity's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of Lancaster City Council

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

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

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

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

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

We are satisfied that our general procedures support our independence and objectivity.

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

Summary of non-audit services

There are no non-audit services applicable.

Confirmation of Independence

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2024 £m	Value of Services Committed but not yet delivered £m
1	Housing Benefits Annual Return	Self-review	Separate team to complete this work	See last column	Not yet completed	Estimated: £15,164 base fee
2	Pooling for housing capital receipts return	Self-review	Separate team to complete this work	See last column	Not yet completed	Estimated: £4,000

Confirmation of Independence (cont.)

Summary of fees

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

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit*	161
Other Assurance Services (estimated)	19
Total Fees	180

* excluding ISA 315R and ISA 240 impact

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

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

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

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

Yours faithfully

KPMG LLP

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

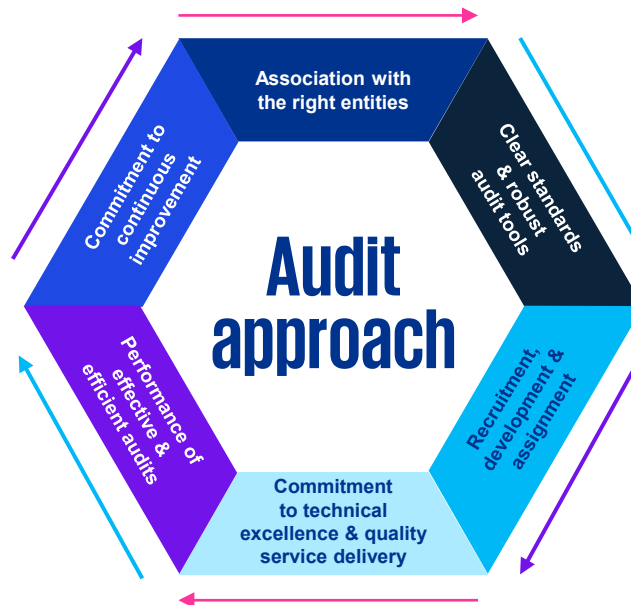
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

ISA (UK) 315 Revised: Overview



Summary

In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor’s responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor’s obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
Risk assessment procedures and related activities	<ol style="list-style-type: none"> 1) Increased focus on applying professional scepticism – the key areas affected are: <ul style="list-style-type: none"> • the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence; • remaining alert for indications of inauthenticity in documents and records, and • investigating inconsistent or implausible responses to inquiries performed. 2) Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud. 3) We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.
Internal discussions and challenge	<p>We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>

FRC's areas of focus



The FRC released their [Annual Review of Corporate Reporting 2021/22](#) in October 2022, along with a [summary of key matters for the coming year](#), primarily targeted at CEOs, CFOs and Audit Committee chairs. In addition, they released six thematic reviews during the year which should be considered when preparing financial reports.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the entity.



Reporting in uncertain times

Last year's Annual Review of Corporate Reporting from the FRC was prepared in the context of the current heightened economic and geopolitical uncertainty. The challenges of the Covid-19 pandemic, Russia's invasion of Ukraine and slowing of global economies has led to inflationary pressure worldwide and rising interest rates.

This makes meaningful disclosure more important than ever, and the FRC has stressed the need for companies to move beyond simply complying with the minimum requirements of the relevant accounting and reporting frameworks. They expect companies to provide high-quality, decision-useful information for investors, with companies continually assessing evolving risks and ensuring these are clearly explained in annual reports.

The potential effects of uncertainty on recognition, measurement and disclosure are numerous, and companies will need to think carefully about the impacts of uncertainty, in particular inflation, on their reporting. The Annual Review gives a number of examples including:

Strategic report: the impact of inflation on the business model, changes to principal risks and uncertainties, and the impact of inflation on stakeholders.

Discount rates: inputs need to follow a consistent approach in incorporating the effects of inflation.

Material assumptions: where inflation assumptions represent a source of significant estimation uncertainty, the FRC expects companies to provide explanation of how these have been calculated and sensitivity disclosures if appropriate.

Pension schemes: explain the effect of uncertainty on investment strategy and associated risks.



Climate-related reporting

Climate-related reporting has advanced significantly this year as premium listed entities are required by the Listing Rules to provide disclosures consistent with the Taskforce on Climate-Related Disclosures (TCFD) recommendations. This follows the expansion of the Streamlined Energy and Carbon Reporting (SECR) rules last year, which require quoted companies and large unquoted companies and LLPs to provide emissions reporting.

Climate has therefore been an area of ongoing focus for the FRC, with a thematic reviews in both 2021 and 2022 on aspects of climate reporting. From reviews of TCFD disclosures in the year, the FRC has highlighted five areas of improvement for companies to consider going forwards:

Granularity and specificity: disclosures should be granular and specific both to the company and the individual disclosure requirement, including a clear link to financial planning.

Balance: discussion of climate-related risks and opportunities should be balanced, and companies should consider any technological dependencies.

Interlinkage with other narrative disclosures: companies should ensure clear links between TCFD disclosures with other narrative disclosures in the annual report.

Materiality: companies should clearly articulate how they have considered materiality in the context of their TCFD disclosures.

Connectivity between TCFD and financial statements disclosures: the FRC may challenge those that disclose significant climate risks or net zero transition plans in narrative reporting, but do not explain how this is taken into account in the financial statements.

FRC's areas of focus (cont.)

Cash flow statements

This continues to be a particular area of concern as it is a recurring source of errors identified by the FRC, with 15 companies restating their cash flow statements in the review period as a result of the FRC's enquiries.

Companies are encouraged to consider the guidance in the 2020 thematic review on this topic, and to ensure that robust pre-issuance reviews of the financial statements have been undertaken.

Cash flows must be classified as operating, investing or reporting in line with the requirements of the standard, and amounts reported should be consistent with disclosures elsewhere in the report and accounts including the elimination of non-cash transactions.

Several errors identified by the FRC related to the parent company cash flow statement, and it should be ensured that this statement also complies with the requirements of the standard.

Financial Instruments

Companies should ensure that disclosure is sufficient to enable users to evaluate the nature and extent of risks arising from financial instruments and the approach taken to risk management.

These disclosures should include the approach and assumptions used in the measurement of expected credit losses, and details of concentrations of risk. In times of economic uncertainty, disclosure of methods used to measure exposure to risks, and details of hedging arrangements put in place for interest rates or inflation are all the more important.

In addition, accounting policies should be provided for all material financing and hedging arrangements and any changes in these arrangements. Where companies have banking covenants, information about these should be provided (unless the likelihood of a breach is considered remote).

Income taxes

Where material deferred tax assets are recognised by historically loss-making entities, disclosures should explain the nature of the evidence supporting their recognition. In addition, any connected significant accounting judgements or sources of estimation uncertainty will also need to be disclosed.

On tax more generally, the FRC expects companies to ensure that tax-related disclosures are consistent throughout the annual report and accounts, and material reconciling items in the effective tax rate reconciliation are adequately explained.

For groups operating in several jurisdictions, effective tax reconciliations may be more meaningful if they aggregate reconciliations prepared using the domestic rate in each individual jurisdiction, with a weighted average tax rate applied to accounting profit.

Strategic report and other Companies Act 2006 matters

The strategic report needs to articulate the effects of economic and other risks facing companies, including inflation, rising interest rates, supply chain issues and labour relations. Mitigation strategies should be explained, with links, where relevant, to information disclosed elsewhere in the annual report.

Business reviews should discuss significant movements in the balance sheet and cash flow statement, and should not be limited to just an explanation of financial performance in the period.

The FRC has also identified instances of companies not complying with legal requirements around distributions, and companies are reminded of the need to file interim accounts to support distributions in excess of the distributable profits shown in the relevant accounts.

Revenue

Accounting policies should be provided for all significant performance obligations and should address the timing of revenue recognition, the basis for over-time recognition, and the methodology applied.

Inflationary features in contracts with customers and suppliers and the accounting for such clauses are under increased focus this year.

Alternative performance measures ('APMs')

APMs should not be presented with more prominence, emphasis or authority than measures stemming directly from the financial statements, and should be reconciled to the relevant financial statements line item.

FRC's areas of focus (cont.)

Provisions and contingencies

Companies should give clear and specific descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow.

Inputs used in measuring provisions should be consistent in the approach to incorporating the effects of inflation, and details of related assumptions should be provided if material.

Presentation of financial statements and related disclosures

Material accounting policy information should be clearly disclosed, and additional company-specific disclosures should be provided when compliance with IFRS requirements is insufficient to adequately explain transactions.

Judgements and estimates

Economic uncertainty increases the likelihood of companies needing to make significant judgements when preparing financial statements. The FRC highlights two specific examples – going concern assessments and accounting for inflationary features in contracts – where disclosure is key.

More generally, the FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to the carrying amounts of assets/liabilities within the next year, and other sources of estimation uncertainty.

Significant estimates, and the associated disclosures should be updated at the balance sheet date. Sensitivity disclosures should be meaningful for readers, for example by sensitising the most relevant assumptions, and explaining any changes in assumption since the previous year.

Impairment of assets

Economic uncertainty may have a significant impact on impairment assessments, and this is an area where queries raised from the FRC could have been avoided by clearer disclosure.

Companies need to explain the sensitivity of recoverable amounts to changes in assumptions, especially where the range of possible outcomes has widened. This should include explanation of the effect of economic assumptions, such as reduction in customer demand and increased cost.

Inflation should be treated consistently in value in use calculations. Nominal cash flows are discounted at a nominal rate, and real cash flows are discounted at a real rate.

Lastly, the FRC stresses the importance of consistency between impairment reviews/disclosures and other disclosures in the annual report.

Thematic reviews

The FRC released six thematic reviews on corporate reporting last year, and companies are encouraged to consider the guidance in those reviews, where relevant, to enhance their financial reporting. The topics covered are:

- [TCFD disclosures and climate in the financial statements](#)
- [Judgements and estimates](#)
- [IFRS 3 Business Combinations](#)
- [Discount rates](#)
- [Deferred Tax Assets \(IAS 12\)](#)
- [Earnings per Share \(IAS 33\)](#)

2022/23 review priorities

The FRC has indicated that its 2022/23 reviews will focus on the extent to which companies' disclosures address risks and uncertainty in the challenging economic environment, including those relating to climate change. Companies need to clearly articulate the impact of these risks on their strategy, business model and viability. In particular, the FRC intends to prioritise reviews of companies operating in the following sectors:

 Travel, hospitality and leisure

 Construction materials

 Retail

 Gas, water and multi-utilities



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