

## AUDIT COMMITTEE

**Tuesday, 19 December 2017**
**6.00 pm**
**Committee Room 1, City Hall**

Membership: Councillors Tony Speakman (Chair), Geoff Ellis (Vice-Chair), Thomas Dyer, Jim Hanrahan, Gary Hewson, Ronald Hills and Jackie Kirk

Substitute member(s): Councillors Paul Gowen

Independent Member: Jane Nellist

Officers attending: Rob Baxter, Democratic Services, Pat Jukes and John Scott

## A G E N D A

<b>SECTION A</b>	<b>Page(s)</b>
<b>A TRAINING SESSION WILL BE HELD IMMEDIATELY PRIOR TO THE START OF THIS MEETING AT 5.15PM IN RELATION TO COUNTER FRAUD. TEA/COFFEE WILL BE AVAILABLE FROM 5.00PM</b>	
1. Confirmation of Minutes - 19 September 2017	<b>3 - 12</b>
2. Declarations of Interest	
Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.	
3. Annual Governance Statement Monitoring	<b>13 - 18</b>
4. External Audit - Annual Audit Letter	<b>19 - 42</b>
5. Internal Audit Progress Report	<b>43 - 76</b>
6. Appointment of External Auditors	<b>77 - 80</b>
7. Whistleblowing Policy and Guidance	<b>81 - 100</b>
8. Fraud and Error Update Report (2017/18) 6 Months	<b>101 - 114</b>
9. Information Management Update	<b>115 - 128</b>
10. Review of the Constitution- Financial Procedure Rules	<b>129 - 174</b>



- Present:** Councillor Tony Speakman (*in the Chair*)
- Councillors:** Thomas Dyer, Geoff Ellis, Jim Hanrahan, Gary Hewson, Jackie Kirk and Edmund Strengiel
- Independent Member:** Jane Nellist
- Also Present:** Mike Norman, Andy Bush, KPMG.
- Apologies for Absence:** Councillor Ronald Hills

**9. Confirmation of Minutes - 18 July 2017**

RESOLVED that the minutes of the meeting held on 18 July 2017 be confirmed.

**10. Declarations of Interest**

Councillor Edmund Strengiel declared a Non Pecuniary Interest with regard to the agenda item titled 'External Audit Annual Governance Report 2016/17'.

Reason: Being a member of the Local Authority Pension Fund (LAPF), Chairman of Lincolnshire County Council Pension Committee, member of the Local Authority Pension Fund Forum (LAPFF), member of the Local Authority Pension Fund Investment Forum (LAPFIF), member of the Local Government Pension Investment Forum (LGPIF) and member of the Border to Coast Pension Partnership Committee (BCPPJC).

**11. Change to Order of Business**

RESOLVED that the order of business be amended as follows:

1. Annual Complaints Report 2016/17
2. Information Management Update
3. Annual Governance Statement Monitoring
4. Corporate Peer Challenge Update
5. External Audit Annual Governance Report 2016/17
6. Statement of Accounts 2016/17
7. Internal Audit Progress Report
8. Audit Committee Work Programme

**12. Annual Complaints Report 2016/17**

Joanne Crookes, Customer Services Manager:

- a. presented the annual complaints report which included reference to the Annual Review of Local Authority Complaints issued by the Local Government Ombudsman (LGO) together with details of the overall number of complaints received by the Council including response times on a directorate basis for the full year 2016-2017
- b. reported on the Council's internal formal complaints procedure noting that it was not possible to compare the trend on the number of complaints received

on a directorate basis due to changes in the number of directorates and service areas since the last report

- c. detailed further the breakdown of directorate complaints at paragraph 4 of the report
- d. highlighted that in 2016/17 the LGO considered 10 complaints about City of Lincoln Services, compared to 27 complaints the previous year with action taken as detailed within Section 5 of the report
- e. outlined the detail of the one complaint upheld as detailed at paragraph 6.1 of the report
- f. reported that four Housing Ombudsman Service complaints had been investigated during this period, of these two had been deemed as premature and dealt with under the internal complaints procedure and of the other two investigated, one of these decisions was upheld and the remaining not upheld.
- g. highlighted the trend in complaints as detailed at paragraph 8 of the report
- h. highlighted the number of compliments received from members of the public acknowledging professionalism of staff across all service areas
- i. invited members' questions and comments.

Members of Audit Committee discussed the content of the report in further detail raising the following questions:

- Question: Did the figures for complaints include those received by telephone as well as online? For instance would a phone call requesting a bin to be emptied be counted as a complaint?
- Officer Response: All cases counting as a complaint were logged as such. The instance of an unemptied bin would only be treated as a complaint if the request wasn't addressed, similar to other service requests. However, should customers request this to be treated as a complaint it would be logged as such.
- Question: Was it possible to include any financial implications resulting from complaints made within future annual reports?
- Officer Response: Yes this request could be taken on board.
- Question: Did service areas with escalating complaints need to be flagged up as a 'risk' issue?
- Officer Response: Each Directorate monitored complaints individually within service areas and reported back on those upheld/ lessons learnt. A template would be included on future complaints record forms to make sure risks were addressed going forward.

RESOLVED that:

1. Additional information recording financial implications/risks addressed be provided to members within future complaints monitoring reports.
2. The content of the 2016-2017 complaints report be noted.

### 13. Information Management Update

Becky Scott, Legal and Democratic Services Manager:

- a) presented an update regarding information management within the Council
- b) outlined progress in further detail in relation to information management covering the following main topic areas:
  - Training Programme
  - Information Governance Officer Progress
  - Information Governance Action Plan Progress
  - Information Governance Management Plan
  - Breaches
  - Information Asset Owner (IAO) Handbook
  - Strategy and Policies
  - Annual Governance Statement Status
  - Vision 2020
- c) highlighted that the roll-out of officer training was now 62% complete and hopefully would be fully implemented by December 2017 with an E-Learning module available for staff 'on-line'
- d) stated that an all member training session had taken place on 11 July 2017
- e) outlined actions required within the Information Governance Action Plan as detailed at Appendix A to the report
- f) confirmed that a Designated Data Protection Officer must be resourced by the authority and be in place by May 2018 to comply with the law
- g) requested members' feedback on the content of the report.

Members discussed the content of the report in further detail, raising concerns in relation to:

- The need for refresher training on information management.
- Officer Response: There was an aspiration for regular refresher tests to be conducted and monitored once training was fully completed.
- Checks required to ensure information passed on to third parties was deleted once finished with to avoid data protection leaks.
- Officer Response: Data Sharing Agreements were in place which incorporated processing/security checks to ensure data was dealt with properly. Contractual arrangements with third parties were subjected to strict control requirements in relation to compliance with General Data Protection Regulations.
- Whether follow-up checks were made with other organisations to ensure third party data was secure?
- Officer Response: Record retention and disposal was followed up through our IT officers .Further group discussions on this matter would be reinforced.
- Whether all officers should be asked to work from iPads to reduce the risk to data security for people working from home.

- Officer Response: There was an issue with costs for reliance on use of iPads. In addition, data removed from City Hall would need to be scanned and security coded. One of the major messages for information management in the Council was how to control data taken 'off site'.
- Why a full time Data Protection Officer was not already in place.
- Officer Response: This request had been forwarded to Assistant Director Group for consideration. Aspirations for a more rapid solution would be sought through discussions with the Chief Executive.

Members supported the work being completed by officers in relation to information governance, which was impacted upon by the General Data Protection Regulation coming into force in May 2018.

Members noted that a Data Protection Officer (DPO) must be resourced by the authority and be in place by May 2018 to comply with the law. Audit Committee must accept responsibility for having a robust solution in place to establish/recruit to this post by this date to lead on data protection matters.

RESOLVED that:

1. Members support to officers and recognition of the importance of information governance work/training ongoing in relation to forthcoming data protection legislation be noted.
2. A further update on progress be presented to Audit Committee at its meeting to be held on 12 December 2017, to incorporate an update on the DPO position.
3. The content of the officer's report including progress with training programmes and action plans be noted.

#### **14. Annual Governance Statement Monitoring**

Pat Jukes, Business Manager, Corporate Policy:

- a. presented a progress update on those areas identified as 'significant governance issues' as set out in the 2016/17 Annual Governance Statement (AGS), and detailed at Appendix A of the report
- b. advised that Audit Committee had a role to review the council's governance arrangements including the production of the AGS
- c. highlighted two significant issues, Information Management and IT Disaster Recovery, which were now both considered to be downgraded to amber risks with work ongoing to reach green status
- d. updated members on two other areas, Partnership Companies and loss of Compliance with the Lincoln Project Management Model currently at green status which required a retained focus
- e. requested that members of Audit Committee give consideration to the content of his report.

Members discussed the content of the report in further detail.

RESOLVED that:

1. The reduction of the significant issues in respect of Information Management and IT Disaster Recovery to amber status be agreed by Members.
2. The content of the report be noted and monitoring arrangements be continued.

**15. Corporate Peer Challenge Update**

Pat Jukes, Business Manager, Policy Unit:

- a) presented a report to update Audit Committee on the activities that were underway within the six recommendations made by the Corporate Peer Challenge Team
- b) confirmed that a final report had been received from the Local Government Association (LGA) Peer Challenge team on 11 April 2017, subsequently approved by Executive and published in full on the City of Lincoln website and on the appropriate section in the LGA website
- c) reported that the report was considered to be extremely positive, with many positive compliments paid to the council on its staff, relationships and processes
- d) outlined the peer team's six recommendations along with evidence of the work that was and would continue to be undertaken as part of business as usual activity at paragraph 4.3 of the officer's report
- e) requested member's feedback and comments.

Members emphasised the importance of letting the general public know how well we were achieving in addition to internal initiatives such as the Vision 2020 Engine Room to keep staff updated. Posters at the Tentercroft Street temporary bus station were suggested.

Pat Jukes, Business Manager, Policy Unit informed members that all the articles in 'Your Lincoln' sent to every household in the city were sifted and 'flagged up' in relation to Vision 2020. Information stands in the new bus station would be used to promote our own progress in addition to generating income to support the bus station. She would mention the suggestion to erect posters at the temporary bus station to the Communications team.

RESOLVED that the six LGA recommendations and the activity already underway and to be continued as part of our business as usual activity be noted by Audit Committee.

**16. External Audit Annual Governance Report 2016/17**

Rob Baxter, Financial Services Manager:

- a. introduced the Annual Governance Report from the councils external auditors, KPMG, summarising the findings from the 2016/17 audit which was substantially complete
- b. highlighted that the Annual Governance Report identified the key issues that members should consider before an opinion, conclusion and certificate were issued
- c. advised that the report included only matters of governance interest that had come to the council's external auditor's attention in performing the audit and was not designed to identify all matters that might be relevant to the authority
- d. highlighted that the council's financial statements were an important means by which the council accounted for its stewardship of public funds, council members held final responsibility for the financial statements; it was therefore important for the Audit Committee to consider KPMG's findings before recommending the adoption of the financial statements to Full Council.

Andy Bush and Mike Norman, representing the Council's external auditors, KMPG:

- a. presented the Annual Governance Report summarising the findings from the 2016/17 audit (Appendix A), which covered the following main areas:
  - Summary for Audit Committee
  - Financial Statements
  - Value for Money Conclusion
  - Appendix 1: Key Issues and Recommendations
  - Appendix 2 Audit Differences
  - Appendix 3: Materiality and Reporting of Audit Differences
  - Appendix 4: Declaration of Independence and Objectivity
  - Appendix 5: Audit Fees
- b. detailed the summary messages from the 2016/17 audit as defined at page 2 of the report
- c. advised that subject to the satisfactory conclusion of any outstanding work, KPMG proposed issuing an unqualified audit opinion by 30 September 2017
- d. highlighted the following findings arising from the KPMG audit:
  - Material adjustments which affected the Balance Sheet, the CIES and MiRS had been made to the Statement of Accounts following the audit by KMPG.
  - As detailed in the IAS 260 report the largest difference related to the omission of the 31/03/2017 Council Dwelling revaluations from the draft accounts.
  - The accounts had been adjusted to reflect this omission.
  - This adjustment has no impact on HRA or General Fund Balances.
  - A review of the year end revaluation process has been undertaken and additional controls identified for future years
- e. reported that in addition a small number of presentational changes were identified in the financial statements during the course of the audit for which amendments to the draft accounts would be made.



- f. reported in relation to value for money that the auditors had concluded that the authority had made adequate arrangements to secure economy, efficiency and effectiveness in its use of resources and anticipated issuing an unqualified VFM conclusion by 30 September 2017
- g. added that audit fees for additional works would be notified to Audit Committee
- h. requested Audit Committee's consideration of the report.

Jane Nellist, Independent Member, raised concerns in relation to:

- Whether adjustments identified within the accounts in respect of property, plant and equipment valuations had occurred due to staffing issues or a breakdown in updates made by the Finance Team.
- Inconsistencies in terminology within the Statement of Accounts.
- Whether further staff training/succession planning was required.

Rob Baxter, Financial Services Manager explained that since his return to this authority major personal circumstances had resulted in an unprecedented year and a huge gap in staff resources within the Finance Team. However, a new group accountant Sarah Hardy had since been appointed and more robust procedures put into place, together with further staff training to build resilience within the team. He was confident that the team would be back to full speed by next year.

The Chair requested that Audit Committee be updated on resourcing issues within the Finance Team as we progressed through the year.

Members thanked the Finance Team for their extra hard work within a small timescale in extremely difficult circumstances and also KPMG for producing an excellent report.

RESOLVED that:

1. The matters raised in the report be noted and the financial statements be submitted to Full Council for approval.
2. The draft letter of representation attached as Appendix B to the report, be approved by Audit Committee on behalf of the Council before KPMG issued an opinion, conclusion and certificate.
3. Any further amendments to the letter, should any additional issues be raised by KPMG prior to 30 September 2017, be delegated to the Chief Finance Officer and Chair of this Committee, with any changes reported back to this Committee.

## 17. **Statement of Accounts 2016/17**

Rob Baxter, Financial Services Manager:

- a. presented for consideration the Statement of Accounts (including the Annual Governance Statement) for the financial year ended 31 March 2017, (as summarised at Appendix A) together with a short summary of the key issues reflected in the statutory financial statements for scrutiny

- b. reported that the Statement of Accounts for 2016/17 provided a comprehensive picture of the council's financial circumstances, compiled to demonstrate probity and stewardship of public funds
- c. advised that the Council was statutorily required to publish its Statement of Accounts for 2016/17 with an audit opinion and certificate by no later than 30 September 2017
- d. highlighted that the Statement of Accounts for 2016/17 had been subject to external audit by the council's external auditors, KPMG; as reported to committee previously on tonight's agenda
- e. advised that the Council had made the Statement of Accounts available for public inspection for 30 working days which ran from 3 July 2017 until 11 August 2017 and the External Auditor had been available to answer questions during this period; no questions had been received
- f. highlighted that in 2016/17 the council was given high assurance following review of its governance framework to reflect the new CIPFA/SOLACE framework for Delivering Good Governance in Local Government
- g. reported on two defined significant issues carried over from the previous year that had not yet reached completely acceptable levels of performance and two further areas not considered significant, but areas on which to retain a focus for 2017/18 which would be regularly reported by management to the Audit Committee.
- h. summarised the key issues within the financial statements covering the following main areas:
  - Comprehensive income and expenditure statement
  - The balance sheet
  - Cross cutting key issues
- i. invited Member's scrutiny and comment on the Statement of Accounts, prior to approval by Council on 26 September 2017.

Members discussed the content of the report in further detail.

Jane Nellist, Independent Member referred to inconsistencies in presentational comparisons between the Statement of Accounts and the External Audit Report which may make it difficult for members of the public to understand.

Rob Baxter, Financial Services Manager agreed to take this comment on board to make it easier to follow through to reconciliation of the accounts. He emphasised the desire to make the accounts as navigable and readable as possible for the general public to understand.

RESOLVED that the Statement of Accounts 2016/17 be agreed and forwarded to Council on 26 September 2017 for approval.

## **18. Internal Audit Progress Report**

John Scott, Audit Manager:

- a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the outcome of audits completed during the period July - September 2017, as detailed at Appendix A
- b. highlighted that Audit Committee had the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan as a key requirement of the Code of Practice for Internal Audit in Local Government
- c. advised that the report covered the following main areas:
  - Progress Against the Plan
  - Summary of Audit Work
  - Implementation of Audit Recommendations
  - Current Areas of Interest Relevant to the Audit Committee
- d. highlighted that that there were no limited/low assurance reports and detailed audits carried out in the following areas given substantial assurances:
  - Emerging Legislation
  - Sickness Absence
  - Public Conveniences-Income
- e. reported on other significant work ongoing in relation to:
  - Housing Benefit Subsidy Training
  - Housing Allocations-Additional Training
- f. advised on audits currently in progress as detailed at Appendix 2 of the report
- g. reported on high priority recommendations completed, due, overdue and not yet due at pages 259-260 of the report; further updates available would be sent out to members under separate cover following tonight's meeting
- h. provided performance information against targets for the 2017/18 audit year at 31 August 2017, as detailed at Appendix 4 of the report
- i. presented an updated version of outstanding recommendations due and not yet due as at 31 August 2017 at Appendix 5 including additional information showing further progress made since the previous committee meeting as requested by members
- j. requested members' consideration on the content of the report.

Members discussed the content of the report in further detail.

Jane Nellist, Independent Member queried whether changes would be made to the Internal Audit Plan to support issues on an ongoing basis including pressures identified within the Accountancy Team.

John Scott, Audit Manager advised that all recommendations would be tracked throughout the rest of the year and reported to each meeting of Audit Committee as normal including support to the Accountancy Team

Members queried another revised target for outstanding recommendations in respect of Vehicle Fuel Management with an original target date set for February 2013.

John Scott, Audit Manager, confirmed that the Code of Practice for Vehicle Fuel Management was drafted but still needed to be considered by Employee Joint Consultative Committee.

The Chair agreed to take up those outstanding recommendations overdue in respect of Vehicle Fuel Management and Empty Homes with the relevant portfolio holder on the committee's behalf, with the aspiration to get them finalised.

RESOLVED that the contents of the report and continuation of further monitoring arrangements be noted.

**19. Audit Committee Work Programme**

*(Councillor Strengeiel left the meeting at this point to attend another prior engagement.)*

John Scott, Audit Manager presented a report to inform members of Audit Committee on the work programme for 2017/18 as detailed at Appendix A.

RESOLVED that that the contents of the Audit Committee work programme 2017/18 be noted subject to the inclusion of a further update on Information Governance at the next meeting of Audit Committee to be held on 12 December 2017.

**SUBJECT: ANNUAL GOVERNANCE STATEMENT MONITORING**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**LEAD OFFICER: PAT JUKES, BUSINESS MANAGER, CORPORATE POLICY**

**1. Purpose of Report**

1.1 To present a progress update on those areas identified as 'significant governance issues' and set out in the 2016/17 Annual Governance Statement (AGS).

**2. Executive Summary**

2.1 The Audit Committee has a role to review the Council's governance arrangements including the production of the Annual Governance Statement.

This report provides details of the monitoring arrangements for the significant internal control issues raised in the latest AGS. In addition the report highlights and reports on two areas that whilst not considered significant issues, were noted as needing to retain a focus on them.

**3. Monitoring of the Annual Governance Statement**

**3.1 Monitoring of the 2016/17 AGS Issues**

The updates on the significant issues identified within the 2016/17 AGS are included within Appendix A

These are monitored by the Service Manager's Group as well as the Audit Committee.

**3.2 Summary of Findings**

There are now just two significant issues – both are now considered to be amber.

- Audit Committee agreed to reduce Information Management from red to amber following the completion of the initial training programme. Further actions are detailed in Appendix A and are reported in a separate report by Legal Services on the steps to be taken to reach green status
- The Committee also agreed that IT disaster recovery could be reduced from red to amber now that the secondary data centre is fully in action. Further actions required on the Disaster Recovery and Business Continuity Plans to reach green status are detailed in Appendix A

There are two other areas that the AGS made a recommendation to retain a focus on. Both of these currently remain at green status:

- Partnership Companies - covers any action proposed to set up a new solely owned or joint venture company. There is a single proposal at this point for the Housing Company, which is progressing to Exec in December – full details of progress are to be found in Appendix A
- Risks around compliance to the Lincoln Project Management Model are being monitored during the transition period from the SPIT group to the new section in the AD Group meeting.

**4. Organisational Impacts** (nb. Finance, Legal and E & D sections below are mandatory, others to be completed only where there is an impact)

4.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

4.2 Legal Implications including Procurement Rules

There are no direct legal implications.

4.3 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required)

There are no direct E and D implications arising as a result of this report.

**5. Recommendation**

5.1 Audit Committee is asked to note the report and consider whether any of the following options are relevant :-

- Report and make recommendations to the Executive if appropriate.
- Refer any matter under review they feel appropriate to the relevant Portfolio Holder, Scrutiny Chair or Committee.
- Seek responses from Officers on matters arising to be submitted to the next Audit Committee on any of the issues raised within this report or associated Appendices.
- Accept the report and continue to monitor arrangements.

**Key Decision**

No

**Do the Exempt Information**

No

**Categories Apply?**

**Call in and Urgency:** Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?

No

**How many appendices does the report contain?**

One

**List of Background Papers:**

None

**Lead Officer:**

Pat Jukes, Business Manager, Corporate Policy  
Ext 3657

**Quarterly summary of progress with AGS risk actions  
To SMF 30<sup>th</sup> November 2017 and Audit Committee 19<sup>th</sup> December 2017**

**Significant current issues from 2016/17 in focus in 2017/18.**

The risk actions below were identified in the 2016/17 AGS review. Progress will continue to be made in 2017/18, monitored and driven forward by the Service Managers Group.

Please note that as part of the last AGS it was determined that:

- Health & Safety – Framework for risk assessment: was defined green status 4/4/17 and thus has been removed
- Health & safety – Responsible officers: Procedural requirements in place, no further risks identified during AGS process. Has now been removed
- Information Management and IT disaster recovery both remain as issues, but significant progress has been made on each
- Two areas to ‘watch’ identified – Partnership companies (set up especially) and LPMM compliance

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	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
<p><b>Information Management:</b></p> <p><b>Becky Scott</b></p>	<p><i>2016/17 AGS narrative: During 2016/17 significant progress has been made on delivering the Information Management training programme – but it is still not yet quite complete, although this is now expected to be completed by July 2017. We need to ensure we comply with the GDPR by May 2018.</i></p> <p><b>RED to AMBER:</b></p> <ul style="list-style-type: none"> <li>• Training programme to be concluded by July 2017</li> </ul> <p><b>AMBER to GREEN:</b></p> <ul style="list-style-type: none"> <li>• Ongoing training programme implemented and training materials finalised</li> <li>• Privacy Impact Assessment procedure rolled out</li> <li>• Review of all existing contracts and partnerships for information sharing arrangements</li> <li>• Any additional work to ensure compliance with the European Data Protection Regulation due to be in force May 2018</li> </ul>	<p>The Information Governance Officer has delivered generic and tailored training to each team. An Information Asset Owner Handbook has been prepared and circulated with the first training undertaken last quarter, <b>and the second in September.</b></p> <p>The E-learning programme continues to be rolled out to teams. Further actions are contained in the Information Management Action Plan and Management Plan and monitored by Audit Committee/AD Group, which is on target to implement the GDPR Project by May 2018.</p>	<div style="background-color: yellow; width: 30px; height: 30px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em;">A</span> </div>

	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
<p><b>IT Disaster Recovery</b></p> <p><b>Matt Smith (ICT DR Plan)</b></p> <p><b>Rob Baxter (Business Continuity)</b></p>	<p><i>2016/17 AGS narrative: Arrangements to cover major events are well underway with a secondary ICT location established and tested and fully functional at Hamilton House. A draft ICT Disaster Recovery Plan has been written and is now being tested against Corporate Business Continuity plans. The final plan needs to be agreed by the Business Continuity Group to complete this exercise.</i></p> <p><b>RED to AMBER:</b></p> <ul style="list-style-type: none"> <li>Construction of a secondary data centre at Hamilton House - complete</li> </ul> <p><b>AMBER to GREEN:</b></p> <ul style="list-style-type: none"> <li>Revisit all Business Continuity Plans – commence January 2017</li> <li>ICT DR Plan is being developed for Business Continuity Group and requires feedback following review of business Continuity plans. These will be worked on concurrently, to complete by June 2017.</li> <li>ICT DR Plan to be considered and reviewed for changes and or future requirements</li> </ul>	<p>Progress on the ICT DR Plan is being developed for Business Continuity Group. -2-1's held with service areas with a table top exercise to be scheduled in 2018</p> <ul style="list-style-type: none"> <li>Draft DR Plan complete and reviewed by BC group. Plan considered by CMT.</li> <li>Consultation with service areas complete</li> <li>Audit on plan/BC issues complete. Issues referred to BC group for consideration.</li> </ul> <p><b>Business Continuity:</b></p> <p>The corporate BCP was updated in January 2017 and scheduled for annual review January 2018. Individual critical function BCPs are all up to date.</p> <p>A BC group meeting is to be arranged for January 2018, to enable us to include our LCC expert. The IT plan will be reviewed along with the 5 plans currently out for review/consultation with following service areas:</p> <ul style="list-style-type: none"> <li>Housing Solutions</li> <li>Housing Repairs/ Emergency Repairs</li> <li>Housing Landlord</li> <li>Street Cleansing/Abandoned Vehicles</li> <li>Electoral</li> </ul> <p>Key partner organisation BCP's have been reviewed: Continental; Aaron; Kier; Jewson; Travis Perkins; Cory; Gelders</p>	<p><b>A</b></p> <p><b>A</b></p>
<p><b>Other areas to retain a focus on during 2017/18 but are not classed as 'significant issues';</b></p>			



	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
<b>Partnership companies</b>	<i>The council has little experience of the process of setting up a new partnership company (solely owned or a joint venture) and care needs to be taken to select the right governance framework arrangements, ensuring appropriate formal legalities and financial aspects are in place.</i>	<p>The proposed Housing Company - the latest position is that:</p> <ol style="list-style-type: none"> <li>1) Executive made a decision in principle to establish a company in February 2016 subject to work on a detailed business plan.</li> <li>2) By January 2017 we had the business plan and CMT and the leader had given approval for the company to be progressed subject to General Fund due diligence work i.e. the effect of the company on the General Fund finances, risks and capacity now and in the future.</li> <li>3) This was originally commissioned in February 2017 and reported in mid late March but concerns were raised that the work was of poor quality.</li> <li>4) A further report has now been received suggesting some tweaks to the business plan but affirming that the plan is basically sound.</li> <li>5) Further progress has been made and the plan is now to present the full Business Case to Policy Scrutiny on the 28<sup>th</sup> November and Executive on 18<sup>th</sup> December 2017</li> </ol> <p>At this point there are no other new ventures in the immediate frame, but the TFS Board has received a general report from the Finance consultant which contained views on when it is appropriate to consider using a partnership company and what safeguards to consider</p>	<b>G</b>
<b>Loss of compliance to Lincoln Project Management Model</b>	<i>Project management monitoring arrangements are currently under review. Any changes will need to include a mechanism to ensure ongoing compliance with the Lincoln Project Management Model</i>	<p>A report on the options for the future of the Strategic Plan Implementation Team has been prepared and was reviewed by CMT and CLT in September. This involves ensuring that the financial monitoring and the operational aspects of project management are both considered for all defined projects.</p> <p>This is likely to involve a review of the Lincoln Project Management Model at some stage, but in the meantime, processes are in place to ensure that the current LPMM is adhered to.</p>	<b>G</b>

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**AUDIT COMMITTEE**

**19 DECEMBER 2017**

<b>SUBJECT:</b>	<b>EXTERNAL AUDIT - ANNUAL AUDIT LETTER</b>
<b>REPORT BY:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>LEAD OFFICER:</b>	<b>ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER</b>

**1. Purpose of Report**

- 1.1 To receive and comment on the Annual Audit Letter for 2016/17, attached as Appendix A.
- 1.2 The report will be presented at the meeting by the Council's external auditors, KPMG.

**2. Executive Summary**

- 2.1 The Annual Audit Letter summarises the outcome of the 2016/17 external audit of City of Lincoln Council.
- 2.2 The letter is addressed to Members, however it is also intended to communicate the key messages to external stakeholders, including members of the public and will be placed on the Council's website.
- 2.3 The annual audit itself covers both the Statement of Accounts for 2016/17 and the Value for Money (VFM) conclusion.

**3. Organisational Impacts**

**3.1 Finance**

The fee for 2016/17 was £47,185 excluding VAT (£48,754 in 2015/16), in addition KPMG are applying to the Public Sector Audit Appointments (PSAA) for a fee variation to cover additional work required to complete the audit of Property Plant & Equipment (PPE) and the VFM conclusion (this is estimated to be £2,871, bringing the total fee to £50,056 in 2016/17).

**3.2 Legal Implications including Procurement Rules**

There are no legal implications arising as a result of this report.

3.3 Equality, Diversity & Human Rights

There are no direct equality, diversity or human rights implications arising as a result of this report.

**4. Risk Implications**

4.1 There are no risk implications arising as a result of this report.

**5. Recommendation**

5.1 The Audit Committee note and comment on the attached Annual Audit Letter.

**Key Decision**

No

**Do the Exempt Information Categories Apply**

No

**Call in and Urgency:** Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?

No

**Does the report contain Appendices?**

Yes – 2

**List of Background Papers:**

None

**Lead Officer:**

Robert Baxter  
Interim Chief Finance Officer  
Tel: 01522 873361



# Annual Audit Letter 2016/17

## City of Lincoln Council

October 2017



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

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

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

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## Section one

# Summary

This Annual Audit Letter summarises the outcome from our audit work at City of Lincoln Council in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

A summary of the reports we have issued during the year is included at Appendix 1.

### VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016-17 on 29 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.

### VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

The £30m Transport Hub project commenced in August 2016 and there were other large scale and high risk projects in progress or in planning. Our risk assessment identified the importance of the Authority continuing to have adequate arrangements for managing the delivery and financial control of these projects. We assessed the management arrangements in place, and specifically reviewed the frameworks relating to the delivery of the Transport Hub, Boultham Park Restoration and Western Growth Corridor projects. We also considered the most recent progress in relation these projects and the Authority's latest project risk registers. We were satisfied that there were adequate arrangements in place at 31 March 2017 and there were no significant matters which prevent us from giving an unqualified VFM conclusion.

One area of focus for our continuing VFM risk assessment was your arrangements for securing financial resilience. We considered the Authority's arrangements for managing its annual revenue and capital budgets and the 2016/17 outturn. The General Fund and Housing Revenue Account revenue outturns were largely as expected and the Authority exceeded the £3m 'Towards Financial Sustainability (TFS) programme savings target included in the Medium Term Financial Strategy (MTFS) for 2016/17. No significant concerns had been highlighted to date in the current year monitoring reports. The MTFS 2017-2022 reflected the Government's four year funding settlement with the Council. The Authority had set a balanced budget for 2017/18, and was in a good position to deliver the £49k in year savings required under the TFS programme. The TFS programme was not expected though to deliver the level of savings required over the life of the MTFS with a gap of £719k in 2018/19. The MTFS acknowledges that there needs to be strong emphasis on achieving the savings targets from 2018/19 onwards and provide financial capacity to respond to the financial risks the Council faces. The Authority needed to continue to closely monitor progress in all these areas and ensure its MTFS is kept up to date.

Overall, we concluded that in 2016-17, the Authority had made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people..

## **Audit opinion**

We issued an unqualified opinion on the Authority's financial statements on 29 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

## **Financial statements audit**

Our audit identified material errors in the draft financial statements, which were corrected in the published version. We reported the significant errors in our September 2017 ISA260 report to the Authority. The net impact of the adjustments was a reduction in the Authority's balance sheet net worth of £4.5m, although the General Fund, HRA and other useable balances are unchanged. We acknowledged the staffing difficulties faced by the finance team during the closedown process and in the first half of the current year. Management has agreed to our report recommendations aimed at ensuring the arrangements and working papers for the 2017/18 accounts are robust and effective. We will follow up progress on these matters as part of our 2017/18 audit.

## **Other information accompanying the financial statements**

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

## **Certificate**

We issued our certificate on 29 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

## **Audit fee**

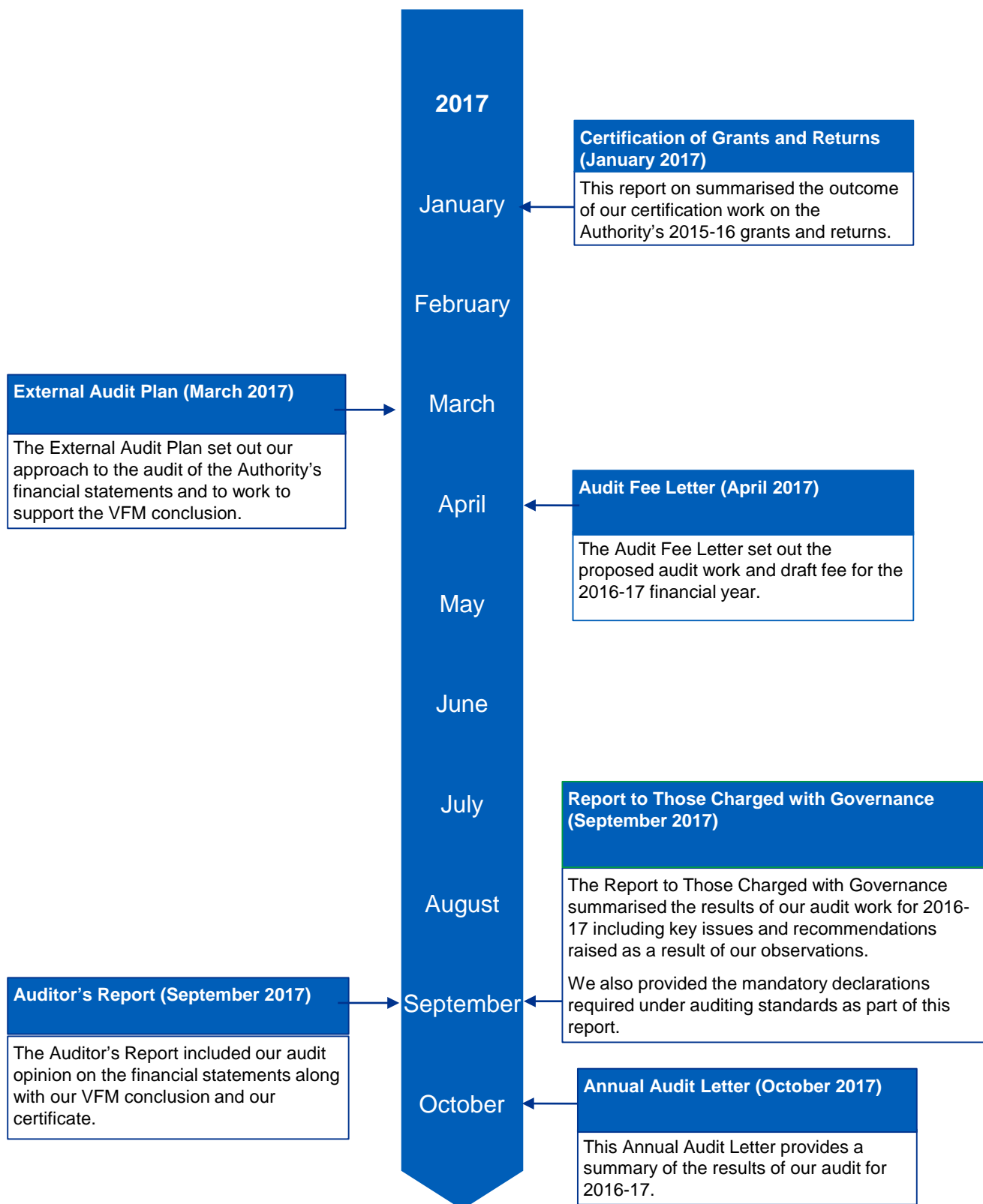
The scale fee set by PSAA for 2016-17 was £47,185 excluding VAT. Further detail is contained in Appendix 2.



## Appendix 1

# Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.



## Appendix 2

# Audit fees

This appendix provides information on our final fees for the 2016-17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016-17 planned audit fee.

### **External audit**

The scale fee set by PSAA for the 2016-17 audit of the Authority was £47,185 (excluding VAT), As reported in our ISA260 report we expect to apply to PSAA for fee variations to cover additional work required to complete the audit of PPE and the VFM conclusion.

### **Certification of grants and returns**

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The indicative scale fee set by PSAA for this work is £9,098. The final fee will be confirmed through our reporting on the outcome of that work in January 2018.

### **Other services**

We charged £3,000 (excluding VAT) for certification of the 2015/16 Pooling of Housing Capital Receipts return. This work was not related to our responsibilities under the Code of Audit Practice.

[kpmg.com/uk](https://kpmg.com/uk)



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# External Audit: Progress Report

City of Lincoln Council

November 2017

# November 2017 Progress report

<p>Summary of work performed since September 2017</p>	<p><b>Since the last Audit Committee meeting in September 2017 we have:</b></p> <ul style="list-style-type: none"> <li>— Completed the 2016/17 audit. This included:             <ul style="list-style-type: none"> <li>— Issuing an unqualified accounts audit opinion, VFM conclusion and certificate on 29 September 2017;</li> <li>— Issuing the 2016/17 Annual Audit Letter; and</li> <li>— Submitting a fee variation request to Public Sector Audit Appointments Ltd (PSAA) for £2,547 to cover the cost of the additional audit work required in 2016/17. PSAA has not yet approved the request.</li> </ul> </li> <li>— Completed the work on the following grants and other returns:             <ul style="list-style-type: none"> <li>— Housing Benefits Grant Claim 2016/17 – the claim was certified on 28 November 2017. The certified claim and Qualification Letter was sent to the Department for Work and Pensions ahead of their 30 November 2017 deadline.</li> <li>— Pooling of Housing Capital Receipts Return 2016/17 – our assurance report on the return was submitted to the Department for Communities and Local Government on 10 November 2017, ahead of the 30 November 2017 deadline.</li> </ul> </li> <li>— Continued to liaise with managers at the Council and monitor the Council's financial position and performance and other sector developments.</li> <li>— prepared our update on recent relevant technical matters. The summary is attached at appendix 2 to this report and we particularly want to highlight:             <ul style="list-style-type: none"> <li>— DCLG's consultation on its proposed changes to the prudential framework of capital finance, including likely significant changes to the statutory guidance to local authorities on investments and minimum revenue provision (page 5); and</li> <li>— CIPFA's Counter Fraud and Corruption Tracker, which includes the latest information on trends in fraud and corruption in the local government sector (page 7).</li> </ul> </li> </ul>		
<p>Summary of upcoming work</p>	<p><b>Our upcoming work ahead of the February Audit Committee includes:</b></p> <ul style="list-style-type: none"> <li>— Issuing our 2016/17 Annual Grant Claims and Returns Report.</li> <li>— updating our risk assessment of the Council by meeting with officers and completing our 2017/18 planning work.</li> <li>— preparing our External Audit Plan for 2017/18, which we will discuss with management before presenting it to the Audit Committee. We have included at appendix 1 to this report the headlines for the 2017/18 audit planning.</li> </ul>		
<p>Actions</p>	<p><b>We ask the Audit Committee to:</b></p> <ul style="list-style-type: none"> <li>— Note this progress report and technical update.</li> </ul>		
<p>Contacts</p>	<p><b>The key contacts in relation to our audit are:</b></p> <table border="1" data-bbox="285 1699 1368 1860"> <tr> <td data-bbox="285 1699 853 1860"> <p><b>Andrew Bush</b>  <i>Director</i>                      Tel: 07979 483539  <a href="mailto:Andrew.bush@kpmg.co.uk">Andrew.bush@kpmg.co.uk</a></p> </td> <td data-bbox="853 1699 1368 1860"> <p><b>Mike Norman</b>  <i>Manager</i>                      Tel: 07500 125105  <a href="mailto:michael.norman@kpmg.co.uk">michael.norman@kpmg.co.uk</a></p> </td> </tr> </table>	<p><b>Andrew Bush</b>  <i>Director</i>                      Tel: 07979 483539  <a href="mailto:Andrew.bush@kpmg.co.uk">Andrew.bush@kpmg.co.uk</a></p>	<p><b>Mike Norman</b>  <i>Manager</i>                      Tel: 07500 125105  <a href="mailto:michael.norman@kpmg.co.uk">michael.norman@kpmg.co.uk</a></p>
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# Appendix 1: Audit Planning

We have set out below the headlines for the 2017/18 audit planning, which will be our last year as your external auditors. Overall, no significant changes in the scope of the audit, or the profile of risks are anticipated at this stage, although the earlier deadline for the accounts opinion will clearly lead to some necessary changes to the timing of our work. We will update these matters when we issue the draft Audit Plan in January 2018 and will present the Audit Plan at the Audit Committee's next meeting.

Headline	Position
Scope and responsibilities	<ul style="list-style-type: none"> <li>— There are no changes in regards to our accounts opinion and Value for Money Conclusion responsibilities.</li> <li>— We work to the National Audit Office (NAO's) Code of Audit Practice. There are no immediate changes to our work.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>— We continue to carefully monitor your accounts risks. We expect to calculate materiality in a similar same way as the prior period, based on your gross expenditure. We will report the calculated materiality to the Audit Committee in our Audit Plan and ISA260 report.</li> </ul>
Timeline	<ul style="list-style-type: none"> <li>— There is an earlier set of deadlines for the publication of the draft and audited financial statements. The Council is required to publish its draft statements by 31 May (30 June in previous year) and audited statements by 31 July (30 September in previous year).</li> <li>— We expect to carry out our interim and final accounts visits in February and May 2018 respectively.</li> </ul>
Changes in deliverables	<ul style="list-style-type: none"> <li>— There have been no change in planned reporting deliverables. We will provide the following reports to you:                             <ul style="list-style-type: none"> <li>• Audit Plan (January 2018)</li> <li>• ISA260 Report (July 2018)</li> <li>• Annual Audit Letter (August 2018)</li> <li>• Progress Report and Technical Updates (to the December and March Committee)</li> <li>• Annual Grants and Returns Report 2017/18 (December 2018)</li> </ul> </li> </ul>
Significant accounts risks and other areas of audit focus	<ul style="list-style-type: none"> <li>— We will set out these matters in our Audit Plan after we have completed our planning procedures.</li> <li>— We will again be required address the standard audit risks on income recognition and management override of controls.</li> </ul>
Significant VFM conclusion risks	<ul style="list-style-type: none"> <li>— We will set out these matters in our Audit Plan after we have completed our risk assessment. We expect the assessment to continue to include the risks to your medium term financial standing and the ongoing major projects which the Council is managing.</li> </ul>
Changes in accounting or reporting standards	<ul style="list-style-type: none"> <li>— There are no significant changes for in the Code of Local Authority Accounting Practice as compared to the prior year.</li> </ul>
Audit fee	<ul style="list-style-type: none"> <li>— The scale fee for the 2017/18 audit is £47,185 (£47,185 in 2016/17). We will update the Audit Committee in our Audit Plan and throughout the audit if changes to the fee are required.</li> </ul>
Other work	<ul style="list-style-type: none"> <li>— We will certify the 2016/17 Housing Benefits Claim and provide an assurance report on the 2016/17 Pooling of Housing Capital Receipts by 30 November 2018.</li> <li>— We will liaise with your incoming auditors with a view to supporting the transition for the 2018/19 audit.</li> </ul>

# Appendix 2: Technical Update

DCLG Publications

We set out over the following pages relevant sector and technical updates, since the last Audit Committee in September 2017..

## Review of Local Enterprise Partnership Governance and Transparency

In October 2017, DCLG published its 'Review of Local Enterprise Partnership Governance and Transparency'. The aim of the review is to assess whether current systems provide assurance to the Accounting Officer and Ministers that Local Enterprise Partnerships (LEPs) fully implement the requirements of the revised national assurance framework set by DCLG. The framework covers all government funding flowing through LEPs, to ensure they have robust value for money processes in place and sets out what government expects LEPs to cover in their local assurance frameworks. The review covers:

- Culture and accountability
- Structure and decision making
- Conflicts of interest
- Complaints
- Section 151 officer
- Transparency
- Government oversight and enforcement

The report's main findings are summarized below:

- All those who contributed welcomed the review and expressed a shared desire to ensure that LEPs provided the highest standards of stewardship of public money. There was a widespread view that the sector should work collectively and avoid reputational damage from any inconsistencies in governance arrangements and transparency. In addition, some private sector board members were concerned that their association with weak practice in governance and transparency would have potential reputational implications for their companies. LEP board members are generally not remunerated albeit the role and expectations of time commitment have increased as the workload of LEPs has developed. A number of private sector participants in this review referred to the ethos of making a public service contribution. It is important that this ethos is supported and that proposals to achieve good governance are proportionate.
- Some LEPs have a history of establishing robust governance arrangements and to some extent the National Assurance Framework lags behind the practice on the ground in these places. There is a general recognition that additional clarity on the requirements in the National Assurance Framework would assist in raising standards and consistency of stewardship across the sector. This was not seen by those participating as detracting from the flexibility for LEPs to develop local arrangements but rather assisting them with the journey they were on. Overall there appears to be commitment from the LEPs to meeting the requirements of the National Assurance Framework but issues remain on the effectiveness of implementation in some cases. This would be mitigated by additional clarity in the National Assurance Framework which is proportionate, as well as by increasing the sharing of best practice, peer challenge and support across the sector.
- The British Chamber of Commerce, in conjunction with the Confederation of British Industry (CBI), the Engineering Employers' Federation (EEF), the Federation of Small Businesses (FSB) and the Institute of Directors (IoD), has also recommended improvements particularly on the financial information which should be published.
- There is also a need to consider the position of public sector members on LEP Boards in the context of the changing role of local authorities and their increased involvement in commercial enterprises and alternative delivery mechanisms. This is currently somewhat underdeveloped in terms of LEP governance implications and is referred to below in greater detail.

Links to the report and the national assurance framework are included below:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/655188/Review\\_of\\_local\\_enterprise\\_partnership\\_governance\\_and\\_transparency.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655188/Review_of_local_enterprise_partnership_governance_and_transparency.pdf)

<https://www.gov.uk/government/publications/local-enterprise-partnership-national-assurance-framework>



## DCLG Consultation on proposed changes to the prudential framework of capital finance

In November 2017 DCLG announced that it was seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision.

The Prudential System is comprised of 4 statutory codes. The Department for Communities and Local Government is responsible for preparing the guidance on Local Authority Investments and the guidance on Minimum Revenue Provision. Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating Minimum Revenue Provision. As a result the government proposes to update the guidance as part of the more general update of the statutory codes comprising the prudential framework.

The Government is proposing two new sets of Statutory Guidance, and the key changes are summarised below:

### **Draft Statutory Guidance on Local Authority Investments**

- *Transparency and democratic accountability* – proposal to require the publication of a Capital Strategy, including matters previously disclosed in the existing Investment Strategy.
- *Principle of Contribution* – requiring authorities to disclose the contribution that non-core investment activities make to their core functions.
- *Use of indicators to assess total risk exposure* - introducing a new requirement to include quantitative indicators that will allow assessment of exposure.
- *Extension of principle of Security, Liquidity and Yield to non-financial investments* - The Government believes that where local authorities invest in non-financial assets, they should apply the principles of prioritising security and liquidity over yield in the same way that they are required to do for financial assets.
- *Introduction of a concept of proportionality* - the Government proposes requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income.
- *Borrowing in advance of need* - requiring additional disclosure by local authorities who borrow solely to invest in revenue generating investments.
- *Capacity, skills and culture* - the extension of the disclosure requirement on steps taken to secure sufficient expertise to include all key individuals in the decision making process (statutory officers, Councillors and other key individuals).

### **Draft Statutory Guidance on Minimum Revenue Provision**

- *Definition of 'Prudent Provision' in the MRP Guidance* - the Government proposes to change the definition of prudent provision to one that requires local authorities to set MRP in a way that covers the gap between the Capital Financing Requirement and the amount of that requirement that is funded by income, grants and receipts.
- *Meaning of a charge to the revenue account* - the Government has included a clear statement in the updated Regulations that a charge to the account should not be a negative charge.
- *Impact of changing methods of calculating MRP* - the Government has decided to clarify the approach to be adopted when changing the methodologies used to calculate MRP. Under the updated code, local authorities will be allowed to offset overpayments of MRP against charges in future years. However, the revised guidance makes it clear that an overpayment cannot be calculated retrospectively.
- *Introduction of a maximum economic life of assets* - the updated Guidance includes a maximum useful economic life of 50 years for freehold land and 40 years for other assets.

The Government is proposing that both updated codes to come into force for the 2018-19 financial year.

DCLG's consultation is open until 22 December 2017. For more information on this, please see:

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

## Update

### Implementing the UK's Exit from the European Union: The Department for Exiting the European Union and the centre of government

The National Audit Office has published in November a briefing describing how the centre of government is overseeing and taking forward implementation of the UK's exit from the European Union. The briefing focuses in particular on the coordination role of the Department for Exiting the European Union (DExEU).

The briefing describes the following:

- **The scale of the task.** NAO set out the range of matters departments need to consider to deliver Exit and the work streams they have identified.
- **Who does what across government.** NAO set out the responsibilities of DExEU and the range of government bodies involved in Exit.
- **How DExEU has set out task.** NAO set out DExEU's approach to supporting implementation of Exit and how it is monitoring departments' progress.

For more information on this, please see:

<https://www.nao.org.uk/report/implementing-the-uks-exit-from-the-european-union/>

### Guidance to Auditors – Value for Money Conclusion

On 10 November 2017, the NAO issued updated Auditor Guidance Notes (AGNs) 03 and 05 which set out their expectations regarding responsibilities in relation to the VFM conclusion.

AGN 03 is relevant to local auditors of all bodies covered by the Local Audit and Accountability Act 2014.

AGN 05 is relevant to local auditors of the following health bodies for 2017-18 audits:

- CCGs
- NHS Trusts
- NHS Foundation Trusts

The AGNs can be accessed from the NAO website.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

## CIPFA 's Counter Fraud and Corruption Tracker

In 2016/17 local authorities detected and prevented 75,000 fraud cases, saving the public purse £336.2m, according to figures released in this November 2017 publication.

The third annual instalment of CIPFA's *Counter Fraud and Corruption Tracker* (CFaCT), which this year focused on the local government sector, also revealed the three greatest fraud risk areas for local government: procurement, adult social care and council tax single person discount.

The report states that:

- An estimated 40% of all fraud committed against local authorities concerns abuse of the procurement cycle, with an estimated value of £6.2m in losses per year.
- Adult social care fraud has shown the largest growth in the past year, with an estimated £5.6m investigated cases, compared with £3.0m in 2016.
- The highest number of investigations related to council tax fraud (76%) with a value of £25.5m.
- The highest value area of fraud is housing with an estimated total of £263.4m.
- Overall, the number of fraud cases dropped in 2017 (compared with 77,000 cases in 2015/16); however, the average value of each fraud increased, from £3,400 to £4,500, which shows that fraud continues to pose a major financial threat to local authorities.

The report also highlighted an increase in collaborations and shared services when it comes to tackling fraud. Increased delivery with reduced resources is the context in which fraud teams are operating.

The reports can be found at:

<http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/councils-detect-and-prevent-£336,-d-,2m-worth-of-fraud>

## CIPFA on the Autumn Budget November 2017

The headlines from the statement by Rob Whiteman, Chief Executive of CIPFA were:

"Today's....Budget....provided additional support to some of the UK's most pressing services.

"House buyers were arguably the biggest winners, with £44bn investment to boost building and the removal of stamp duty on first time buyers (however, the OBR suggests that removing stamp duty could lead to a slight increase in house prices). Change to the HRA cap is a welcome and a previously non-negotiable move that could offer a glimpse of flexibility that should benefit authorities wanting to invest in building, but the cap of £1bn might not have a significant impact at the national level. The additional council tax charge on empty properties is a simple means to try to influence a better use of limited resources, but I'd question whether this will benefit all parts of the country equally. It is welcome news that the chancellor has responded to the chorus of demands he has faced to give the NHS an immediate cash injection. Although the £2.8bn to be allocated to frontline services does fall short of the £4bn NHS leaders called for, and is therefore unlikely to make the financial position of the health service significantly less precarious.

"There were several other welcome additions to this year's budget. Reforms to welfare will provide a much needed degree of security for those who are the most vulnerable during this period of transition. Breathing life back into the devolution agenda with investments for metro mayors and the Northern Powerhouse, alongside investment in teaching, skills and digital technology will hopefully go a long way to reinvigorating the country's productivity.

"However, our chief concerns lay in what was left out of Philip Hammond's speech; specifically support for adult and children's social care. CIPFA's survey of local government CFOs shows these to be the foremost financial pressures and service concerns on councils right now.

"The £3.5bn additional capital promised to STPs over the current Parliament may go some way to underwriting the longer term transformational actions needed to put health on a more sustainable footing. But looking at the whole health and care system, the pressures on children's and adults' social care have been swept under the carpet and will continue to intensify, with knock-on effects on the NHS. Indeed, we can also expect that the 4% increase in the National Living Wage, while welcome indeed for those workers, feed through to considerable extra pressure on the sector, as councils will have to pay significantly more for care workers.

"Finally, this was the government's Brexit Budget, preparing the country for a future outside the EU. With no contingency plan in place, a hard Brexit is set to be a logistical nightmare. And as the chance of a 'no deal' scenario is becoming increasingly likely, it is no surprise that the government has allocated an extra £3bn to support the UK's withdrawal from the EU."

The statement can be found at:

<http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-on-the-autumn-budget-2017>

## CIPFA and Institute for Government – Performance Tracker

The government is spending over £10bn in five years just to keep troubled services – such as hospitals and prisons – going, according to this new report. Yet this extra money is not sorting out any of the underlying problems these services face.

The latest Performance Tracker, published in October 2017 by the Institute for Government and CIPFA looks at 100 data sets across nine key public services and concludes that government is being forced into poor and reactionary spending decisions, instead of getting ahead of problems before they become crises. The report states that government is spending over £10bn in five years just to keep troubled services – such as hospitals and prisons – going. Yet this extra money is not sorting out any of the underlying problems these services face.

Key findings from the report include the following:

- **hospitals** and **prisons** are spending more, with no sign of improvement in key pressure points
- **schools** and **adult social care** have had emergency cash injections, but there is no clear plan for what happens when this extra money runs out
- **GP** numbers are not rising despite the government's plans to improve the service
- **UK Visas and Immigration** managed the initial post-referendum surge in demand, but a much greater task lies ahead
- government does not have enough data to manage the risks around **vital neighbourhood services**, like bin collection and road maintenance

The report concludes that in services such as prisons and hospitals, the chancellor has no choice but to spend more. When it comes to schools and adult social care, the government as a whole must make tough and increasingly urgent policy decisions.

Finally, the report calls for the creation of a new watchdog (similar to the Office of Budget Responsibility) to scrutinise the assumptions underpinning government decisions about public spending.

The Tracker can be found at:

<http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cycle-of-crisis,-crash-and-repeat-in-public-services-costs-government-£10bn>

## CIPFA – Survey of Sustainability and Transformation Plans

A survey of local authority and NHS organisations involved in Sustainability and Transformation Plans (STPs) suggests there is a worryingly long way to go to achieving successful partnership working.

In the survey, which was conducted by CIPFA and iMPower and published in September 2017, 55 of the 56 respondents stated that they do not believe full joint working will be achieved in the next five years. Furthermore, the survey shows that a quarter (25%) believe relationships are currently 'limited', while 54% believe them to be reasonable and only 21% very strong.

The survey also throws up some serious question marks on the financial capacity of STPs to invest in important prevention measures.

A significant majority (95%) of those surveyed agreed that investing in prevention is essential or important. However, only one in six (15%) expect to be able to use any of the additional £2bn announced in Chancellor Philip Hammond's spring 2017 Budget towards prevention activities. Indeed, research from CIPFA and iMPower indicates that almost all of the available budgets this year will be spent meeting operational challenges or sustaining the market for local providers.

Commenting on the results from the survey, CIPFA's Chief Executive, Rob Whiteman, said:

"While it is now clear what the overall ambitions are for STPs, the survey released today highlights there may be major barriers to achieving these.

"The survey shows that there are some significant concerns with regard to joint working, which is vital to the success of STPs. Therefore, serious care and attention must now be paid to building relationships and trust between partners.

"As well as ensuring working relationships are in place for STPs to achieve their desired outcomes, there also needs to be suitable levels of funding. Otherwise, there is the danger that the targets that have been set will turn out to be financially unachievable."

The survey can be found at:

<http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/stps-under-pressure-as-local-government-and-health-organisations-struggle-to-integrate,-new-cipfa-and-impower-survey-suggests>

## CIPFA' Brexit Advisory Commission for Public Services

In August 2016 a new commission was launched by CIPFA to explore risks and opportunities of Brexit for public services

The Brexit Advisory Commission for Public Services, which will examine how best the risks can be mitigated and the opportunities seized to make the sector more flexible, effective and sustainable following Brexit.

The launch of the Commission was marked by the release of its mission statement, which outlines its research themes and principles.

In the document, the Commission recognises that exiting the EU is likely to generate significant challenges for the UK's public services. The advisory group has also identified that there is additional scope to reshape EU legislation and policy to enhance services for the benefit of communities.

To ensure that negotiators behind the deal understand the challenges and opportunities which Brexit presents, the Commission will provide evidence-based analysis and impartial advice.

The Commission will release analysis later this year that will seek to explain the relationship between UK public services and EU funding. It will also bring forward recommendations on how future funding mechanisms could best work.

Chaired by former MP Julia Goldsworthy, its members include:

Marina Wheeler QC

Vicky Pryce, Economist, CEBR

Paul Johnson, Director, IFS

Niall Dickson, CEO, NHS Confederation

Andrew Carter, Deputy Director, Centre for Cities

Anna Randle, Head of Public Services, Collaborate CIC

Cllr Claire Kober, Chair, London Councils

Professor David Bell, Professor of Economics, University of Stirling

Gill Payne, Director of Policy and External Affairs, The National Housing Federation

Julian McCrae, Deputy Director, IFG

Kate Kennally, CEO, Cornwall Council

Warwick Lightfoot, Director of Research, Policy Exchange

Melanie Maxwell-Scott, Director of Policy, BSA

The Commission's Mission Statement can be found at the following link.

<http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/new-commission-launched-by-cipfa-to-explore-risks-and-opportunities-of-brexit-for-public-services>

# Appendix 2: Technical Update (cont.)

PSAA Publications

## VFM Profiles

The VFM Profiles currently maintained by PSAA will now be provided via a new tool created by the LGA, called LG Inform VFM. The data and analysis previously available in the profiles have been transferred to the LG Inform suite of tools, and the LG Inform team will now be maintaining and updating the VFM Profiles. The new site is available from the following link: <http://vfm.lginform.local.gov.uk/>. The existing PSAA profiles site will continue to be available until December 2017, but the data will not be updated.



# Appendix 2: Technical Update (cont.)

KPMG Webinars

## General Data Protection Regulations

The biggest change to rules governing data protection for more than 20 years comes into effect in May 2018. Substantial fines can be levied against organisations that do not comply.

KPMG has issued general guidance for clients on the new requirements, including a short publication summarising the 5 key steps which organisations should be taking to prepare.

A link to the briefing is included here:

<https://home.kpmg.com/uk/en/home/insights/2017/06/get-data-protection-ready0.html>

Earlier in the year KPMG held a cross-sector webinar for clients on the implications of the changes due to be introduced next year, which included useful, interesting and important points to note.

The link to the recording can be provided separately to the Audit Committee members if requested (please note the file size is very large).

## Autumn Budget 2017

On 23 November 2017 KPMG is hosting a webinar for our clients on what the measures announced in the Budget mean for them and their businesses.

We a link to the recording of this webinar is included below (please note, registration may be required).

<http://event.on24.com/eventRegistration/EventLobbyServlet?target=lobby.jsp&eventid=1530638&sessionid=1&key=40E5C1C40EA415D7A4D641E2CCD65D75&eventuserid=187052655>



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**SUBJECT: INTERNAL AUDIT PROGRESS REPORT**

**REPORT BY: JOHN SCOTT, AUDIT MANAGER**

**LEAD OFFICER: JOHN SCOTT, AUDIT MANAGER**

**1. Purpose of Report**

1.1 To present the Internal Audit Progress Report to the Audit Committee, incorporating the overall position reached so far, and summaries of the outcomes of audits completed during the period.

**2. Executive Summary**

2.1 The report highlights progress against the audit plan.

**3. Background**

3.1 A key requirement of public sector internal audit standards is that Internal Audit should report progress periodically to those charged with governance. The Audit Committee has within its terms of reference the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan. The latest progress report for 2017-18 is attached as the appendix to this report.

**3.2 Internal Audit Progress Report**

3.3 The Internal Audit progress report attached (Appendix A) covers the following areas :-

- Progress against the plan
- Summary of Audit work
- Implementation of Audit recommendations
- Current areas of interest relevant to the Audit Committee

**4. Organisational Impacts** (nb. Finance, Legal and E & D sections below are mandatory, others to be completed only where there is an impact)

4.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

4.2 Legal Implications including Procurement Rules

There are no direct legal implications arising as a result of this report.

4.3 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required)

There are no direct E and D implications arising as a result of this report.

## 5. Recommendation

5.1 The Audit Committee is asked to note the content of the latest Internal Audit Progress Report for 2017-18 and consider whether any of the following options are relevant :-

- Report and make recommendations to the Executive if they feel it appropriate
- Refer any matter under review they feel appropriate to the relevant Portfolio Holder, Scrutiny Chair or Committee
- Seek responses from Officers on matters arising (written or verbal) to be submitted to the next Audit Committee on any of the issues raised within this report or associated Appendices. Members may further wish to request the presence of the relevant Managers at the meeting to explain performance / specific issues.
- Accept the report and continue to monitor arrangements

**Key Decision** No

**Do the Exempt Information Categories Apply?** No

**Call in and Urgency:** Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

**How many appendices does the report contain?** One

**List of Background Papers:** Please note that any background papers must be provided to Democratic Services with your report for publication. If in doubt as to the definition of a background paper, please contact Democratic Services.

**Lead Officer:** Audit manager Telephone 873321



## City of Lincoln Council

Appendix A

Progress Report – December 2017



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***For all your assurance needs***

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## Introduction

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1. The purpose of this report is to:
  - Advise of progress made with the 2017/18 Audit Plan
  - Provide details of the audit work undertaken since the last progress report.
  - Provide details of the current position with agreed management actions in respect of previously issued reports
  - Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

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2. The 2017/18 audit plan is progressing well; ten audits have been completed, five are in progress and three are being prepared. As at the end of November 65% of the revised plan has been delivered. Appendix 2 provides details on the current status of the audits within the plan.
3. Details on High priority recommendations can be found in Para 7 and for Medium priority recommendations see Appendix 5.
4. At the six month stage the audit remaining resources have been compared to the work plan and some amendments have been made, with the approval of the interim Chief Finance Officer – see para 8 for details.

## Internal Audit Reports Completed September - November

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5. The following final reports have been issued since the last progress report;

<b>High Assurance</b>	<b>Substantial Assurance</b>	<b>Limited Assurance</b>	<b>Low Assurance</b>	<b>Consultancy</b>
Housing Benefit (key controls)	Code of Corporate Governance	Housing Repairs – Stores	None	None
NNDR (key controls)	IT – Disaster Recovery Customer Experience Strategy IT - Applications			

**Note:** The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 4.

Below are summaries of the audit reports issued.

### **Housing Benefits (Key Controls) – High Assurance**

We found that the expected key controls were in place and working well;

- There is an adequate separation of duties between the administration of Housing Benefit claims and processing payments.
- System access is restricted to appropriate users
- Performance is regularly monitored and reported to the Shared Revenues & Benefits Joint Committee and includes a wide range of measures.
- Management checks are recorded and undertaken in accordance with the Quality Control policy which was introduced in August 2016. Any errors in processing are addressed and training needs identified.
- Overpayments are raised promptly; additional work in recovering overpayments has recently been introduced to provide assurance that overpayments are being proactively managed.
- Housing Benefit payments are reconciled to BACS reports.
- Checking and authorisation of payments is undertaken at each stage of processing.
- Discretionary Housing Payments are correctly awarded and authorised

We identified one minor area for improvement.

### **NNDR (Key Controls) – High Assurance**

We found that the expected key controls were in place and working well;

- There is an adequate separation of duties between the between day to day NNDR work and income collection.
- Access to system parameters is restricted and changes are independently checked and evidenced.
- System access is controlled and restricted to appropriate users.
- Valuation Office changes are actioned promptly and property details are reconciled to Northgate.
- As part of annual billing the number of bills produced is reconciled to the number of properties on the system.
- Sample bills are checked for accuracy before being printed and posted.
- Income is posted daily and reconciled, and suspense accounts are regularly reviewed
- A process is in place to guard against fraudulent refunds; refunds are appropriately authorised.

We did not identify any areas requiring improvement.



## **Code of Corporate Governance – Substantial Assurance**

The Council approved a new Code of Corporate Governance in 2016/17, based on good practice guidance. The purpose of this review was to focus on the key policies and processes that support each area of the Code and ensure that they are in place and working effectively. This was a short health check review.

We found that overall arrangements were in place and working well. There are a number of ongoing actions which will continue in 2017/18 and beyond.

We identified some areas where the Code “statements” need to be reviewed;

- Consider the future direction for the (Corporate) Asset Management Plan
- Amend the Committee template to include environmental impact – suggested change to Community Impact and / or environmental impact
- Undertake a review of the Terms of reference for Corporate Management Team / Corporate Leadership Team, approve it and also consider inclusion of Corporate Governance “Code” areas (e.g. risk)
- Update the Council’s Value for Money statement and re-publish it on the website
- Upload the latest version of the Constitution on to the website

## **IT Disaster Recovery – Substantial Assurance**

IT disaster recovery planning is an important component of wider business continuity planning. As the Council relies on IT systems for its operations it is critical that disaster recovery is appropriately planned for and considered within the context of the organisations wider business continuity strategy.

This is a current AGS issue. Progress on the construction of a secondary data centre at Hamilton House is ongoing but largely complete and Stage 1 of an IT DR Test Plan completed. Some daily Backups are now running at Hamilton House with some issues still to be resolved. The Draft DR Plan is almost complete and the The plan is being considered alongside BC plan reviews with other service areas.

We sought to provide assurance on the effectiveness of IT disaster recovery planning and links to Corporate Business Continuity. The agreed scope was;

- Management arrangements
- Disaster recovery testing
- Training and awareness
- Technical aspects
- Infrastructure
- DR plan
- Staff accommodation / equipment.
- BCP linkages

The Audit was undertaken by a specialist IT security auditor.

The Councils IT DR arrangements have improved significantly since the project was commenced to provide a DR capability at Hamilton House, and create a separate IT DR

plan linked to the Councils business continuity planning arrangements. These arrangements are almost complete.

The IT DR plan has recently been reviewed and agreed by CMT.

The plan is well developed; there are further changes that could be made to increase the speed at which IT could be recovered but there are costs attached to these – there is a trade-off between further expenditure and quicker response times. Six out of the 19 audit recommendations were not agreed. CMT have considered the full audit report alongside the IT DR plan.

This review found that there were some areas where improvements could be made. Some actions will be delivered through the newly formed Business Continuity Group.

### **Customer Experience Strategy – Substantial Assurance**

The new Customer Experience Strategy (CES), with new projects, has replaced the Channel Shift programme which consisted of four key projects aimed at delivering tangible channel shift and was resourced with officers from all directorates and key service areas. The CES continues with a Project Board and regular reporting to High Performing Services (monthly) and ToFS (quarterly).

The review considered the following risks;

- Customer Experience Strategy is not delivered/effective
- The programme is not managed effectively (includes programme / project management, performance, risk management, business continuity)
- Systems are not secure
- Contractors fail to produce the expected/contracted outputs
- Customer feedback/engagement not effective
- Finances are not managed effectively
- Regulatory requirements are not complied with
- Risks are not managed
- Business continuity arrangements not in place

We have given substantial assurance based on our overall findings against the risks examined.

There is a new customer experience strategy and detailed action plan which is monitored by the CES Board and reports into the HPS/TOFS Board. The action plan provides a good basis to deliver linked projects and is kept up to date by the project officer. System security is well managed. Business Development provide a highly skilled development and support service for many of the CES projects. We also undertook a review of four linked applications – the Website, My-info, Forms and IQ Post Me.

There are customer feedback options in place, for example on the website and on the Forms (system). These could be reported further to the Board. Relevant contracts are in place and contract meetings held. Officers are satisfied with contractor performance.

There is budget available through an invest to save allocation; there has been some use of this to date. The Board has a savings target of £50,000 this year and is finding it it hard to identify savings that will reach this target, however, efficiency savings have been made and in some areas budgets have been overspent so cash savings cannot be taken. HPS have been made aware and further discussions are taking place with officers to see if efficiencies can be translated into cash savings. The Board consists of legal and IT skills which helps ensures that regulatory requirements are met. Whilst risks are recognised there is no formal risk register.

We have made the following recommendations;

- Project planning and monitoring processes
- Formally considering whether each project requires an Equality Impact Assessment
- Reviewing the arrangements for Digital Champions
- Further improve the Self-serve arrangements
- Improve the use of statistical information to help Boards monitor trends and identify specific issues
- Review how efficiencies (time saved) can be captured and reported
- Determine internal and external communication requirements
- Formalise the reporting of feedback and complaints
- Introduce a risk register
- Produce a plan for “Forms” system development in the future

### **IT Applications – Substantial Assurance**

The Council has a range of core IT applications that support service delivery. A list of applications was compiled from discussions with IT and using the Business Continuity / DR plans. The scope of the review was to focus on key application security areas. Discussions were held with system administrators and system owners. This report covers;

- Agresso (financial ledger, creditors & debtors)
- My-Info
- Website
- Forms
- IQ Post Me (Critiqom)

We have given substantial assurance based on our overall findings against the risks examined.

Many of the weaknesses identified across the applications are similar;

- System administrators were not aware of the System Administrators guidance (produced 2015) and were provided with a copy. This document will be reviewed in due course and may be tailored to different levels of super user / system administrator.
- The process for how movers and leavers are captured and reported to application administrators requires review, as there was concern that this information was not always received and therefore the system user lists may not be up to date.

- System owners will authorise/sign off all staff with higher level access including system administrators; those with super user / privileged application access / server access / database access. Any new access at this level will be authorised by the system owner.
- System administrators will undertake at least a six monthly review of user accounts to ensure up to date
- System administrators will review event logging options to determine what areas can be reviewed in line with guidance.
- In some cases there was not a current written annual support and maintenance agreement and these will be chased up.

### **Housing Repairs Stores – Limited Assurance**

The Councils Housing Repairs Service entered into a new contract for the supply of materials with Travis Perkins from the 3rd April 2017. The contract runs until 2nd April 2020 with an option to extend for a further 12 months. In the current financial climate it is important that resources are maximised and the focus of the service is to see savings over time from the new contract.

We have given a limited assurance based on the current position with the servitor application which requires an upgrade that has not yet been approved. Due to this the housing repairs servitor application and the Travis Perkins servitor application are unable to interface. The result is that the system for managing the purchase and job allocation of materials is not as efficient and a number of processes have to be undertaken manually, for example:

- Ensuring prices charged for materials agrees to the agreed contract price
- Credit notes have been actioned
- Processing of invoices through an interim solution developed in house
- Managing van stocks electronically, now having to use a paper process

The interface through the upgrade is critical to increase control, reduce the risk of error and ensure processing is undertaken in the most efficient and effective way.

See Appendix 1 for full details.

## **Other Significant Work**

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### **County Council Elections – Claim for Expenses**

6. An audit of the submission of the final claim for expenses for the County Council elections held in May 2017 has been undertaken. We found that;
  - Staff payments had been paid at the correct rates
  - Claims for election expenses were clearly referenced and supported by invoices
  - Expenditure was appropriate and necessary
  - The total amount claimed did not exceed the maximum amount recoverable.

## Choice Based Lettings

An audit of this area in 2016/17 gave a Low assurance and a formal follow up of the recommendations made will be undertaken during December / January. The findings will be reported to CMT and the next Audit Committee.

## Audits in Progress

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7. The following audits are in progress;

- Landlord Services – fieldwork in progress
- Elections (Parliamentary expenses claim) – fieldwork in progress
- Creditors key controls – fieldwork in progress
- Debtors key controls - fieldwork in progress
- Planned Maintenance - fieldwork in progress
- Vision 2020 monitoring – being prepared
- Parking Income - being prepared
- Boutham Park restoration (variations & final account) – being prepared

Other work in progress;

- Updating whistleblowing policy\*
- National Fraud initiative matches – continued review with officers
- Updating the Fraud risk register
- Liaison with LCFP – Lincs counter fraud partnership
- GDPR working group and information governance healthcheck
- Fraud e-learning roll out

## Audit Plan Amendments

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8. With the approval of the interim Chief Finance Officer the following amendments have been made to the Audit Plan;

- Housing Investment (new build projects) – moved into 18/19
- Growth Strategy (risk based audit) – removed and to be considered for 18/19
- Risk management (key controls) - removed and to be considered for 18/19 – Strategic risk management remains in the 17/18 plan.

## Audit Recommendations

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9. There is a formal process for tracking Internal Audit recommendations; they are recorded on the Council's performance management system, IMPS, and management can record progress updates at any time. Performance DMT's and Portfolio Holders monitor progress quarterly. Prior to each Audit committee Internal Audit will obtain a status report and review progress with management.

Internal Audit undertake formal follow up on all High priority recommendations and all recommendations made in audits where the overall assurance is Limited or Low; evidence of implementation will be requested and examined.

The table below shows all High priority recommendations, completed, due, overdue and not yet due.

Audit	Agreed action & original target date	Revised target date	Progress since previous Committee
<b>2015/16</b>			
ICT Mobile Devices (Substantial)  PH CMCS AD SD (CX)	Audit of ICT assets (linked to corporate inventory check) (Mar 16)	Mar 18  Sep 17	With the current review of Financial Procedure Rules (October 17 approval) the inventory check will be updated taking into account any revised procedures.
Creditors (Substantial)  PH CMCS AD CFO (CX)	Review & update Purchase Order project (Sept 16)	Mar 18  <i>Prev</i> <i>Sept 17</i>	This is a current project/has commenced.  Target date revised to 31/3/18 for completion
<b>2016/17</b>			
Information Governance – Revenues & Benefits (Limited)  PH CMCS AD SD (CX)	Finalise the COLC-NKDC-WLDC ICT service level agreement (Jun 17)  All staff to undertake DP e-learning (Apr 17)  Establish regular reviews of system access on R&B systems, my-info and information at work (Jan 17)  Restrict access to Information at Work where a declaration of interest is declared (Mar 17)  Review the requirements and application of system administrator guidance (Feb 17)	Dec 17  Mar 18 Oct 17  Sep 17 <i>July 17</i>  Sep 17 <i>July 17</i>  Sep 17 <i>July 17</i>	Ongoing  Improving percentage  Complete  Complete  Complete
Housing Strategy New Build (Substantial)	An appropriate Board will be determined for oversight of the New Build Strategy (Sep 17)	Sep 17	Complete - Housing Theme /strategy group will take on this role ( <i>awaiting revised TOR</i> )

PH Housing AD H (Hous)	Review the LPMM and clarify its application for these sorts of projects (Sep17)	Mar 18 <i>Dec 17</i>	Extended due to capacity & other priorities; SPIT role is likely to move to another group which is part of the changes needed to LPMM.
Choice Based Lettings (Low)	Undertake additional testing (Sept 17)	Sep 17	Completed
PH Housing AD H (Hous)	Detailed annual reviews and additional bid cycle testing	Jun 18	Commenced
<b>2017/18</b>			
Sickness Absence  PH City Sol (CX)	Remind Managers / Admin teams to always conduct advice and guidance meetings where they fall due, complete documentation and follow up with correspondence, set targets and undertake reviews	Dec 17	Completed
Stores  PH Housing AD H (Hous)	Instigate a regular sample check on material prices charged (Oct 17)  Make a decision on the resourcing of an upgrade to the Servitor system (April 18)	Oct 17  April 18	Update requested  Not Yet Due
Customer Engagement Strategy	Project planning and monitoring processes  Review how efficiencies (time saved) can be captured and reported	Feb 18  Apr 18	Not yet Due

Appendix 5 provides details of all outstanding Medium priority recommendations.

## Performance Information

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10. Our performance is measured against a range of indicators and we are pleased to report a good level of achievement against our targets. Appendix 4 shows our performance as at end of November 2017.

## Other Matters of Interest

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11. The following guidance will be circulated separately;

- CIPFA Better Governance Forum - Audit Committee update on;
  - 2017 edition of the Public Sector Internal Audit Standards
  - Understanding the risks and opportunities from Brexit
  - Recent developments and resources
- National Audit Office guidance to Audit Committees on cyber security and information risk

12. At the last Audit Committee meeting the Chair requested that Audit Committee be updated on resourcing issues within the Finance Team as we progressed through the year. Since the September audit committee meeting, Financial Services now has a full key staffing compliment. The Capital Accountant has returned to work and the Financial Services Manager has become the Interim Chief Finance Officer (until March 2018). The Financial Services Manager post is being resourced through joint acting up arrangements between the two Group Accountant's. A full audit debrief meeting has taken place to reflect on the issues at year-end and a critical review of processes and procedures has been conducted to ensure that robust procedures are back in place for the 2017/18 year-end. These include revised spreadsheets for key information calculated within the accounts (asset register/ capital financing etc.), as well as improvements to the general working paper quality.



# Appendix 1 – Details of Limited / Low Assurance Reports

## **Housing Repairs – Stores (Limited Assurance)**

### Background and Context

The Councils Housing Repairs Service entered into a new contract for the supply of materials from the 3rd April 2017. The contract runs until 2nd April 2020 with an option to extend for a further 12 months.

One of the key changes with the new contract is the provision of a store facility at the housing repairs Hamilton House site. With around 32,000 repairs a year this facility is envisaged to save operatives time and increase the efficiency of the service, as operatives do not have to go off site on a regular basis to obtain the materials they need.

In the current financial climate it is important that resources are maximised and the focus of the service is to see savings over time from the new contract.

### Scope

The scope of the review was to provide assurance on the management of the new stores contract and considered the following risks;

- The stores contract is not managed effectively
- The contractor fails to deliver the contracted outputs
- Materials are used fraudulently
- Incorrect payments are made or payments are not made at all

We examined these risks by considering the following;

- The requirements and delivery of the contract
- Processes for obtaining materials from the store including authorisation and security
- Payment processes including ordering, goods received and invoicing
- Contract management and performance
- Transfer from the legacy contract to the new contract

The last audit was in 2012/13 of the previous stores contract with Jewson and was given limited assurance mainly due to the absence of formal contract management.

### Executive Summary

We have given a limited assurance based on the current position with the servitor application which requires an upgrade that has not yet been approved. Due to this the housing repairs servitor application and the contractor's servitor application are unable to interface. The result is that the system for managing the purchase and job allocation of materials is not as efficient and a number of processes have to be undertaken manually for example;

- Ensuring prices charged for materials agrees to the agreed contract price
- Credit notes have been actioned
- Processing of invoices through an interim solution developed in house
- Managing van stocks electronically, now having to use a paper process

The interface through the upgrade is critical to increase control, reduce the risk of error and ensure processing is undertaken in the most efficient and effective way.

The stores contract supports the housing repairs service to deliver not only reactive repairs, it covers void properties and aids & adaptations. It is also an important factor in the commercialisation of the service and the potential to operate other contracts so is crucial to effective delivery.

Lessons learnt from the previous contract with Jewson have been built into the new contract which is much clearer and tighter on expected performance.

At the time of the audit review the contract had only been in place for around 4 months so some of the processes required to operate the contract were still developing, and recommendations were made in respect of;

- Sample checks on prices charged by the contractor against agreed prices
- Maintenance of the core stock list and approval of new core stock items
- Regular review, and clearance, of the suspense account within servitor
- Accounting and payment for goods obtained from stores by non-housing repairs service areas
- Reviewing the spending limits assigned to operatives
- A periodic check of van imprest stock
- Developing an exit strategy
- Undertaking a fraud risk assessment
- Managing deliveries to site by third party suppliers
- Collection of a financial contribution from the contractor for use of the stores building
- Documenting and communicating a process for tool purchase and staff discounts
- Reviewing compliance with regulations for the operation of CCTV in the stores area
- Putting a timetable in place for making a decision on upgrading the servitor system

It is clear from contract and management meetings and from discussion with staff in housing repairs and the contractor that there is awareness of the developments and we have confidence that these processes will be implemented.

All indications from the review are that there are controls in place or being developed to effectively manage the stores contract. The contractor is working with the Housing Repairs Service to develop delivery.

The following controls are operating to effectively manage the contract;

- Regular monthly contract management meetings, with clear agenda's, minutes and actions
- Comprehensive performance information provided by the contractor which can be interrogated to provide data to challenge areas of potential non performance by the contractor or housing repairs
- Draft procedures have been produced by the contractor and are currently being evaluated

- Goodwill process implemented by Travis Perkins to issue gift cards to Tenants who have received a poor service due to un-availability of materials or other stores issues
- Identification of operatives before materials are issued through the contractor card and job numbers

## Appendix 2 – Audit Plan Schedule

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Public conveniences	Income collection	Q1	May	Aug	Completed Substantial
Western Growth	Governance	Q1-4	May		Risk Register updated May & Aug + advice work Report stage Possible review Q4
NNDR	Key controls	Q1	May	Nov	Completed High
Housing Benefits	Key controls	Q1	Jun	Nov	Completed High
Emerging Legislation	Progress on implementing new legislation	Q1	April	Jul	Completed Substantial
Housing Benefit Subsidy	Testing on behalf of External Audit	Q1-2	May	Aug	Completed
Human Resources	Sickness Absence	Q1-2	June	Aug	Completed Substantial
Housing Allocations	Additional testing	Q1/2	June	Aug	Completed
Counter Fraud	Strategy, Fraud Risk Register, NFI, Counter Fraud Partnership	Q1-4	Apr		In progress NFI FRR
Corporate Governance	2016 Code compliance	Q2	May		Completed Substantial
ICT	IT Disaster Recovery	Q2	July		Completed Substantial
Housing Repairs Service	New stores contract	Q2	July		Completed Limited
ICT	Systems administration Applications	Q2	Oct		Completed Substantial
Landlord Services	Risk Based Audit on tenancy management	Q2	Sept		In progress
Corporate Governance	Ethical Governance	Q4	Jul	Oct	Framework in place for 18/19 audit
Elections	Expenses claims for County & Parliamentary	Q2	Sept		County – completed Parliamentary – in progress
Creditors	Key controls	Q2	Oct		In progress
Debtors	Key controls	Q2	Oct		In progress
ICT	Channel Shift	Q2	Oct		Completed Substantial

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Housing investment	Planned maintenance	Q3	Nov		In progress
Business Strategy	Vision 2020 monitoring & Social Policy	Q3			Being prepared
Parking Services	Income collection & Residents Parking extension	Q3			Being prepared
Boultham Park Restoration	Contract variations & final account	Q3-4			Being prepared
Transport Hub	Project management	Q3-4			
Procurement	CPR compliance	Q3-4			
Council Tax	Risk Based Audit	Q3-4			
Private Sector Housing	Risk Based Audit	Q4			
Risk Management	Risk mitigation	Q4			
Housing Company	Governance arrangements	Q4			
Work Based Learning	Finance & risks	Q4			
Partnership Management	Governance & outcomes	Q4			
Combined Assurance	Update of the Combined Assurance Map	Q4			
Bus Station	Operation of new facility	Q4			
Housing Investment	New build projects				Moved to 18/19 at half year review
Growth Strategy	Risk Based Audit				Removed at half year review
Risk Management	Key controls				Removed at half year review

## Appendix 3- Assurance Definitions<sup>1</sup>

<p><b>High Assurance</b></p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p><b>Substantial Assurance</b></p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p><b>Limited Assurance</b></p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p><b>Low Assurance</b></p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

<sup>1</sup> These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

## Appendix 4 - Performance Details 2017/18 Planned Work

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed.	100%	25% end June 50% end Sept 75% end Dec 100% end Mar	65% at end November
Percentage of key financial systems completed.	100%	100% end Mar	0% However all pieces of work are in progress
Percentage of recommendations agreed.	100%	100%	92% (67 out of 73)  6 IT DR recs were not agreed
Percentage of High priority recommendations due implemented.	100% or escalated	100% or escalated	50% (1 out of 2)
<b>Timescales:</b> Draft report issued within 10 working days of completing audit.	100%	100%	100% (8 out of 8)
Final report issued within 5 working days of closure meeting / receipt of management responses.	100%	100%	100% (8 out of 8)
Period taken to complete audit –within 2 months from fieldwork commencing to the issue of the draft report.	80%	80%	100% (8 out of 8)
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Average of 27 out of 32 (or 84%).  Good-Excellent  5 issued and 3 returned.

## Appendix 5 – Medium Priority Recommendations Overdue and Not Yet Due (at 30<sup>th</sup> November 2017)

Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Progress since previous Committee
					H	M				
<b>CX - Assistant Director Strategic Development</b>										
Performance Management  PH CMCS	June 16	Substantial	4	2		2		Review reporting from the CBL system to establish if WLDC / NKDC data can be extracted from prime reports (Sept 16)  Policy Unit to work with Service Managers to support them validate a sample of indicators each year (Mar 17)	Mar 18 (Sep 17)  Mar 18	Now received “in principle” approval from the Director to upgrade the system. We hope to have it implemented by end of March 2018 in readiness for the Homelessness Reduction Act.  Extended Not yet due
Customer Services  PH CMCS	Oct 16	Substantial	6	5		1		Consider using annual satisfaction surveys (Feb 17)	Sep 17	In progress Update to follow
IT Applications  PH CMCS	Nov 17	Substantial	7	0			7	BDIT will review how movers and leavers are captured and reported to application administrators	Mar 18	Not yet due



								<p>System owners will authorise/sign off all staff with higher level access</p> <p>Plus IT application recommendations for:</p> <ul style="list-style-type: none"> <li>• Website</li> <li>• Forms</li> <li>• Agresso</li> <li>• IQ-Post me</li> <li>• My-info</li> </ul>		
Customer Experience Strategy	Nov 17	Substantial	10	0			10	<ul style="list-style-type: none"> <li>• Formally considering whether each project requires an Equality Impact Assessment</li> <li>• Reviewing the arrangements for Digital Champions</li> <li>• Further improve the Self-serve arrangements</li> <li>• Improve the use of statistical information to help Boards monitor trends and identify specific issues</li> <li>• Determine internal and external communication requirements</li> <li>• Formalise the reporting of feedback and complaints</li> <li>• Introduce a risk register</li> </ul>	April 18	<p>Also see High Priority Recs above (x2)</p> <p>None due yet</p>

								<ul style="list-style-type: none"> <li>Produce a plan for "Forms" system development in the future</li> </ul>		
Malware PH CMCS	Nov 16	Substantial	8	7		1		Include IT Security within HR training system (Mar 17)	Dec 17	Extended two months– course - being drafted
Housing Benefits PH CMCS	May 16	Substantial	9	8		1		Consider the way forward for CTR counter fraud work (Sep 16)	Oct 17 <i>Aug 17</i>	Completed  Successful delivery of the Council Tax Reduction (CTR) exercise identified revenue of around £500k from fraud & error. The approach will be rolled out across the other districts in 2018/19 – the estimated net revenue gain is £724k
Revenues and Benefits – Support Services PH CMCS	Jul 16	Substantial	5	4		1		Commence discussions on the apportionment of support costs at Operational Board to open the way for a report to Joint Committee (Aug 16)	Mar 18  (prev Dec 2017)	Awaiting further NKDC support costs information to allow full analysis to be considered. HoSRB meeting with NKDC Finance 11.12.17 to determine way forward. This review is now likely to be completed in Q4 2017/18.

Revenues & Benefits – Information Governance PH CMCS	Feb 17	Limited	15	9	5	1		Complete the R&B Info Gov actions (Jun 17)  Also see High priority recs at para 7.	Feb 18	Not Yet Due
Recovery PH CMCS	Mar 17	Substantial	11	9		2		Use a second enforcement agent at COLC when the next procurement exercise is completed (Sep 18)  As part of the review of the Fair Collection & Debt Recovery Policy determine whether the data used to monitor the Policy (sec 10) are all relevant & appropriate (Jan 18)	Sep 18  Jan 18	Procurement to take place in readiness for 18/19  Review to be done later in the year – Review date is September-Nov
Corporate Governance Code	Oct 17	Substantial	6				6	Update the Council's VFM statement & republish (Dec 17)	Dec 17	Completed
IT Disaster Recovery	Oct 17	Substantial	13	3			10	<ul style="list-style-type: none"> <li>• Seating in the event of the DR plan</li> <li>• Contractor requirements (Housing)</li> <li>• LAN connection (Hamilton House)</li> <li>• Property Services to review utility requirements</li> <li>• ICT Disaster Recovery Plan -</li> </ul>		All 31/03/2018 except as stated

								<p>presented to the CMT for formal 'approval'</p> <ul style="list-style-type: none"> <li>• Produce Business Continuity Plans for the remaining service areas</li> <li>• Ensure that the approach used to assess risks is clearer</li> <li>• Address RPO in the Business Continuity Plans for the Service Areas</li> <li>• Have the Service Areas plan for 'loss of IT services' for up to two (2) weeks</li> <li>• Liaise with representatives from NKDC (and WLDC) to ensure that they understand the recovery timescales to which the IT department at CoLC are working to.</li> <li>• CMT to ensure that the BCG meets regularly</li> <li>• Ensure that the next BCP desk-top exercise includes the IT DR plan</li> <li>• Review the arrangements for wider staff education and awareness</li> </ul>	Oct 17	Completed
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Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Progress since previous Committee
					H	M				
<b>CX - Chief Finance Officer</b>										
Accountancy PH CMCS	June 15	Effective	3	3				Review Financial Procedure Rules & update the budget holder manual (Dec 15)	Jan 18 Sep 17	Audit Committee 19 <sup>th</sup> December Exec to follow
Risk Management PH CMCS	May 17	Substantial	9	8		1		Improve guidance & deliver further training CLT/Members (Sept 17)	Mar 18	Guidance improved Further training to be scheduled. Approach being developed.
Corporate Governance Code	Oct 17	Substantial	See above					Consider the need for a detailed AMP (Mar 18)  Review & approve the terms of reference for CMT / CLT (Dec 17)	Mar 18 Dec 17	Not Yet Due  Not Yet Due Reviewed – final sign off 12 <sup>th</sup> December.

Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Progress since previous Committee
					H	M				
<b>CX – City Solicitor</b>										
Sickness Absence  PH	Aug 17	Substantial	6	1			5	Issue guidance on the RTW process & monitor performance  Review the processes for calculating performance & consider other measures  Provide sickness management training & guidance  Verify that pregnancy related sickness is being correctly dealt with  Include reference to stress / mental health in guidance & procedures  See also High priority rec at para 7.	Dec 17	Completed   Completed  Completed  Feb 18 Extended – further stress training to be provided
Corporate Governance Code	Oct 17	Substantial	See above					Upload the latest version of the Constitution onto the website (Oct 17)	Oct 17	Update requested

Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Progress since previous Committee
					H	M				
<b>DHR - Assistant Director Housing</b>										
Vehicle Fuel Management PH Housing	Feb 2013	Limited	8	7		1		Update the Driver Code of Practice (Aug 13)	Jan 18 Dec 17  <i>Aug 17</i>	Draft agreed with Unions and final should be completed by end December
Control Centre PH Housing  Paula is getting back on these	Oct 16	Substantial	8	5		2	1	Establish a data sharing agreement with Age UK (Mar 17)  Ensure up to date agreements are in place with agencies (Sep 17)	April 18	Complete  Working on the first contract that will form the basis of all others – new target April 18
Responsive Repairs PH Housing	Jun 17	Substantial	6	2		4		Use text messaging to advise tenants of repair appointments (Aug 17)  Record planned repairs on UH (Nov 17)  Align the level of post inspections required by the Repairs Service Standard and the Quality Service Manual (Nov 17)  Ensure post inspections are spread evenly across teams and repair types (Nov 17)		Completed  Updates requested



								Take before & after photos (Nov 17)		
Stores	Nov 17	Limited	11	2	1	2	6	Agree a process for adding items to the core stock list (Mar 18)	Mar 18	Not Yet Due
								Develop a process for paying TP for goods used by other service areas (Nov 17)	Nov 17	Updates requested
								Establish a process to ensure that staff are on site to receive any third party deliveries (Dec 17)	Dec 17	
								Implement, document & communicate a process for tool purchase and staff discount (Oct 17)	Oct 17	
								Introduce a 6-monthly review of the store card limits (Oct 17)	Oct 17	
								Undertake a fraud / theft risk assessment (Dec 17)	Dec 17	Not Yet Due
								Ensure that the operation of CCTV cameras is in accordance with DP requirements (Dec 17)	Dec 17	Not Yet Due
									Oct 17	

								Review out of hours security and access (Oct 17)	Jan 18	Not Yet Due
								Undertake a regular stock-check of materials on vans (Jan 18)	Dec 17	Not Yet Due
								Clear the unallocated materials suspense account on a regular basis (Dec 17)		
								Also see High priority recs at para 9.		

Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Comments / Progress
					H	M				
<b>DCE - Assistant Director Health and Environmental Services</b>										
Empty Homes PH Housing	Sept 13	Limited	6	5		1		Review the Private Sector Housing Enforcement Strategy (Apr 14)	Apr 18 Oct 17	We have a target date to update the Housing Enforcement Policy, to include new legislative powers and a review of fees and penalties, by April 2018.
Health & Safety Development Plan	Mar 17	Substantial	2	1		1		Resolve the remaining RO cases (Aug 17)  Develop a resource plan for the H&S	Oct 17  Oct 17	Prev 7 now 1 O/S; by 31/03/2018  Completed

PH CMCS								Development Plan projects (May 17)		
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Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Comments / Progress
					H	M				
<b>DCE - Assistant Director Communities &amp; Street Scene</b>										
Boultham Park Refurbishment PH RSH PH PPER	Jun 17	High	2	1		1		Complete the revised partnership agreement (Jul 17)	Dec 17	Meeting December to finalise
Transport Hub PH CMCS PH PPER	April 17	Substantial	2	1		1		Financial and operating costs – approval and review (Jul 17)	Oct 17	Complete

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Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Comments / Progress
					H	M				
<b>MDD – Major Developments Directorate</b>										
Transport Hub PH CMCS PH PPER	April 17	Substantial	10	6		4		Review Thub health and safety file CHS (Jul 17)	Jan 18	In progress
								CE's finalized and marked off financial report (Jul 17)	Jan 18	In progress Revised date
								CE documentation (Apr 17)		Update requested (Links to above)

								Project manager classed as budget operator (Apr 17)		Not being progressed on this project
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**SUBJECT: APPOINTMENT OF EXTERNAL AUDITORS**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER**

## **1. Purpose of Report**

- 1.1 The report asks the committee to note the progress in appointing the Council's external auditor once the current contract ends on 31 March 2018.

## **2. Executive Summary**

- 2.1 The Council's contract with our current external auditors (KPMG) runs out on the 31 March 2018. KPMG will however still undertake the audit of the 2017/18 Statement of Accounts during June - July 2018.
- 2.2 As part of the process for appointing our future external auditors, the Council approved the opt-in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of its external auditors.

## **3. Background**

- 3.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government (DCLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 3.2 The Council's current external auditor is KPMG, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by PSAA, the body set up by the LGA with delegated authority from the Secretary of State. Over recent years the Council has benefited from a reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission.
- 3.3 When the current transitional arrangements come to an end on 31<sup>st</sup> March 2018 the Council was able to move to local appointment of the auditor. There were a number of routes by which this could be achieved and the Council chose the opt-in to the appointing persons arrangements made by PSAA.
- 3.4 For audits of the accounts from 2018/19, PSAA is responsible for appointing an auditor to Council's that have chosen to opt in to its national auditor appointment arrangements.

#### **4. Proposed Audit Appointment for 2018/19**

- 4.1 PSAA wrote to the Council on the 14 August 2017 informing of the proposed appointment of Mazars LLP to audit the accounts (for a period 5 years) from 2018/19. The appointment will start on the 1 April 2018.
- 4.2 The Council wrote back to confirm our acceptance of this proposal, with the PSAA board then considering all proposed auditor appointments at its meeting on the 14 December 2017. After which they will write to the Council to confirm the appointment of Mazars LLP.
- 4.3 In developing the appointment proposal, PSAA have applied the following principles:
- Ensuring auditor independence
  - Meeting PSAA commitments to the firms under the audit contracts
  - Accommodating joint/ shared working arrangements, where these are relevant to the auditor's responsibilities
  - Ensuring a balanced mix of authority types for each firm
  - Taking into account each firms principal locations
  - Providing continuity of audit firm if possible, but avoiding long appointments

#### **5. Strategic Priorities**

- 5.1 There are no direct implications for the Council's strategic priorities. The appointment of an External Auditor is a statutory requirement of the Council and as such contributes towards the fitness for purpose of the Council's governance arrangements.

#### **6. Organisational Impacts**

##### **6.1 Finance**

PSAA will consult on the scale fees for 2018/19 in the coming months and will confirm scale fees for 2018/19 in March 2018. The results of the audit procurement indicate that a reduction in scale fees in the region of 18% should be possible (based on individual scale fees for 2016/17).

##### **6.2 Legal Implications including Procurement Rules**

As outlined in the report.

#### **7. Recommendation**

Audit Committee is recommended to:

- 7.1 Note, subject to confirmation in December, Mazars LLP have been appointed as the Council's external auditor from 1 April 2018, for a period of 5 years.

<b>Is this a key decision?</b>	No
<b>Do the exempt information categories apply?</b>	No
<b>Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?</b>	No
<b>How many appendices does the report contain?</b>	None
<b>List of Background Papers:</b>	None
<b>Lead Officer:</b>	Robert Baxter, Interim Chief Finance Officer Telephone (01522) 873361

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<b>SUBJECT:</b>	<b>WHISTLEBLOWING POLICY AND GUIDANCE</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>

**1. Purpose of Report**

1.1 To update the Whistleblowing policy and guidance.

**2. Executive Summary**

2.1 The Council's current whistleblowing policy has been updated to reflect changes in personnel and other external links and has been re-formatted to make the presentation clearer. There have been no material changes to the content.

**3. Background**

3.1 The Council's whistleblowing policy is part of range of counter fraud policies which are reviewed every two years (or sooner if required).

3.2 A Whistleblower is generally a term used for a person who works in or for an organisation and raises an honest and reasonable concern about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success and reputation of the organisation.

3.3 UK law protects employees from dismissal, harassment or victimisation if such treatment occurs as a result of having made a whistle-blowing disclosure considered to be in the public interest. If workers bring information about a wrongdoing to the attention of their employers or a relevant organisation, they are protected in certain circumstances under the Public Interest Disclosure Act 1998. This is commonly referred to as 'blowing the whistle'. The law that protects whistle-blowers is for the public interest - so people can speak out if they find malpractice in an organisation. Blowing the whistle is more formally known as 'making a disclosure in the public interest'.

**4. Policy and Guidance**

4.1 The content of the Whistleblowing policy and guidance remains largely unchanged with the exception of personnel changes, external links and presentational changes to help improve understanding.

**5. Organisational Impacts**

5.1 Finance (including whole life costs where applicable)

There are no financial implications.

5.2 Legal Implications including Procurement Rules

There are no direct legal implications; however the policy helps ensure compliance with UK law.

5.3 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required).

There are no changes to the existing Equality Impact Assessment.

**6. Recommendation**

6.1 That Audit Committee approve the updated policy and guidance.

**Is this a key decision?** No

**Do the exempt information categories apply?** No

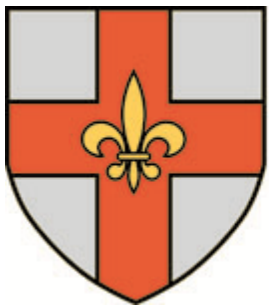
**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?** No

**How many appendices does the report contain?**

**List of Background Papers:**

**Lead Officer:** John Scott, Audit Manager  
Telephone (01522) 873321

# Whistleblowing Policy And Guidance



CITY OF  
*Lincoln*  
COUNCIL

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How we will respond 41

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Monitoring 62

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# Whistleblowing Policy

## Control

Owner / Policy Lead Officer: John Scott Audit Manager / Claire Burroughs Human Resources Manager

Responsible Officer: City Solicitor (Monitoring Officer)

Consultation: Audit Committee

Date: December 2017

Review Arrangements: Every two years

Version 2.0

Sept 2013 Version 1.01

July 2015 Version 1.02

September 2015 Version 1.03

December 2017 Version 1.04

## Introduction

1. At City of Lincoln Council we want to make sure that we are providing excellent services to the residents of Lincoln. Our staff, Councillors, partners and contractors have an important role to play in achieving this goal and we expect everyone to be committed to our high standards of service which are based on the principles of honesty, openness and accountability.

2. We know that we face the risk that something may go wrong or that someone may ignore our policies, our procedures or the law resulting in some very serious consequences. Experience shows that staff, or others who work on behalf of an organisation, often have worries or suspicions and could, by reporting their concerns at an early stage, help put things right or identify and stop potential wrongdoing.

3. A **Whistleblower** is generally a term used for a person who works in or for an organisation and raises an honest and reasonable concern about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success and reputation of the organisation.

4. We want you to feel that it is safe and acceptable to tell us about your concerns so that we can investigate and take action as soon as possible. We recognise that you may be worried about reporting for a number of reasons:

- fear of reprisal or victimisation (e.g. loss of job)
- too much to lose (reputation, damage to career etc.)
- feelings of disloyalty
- worries about who may be involved
- you have no proof only suspicions
- fear of repercussions if there is no evidence or you are proved wrong

5. We welcome all genuine concerns and will treat your issues seriously - this policy explains how to raise a concern, the types of activity you should report, the protection we can provide, confidentiality, our response and how you can take matters further, if necessary.

6. We want to assure you that there is no reason to remain silent; your decision to talk to us may be difficult but, if you believe what you are saying is true, you have nothing to fear as you are following the Council's Code of Conduct and helping to protect the users of our services and the residents of Lincoln. We will not tolerate any harassment or victimisation and we will take action to protect those of you who raise concerns that you believe to be in the public interest.

7. UK law protects employees from dismissal, harassment or victimisation if such treatment occurs as a result of having made a whistle-blowing disclosure considered to be **in the public interest**. In addition to the employer's liability, the individual who subjects the employee to such treatment may also be held personally liable.

8. If workers bring information about a wrongdoing to the attention of their employers or a relevant organisation, they are protected in certain circumstances under the Public Interest Disclosure Act 1998. This is commonly referred to as 'blowing the whistle'. The law that protects whistle-blowers is for the public interest - so people can speak out if they find malpractice in an organisation. Blowing the whistle is more formally known as 'making a disclosure in the public interest'.

9. Qualifying disclosures are disclosures of information where the worker reasonably believes (and it is in the public interest) that one or more of the following matters is either happening, has taken place, or is likely to happen in the future.

- A criminal offence
- The breach of a legal obligation
- A miscarriage of justice
- A danger to the health and safety of any individual
- Damage to the environment
- Deliberate attempt to conceal any of the above.

10. If a worker is going to make a disclosure it should be made to the employer first, or if they feel unable to use the organisations procedure the disclosure should be made to a prescribed person, so that employment rights are protected.

11. Workers who 'blow the whistle' on wrongdoing in the workplace can claim unfair dismissal if they are dismissed or victimised for doing so. An employee's dismissal (or selection for redundancy) is automatically considered 'unfair' if it is wholly or mainly for making a protected disclosure.

12. You may be a member of the public with concerns or information which you think we should know about or look into. You should, however, follow the Corporate Complaints process if your concern is about a particular service that we have provided you.

## **Scope**

13. You can use our Whistleblowing arrangements if you are: a Councillor, Council employee, a contractor, partner or member of the public. Our policy also applies to agency staff, contractor staff and suppliers providing goods or services to, or on behalf of, the Council.

14. Our Whistleblowing arrangements **do not** replace the following:

- Child Protection Safeguarding reporting
- Adult Care Safeguarding reporting
- Corporate Complaints Procedure
- Disciplinary Policy
- Grievance Policy
- Dignity at Work Policy

15. You should only consider raising concerns through our Whistleblowing arrangements if:

- you have genuine reasons why you cannot use the above policies and procedures
- you have reason to believe that these policies are failing or are not being properly applied
- there is a public interest aspect

## Protection and Confidentiality

16. The Whistleblowing law is contained in the Public Interest Disclosure Act 1998 (PIDA – amended by the Enterprise and Regulatory Reform Act 2013). Public bodies, such as this Council, are required to have a Whistleblowing policy and to ensure that employees are not victimised or dismissed for raising their concerns internally. This also applies to those who, as a last resort, feel the need to take their concerns to an outside body, such as the Local Government Ombudsman.

17. We will not tolerate any harassment or victimisation (including informal pressure) and we will take action to protect you when you raise a concern believed to be in the public interest. We will take any disciplinary or corrective action should anyone attempt to victimise the whistle-blower or prevent concerns being raised.

18. You may feel that the only way you can raise your concerns is if we protect your identity. We will respect your confidentiality as far as we possibly can but there are times when we cannot guarantee this, for example, where a criminal offence is involved or if there are child protection or adult safeguarding issues.

19. If we proceed to a formal investigation we may require you to give evidence along with other employees and witnesses; we are, in some circumstances, able to do this without disclosing the identity of the whistleblower. A statement from you may also be required as part of criminal proceedings or Employment Tribunal – this depends on the nature of the concern.

20. We will attempt to ensure the whistleblower's identity is not disclosed to third parties without a court order. If the information you provide includes personal information about another person, then that person may be entitled to access it under subject access provisions of the Data Protection Act. If releasing that information could reveal details about the whistleblower, we will always ask for your consent prior to releasing the information.

21. If your whistleblowing disclosure results in an internal investigation and you provide a witness statement under that process, your statement may be used for disciplinary purposes. This means your statement may be given to the subject as part of a disciplinary hearing. An employee subject to the disciplinary process can ask to see personal information held about them at any time under the subject access provisions of the Data Protection Act – this may include information within your statement. If it is possible to provide access to personal information within your statement without revealing any information about you, we will do so. If this is not possible, we will always seek your consent before releasing any information.

22. If your statement is not required for disciplinary purposes it will be:

- held confidentially on our case file (until the case file is destroyed after 7 years)
- released only with your consent or a Police / Court Order



## 23 The Council:

- does not expect you to give us your consent – this is your decision alone – but we are required by law to ask you
- does not need a reason should you choose to refuse the request

24. If you find yourself the subject of a whistleblowing disclosure and a decision is made to investigate, the Council will follow the appropriate employment procedure: dignity at work, grievance or disciplinary. This means you will have all the rights contained in that procedure, such as, the opportunity to respond to the allegation and representation at the investigatory interview.

### **What you should report**

25. We encourage you to use our whistleblowing arrangements for issues such as:

- conduct which is a criminal offence or breach of law
- a breach of our Code of Conduct for staff or Councillors
- sexual, physical or verbal abuse of our clients, employees or public
- dangerous procedures risking the health & safety of our clients, employees or public
- unauthorised use of public funds
- suspected fraud or corruption
- damage to the environment (e.g. land, buildings, highways, water, air, waste, energy, transport, natural habitat etc.)
- unethical or improper conduct
- services that fall seriously below approved standards or practice
- failure to follow the Council's policies and procedures

NB. This is not an exhaustive list

### **Anonymous or untrue allegations**

26. We do not encourage anonymous reporting as the concerns are more difficult to investigate and are generally less powerful. We would like you to put your name to the allegations whenever possible and remind you of the protection we can provide if we know who you are.

27. Anonymous whistleblowing referrals will be considered at the discretion of the officers handling your concern, in consultation with the service area, where appropriate. This discretion will be based on the:

- seriousness of the issues raised
- credibility of the concern
- likelihood of confirming the allegation from an attributable source
- evidence base

28. It may be that our investigations do not confirm your allegation. We take all concerns seriously and can assure you that no action will be taken against you if you have raised a concern in the genuine belief that it is, or may be, true.

29. If we find that you have maliciously made a false allegation we will take action and you will not be eligible for protection under PIDA.

### **How to raise a concern**

30. We encourage you initially to raise your concern internally – this allows the Council the opportunity to right the wrong and give an explanation for the behaviour or activity. We recognise that your first actions will depend upon the seriousness and sensitivity of the issues and who you believe to be involved. We advise that you make it clear that you are raising your concerns under the Council's whistleblowing arrangements.

31. **You can report the matter to the following people** (and if you are in any doubt about what you should do):

You should normally tell your line manager if you are concerned about any form of malpractice. There is no special procedure for doing this - simply tell them about the problem or put it in writing if you prefer. At whatever level you raise the issue, you should declare whether you have a personal interest in the issue at the outset. If your concern falls more properly within the grievance procedure your manager will tell you.

If you feel unable to tell your line manager, for whatever reason, you should raise the issue with one of the following officers:

Monitoring Officer 01522 873323                      Email: [carolyn.wheater@lincoln.gov.uk](mailto:carolyn.wheater@lincoln.gov.uk)

Audit Manager 01522 873321                      Email: [john.scott@lincoln.gov.uk](mailto:john.scott@lincoln.gov.uk)

Human Resources Manager 01522 873856      Email: [claire.burroughs@lincoln.gov.uk](mailto:claire.burroughs@lincoln.gov.uk)

32. You may wish to raise the matter in person and you can do this by using one of the contact numbers above or alternatively you can contact the Council's confidential freephone whistleblowing number on **0800 0853716**

Email: [whistleblowing@lincolnshire.gov.uk](mailto:whistleblowing@lincolnshire.gov.uk)

### **In writing:**

**Lincolnshire local authorities**  
**PO Box 640**  
**Lincoln**  
**LN1 1WF**

33. The Investigations Team, who report directly to the Head of Corporate Audit & Risk Management at Lincolnshire County Council, operate this dedicated reporting line during normal working hours (9am to 5pm). If you call this number out of hours you can leave a message on the

answer phone which is located in a secure area. *This is a shared whistleblowing number used by all Lincolnshire Council's under a partnership arrangement.*

33. Concerns are better submitted in writing – we need the background and history of your concern, giving names, copies of any documents, dates and places (where possible). We would like you to explain why you are concerned about the situation – we do not expect you to prove the truth of an allegation but you will need to show that there are sufficient grounds for your concern.

34. You can write (or email) directly to one of the officers named above or you can also use the City of Lincoln confidential PO Box or email address (which is monitored by a nominated officer within the Investigations Team).

City of Lincoln Council  
PO Box 747  
Lincoln  
(Lincoln) Email address: [whistleblowing@lincoln.gov.uk](mailto:whistleblowing@lincoln.gov.uk)

35. If you are not comfortable with this line of reporting or if you feel that your concerns have not been dealt with properly or received a satisfactory response, you can inform the Chief Executive, Angela Andrews, of your concern, her contact details are:

Telephone number: 01522 873300  
Email address: [angela.andrews@lincoln.gov.uk](mailto:angela.andrews@lincoln.gov.uk)  
Postal address: Chief Executive, City of Lincoln Council, City Hall, Beaumont Fee, Lincoln, LN1 1DB.

### **Safeguarding Children and Vulnerable Adults**

36. If your concerns relate to safeguarding children or adults at risk report to the Council's Customers Services team on 01522 881188 or email [customer.services@lincoln.gov.uk](mailto:customer.services@lincoln.gov.uk) or alternatively call Emergency Social Care Services on 01522 782333. Please see the Safeguarding Policy & Information leaflet for more details on the Intranet / Website ([www.lincoln.gov.uk](http://www.lincoln.gov.uk))

### **Responding to allegations or concerns against a member of staff, Elected Member, volunteer or any other person relating to Safeguarding**

- Take the allegation or concern seriously
- Consider any allegation or concern to be potentially dangerous to the child or young person or adult at risk
- Record in writing all the details that you are aware of as soon as possible

37 If an allegation of abuse is made against a member of staff, Elected Member or volunteer, the Human Resources Manager and the Lead Safeguarding Officer must be informed immediately. The Human Resources Manager and Lead Safeguarding Officer (or in their absence, the Director responsible for Safeguarding) will inform the Chief Executive and the Local Authority Designated Officer for Allegations (LADO) and consideration will be given to suspending the member of staff from work or moving them to alternative duties not involving contact with children, young people and adults at risk – in accordance with the Council's Disciplinary Policy and Procedure. If the Human Resources Manager or the Lead Safeguarding Officer are the subject of the

suspicion/allegation, the report must be made directly to the Director responsible for safeguarding.

## **Representation**

38. The whistleblower may take advice, for example from their trade union and or professional organisation, in respect of their concerns before or after it is raised. However, care is needed to ensure that this will not result in a breach of confidentiality or the disclosure of exempt information.

39. The whistleblower will be allowed to be accompanied to any meeting in respect of the concern, for example by a trade union representative, and/or professional body provided that they are not connected to any person under investigation. The Council has the right to expect any person accompanying or advising the complainant to maintain the confidentiality of the case.

40 Staff can also invite their trade union representative or a work colleague to raise a concern on their behalf.

**Remember** – the earlier you raise the concern, the easier it is to take action.

## **How we will respond**

41. Our response will depend on the nature of the concern raised and may be:

- advice only
- resolved by agreed action without the need for investigation
- investigated internally (by management, Counter Fraud & Investigations Team or other independent investigators)
- referred to the relevant safeguarding team (child protection or vulnerable adults)
- referred to the Police
- referred to the external auditor
- the subject of an independent inquiry

42. The officer receiving the whistleblowing allegation (if a major issue) will immediately notify the Audit Manager to include the disclosure on a central register.

43. We may carry out initial enquiries in order to protect individuals or employees and those accused of wrongdoing. We will use the results of these enquiries to decide whether an investigation is needed and if so, what form it should take. If urgent action is required this will be taken before we start any investigation.

44. We will acknowledge your whistleblowing disclosure within 5 working days. Within the next 10 working days we will write and explain how we propose to deal with the matter. The whistleblower will be:

- given an estimate of how long it will take to provide a final response
- told if initial enquiries have been made

- told if further investigation is required, and if not, why not (where appropriate)
- given details of support mechanisms
- advised of the investigating officer (where appropriate)
- advised how we will inform you of progress

45. The amount of contact between you and the Officer considering your whistleblowing disclosure will depend on the nature of the concerns raised. For example, if further investigation is required, the investigator may need to seek additional information from you.

46. If a meeting is necessary, this can be held off site if you prefer. If you are an employee you will have a right to be accompanied – this will be a union representative or work colleague (not involved in the area where the concern exists). If you are not an employee you may wish to bring a friend with you – a neutral venue can be arranged, where required.

47. We will help with any difficulties you may experience as a result of raising a concern – we will, for example, provide advice if you are required to give evidence for criminal or disciplinary proceedings. Sometimes whistleblowers have counter-allegations made against them. The Council has a duty to investigate any concerns that it receives and that will apply in these circumstances. However this will not detract from the principles, as set out in this policy, which govern how the Council will respond to whistleblowers. The over-riding objective will be to establish the truth.

48. Records will be retained of all work carried out and actions taken to address the concerns raised by the whistleblower, including the investigator's case file, where relevant. All files will be held securely and confidentially, in accordance with the Council's retention of records policy.

49. At the end of our investigations we will provide feedback to the whistleblower (if known) on actions taken and limited detail on the outcome of investigations. Feedback will be subject to legal constraints but we do recognise the importance of providing you with assurances that the matter has been dealt with properly.

### **Additional Advice on reporting:**

#### **What details should I provide?**

50. You should provide as much information as possible, including:

- Dates, times, details, names etc.;
- Details of any action you have taken to date

The more information provided, the greater is the opportunity for establishing the facts. You should clearly state that the allegation is being made under the Council's Whistle Blowing policy.

#### **Should I investigate the matter myself?**

- You should NOT investigate the matter yourself.
- You should provide the details that you are aware of.
- Do not alert those suspected of being involved.
- Do not approach or accuse individuals.
- Do not tell anyone other than the designated persons mentioned in this policy.
- Do not undertake searches.

51. Any records and documents in your possession should be retained and kept securely to prevent alteration or loss.

### **Taking the matter further**

52. If you have genuine concerns about how we have handled your whistleblowing disclosure you can raise this with the investigating officer(s) and/or the Monitoring Officer.

53. There might be cases where your concerns are so serious, or involve the most senior officers in the Council, that you want to complain directly to an external body. You may feel that the internal investigation is not satisfactory. See sections 44 and 45 for further details.

54 What should I consider before I report my concerns externally?

Before you report a matter externally you should be sure that:

- the matter is serious and justifies bypassing internal procedures, or
- there is a reasonable belief that evidence might be destroyed, or
- you would be subject to detrimental treatment, or
- it is reasonable to disclose the information to the person concerned.

You should have reasonable suspicions that one or more of the following has occurred:

- that a criminal offence has been committed, is being committed or is likely to be committed
- that a person has failed, is failing or is likely to fail to comply with any legal obligation or statutory duty
- that a miscarriage of justice has occurred, is occurring or is likely to occur
- that the health or safety of any individual has been, is being or is likely to be endangered
- that the environment has been, is being or is likely to be damaged
- that information (relating to any of the above) is being or is likely to be deliberately concealed

55 Where can I report my concerns externally?

56. There are a number of organisations which have been approved to deal with your concerns externally. These organisations are called “prescribed bodies”.

57. As long as you have properly considered the need to report externally, and believe that the information you hold and any allegation are substantially true, the Council will do its utmost to protect you from reprisals, or victimisation for raising your concerns in good faith.

58. Some of the main prescribed bodies for local authorities include the Audit Commission (which appoints the External Auditor), Information Commissioner, Environment Agency, Health and Safety Executive, HM Revenue and Customs, and the Serious Fraud Office. Useful contact addresses and telephone numbers can be found in Appendix A.

59. A key source of information about whistle blowing is Public Concern at Work (PCaW) which is an independent authority of public interest whistle blowing. Established as a charity in 1993 following a series of scandals and disasters, PCaW has played a leading role in putting whistle blowing on the governance agenda and in developing legislation in the UK and abroad. Their contact details are contained in Appendix A.

60. You should only make disclosures to non-prescribed bodies (e.g. to the media, MPs, the police and non-prescribed regulators) if, in addition to the tests above, they are reasonable in all the circumstances and they meet one of the following three preconditions:

- you reasonably believe that you would be victimised if you raised the matter internally or with a prescribed regulator;
- you reasonably believe a cover-up is likely and there is no prescribed regulator; or
- you have already raised the matter internally or with a prescribed regulator.

61. We would like to remind you that employees are not to report any Council related issues to the media – to do so may be considered a breach of the Council’s Disciplinary Policy and Code of Conduct.

**Monitoring**

62. The Audit Manager will provide an annual report to the Council’s Audit Committee which has responsibilities for overseeing the effectiveness of the Council’s governance arrangements. All reporting will be anonymised, show common themes, numbers of disclosures year on year and will highlight actions taken to improve systems and policies.

End of policy



## LIST OF EXTERNAL BODIES

Organisation	Contact Details	Areas of Concern
Environment Agency	National Customer Contact Centre, PO Box 544, Rotherham, S60 1BY  Phone: 03708 506 506  <a href="http://www.environment-agency.gov.uk">www.environment-agency.gov.uk</a>	The leading public body for protecting and improving the environment in England and Wales.
Food Standards Agency	National Helpline Number: 0207 276 8829  <a href="http://www.food.gov.uk">www.food.gov.uk</a>	The Food Standards Agency is an independent Government department set up by an Act of Parliament in 2000 to protect the public's health and consumer interests in relation to food.
Health & Safety Executive	Midland Area office for Lincoln: Health & Safety Executive, , Kingsley, Dunham Centre, Nicker Hill, Keyworth, Nottingham NG12 5GG Phone: 0115 937 7501  <a href="http://www.hse.gov.uk">www.hse.gov.uk</a>	HSE aims to protect people against risks to health and safety arising out of work activities.
Homes and Communities Agency  Housing Ombudsman	National telephone number (for all telephone enquiries): Phone 0300 1234 500  <a href="http://www.homesandcommunities.co.uk">www.homesandcommunities.co.uk</a>  See also the Housing Ombudsman. <a href="http://www.housing-ombudsman.org.uk">www.housing-ombudsman.org.uk</a> . Phone 0300 111 3000	The national housing and regeneration agency for England and Wales and also the regulator for social housing in England
Information Commissioner	Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF  Phone: 0303 123 1113  <a href="http://www.ico.org.uk/">www.ico.org.uk/</a>	The Information Commissioner's Office is the UK's independent authority set up to promote access to official information and to protect personal information.

<b>Organisation</b>	<b>Contact Details</b>	<b>Areas of Concern</b>
Local Government Ombudsman	The Local Government Ombudsman, PO Box 4771, Coventry, CV4 0EH  LGO Advice Team. Phone: 0300 061 0614  <a href="http://www.lgo.org.uk">www.lgo.org.uk</a>	The Local Government Ombudsman looks at complaints about councils and some other authorities.
Public Concern at Work (PCaw)	Public Concern at Work, Suite 301, 16 Baldwins Gardens, London, EC1N 7RJ.  Phone: 0207 404 6609  <a href="http://www.pcaw.org.uk">www.pcaw.org.uk</a>	All matters of malpractice and/or wrong-doing.
Serious Fraud Office	Serious Fraud Office, 2-4 Cockspur Street London SW1Y 5BS  Public enquiries Tel: 020 7239 7272  <a href="http://www.sfo.gov.uk">http://www.sfo.gov.uk</a>	The Serious Fraud Office is a government department and is part of the UK criminal justice system.  Its aim is to protect society by pursuing and prosecuting those who commit serious and complex fraud.
Action Fraud	Hotline 0300123 2040  <a href="http://www.actionfraud.police.uk">www.actionfraud.police.uk</a>	UK National Fraud and Internet Crime Reporting Centre
Lincolnshire Police	<a href="http://www.lincs-police.uk">www.lincs-police.uk</a>  Phone 101	
KPMG External Auditor	<a href="http://www.kpmg.com">www.kpmg.com</a>  0207 311 1791 (Public sector audit and assurance)	KPMG are the Council's external auditor.
Mazars (from September 2018)	45 Church Street, Birmingham B3 2RT Phone: 0121 232 9500	Mazars are the Council's new external auditor

<b>Organisation</b>	<b>Contact Details</b>	<b>Areas of Concern</b>
National Audit Office	<p><a href="http://www.nao.org.uk">www.nao.org.uk</a> Phone 020 7798 7264</p> <p>Whistleblowing hotline: Phone 020 7788 7999</p> <p>Alternatively, you can email general enquiries to <a href="mailto:enquiries@nao.gsi.gov.uk">enquiries@nao.gsi.gov.uk</a> (please also email us if you wish to attach a document).</p>	<p>NAO scrutinises (central government) public spending on behalf of UK government</p> <p>You can also obtain information about making a disclosure about a local public body.</p>
Lincolnshire Social Services	<p>Children Services 01522 782111 Adult Safeguarding 01522 782155 Emergency Duty Team 01522 782333</p>	Safeguarding children and vulnerable adults

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<b>SUBJECT:</b>	<b>FRAUD AND ERROR UPDATE REPORT (2017/18) 6 MONTHS</b>
<b>REPORT BY:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>
<b>LEAD OFFICER:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>

## 1. Purpose of Report

1.1 This report provides an update to Committee on Counter Fraud arrangements: -

## 2. Executive Summary

2.1 This report:

- Provides an update on the Lincolnshire Counter Fraud Partnership
- Provides a position statement on the National Fraud initiative
- Outlines fraud work within Housing benefits and other areas.
- Provides an update on counter fraud outcomes

### 2.2 Lincolnshire Counter Fraud Partnership (LCFP)

The Lincolnshire Counter Fraud Partnership involving all Lincolnshire Councils was created following the successful application for Government counter fraud funding. Partnership working across all Lincolnshire Councils has been extended to 31st March 2018.

This is being project managed by Lincolnshire County Council. The partnership has been involved with a number of counter fraud projects and has a forward programme of work.

### 2.3 Key Messages (November 2017)

The Lincolnshire Counter Fraud Partnership's (LCFP) arrangement continues to make efficient use of the limited counter fraud resources within the Lincolnshire local authorities. Extensive and varied communication channels have been used to promote fraud awareness among a wide audience and increased whistleblowing traffic is evidence that this is working well. Project savings further support achievements made.

Assurance Lincolnshire, on behalf of the Lincolnshire Counter Fraud Partnership (LCFP), continues to co-ordinate the response of Lincolnshire local authorities in tackling high-risk areas of fraud against the councils. The group has now been extended to include representatives from the Police and Crime Commissioner (PCC) for Lincolnshire and Lincolnshire Police. All partners have contributed to LCFP's funding in 2017/18.

2.4. Areas of progress in 2017/18 include:

- development of e-learning and sharing with district partners to enable them to

train their employees. Positive feedback has been received and staff have found the course interesting and informative. The course is increasing counter fraud knowledge

- successful delivery of the Council Tax Reduction (CTR) exercise<sup>1</sup> which identified revenue of around £500k<sup>2</sup> from CTR fraud & error. The approach will be rolled out across the other districts in 2018/19 – the estimated net revenue gain is £724k
- delivery of housing tenancy fraud briefing to encourage districts with housing stock to participate in a housing tenancy fraud data check
- LCFP part funded a resource to deliver a pilot scheme to expand the National Non Domestic Rate base. The project identified potential missing & undervalued properties. Savings are estimated at £151k and the NNDR base was increased by £409k
- SPD 2018: procurement arrangements have started for the 2018 review (estimated total net revenue gain £520k). Revenues & Benefits managers will establish responsibilities and milestones.

2.5 LCFP priority work during the remainder of 2017/18 includes delivery of regular communications with stakeholders aimed at building an anti-fraud culture. Follow up Fraud Health Check reviews will also be performed to evaluate the counter fraud measures in place against best practice.

### **3. Fraud Awareness**

3.1 Efforts to build understanding of fraud risks and indicators have continued in 2017/18. Better knowledge and awareness should have the long term benefit of making the Council more resilient to fraud. A counter fraud culture depends on stakeholders at all levels playing a part to prevent and detect fraud.

A key development in 2017/18 has been the development and roll out of a Fraud Awareness e-learning course. This package includes sections on understanding fraud as well as steps to prevent and detect fraud. The key issue that fraud prevention is everybody's responsibility is also covered.

Lincolnshire County Council have recently commenced a proactive exercise on procurement fraud – this remains the largest single area of fraud loss within local government. A major element of this work will be to improve awareness of the risks involved. Fraud awareness material distributed and plan to identify high risk contract areas for further work. Information about the approach / findings will be shared with the districts – a starting point for their pro-active work in this area.

Plan to develop a supplier Code of Practice covering expectations about counter fraud arrangements.

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<sup>1</sup> CTR pilot involved Boston Borough Council in collaboration with Capacitygrid

<sup>2</sup> CTR overpayments £181k, housing benefit overpayments £224k and subsidy / funding implications £93k

### **3.2 Targeted Pro-Active Exercises**

We are in the early stages of an exercise to proactively prevent and detect procurement fraud. This has long been held nationally as a notoriously difficult area to tackle – estimates of fraud loss are high yet detection rates are low. We will be combining increased efforts to improve awareness of fraud risks within the procurement and contract management cycles with use of data analysis techniques

### **3.3 CIPFA Fraud and Corruption Tracker**

We are awaiting CIPFA to release its report detailing the outcomes from their review.

### **3.4 Cyber-Crime**

Group to develop a cyber-crime briefing note.

### **3.5 Housing Benefit**

In 2016/17 the Council was involved with 184 benefit referrals to and from SFIS linked to possible benefit fraud. ColC officers are still responsible for agreeing administrative penalties.

For 2016/17 19 Housing Benefit administrative penalties were issued for City of Lincoln Council. These had a value of £27,368.74. The overpaid Housing Benefit value was £56,509.53.

So far in 2017/18 the Council was involved with 82 benefit referrals to and from SFIS linked to possible benefit fraud. ColC officers are still responsible for agreeing administrative penalties.

For 2017/18 5 Housing Benefit administrative penalties were issued by City of Lincoln Council. These had a value of £4463.08. Overpayments in these cases totalled £9053.97. Four cases were prosecuted and found guilty. Overpayments in these cases totalled £16,967.25. In total CTS values where these linked to HB cases were a reduction of £2329.58. Total overpayments are therefore £28,350.80.

The Benefit/CTS fraud, sanctions and prosecutions policy (January 16) is currently being reviewed; target date for update is 30th June 2018.

### **3.6 Right Benefit Initiative**

RBI replaces Fraud and Error Reduction Incentive Scheme (FERIS) for 2017/18.

The Department for Work and Pensions have consulted with local authority (LA) representatives and the LA Association Steering Group and worked together to design the new initiative.

The aim of RBI is to maximise the return on the available investment, target LA activity on specific areas and remove elements of the previous schemes which were unattractive to LA's.

From 1 April 2017 local authorities (LAs) are asked to focus purely on combating

incorrect earnings and use RBI funding to process as many Optional Real Time Information (RTI) referrals as possible each month.

Where LAs have additional capacity after processing all their Optional RTI referrals in any given month we are asking authorities to undertake additional activities.

A Benefit officer will review the RBI file and undertake processing and a Benefit recovery officer will work on overpayments coming from RBI and these posts will be back-filled.

Of the 492 cases reviewed (CoC), we have created overpayments on 334 of them resulting in a total overpayment for the last 6 months of £129,913.79.

### **3.7 Council Tax Reduction/Support**

Council Tax Reduction options are being discussed with Lincolnshire Counter Fraud Partnership officers.

Lincolnshire Finance Officers have agreed for a project similar to that used at Boston Borough Council. This to take place for City of Lincoln Council and four other districts in 2018/19 – the estimated net revenue gain is £724k

### **3.8 Housing Tenancy**

For 2016/17 there have been no cases of sub-letting. During 2016/17 the Council served 9 notices to quit for non-occupation however.

So far in 2017/18 there have been 2 sub-letting cases and 11 notices to quit for non-occupation.

The tenancy fraud strategy and action plan is currently on hold. This is currently being assessed through our Tenancy internal audit.

A project was established through the Lincolnshire Counter Fraud partnership to undertake tenancy fraud data checks (using a third party credit reference company). It was decided not to progress this project.

### **3.9 Business Rates**

The team are proactive in regards to utilising information from planning, building control, reading local newspapers and local knowledge.

Definition of fraud within business rates is difficult. Avoidance is a serious issue and one which does impact all Districts including City of Lincoln.

Some additional temporary resource was in place for 2016/17 to help identify avoidance and has been successful.

Other work was carried out in NKDC and WLDC.

The Invest to Save project which commenced in August 2016 and has been extended to 31<sup>st</sup> March 2018.



As a result of this work, the City of Lincoln RV for 2010 has increased by 119,018 and for 2017 by 143,318. For 2017/18, based on the multiplier of 0.466 this is an additional £66,786 of Business Rates income.

The Institute for Revenues, Rating and Valuation have recently launched their new advisory service - BREACH (Business Rates Evasion & Avoidance Checker). This is designed solely for billing authorities in the UK and is being used by the “invest to save” officer.

When gauging the success of the project, it is important to look beyond any increase in the NDR base for the year in which a property is brought in to the local rating list. What is important today will become even more important as we move forward to 2020 and potential 100% retention.

### **3.10 Council Tax**

A Council Tax single person discount exercise is taking place during 2018 and will use a third party credit reference agency.

Procurement arrangements have started for the 2018 review (estimated total net revenue gain £520k). Revenues & Benefits managers will establish responsibilities and milestones.

### **3.11 Whistleblowing and Fraud Awareness**

The Council continues to use the County wide hotline, which receives its own publicity. We have refreshed the Council Website counter fraud page, particularly around fraud/whistleblowing referrals. Communication to Managers and other employees has taken place around fraud risk, policies and reporting. Fraud-e-learning is to be rolled out from July 17

During 2016/17, we had 3 whistleblowing reports through the hotline.

During 2017/18, we have had 12 whistleblowing reports through the hotline.

6 x HB  
1 x Fraud  
3 x Council Tax  
1 x Waste/refuse  
1 x Contract

### **3.12 Cyber Fraud/Cyber Crime**

The Council continues to be vigilant against malware/viruses, through its various defence layers including firewalls, filtering, system tools etc. An anti-malware internal audit was completed during 16/17.

In 17/18, we have completed an IT Disaster recovery audit and Application audits.

LCFP Group is to develop a cyber-crime briefing note; this will be used to publish information on the councils website

### **3.13 Other Fraud**

Credit card fraud

During 16/17 we had one case of credit card fraud linked to refund fraud (no financial loss to the Council). Other Councils had been targeted and the matter was reported to the Police. Procedures have been reviewed again.

17/18 – no cases of credit card fraud, that have impacted the Council.

### **3.14 City of Lincoln Council – National Fraud Initiative**

The Council continues to be engaged with the National Fraud Initiative (NFI) which involves national data matching using a range of Council data sources including payroll, benefits, creditors, housing, and licences, insurance. The purpose of the data matching is to highlight “potential” fraud and error cases which require investigation. Council data was submitted to the NFI for 2016/17 in October 2016. Council tax and electoral roll data was submitted in December 2016/January 2017.

A review of Council Tax SPD is taking place in 2017/18 internally using NFI data.

The results of the work on matches so far are:

1930 matches (\* less multiples) = 1764; processed 1552, 1 Fraud and 9 Errors, recovering £8,180.74 related to HB/CTR.

### **3.15 Fraud Strategy and Fraud Policies**

#### Fraud Policies

A separate report on the Whistleblowing Policy was reported to the Audit Committee in December 2015. A revised money –laundering policy was reviewed in September 2016. The Counter fraud strategy has been updated, taking account of new CIPFA and DCLG Government guidance and was submitted to the Audit Committee September 2016. The Council’s anti-bribery policy was reviewed in February 2017.

The Whistleblowing policy is currently being updated and is being presented to the Audit Committee in December 2017.

Our updated counter fraud strategy in 2016 was based on the latest national guidance. During 17/18 we will be undertaking a health check review with LCC to ensure our arrangements are robust and we are focusing pro-active work correctly.

Both the Fraud Health Check and the Fraud Risk Assessment provide assurance that the Council is taking reasonable steps to manage the risk of fraud and corruption and supports the governance reporting arrangements.

The fraud risk assessment is currently being updated with a target date of 31/03/2018.

## **4. Outcomes**

4.1 Operational outcomes to help evaluate effectiveness are included within the existing

strategy. The outcomes are shown at Table A below.

- High levels of fraud awareness
- Zero tolerance to fraud ( number of referrals / ensuring suspicions reported and action taken)
- Reduced losses ( a low incidence of fraud)
- Delivery of pro-active counter fraud work (work plan)
- Reducing the risk of fraud
- Successful prosecutions, other sanctions and recovery of losses
- Successfully engagement with partners

4.2

**Table A**

Area	Comments
<p>Delivery of pro-active counter fraud work (work plan)</p> <p>Achieving counter fraud best practice</p>	<p>The Council's strategy is based on CIPFA and Government best practice and has been updated in line with new guidance.</p> <p>The Lincolnshire Counter Fraud Partnership uses Counter fraud specialists to support delivery of a County wide action plan. Outcomes are included within this report above. This partnership will run until at least 31/3/2018.</p>
<p>High levels of fraud awareness</p>	<p>Reminders are issued to all staff at least annually related to Council fraud policies, whistleblowing etc.</p> <p>On-line training planned for fourth quarter 2017/2018</p> <p>Other parts of the organisation particularly Housing benefits and Council Tax have had effective publicity and campaigns.</p> <p>The updated fraud risk register will help to raise awareness further and we have issued some communications around this.</p> <p>The Council's website fraud pages have been refreshed and made clearer.</p> <p>A future survey will help to gauge awareness</p>
<p>Successful prosecutions, other sanctions and recovery of losses</p>	<p>An updated sanctions and prosecutions policy was agreed in January 2016. This is being updated again in 2018</p> <p>Sanctions/prosecutions are outlined above</p>
<p>Reducing the risk of fraud</p>	<p>A fraud risk register is in place and being updated.</p> <p>The counter fraud action plan and risk mitigation actions should help to reduce risk further.</p>

<p>Successfully engagement with partners</p> <p>(including National Fraud Initiative, HBMS, LCFP and others)</p>	<p>ColC complies with NFI requirements and participates in reviewing and reporting on data/outcomes.</p> <p>The Council engages as a partners within the Lincolnshire Counter Fraud Partnership. The Police are a new partner for 17/18.</p> <p>The Council works closely with Department for Work and Pensions/Single Fraud Investigation Service.</p> <p>DWP RBI scheme</p>
<p>Zero tolerance to fraud</p> <p>(number of referrals/ensuring suspicions reported and action taken)</p>	<p>This is part of the reminders issued to all staff and there has been additional publicity around reporting fraud within City Hall public areas.</p> <p>Referrals are received from the public</p> <p>The Council has a relatively low incidence of reported fraud / loss generally.</p> <p>Further benchmarking would be useful, which the LCFP may action in 17/18</p> <p>Awaiting the CIPFA fraud and corruption tracker report</p>
<p>Reduced losses</p> <p>Low incidence of fraud</p>	<p>The Council has a relatively low incidence of reported fraud / loss generally.</p> <p>Further benchmarking would be useful, which the LCFP may action in 17/18</p>

**5. Insurance**

There were no adverse trends during 16/17.

01/04/2016 - 31/03/2017		
CAUSE	Number	Total Cost of Ins Claim
	Insurance Claims & Incidents	(Paid & Outstanding)
Arson - Perpetrator Unknown	6	£17,953.80
Break In - No Theft	3	£2,218.60
Malicious Damage	4	£508
Theft - Forcible Entry	1	2,708.39
Theft	6	£400
Vandalism	22	£6,282.36
	<b>Total</b>	<b>£30,071.15</b>
01/04/2016 - 31/03/2017		
CAUSE	Number	Total Cost of Ins Claim
	Insurance Claims & Incidents	(Paid & Outstanding)
Arson - Perpetrator Unknown	1	£3,172.72
Break In - No Theft	2	£0
Malicious Damage	1	£1,116.14
Theft - Forcible Entry	0	0
Theft	1	0
Vandalism	24	£11,326.34*
	<b>Total</b>	<b>£15,942.20</b>

Higher totals reflects three to four larger claims and double the amount of vandalism incidents. Overall the paid and outstanding figure for these areas is broadly similar.

## 6. **Fraud Risk Register**

6.1 The Corporate fraud risk register has been developed with officers, which has been effective from 2014. This was updated in June 2016 and will be updated before March 2018.

6.2 The register shows the main fraud risk types, fraud risk assessment and further actions that are proposed to mitigate the risks.

- Fraud Strategy
- Contracting /contract management
- Procurement
- Payments
- Income Collection
- Debt management
- Money laundering
- BACS /Cheque fraud
- Payroll / employees
- Treasury management / investment fraud
- Property / land/ equipment
- Grants - Housing and Economic Support / Third Sector
- False accounting
- IT / Data
- Insurance
- Council Tax
- Housing
- Business Rates
- Council Tax Support Scheme
- Housing Benefit
- Development Management
- Theft/Asset misuse
- Refund fraud
- Election fraud

## 7. **Fraud Case Summary (17/18)**

7.1	Fraud cases	Comments
Procurement	0	
Insurance Claims	0	
Investments	0	
Economic & Voluntary Sector Support	0	
Debt	0	
Expenses	0	
Payroll	0	
Recruitment	0	
Pensions	0	
Mandate Fraud	0	
Manipulation of Data(financial and non-financial)	0	

Other Fraud	0	
No Recourse to Public Funds	0	
Ctax CTR	0	Linked to HB cases £2329.58
Ctax SPD	0	
Ctax other	0	

Business rates	0	Avoidance For 2017/18, based on the multiplier of 0.466 this is an additional £66,786 of Business Rates income.
Housing benefit	9	£26,021.22 overpayment value
Housing right to buy	0	
Housing sub letting	2	
Housing other		11 Non occupation

## 8. Recommendation

8.1 That Members consider and comment on the report.

**Is this a key decision?** No

**Do the exempt information categories apply?** No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?** No

**How many appendices does the report contain?** One

**List of Background Papers:**

**Lead Officer:** John Scott, Audit Manager Telephone 873321

## Appendix A

### Work Plan 2017-18

CoIC Counter Fraud Work plan					
Ref	Action	Priority Resources Skills	By When	Who	Progress
1	LCFP actions  SPD exercise 2018 Council Tax Support project Procurement fraud project Business rates ( ongoing)	LCFP  CoIC Staff	Oct 2018 2018 2018 31/03/2018	CoIC/LCFP CoIC/LCFP LCFP CoIC	Procurement Pending
2	Ensure all counter fraud policies Strategies are appropriate and up to date  Tenancy fraud strategy/action plan* HB/CTS Pros and Sanctions Policy - update Whistleblowing Policy  *Update timescales to be determined	Medium	2017 30/06/2018  31/03/2018	Asst Director Housing Head Revenues And Benefits HR Manager /Audit Manager	Pending  2018  December 17 Draft
3	Update Fraud risk register  Include local risk of "fraud loss" where known	High	31/03/2018	Audit Manager / AD's	Commenced
4	Cyber –crime and identity fraud  Good practice guide	Medium	31/03/2018	LCFP	
4	Training  Fraud-e-learning (staff/members)          Review LCC fraud response Guidance/practice notes and training  Accredited training (where applicable)	High          Medium	December 2018       March 2018	CFO HR Manager AManager       Audit Manager  Head Revenues And Benefits	Commenced



5	<p>Communication</p> <p>Regular reminders to staff</p> <p>Policies Gifts and Hospitality Reporting fraud Whistleblowing</p> <p>Successful cases - Media</p> <p>Publicity to suppliers / contractors Contractor and third party raising awareness – LCFP is pulling together a best practice guide for these</p>	<p>Medium</p> <p>Medium</p>	<p>December 17</p> <p>31/03/2018</p>	<p>Audit Manager</p> <p>LCFP</p>	<p>Commenced</p>
6	<p>NFI – complete current data Matching</p> <p>Electoral roll / SPD data January 2018</p> <p>Creditor duplicate check</p>	<p>Medium</p> <p>Medium</p> <p>Medium</p>	<p>31/03/2018</p> <p>30/01/2018</p> <p>31/03/2018</p>	<p>Audit Manager</p> <p>Audit Manager</p> <p>Audit Manager</p>	<p>Ongoing</p>
7	<p>Identity checks / documents</p>	<p>Medium</p>	<p>31/03/2018</p>	<p>Audit Manager LCFP</p>	
8	<p>To undertake counter fraud “healthcheck”</p>	<p>Medium</p>	<p>2017/18</p>	<p>AM LCFP</p>	<p>17/18</p>
9	<p>Serious and organised crime checklist</p>	<p>Medium</p>	<p>2017/18</p>	<p>AM LCFP</p>	<p>Using the checklist on certain audits To complete</p>

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<b>SUBJECT:</b>	<b>INFORMATION MANAGEMENT UPDATE</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>BECKY SCOTT, LEGAL &amp; DEMOCRATIC SERVICES MANAGER (LDSM)</b>

## 1. Purpose of Report

- 1.1 To update the committee on information management, the Action Plan for compliance with the General Data Protection Regulation (GDPR) in force from the 25 May 2018 and the appointment to the new role of Data Protection Officer.

## 2. Training Programme

- 2.1 Assistant Directors (AD's) have agreed that they would monitor the progress of the training programme and take responsibility, through Service Managers Team meeting (SMT's) for its implementation. Data Protection (DP) Training was accepted to be a requirement and it was noted that it would enable customers to trust us to deliver the services, and demonstrate to the Information Commissioners Office (ICO) that the organisation was taking the protection of its data seriously.
- 2.2 The Training Needs Programme for the Council has been prepared by the Information Governance Officer (IGO) and is attached as Appendix A.
- 2.3 Take up for the DP e-learning training is improving and we are working towards 100% compliance. All asset owners have been contacted directly by the IGO recently requesting that they ensure completion of the training by all staff and it has been raised at the Service Manager's Forum. This has also been reinforced in the Information Asset Owner (IAO) Training and Communications have also issued reminders to staff recently to complete the training.

## 3. IGO progress

- 3.1 Further to the last progress reported the IGO has done the following:-
- Continued to lead the operational work in the internal GDPR Group on the Vision 2020 Project.
  - Completed the training programme for teams and focussed on getting staff to do their e-learning module.
  - Continues to assist in implementing the audit recommendations for CLC and from East Lindsey's audit into the Revs and Bens service
  - Met with all of the AD's to report outcome of information asset audits in their

area.

- Ongoing support to all staff with DP and GDPR queries, which have increased due to awareness. Finalising Information Sharing Agreements (ISA's), reviewing all current ISA's, responding and recording breaches internally, raising awareness, drafting and posting communications for the data protectors forum and City People, assisted the LDSM in updating the action plans/training needs plan.
- Developed and issued Handbook for IAO's in relation to their role as an IAO and the changes to be made by GDPR.
- Analysed data breaches to monitor and report data breach trends internally.
- Delivered training to IAO's and Members with LDSM on the Handbook and the GDPR.
- Preparing an IAO Checklist to roll out to IAO training in the new year to all the IAO's
- Developed links with Boston Borough Council, West Lindsey, North Kesteven and South Kesteven regarding DPO role and implementation of action plans.
- Following up the audit recommendations required to ensure information on IMP's is being actioned.
- Keeping up to date with the internal moves within teams.
- Working with Service areas to implement retention and disposal policies

#### **4. GDPR Action Plan Progress**

4.1 The GDPR Action Plan is attached at Appendix B.

#### **5. GDPR Fee Structure**

5.1 It is expected that the fees payable to the ICO will be in the region of up to £1000 per year, an increase of £500, this is understood to assist the supervisory body to enforce the GDPR.

#### **6. Breaches**

6.1 There has been a decrease in numbers of breaches reported, and in particular to note is that since the Benefit notifications have been outsourced since September 2017, there have been no data breaches in this area. This is partly as a result of the work of the Information Governance Officer with senior managers on a solution.

6.2 There have been no complaints to the ICO, nor notifications by customers since the last report.

## **7. Strategy and Policies**

- 7.1 The Information Governance Strategy is due to be reviewed by November 2017, however we are proposing to delay this to incorporate all government guidance and include it in the full suite of DP policies which will be amended soon. It is hoped that these will be reviewed by Policy Scrutiny Committee on 20 March 2018 for comments and taken to Executive on 26 March 2018. This will then allow us to publicise them in time for the GDPR.

## **8. Communications Plan**

- 8.1 Please find attached 6 month communications plan for countdown to GDPR on the 25 May 2018 at Appendix C.

## **9. Data Protection Officer role**

- 9.1 CMT received comments made by this Committee alongside a report on the role and has confirmed that funding will be made available to recruit an officer for this important post. Once the job has been evaluated, hopefully before Christmas, this process will be undertaken.

## **10. AGS Status**

- 10.1 The AGS status for the Information Governance section is now amber.

## **11. Vision 2020**

- 11.1 The GDPR project is one of the Vision 2020 projects to be delivered in year 2018/19. The Working Group meets monthly to ensure that we are on target with our Project Plan.
- 11.2 The IG work ensures that staff are high performing in their collection and processing of customer's data. It also assists to ensure that the Council is trusted to deliver the services, and ensures legal compliance.

## **12. Organisational Impacts**

### **12.1 Finance**

The funding for the DPO role will come from existing budgets.

### **12.2 Legal Implications**

As outlined in the report.

## **13. Recommendation**

- 13.1 To note the report and specifically provide comments on the following:-

- Training Needs Plan
- The GDPR Action Plan
- Communications Plan

**Is this a key decision?** No

**Do the exempt information categories apply?** No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?** No

**How many appendices does the report contain?** 3

**List of Background Papers:** None

**Lead Officer:** Becky Scott Legal & Democratic Services Manager  
Telephone (01522) 873441

Appendix A  
Information Governance-Training Needs Plan

Version last updated December 2017

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<b>Training Need</b>	<b>Who needs Training</b>	<b>Mandatory or Recommended</b>	<b>Responsible for delivery</b>	<b>Delivery Method</b>	<b>Training to be renewed</b>	<b>Evidence of completion</b>	<b>Follow up procedure for non-completion and completion reports.</b>
Data protection awareness	All staff	A requirement for all staff. New starters must complete within 1 <sup>st</sup> month of employment as part of induction process.	IG team	E-learning package on Council's intranet. Includes testing of staff's understanding.	Every 2 years	Previously self-declaration logged onto I Trent system by HR. Now by e-learning daily reports.	New starters completion followed up by line managers in appraisal system. All staff including new starters followed up by IGO emails to responsible IAO's. Completion statistics reported to SIRO, Audit Committee, AD Group.
Information asset audit	All Information Asset Owners (IAO's)(service managers/team leaders)	A requirement for all IAO's	IG team	Face to face meetings with IAOs, provision of asset registers, retention schedules and IG improvement actions	Initial meetings completed by IGO. IAO's to review asset registers when required and at least every 6 months and to implement audit actions.	Ongoing compliance self-declared by IAO's annually from February 2018. Completion of audit recs monitored by Performance DMT through IMPS internal system.	Audit recs performance indicator in Performance DMT reported through SMT and AD Group. Completion of self-declaration statistics reported to SIRO, and AD Group for monitoring

Appendix A

Records management training	All IAO's and staff with RM responsibilities	A requirement for all IAO's and relevant staff.	IG team and IAO's to cascade to relevant staff	Face to face meetings with IAOs, provision of asset registers, retention schedules and IG improvement actions	Initial meetings completed by IGO. IAO's to review as part of annual self-declaration.	Ongoing compliance self-declared by IAO's annually from February 2018. Completion of audit recs monitored by Performance DMT through IMPS	Completion statistics to be reported to SIRO, Audit Committee, AD Group and audit recs performance indicator in Performance DMT.
Information Governance, Value of information and Data breach management.	All staff	Recommended	IG team	Face to face briefing with all teams within Council.	Completed July 2017-ongoing for new IAO's	Attendees names logged by IGO on Activity Register	Completion statistics reported to SIRO and AD Group.
Privacy Impact Assessments/ Privacy Notices/ Contracts	AD's	Recommended	IG team/ SIRO	After an AD Group meeting	One off however to be reviewed as and when required	Attendees names logged by IGO on Activity Register	SIRO to monitor and ensure all AD's are briefed
General Data Protection Regulation training	All IAO's and staff	Recommended	IG team	Face to Face training from LDSM/IGO on GDPR preparations and compliance. IAO and GDPR handbook circulated to all IAO's.	IAO training sessions completed in July 17 and September 17. GDPR Action Plan ongoing.	IAO Attendees names logged on Activity Register. IAO and GDPR handbook provided to all IAO's and available on intranet	Attendance on training reported to Audit Committee, AD Group and SIRO.



Appendix A

<p>Th!nk Privacy campaign and Data Protectors Forum posts</p>	<p>Aimed at all staff. All staff are members of forum.</p>	<p>Aimed at all staff. All staff are members of the Data Protection Forum and new starters are added on induction</p>	<p>IG team and Comms</p>	<p>Posters, regular updates on Data Protection Forum and news items issued by Comms on intranet. Data breach e-form internal reporting process link on front page of intranet and Data protection page with all links to DP materials including relevant polices. (Mandatory polices and guidance to be rolled out for sign up by all staff through net-consent in due course)</p>	<p>Ongoing from September 2015 to date</p>	<p>Forum posts and news items have been categorised and saved under DP.</p>	<p>Actions have been reported to Audit Committee and AD Group.</p>
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Appendix B General Data Protection Regulation (GDPR) Action Plan

V 0.4 December 2017

Ref	Action	Agreed action	Work completed to date	Target Date	Next Review	Progress Review Notes	Actions outstanding and resources required	Responsible Officer
	<a href="#">Issues under ICO's 12 Steps to take now</a>					At Dec 17		
	<b>1. Awareness</b>							
	Training	Ongoing Data Protection training (Article 32 GDPR-testing effectiveness of organisational measures for security of processing) and ensure renewed every 2 years and non completion followed up. Include member training. Implement ongoing training needs plan.	All teams, IAO's and members training completed. Developed in house interactive e-learning package now up to 70% completion rate for all staff and rising. Need to continue to implement and monitor training needs plan.	Completed but ongoing	Dec-17	List of staff not having completed the e-learning went to AD Group in Dec 17. % includes staff on long term leave, maternity etc so % would be higher. Need to issue basic training sign off sheet for staff with limited or no access to personal data or PC	Need to target staff to complete e-learning on 2 year anniversary. Automate through software netconsent. Need to amend e-learning to remove references to DPA and add more detail on GDPR changes.	IGO/LDSM/BDITM
	Comms	Re-brand Data Protection (Article 32) Comms to use 'customer privacy' 'data privacy'. Re brand GDPR as Let's Get Data Privacy Ready. Raise awareness with GDPR Comms Plan.	Ongoing data protectors forum updates and Comms articles referring to GDPR. Have been posting now for over 1 year and records of these on Council's intranet city people. Have revised GDPR Comms plan moving towards 25 May 2018 (date GDPR in force)- 6 month plan.	Comms to be issued every month running up to 25/05/2018	Dec-17	Agreed 6 month plan with Comms and IG team	Monthly assistance from Comms. IG team to amend and approve.	IGO/COMMS
	Policies and Guidance	Draft GDPR Handbook for IAO's. Draft a GDPR policy to be implemented and agreed before May 2018 to replace Data Protection Policy and Summary sheet. Obtain approval and issue to staff.	All information management policies were reviewed and approved in May 2016. All policies available on City People. IAO's should actively monitor compliance with the Policies in their business areas. All policies are due for review and implementation by May 2018. GDPR Handbook drafted for IAO, issued to IAO's discussed in training and available on City People.	GDPR policy and summary sheet be issued to staff before May 2018	Dec-17	Need to draft high level policy for GDPR. Perhaps Data Privacy and Access to Information policy. Summary sheet to be issued to staff. Include data subject's enhanced rights and changes to SAR's	GDPR Policy to be drafted and agreed by IG team for committee approval and other policies reviewed.	IAO's IGO/LDSM/BDITM
	Regular item at team meetings	Consider incorporating data privacy as a regular agenda item at team meetings. Agree level for Data Protection issues to be discussed e.g. DMT/SMTs	Several IAO's are already incorporating need to ensure in all teams.	Quarterly	Jan-17	To be included in IAO's checklist to be issued Jan 18	IGO and LDSM have finalised for roll out in Jan 18	IAO's
	<b>2. Information the council holds</b>							
	Information asset audit	IMPs system to be fully populated and reports into Performance DMT	Information asset audit completed by IGO with all IAO's. IMPS system now fully populated with summaries and IAO's contacted to follow up and implement asset audit recs. IAO's previously given summary reports with own recs to implement	Audit completed recs to be followed up	Dec-17	All IAO's sent IMPs recs as reminder to summaries. Deadline to respond Nov 17. Need to follow up IAO's who have not responded.	IGO currently populating IMPS and following up recs with IAO's.	IGO
	Information asset register	Information assets registers should be updated, reviewed and risk assessed on a periodic basis by IAO's	Registers issued to all IAO's. Training provided to update as and when required and at least every 6 months. Needs to form part of IAO self assessment checklist. Any changes to registers need to be provided to the IGO to update corporate register. Guidance in IAO GDPR Handbook.	Reviewed by IAO's every 6 months and as and when required.	Dec-17	To be included in IAO's checklist to be issued Jan 18	IGO and LDSM have finalised for roll out in Jan 18	IAO's
	Retention and disposal schedules	Ensure future adherence to retention and disposal schedules. This includes emails. Retention schedules updated and available on council's intranet.	R & D schedules updated and available on city people. IAO's responsibility to ensure compliance in their service areas. Needs to form part of IAO self assessment. Guidance in IAO GDPR Handbook.	Implementation reviewed by IAO's every 6 months and as and when required	Dec-17	To be included in IAO's checklist to be issued Jan 18	IGO and LDSM have finalised for roll out in Jan 18	IAO's
	Information sharing- with our data processors	Contracts with Processors Article 28 identify contracts for review and ensure these and new contracts are GDPR proof. Joined up approach with Legal and Procurement	Received terms and conditions from procurement Lincolnshire and need to review. IAO's to assist to identify in their areas contracts which may need to be reviewed or put into place. Guidance in IAO GDPR Handbook.	May-18	Dec-17			IGO/LDSM/PO and IAO's
	Information sharing- with other data controllers who are not processing on our behalf	Information Sharing Agreements should be reviewed and consolidated and a database held in Legal Services. All data shared with external bodies should be subject to an ISA	A database of existing ISA's has been created. Review dates to be plugged into Netconsent and consider amending them. IAO's to have responsibility to identify in their area where ISA's may be required and seek advice from IGO/LDSM to implement. Guidance in IAO GDPR Handbook.	May-18	Dec-17			IGO/LDSM and IAO's

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Ref	Action	Agreed action	Work completed to date	Target Date	Next Review	Progress Review Notes	Actions outstanding and resources required	Responsible Officer
	ICO notification	Implement the DP fee notification process once decided <a href="http://www.actnow.org.uk/content/218">http://www.actnow.org.uk/content/218</a> . Monitor fees decision	Aware and monitoring decisions made	May-18	Dec-17			LDSM
	<b>3. Communicating privacy information</b>							
	Privacy statements	Information provided where personal data is collected- Article 13 GDPR. IAO's must identify and review Privacy Notices in their areas which require amendment to comply. Amendments to be made with assistance from IGO where required. Review Council's general privacy statement on website.	Responsibility for Privacy Notices in service areas allocated to IAO's training provided and guidance in IAO Handbook. IAO's to seek advice from IGO where required. IAO's have revised their Privacy statements in several areas. The Council's general statement has been reviewed by IAO's and is to be amended following approval.	May-18	Dec-17	To be included in IAO's checklist to be issued Jan 18	IGO and LDSM have finalised for roll out in Jan 18	IAO's IGO - LDSM
	<b>4. Individual's rights</b>	Rectification, right to be forgotten, data portability- Articles 16-20. Document the review and weeding process for software systems storing personal data. This task should have an assigned owner and be monitored. Develop plan for 'weeding' of data as part of R&D work.	Few systems have procedures for removal of personal data currently. The BDIT Manager has liaised with IAO's and contacted all suppliers of core systems. The responses received are varied and need to be assessed and plan actioned.	May-18	Dec-17	Suppliers have been in contact regarding GDPR changes to systems. I Trent for HR staff. Uniform for Planning, Civica for APP. Civica for Universal Housing.	Ongoing BDIT	BDITM/IAO's
	<b>5. Subject access requests</b>	Rights of access by the data subject- Article 15. Ensure we can comply with the additional rights of data subjects created by GDPR including the right to have their personal data deleted. Draft GDPR policy to replace the Data Protection Policy to include access to information request changes effective from May 18.	Policy to be prepared and reviewed following clarification of derogations in Data Protection Bill, and Comms plan to include access by subjects to data	May-18	Dec-17	Comms plan includes changes to access to information requests. GDPR and access to information policy to be drafted and summary sheet to be issued to staff by May 2018.	GDPR Policy to be drafted and agreed by IG team for committee approval.	LDSM/IGO
	<b>6. Legal basis for processing personal data</b>	Record of Processing Activities (ROPA)- Article 30 to be prepared based on the asset register to include data sharing details and legal basis for processing. ROPA database to be designed and implemented	Information regarding data held and information flows have been collated in the information asset register. Investigations are being undertaken as to how to build on these records and display them. the intention is to produce a basic record of processing activities by May with a view to expanding on this in due course, to be a full scale database or extending the asset register to provide more detail	May-18	Dec-17		Database to be developed or/and information to be added to asset register and/or ROPA statement	BDITM/IGO
	<b>7. Consent</b>	Ensuring whether we have valid Consent (Articles 7-8) from customer's where required by reviewing how we seek, obtain and record consent and whether we need to make any changes to comply with GDPR.	IAO's to assist IG team to identify areas where we are relying on consent alone to process personal data and review with assistance if necessary whether this consent is valid. Changes have already been made to consent statements in some areas. Guidance issued to IAO's in Handbook and face to face training.	May-18	Dec-17	To be included in IAO's checklist to be issued Jan 18	IGO and LDSM have finalised for roll out in Jan 18	IAO's
	<b>8. Children</b>	Identify any areas where we be may obtaining personal details and relying on consent from children under 16 years due to changes. DP Bill has reduced this to 13 years.	IAO's to assist IG team to identify areas where relevant and ensuring we have systems in place to verify individuals age and to gather parental or guardian consent for the data processing activity.	May-18	Dec-17	To be included in IAO's checklist to be issued Jan 18	IGO and LDSM have finalised for roll out in Jan 18	IAO's
	<b>9. Data breaches</b>	Ensure DP Breach Management (Articles 33-34) policy up to date and internal breach reporting system compliant with GDPR timescales for reporting. Monitor through IG group and officers for lessons learnt and trends.	Development of internal e-form Breaches being reported to IG Group. Internal breach reporting system effective with GDPR time scales i.e. 72 hours to report to ICO.	May-18	Dec-17	Comms Plan includes changes to breach reporting and time limits.	Data Protection Breach Management Policy to be amended to include GDPR changes and new time limits.	IGO/LDSM/BDITM
	<b>10. Data protection by design and data protection impact assessments (DPIA's)</b>							

Ref	Action	Agreed action	Work completed to date	Target Date	Next Review	Progress Review Notes	Actions outstanding and resources required	Responsible Officer
	Data protection impact assessments	Data protection Privacy Impact Assessments- Article 35 of GDPR introduces a formal Policy to require a DPIA. Conduct a DPIA for new systems that involve the processing of personal data, or significant changes to existing systems. Such DPIA's should be signed off at an appropriate level and implemented into project planning at the earliest stage.	DPIA Guidance has been drafted along with templates and Comms. Needs to be implemented for new processes with maybe an e-form to assist - focus on those mandatory ones.  Project management guidance to be amended Build DPIA into SPIT process (or replacement process) for new systems and training rolled out where required	May-18	Dec-17	Pilot DPIA's have been completed for the Rogue Landlord Project and identified that the process needed to be condensed as over complicated. Guidance and templates to be simplified and reissued. Further version trialled with BDTIT and Audit Manager.	IGO has drafted further version after 2nd pilot and to be rolled out soon.	LDSM/BDITM/IGO  Project Managers
	Build DPIA's into project planning	Review of Lincoln Project Model and Project Management	LDSM to meet with Policy to discuss once governance arrangements for projects are agreed	May-18	Dec-17			LDSM
	Security of processes	Security of Processing- Article 32 implement technical and organisational measures to ensure a level of security appropriate to the risk. Consider pseudonymisation capabilities where encryption not available. Ability to restore access to data in event of an incident and regular testing of effectiveness of measures.	ICT policies already in place including security and restoration of data following an incident. Need to raise awareness of risks and explore if pseudonymisation software is necessary. Internal Audit underway regarding security of applications.	May-18	Dec-17		Ongoing BDTIT	BDITM
	Access to applications	Access requests for new starters should be made by appointed staff members with the appropriate authority. Network access should be suspended when staff are absent from work for an extended period, for example; due to maternity leave. Any failure by HR to notify IT of staff leavers or long-term absence should be treated as a security incident and reported to the IGO. Access to systems and drives should be reviewed regularly and at least every 6 months.	ICT policies already in place covering access requests and removal. In addition to this regular access reviews now being carried out in areas processing sensitive data such as Benefits every 6 months. Applications audit currently being undertaken by Audit. Previous Asset Audit identified issues with Access in some systems and relevant recs to be followed up. Access reviews included in handbook issued to IAO's	May-18	Dec-17		Relevant System's team BDTIT and IAO's	IAO's/AuditM/BDITM
	Testing of security measures	Testing effectiveness of security measures- Article 32. Prepare a Checklist for IAO's to complete following training in January 17 to ensure . Devise annual self assessment checklist for IAO's. Internal audit of IG	Handbook issued as guidance to checklist. Checklist to be issued annually. Include an aspect of information management in the 2017-19 Audit Plan where it is identified as a key risk by the ICO. The council could include records management as a standard item on the internal audit plan to ensure regular DPA compliance checks are completed. Sample monitoring of customer service calls including customer identification and verification questions already taking place.	Audit planned March 2018. Checklist issued to IAO's annually	Dec-17	An internal Audit for GDPR compliance is being programmed for Feb/March - AuditM to confirm	Internal Audit	IAO Audit
	Physical security and clear desk policy	IAO's to be reminded to carry out periodic spot checks of business areas adherence to the clear desk policy including the locking away of sensitive personal data and use of confidential waste bins. Also minimising the amount of personal data taken offsite.	Included in handbook. Transporting data securely between locations is included in REMOVAL guidance on city people. This was issued to staff on 31/08/16 via Data Protectors Forum and directly to Managers in key areas to provide to relevant staff.	Ongoing/Adhoc	Jan-18	To be included in IAO's checklist to be issued Jan 18	IGO and LDSM have finalised for roll out in Jan 18	IAO's
	<b>11. Data protection officer's (DPO's)</b>	Designating a data protection officer- Article 37-39 and assess where this role will sit within our organisation's structure and governance arrangements. Prepare report for CMT approval and appoint to role before May 18. Determine position in governance structure and ensure DPO has appropriate expertise.	Appointment of role considered at CMT on 17/10/17 and approved. JD drafted and to go to panel in Dec 17.	May-18	Dec-17		DPO to be appointed.	LDSM
	<b>12. International</b>	Determine which data protection supervisory authority the council comes under	The council will be under the UK supervisory body which will be the Information Commissioner's Office (ICO)	May-18				

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## Appendix C Comms Action Plan for General Data Protection Regulation

10 November 2017

Gavin Thomas/Sally Brooks

Action needed	Resource needed	Timescale	By whom	Completed
Develop internal comms on intranet	Comms and ICO 12 steps text. On in brief.	25 Nov 17.	Gavin/Sally	Rescheduled to go out week following Xmas market.
Reminder on GDPR and on AD approved clean-up for January of electronic storage.	Comms. On in brief.	Before Xmas period-week of 18 <sup>th</sup> Dec 17	Gavin/Matt	
Reminder on GDPR and that managers are now fully trained and issue to all staff checklist for Information Asset Owner's. Run down on headlines of GDPR.	Comms on in brief.	25 Jan 18	Gavin/Sally	
Reminder on GDPR countdown and data breach time scales.	Comms on in brief.	23 Feb 18	Gavin/Sally	
Reminder on GDPR article on Privacy Notice and consent.	Comms on in brief.	23 March 18	Gavin/Sally	
Reminder on GDPR and something on changes to individuals' access to info rights. How to deal with if received	Comms on in brief.	25 April 18	Gavin/Sally	
GDPR is here, we are ready!	Comms on in brief.	25 May 18	Gavin/Sally	

Target:            Review meeting to take place on 14 Dec 17

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<b>SUBJECT:</b>	<b>REVIEW OF THE CONSTITUTION – FINANCIAL PROCEDURE RULES</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER</b>

**1. Purpose of Report**

1.1 To present to the Audit Committee the revised Financial Procedure Rules and associated amendments required to the Constitution for consideration and recommendation for adoption by Council.

**2. Executive Summary**

2.1 The Financial Procedure Rules provide a framework for officers to work within to ensure compliance with the need to secure proper administration of the Council's financial affairs as required by section 151 of the Local Government Act 1972.

2.2 The last fundamental review took place in 2010, as approved by Council on 9 December 2010, with subsequent updates to reflect necessary changes.

2.3 The changes now required will ensure that officers have the flexibility to respond to the changing environment in which the Council now operates.

**3. Background**

3.1 The Financial Procedure Rules are intended to provide a framework of rules and procedures within which the Council will conduct its financial affairs. The Financial Procedure Rules lay down the principles to be followed in securing a proper administration of the Council's financial affairs as required by Section 151 of the Local Government Act 1972.

3.2 The last fundamental review of the Financial Procedure Rules was undertaken in 2010 following a major review, and were updated to reflect accounting regulations, legislation and best practice in force at that time. Since that time they have been subsequently updated to reflect changes in the management structure of the Council and to respond to emerging issues.

3.3 With the launch of the Council's Vision 2020, the restructure of senior management in 2016 and the outcomes of the Corporate Peer Challenge that the Council has recently undertaken this was the ideal opportunity to review the Financial Procedure Rules to ensure that they remain robust and relevant to the current organisational environment.

#### 4. Financial Procedure Rules

4.1 The revised Financial Procedure Rules (Appendix A) have been compiled using the existing rules but also from comparison against other authorities and in accordance with changes in accounting regulations and practices.

4.2 Key changes from the existing Financial Procedure Rules have been highlighted in the appendix, these include:

- financial planning arrangements including the management and use of the Council's reserves (section 4)
- financial management arrangements including clarity of the roles and responsibilities of budget holders, amendments to the rules relating to the carry forward of budgets from one year to the next and changes to capital project management (section 5)
- further clarity of the roles and responsibilities for orders and payments for works, goods and services including the introduction of a new section on officer responsibilities in relation to contracts for works, goods and services (section 6)
- the setting of new fees and charges and devolving increased flexibility to respond to operational issues and changing market forces (section 7)
- resources and asset management including clarity around the roles and responsibilities of the Chief Finance Officer and Assistant Directors in relation to the acquisition and disposal of assets (section 9)
- external arrangements including a new section on officer responsibilities in relation to external funding (section 10)

4.3 Specific changes to delegations and limits are;

Procedure Rule	Current	Proposed
Carry forward of revenue budgets (from one year to the next)	Proposals for carry forward will only be considered where there is an overall underspend of the Directorate's cash limited budgets equal or greater than the carry forward amount	Proposals for carry forwards will only be considered where there is an overall underspend of the Directorate's cash limited budgets equal or greater than the carry forward amount <b>(for this purpose income budgets for which the Directorate doesn't have full control, e.g. due to market forces) are excluded from the considered cash limit budget;</b>
Amending fees and charges	Head of Service has the discretion to	In such circumstances the relevant Assistant Director has

	amend the set fees and charges by +/- <b>20%</b> , after consulting with Director of Resources and relevant Portfolio Holder. Such an occurrence shall be reported by the Head of Service to full Council at the earliest opportunity.	the discretion to amend the set fees and charges by +/- <b>50%</b> for any individual fee, after consulting with the relevant Portfolio Holder. Such an occurrence shall be reported to the Chief Finance Officer at the earliest opportunity.
Collection of income	No specific reference	The Council does not accept cash payments except where this is unavoidable. In those unavoidable instances in accordance with the Council's Anti-Money Laundering policy payment to the Council can be accepted if it is in cash and does not exceed a specified limit (currently £2,000). The receipt of cash payments over £2,000 requires the prior authorisation of the Chief Executive, City Solicitor or Chief Finance Officer.
Writing off bad debts	No specific reference	The authority to reinstate previously written off debts upon receipt of outstanding amounts shall be as follows: <ul style="list-style-type: none"> <li>• Reinstatement of debts up to £5,000 - authorisation required by Chief Finance Officer, City Solicitor or the Head of Shared Revenues and Benefit Service.</li> <li>• Reinstatement of debts over £5,000 – authorisation required by the Chief Finance Officer</li> </ul>
Disposal of Items of Inventory, Stocks and Stores	No specific reference	The receipt of any income from the disposal of goods, equipment, stocks and stores shall be treated as a capital receipt if it is in excess of £10,000, below this threshold it

		will be treated as revenue income for the relevant service area.
--	--	--

4.4 The key theme in these changes has been to ensure that officers have the flexibility required in order to respond to the changing environment in which the Council now operates. This reflects a more commercial approach to the operation of the Council. However the Financial Procedure Rules still ensure that a sound system of internal control is maintained.

4.5 In addition to the revised Financial Procedure Rules the Constitution itself includes other references to the conduct of the financial affairs of the Council. To ensure consistency throughout the Constitution a number of changes have therefore been made to Part 2 and Part 3. These amendments will be reported to Council, together with other changes to the constitution on 23 January 2018.

## 5. Strategic Priorities

5.1 Keeping the Council's Financial Procedure Rules under regular review and up to date is an element of sound corporate governance.

## 6. Organisational Impacts

6.1 Finance - There are no direct financial implications from the adoption of these rules although the framework that they provide is a key consideration when managing the financial affairs of the whole organisation.

6.2 Legal Implications including Procurement Rules - The Council is required under Section 151 of the Local Government Act to ensure that it makes arrangements for the proper administration of its financial affairs. These rules lay down the principles to be followed to secure that proper administration.

## 7. Risk Implications

7.1 The review of the Financial Procedure Rules will ensure that the Council continues to have effective arrangements in place to maintain a sound system of internal control whilst giving officers and members the flexibility to deliver services.

7.2 The Rules provide guidance and general advice to officers and members as to their responsibilities and as such, they are a means of mitigating risk and controlling financial behaviour within the Council.

## 8. Recommendation

8.1 That the Audit Committee comment on the revised Financial Procedure Rules and amendments to the Constitution.

8.2 That the Audit Committee recommends to Council for approval;

- i) the revised Financial Procedure Rules (Appendix A);

**Is this a key decision?**

Yes

**Do the exempt information categories apply?**

No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?**

No

**How many appendices does the report contain?**

Yes - one

**List of Background Papers:**

None

**Lead Officer:**

Robert Baxter, Interim Chief Finance Officer  
Telephone (01522) 873361

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## Appendix A

### **FINANCIAL PROCEDURE RULES**

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  - 1.1 Status of Financial Procedure Rules
  - 1.2 General Roles and Responsibilities
  
- 2. Accounting Arrangements**
  - 2.1 Accounting Arrangements
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  - 2.4 Directorate Financial Management Arrangements
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- 3. Audit Arrangements**
  
- 4. Financial Planning**
  - 4.1 Medium Term Financial Strategy and Budget Preparation
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- 6. Expenditure**
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- 7. Income**
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- 9.1 Banking Arrangements
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- 9.7 Disposal of Items of Inventory, Stocks and Stores
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## 1. INTRODUCTION

### 1.1 Status of Financial Procedure Rules

- 1.1.1 Financial Procedure Rules lay down the principles to be followed in securing a proper administration of the Council's financial affairs as required by Section 151 of the Local Government Act 1972.
- 1.1.2 These Procedure Rules shall be read in conjunction with the Council's;
- i) Responsibility for Functions (Constitution Part 3)
  - ii) Contract Procedure Rules (Constitution Part 4)
  - iii) Budget and Policy Framework Procedure Rules (Constitution Part 4)
- 1.1.3 These Procedure Rules apply to every Member and officer of the Council and anyone, including consultants, acting on its behalf.
- 1.1.4 These Financial Procedure Rules shall apply in relation to any partnership for which the Council is the accountable body unless the Council expressly agrees otherwise.
- 1.1.5 These Procedure Rules are supplemented by other related documents, issued by the Chief Finance Officer, which are designed to give guidance, including operational financial instructions. In the event of contradiction, the Financial Procedure Rules take precedence.
- 1.1.6 Financial Procedure Rules shall not override any statutory provisions that apply.
- 1.1.7 Financial Procedure Rules will be reviewed by the Chief Finance Officer at intervals of not more than three years and will be subject to approval by the full Council.
- 1.1.8 Failure to comply with these Procedure Rules or instructions issued under them will be subject to consideration as a disciplinary offence. Breaches of these Procedure Rules must be reported to the Chief Finance Officer and Internal Audit, who will be responsible for investigating the circumstances and recommending the further action to be taken.

### 1.2 General Roles and Responsibilities

- 1.2.1 These Financial Procedure Rules set out the roles and responsibilities of the Council and officers in financial matters. They should be read in conjunction with the Constitution, specifically Article 13, which details other specific responsibilities.

#### **Full Council**

- 1.2.2 The full Council is responsible for approving the overall Budget and Policy Framework within which the Executive operates having regard to the Chief Financial Officer's comments in his/her Local Government Act 2003 Section 25 report. The budget setting process includes the setting of the Council Tax and Housing Rent levels to be levied, and the approval of the Prudential Indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities.

1.2.3 The full Council approves these Financial Procedure Rules.

### **The Executive**

1.2.4 The Executive is responsible for proposing the Budget and Policy Framework to full Council, and for discharging executive functions in accordance with that framework.

1.2.5 The Executive monitors financial performance and service performance and makes changes, within the Budget and Policy Framework to ensure the budget is met or met within the limits determined by the Council.

### **Chief Finance Officer**

1.2.6 Section 151 of the Local Government Act 1972 requires the Council to appoint a suitably qualified person to be responsible for the proper planning, administration and monitoring of its financial affairs. The Chief Finance Officer fulfils this statutory role.

1.2.7 The Chief Finance Officer is responsible for:

- i) the proper administration of the authority's financial affairs;
- ii) setting and monitoring compliance with financial management standards;
- iii) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
- iv) providing financial information;
- v) preparing the Medium Term Financial Strategy including the Revenue Budget and Capital Programme;
- vi) Treasury Management.

1.2.8 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to full Council, the Executive and the External Auditor if he/she considers the Council, the Executive or an officer has made or is about to;

- i) make a decision involving expenditure or a loss which is or would be unlawful,
- ii) take an unlawful action which has resulted in or would result in a loss or deficiency to the Council or;
- iii) make an unlawful entry in the Council's accounts

Before making any report to the Council or the Executive the Chief Finance Officer shall consult the Chief Executive and the City Solicitor.

1.2.9 The Chief Finance Officer also has a duty under Section 25 of the Local Government Action 2003 to report to the Council on;

- i) the adequacy of the proposed reserves,
- ii) the robustness of the budget

1.2.10 In order to carry out these responsibilities;

- i) the Council must provide the Chief Finance Officer with sufficient resources,
- ii) the Council recognises the Chief Finance Officer as its principal financial adviser with access to all meetings as he/she considers necessary (including the right to be heard),
- iii) the Council recognises that neither it, nor any committee, Member or officer can require the Chief Finance Officer to breach any of his/her statutory duties.

1.2.11 The Council is also required by section 114 of the 1988 Act to have a designated deputy, currently the Financial Services Manager, to carry out these functions.

### **Chief Officers**

1.2.14 The term, “Chief Officers”, refers to the Council’s Chief Executive and the Strategic Directors.

1.2.15 Chief Officers are each accountable to the Council for the financial management and administration of those services and activities allocated to them in accordance with Council policy.

1.2.16 Chief Officers are responsible for the overall arrangements within their Directorates and that due regard is given to compliance with the requirements of these Procedure Rules.

### **Assistant Directors**

1.2.17 Assistant Directors are responsible for bringing these Procedure Rules and related documents to the attention of staff, for highlighting aspects of particular relevance to certain staff and for disseminating related documents including financial instructions as appropriate.

1.2.18 Assistant Directors are responsible for the accountability and control of staff and the security, custody and control of all other resources including buildings, furniture, equipment, stocks, stores, cash and other valuable resources or assets used by their service.

### **All Officers**

1.2.19 All officers are responsible for ensuring that all actions they perform comply with the requirements placed upon them by the Council. They must also ensure that actions they take are properly authorised and within the sphere of responsibility their post possesses.

1.2.20 All officers have a general responsibility for taking reasonable action to provide for the security and use of the resources and assets under their control, and ensuring that the use of these resources and assets is legal, is consistent with Council policies and priorities and provides value for money.

1.2.21 All officers must report to a Chief Officer, the Chief Finance Officer or Internal Audit any occasions where they believe that these Procedure Rules, Contract Procedure Rules, Council policy or financial instructions are not being followed, or where

Council resources or assets are at risk.

**Other Responsibilities**

- 1.2.22 Chief Officers and Assistant Directors are required to carry out their tasks in accordance with these Procedure Rules. These officers may authorise other officers to carry out tasks for which they have responsibility as set down by these Procedure Rules.
- 1.2.23 Chief Officers have the same rights and responsibilities as Assistant Directors for any matters falling under their direct management.

## **2. ACCOUNTING ARRANGEMENTS**

### **2.1 Accounting Arrangements**

2.1.1 Subject to statutory requirements, all accounting procedures and records of the Council and its officers shall be determined by the Chief Finance Officer.

2.1.2 The Chief Finance Officer may issue detailed financial instructions on any aspect of accounting procedures and records to be applied generally or to specific departments or functions.

### **2.2 Accounting Records**

2.2.1 The Chief Finance Officer shall be responsible for keeping the principal accounts and financial records of the Council.

2.2.2 The Chief Finance Officer shall ensure the safe retention of all accounting records, including paid invoices and certificates, for as long as may be statutorily required, currently 7 years for prime records such as invoices and 3 years for budget records.

2.2.3 All Directorate financial procedures and records shall be complied and maintained in accordance with such direction given by the Chief Finance Officer.

2.2.4 Assistant Directors must ensure that a complete audit trail, allowing financial transactions to be traced between accounting records and original documents, is maintained.

### **2.3 Accounting Systems and Procedures**

2.3.1 Assistant Directors shall consult with and must obtain permission from the Chief Finance Officer before introducing, amending or discontinuing any system, record or procedure that relates to any area covered by these Procedure Rules.

### **2.4 Directorate Financial Management Arrangements**

2.4.1 Chief Officers are responsible for the operation of financial processes within their Department and in consultation with the Chief Finance Officer shall ensure adequate controls are in place.

### **2.5 Annual Statement of Accounts**

2.5.1 The Chief Finance Officer should ensure that the Council's accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, for each financial year ending 31<sup>st</sup> March and the CIPFA Service Reporting Code of Practice and prepared, published and audited in accordance with the Accounts and Audit Regulations 2003, or any subsequent Regulations.

2.5.2 The Chief Finance Officer is responsible for selecting the Council's accounting policies, including any change to these policies and ensuring that they are applied accurately and consistently.

## **2.6 Trading Accounts**

- 2.6.1 The Chief Finance Officer will advise on the establishment and operation of trading accounts. Each trading account will have defined objectives, including the way in which surpluses or deficits will be dealt with.
- 2.6.2 Assistant Directors will observe all statutory requirements in relation to services that maintain trading accounts, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce suitable information for the statutory disclosure in the Statement of Accounts.
- 2.6.3 Assistant Directors will ensure that the same accounting principles are applied in relation to trading accounts as for other services unless, in the opinion of the Chief Finance Officer, arrangements which are more advantageous to the Council are permissible.

### **3. AUDIT ARRANGEMENTS**

- 3.1 The Accounts and Audit Regulation 2015 require that a, “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems and review its effectiveness on an annual basis.” The Authority’s Internal Audit function fulfils this role.
- 3.2 Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom, published by CIPFA and with Terms of Reference approved by the Council and included with the Audit Committee’s Terms of Reference, again also approved by the Council.
- 3.3 Internal Audit shall review, appraise and provide assurances on (and report to the Audit Committee or Executive if deemed necessary) the following matters;
- i) the soundness, adequacy and application of internal controls;
  - ii) the extent to which the Council’s assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud, other offences, waste, extravagance, inefficient administration, poor value for money or other cause;
  - iii) the suitability and reliability of financial and other management information used within the Council.
- 3.4 In pursuance of their duties Internal Audit shall have the authority under the Accounts and Audit Regulations to;
- i) access/enter at all reasonable times any Council premises or land;
  - ii) have access to all assets, records, documents, minutes. Correspondence and control systems relating to any aspect of the Council;
  - iii) require and receive such information and explanations as are necessary concerning any matter under examination;
  - iv) require any employee of the Council to produce cash, stores, or any other Council property under his/her control;
  - v) request access to records belonging to third parties, such as contractors and partners,
  - vi) have full and free access to all officers, Members and Committees.
- 3.5 Whenever a matter arising out of any audit activity, or otherwise, comes to the attention of Internal Audit and this reveals, or suggests, the possibility of any irregularity, Internal Audit shall consult immediately with the Chief Finance Officer and City Solicitor, to determine the nature of any action to be taken and to effect compliance with these Procedure Rules.
- 3.6 The effectiveness of a continuous Internal Audit shall be reported to the Audit Committee annually and as appropriate the results of audit reviews, which are deemed of interest, in accordance with the CIPFA code of audit practice.

## **4. FINANCIAL PLANNING**

### **4.1 Medium Term Financial Strategy and Budget Preparation (Revenue and Capital, including the Housing Revenue Account).**

4.1.1 The procedure for the preparation of the Medium Term Financial Strategy, revenue estimates and capital programme will be determined each year by the Chief Finance Officer. This procedure will be consistent with any direction given by the Executive which shall fulfil all statutory requirements.

4.1.2 Assistant Directors shall prepare estimates of revenue expenditure and income for all of the Council's services and estimates for the capital programme in accordance with the directions issued by the Chief Finance Officer.

4.1.3 The Chief Finance Officer shall collate the revenue and capital estimates and present them to the Executive together with the Medium Term Financial Strategy as part of the Budget and Policy Framework process. The Medium Term Financial Strategy will provide a five year forward assessment (for the next budget year and the four following years) of the revenue estimates based on present levels of service and efficiency but reflecting also decisions taken on new commitments and the budgetary impact of savings programmes. This plan should highlight total net expenditure (after income for fees and charges) on services and on financing costs, shown separately to make the implications explicit and in accordance with government guidelines.

4.1.4 The Executive shall consider the aggregate effect of these estimates and programmes on the Council's financial resources and, after consultation on proposed amendments, shall submit them to the full Council for approval, on or before the statutory date each year, together with a recommendation for the Council Tax and Housing Rent Levels to be levied for the following year, having determined the supporting resources to be used.

### **4.2 Reserves and Provisions**

4.2.1 The Chief Finance Officer is responsible for making recommendations to Executive and full Council on the adequate level of unallocated General Fund and Housing Revenue Account Reserves and any limitations or conditions on the use of such unallocated reserves. This recommendation will be based upon;

- i) the assessment of the robustness of the budget and adequacy of reserves under Section 25 of the Local Governance Finance Act,
- ii) the projected level of reserves for the year and in the medium terms compared to a risk assessment based on the budget risk register and corporate risk register,
- iii) an on-going assessment of the above.

4.2.2 The Chief Finance Officer is responsible for making recommendations to the Executive and full Council on the adequate level of specific provisions and earmarked reserves. Such recommendations shall include;

- i) a list of the various earmarked reserves and provisions,



- ii) the purposes for which they are held,
- iii) the estimated opening balances for the year, planned additions/withdrawals and estimated closing balances.

4.2.3 Before approving the establishment of a new earmarked reserve or provision the Chief Finance Officer will require Assistant Directors to provide the following;

- i) the purpose of the earmarked reserve or provision,
- ii) the decision making and authorisation process for the use of those provisions and reserves,
- iii) the process and timescale for review of the reserve.

The establishment of new earmarked reserves and provisions shall be brought to the attention of the Executive, by the Chief Finance Officer, not less than four times a year.

4.2.4 Authority to commit expenditure for the specified purposes lies with Assistant Directors in accordance with section 5.1 of these Procedure Rules. Assistant Directors shall only propose the use of earmarked reserves and provisions for the purpose of such reserves or provisions, unless otherwise agreed by the Chief Finance Officer.

## 5. FINANCIAL MANAGEMENT

### 5.1 Budgetary Control

- 5.1.1 Assistant Directors will operate the services under their control in accordance with the policies of the Council and the finances made available, and shall be accountable to the Executive for performance.
- 5.1.2 Assistant Directors shall make arrangements to monitor and manage the budgets for which they are accountable and may designate budget holders who are empowered to commit budgets. Designation of budget holders below Service Manager level or Officers on a PO grade or above reporting directly into an Assistant Director or Chief Officer, requires the express consent of the Chief Finance Officer.
- 5.1.3 Budget holders may delegate day to day responsibility for overseeing the budget and managing the service to budget operators but they retain the responsibility for ensuring the proper management of the Council's resources for their service areas and are responsible for economic, efficient and effective use of resources allocated to them. All budget holder and budget operator activities will be in-line with the approved authorised signatory level for the authorisation of orders and invoices on the Council's financial system and variation/compensation events within contracts:

Tier 1	Unlimited £	Chief Officers and Assistant Directors
Tier 2	Up to £50,000	Service Managers and Officers on PO grade or above that report directly into an Assistant Director or Director
Tier 3	Up to £10,000	Team Leaders or Officers below PO grade that report directly into an Assistant Director

- 5.1.4 The Chief Finance Officer shall maintain a list of the extent of authority of each authorising officer to authorise financial transactions. The list of authorising officers will be reviewed by Assistant Directors at least annually. The Chief Finance Officer should be notified of requests for changes in authorisation limits.
- 5.1.5 The Chief Finance Officer shall provide Assistant Directors and budget holders with appropriate financial information, support and advice to enable the revenue budget and capital programme to be monitored effectively.
- 5.1.6 The Chief Finance Officer shall monitor the arrangements made by Assistant Directors for implementing budgetary control and shall ensure an effective system of budgetary control is operated throughout the Council.
- 5.1.7 Assistant Directors shall consult with the Chief Finance Officer prior to submitting any report or statement to the Executive, Committee, Sub-Committee or Panel to ensure that the financial implications for either the revenue budget, capital programme or the overall finances of the Council contain the Chief Finance Officer views.

## **5.2 Revenue Budget Management**

5.2.1 The inclusion of items in approved revenue estimates, as varied by a supplementary estimate or virement approved under these Procedure Rules, constitutes authority to incur expenditure and collect income.

5.2.2 Assistant Directors and budget holders must regularly monitor (at least monthly but more frequently where necessary) actual income and expenditure against that budgeted for all services under their control and ensure that all budget targets are being achieved. As part of such monitoring, Assistant Directors and budget holders must;

- i) project likely future income and expenditure in order to identify immediately any potential over or under spends;
- ii) take corrective action without delay and, if action beyond their authority is required, report to their Assistant Director/Chief Officer immediately;
- iii) inform the Chief Finance Officer whenever there is a likelihood that expenditure will exceed the approved revenue estimate for it, or that income will be less than the amount included in the estimates, as soon as practicable, including any impact on future years.
- iv) inform the Chief Finance Officer whenever there is a likelihood that expenditure will be below the approved revenue estimate for it, or that income will be in excess of the amount included in the estimates, as soon as practicable, including any impact on future years.

5.2.3 Corrective action may take the form of a transfer of budgets between budget heads (virement) or the suspension or deletion of other planned expenditure. Any such suspension or deletion shall require the Assistant Director to obtain the approval of the Executive and/or full Council if it is contrary to the Budget and Policy Framework and shall affect council policy.

5.2.4 The Executive shall be entitled to require corrective action to be taken to deal with either a forecast or known overspending or to accommodate a new demand that is considered important or unavoidable.

## **5.3 Exceptional Supplementary Budget Estimates**

5.3.1 Once all other possibilities for corrective action have been considered the Assistant Director, in conjunction with the Chief Finance Officer, will be required to make a request for a supplementary budget.

5.3.2 Requests for supplementary budgets shall only be made in exceptional circumstances and may only be approved by the Council. A report requesting a supplementary budget must be produced jointly with the Chief Finance Officer and must make particular reference to any future financial implications.

## **5.4 Transferring Financial Resources Between Revenue Budget Heads in Year (Virement)**

5.4.1 Budget provision may be transferred from one budget head to another during the course of the year subject to the following rules;

- i) the proposed expenditure is not contrary to council policy and does not relate to an item which has previously been considered by the Council, and has been rejected;
- ii) no net recurring increase in total expenditure will arise in any subsequent years directly from the virement unless the recurring cost is approved by the Executive;
- iii) the proposed virement does not involve any loan charges, capital expenditure or apportioned central support services charges which the officer concerned has no control over;
- iv) all virements are notified to the Chief Finance Officer within one week of approval; and
- v) fortuitous income (which has not arisen through a positive management decision) cannot be a source of virement.

5.4.2 Where an approved budget is a 'lump sum' budget or reserve intended for allocation during that year, its allocation will not be treated as a virement for reporting purposes, provided that the amount is used in accordance with the purposes for which it was established.

5.4.3 The transfer of a budget is not virement if the budget continues to be used for the same purpose and is only being vired for the purpose of 'general housekeeping'.

5.4.4 The Chief Finance Officer is authorised to make any technical adjustment to budgets that are not contrary to the Policy and Budget Framework.

5.4.5 Virement is permitted between the revenue budget and the capital budget but not from the capital budget to the revenue budget.

5.4.6 Revenue virements may be made within the following criteria;

Within the same budget head;

- i) transfer between subjective within revenue budget heads may be approved by the budget holder, after consultation with their Assistant Director.

Between different budget heads;

- ii) where amount does not exceed £50,000 and the items are to be transferred between different budget heads then the relevant Assistant Director(s) may approve the transfer;
- iii) where the amount is more than £50,000 but not exceeding £75,000 and is to be transferred between different budget heads then the relevant Director(s) may approve the transfer;
- iv) where the amount is more than £75,000 the approval of the Executive is required.

5.4.7 Any virement that will impact upon the budget under the responsibility of another Assistant Director will require the approval of both Assistant Directors or both Chief Officers.

\* A budget head is defined as a single line in the approved revenue estimates.

## 5.5 Carry Forward of Revenue Budgets from One Year to the Next

5.5.1 Assistant Directors will be able to request to carry forward any revenue estimate not utilised by the end of the financial year, subject to the following conditions:

- i) proposals for carry forwards will only be considered where there is an overall underspend of the Directorate's cash limited budgets equal or greater than the carry forward amount (for this purpose income budgets for which the Directorate doesn't have full control, e.g. due to market forces) are excluded from the considered cash limit budget;
- ii) carry forwards can only be used to finance one-off types of expenditure;
- iii) proposals will be included for initial approval in the report on financial performance submitted to the Executive for the period to the end of 31st December each year;
- iv) if carry forwards are not identified and reported to the Executive in the report of financial performance for the period to the end of 31st December then they will not be considered, except in circumstances which are beyond the Council's control, e.g. failure of supplier to deliver. In such a case the initial approval of the Chief Finance Officer will be required;
- v) approval of the total value of carry forward proposals will only be given by the Executive once all spending in the financial year has been contained within the overall budget level set for the year and consideration given to the financial risks and priorities of the Council. This will be determined on receipt on the report of financial performance for the period to the end of 31<sup>st</sup> March each year. The allocation of the total carry forward amount to specific schemes will be determined following completion of the draft financial statements each year.

## 5.6 Capital Budget Management

### Capital scheme initiations and approvals

5.6.1 Initial provision is made for capital schemes within the Capital Programme in line with the approved Strategic Plan, Housing Business Plan and Medium Term Financial Strategy.

5.6.2 Inclusion of an initial provision in the Capital Programme provides authorisation to carry out feasibility studies, outline design and application for planning consent (where required) provided the resources have been identified within the approved budget.

5.6.3 Before a capital scheme for which provision is made in the Capital Programme may proceed further i.e. to tender/commitment of expenditure, project documentation must be produced and agreed by the Capital Projects Team, in accordance with the Lincoln Project Management Framework, unless such documentation has been

completed within the last 12 months prior to inclusion in the Capital Programme. If a period of 12 months has elapsed a revised project appraisal will be required to be approved by the Strategic Plan Implementation Team.

5.6.4 Where Assistant Directors wish to propose new capital schemes for inclusion in the capital programme, they must first consult with the Chief Finance Officer who will determine the approach to be taken for approval of the proposal. The proposals will need to be approved by the Executive and be in accordance with the Lincoln Project Management Framework, i.e. require the completion and approval of appropriate project documentation. This must include all applications for schemes to be funded from Government sources, grants or other external funding.

5.6.5 Bids for external funding to support capital expenditure cannot take place until they have been approved by the Chief Finance Officer.

5.6.6 The Chief Finance Officer may approve expenditure where tenders received are less than the allocated scheme budget and the Assistant Director proposes to extend the scope of the work up to the allocated amount. In such circumstances the Chief Finance Officer will consider the overall capital programme and other calls on capital resources.

#### **5.6.8 Capital Scheme Monitoring**

5.6.9 Assistant Directors and budget holders shall be responsible the monitoring of all capital schemes under their control and shall, at the earliest opportunity, inform the Chief Finance Officer whenever;

- i) the cost has or is likely to exceed the allocated project budget;
- ii) there has been or is likely to be slippage in estimated payments for the year so that steps may be taken to avoid the loss of time-limited borrowing or capital grant approvals.

5.6.10 If after a scheme has commenced the original total cost has or appears likely to exceed the allocated scheme budget, or where any avoidable variations or discretionary charges are to be incurred, then equivalent savings must be made within the approved capital programmes (virement).

5.6.11 If it is not possible to identify a capital virement the Chief Finance Officer and Assistant Director shall report the scheme, the final cost or estimate thereof and reason for the increased expenditure to the Executive at the earliest opportunity.

5.6.12 Any proposal to amend an approved capital programme by deleting an approved scheme will require the approval of the Executive.

#### **5.7 Transferring Financial Resources within Capital Schemes (Virement)**

5.7.1 The Chief Finance Officer in conjunction with Capital Projects Team shall consider the scheme as a whole, the overall agreed capital programmes and other calls on capital resources, when taking correction action in the form of a virement.

- 5.7.2 The Chief Finance Officer shall have authority to approve virements to a capital scheme subject to the virement plus previous virements approved by the Chief Finance Officer being not more than £100,000 or 50% of the total scheme whichever is lower. For ongoing schemes (e.g. disabled facilities grants) the total value of the scheme refers to the annual budget allocation.
- 5.7.3 Such virements shall be reported by the Chief Finance Officer to the Executive, not less than four times a year.
- 5.7.4 Any virement which results in the change to the cost of the scheme exceeding the above financial limits will require the Assistant Director in conjunction with the Chief Finance Officer to prepare a report to obtain the approval of Executive.
- 5.7.5 The Chief Finance Officer shall have authority to approve the rephrasing of capital schemes within the approved capital programme between financial years (subject to the availability of resources) to make the most effective use thereof. Such re-phasing shall be reported by the Chief Finance Officer to the Executive, not less than four times a year. If deemed necessary the Chief Finance Officer in conjunction with the relevant Assistant Director shall prepare a report to the executive to consider proposals.
- 5.7.6 The Chief Finance Officer shall have the authority to approve the inclusion of schemes in the capital programme as required by capital accounting requirements in the Accounting Code of Practice.

## **5.8 Reporting**

- 5.8.1 The Executive shall receive a report, prepared jointly by, the Chief Finance Officer and Officers, commenting on financial performance to date of the revenue budget and capital programmes, not less than four times a year. The Chief Finance Officer shall report to the Executive in between such regular reports should he/she require this to be necessary in the financial circumstances.
- 5.8.2 The Performance Scrutiny Committee shall receive a report, prepared jointly by, the Chief Finance Officer and Chief Officers, commenting on financial performance to date of the revenue budget and capital programmes, not less than four times a year.

## **5.9 The Capital Programme Board**

**5.9.1** Notwithstanding any of the responsibilities of Assistant Directors and budget holders for budget management within these Procedure Rules, in addition the performance of all capital schemes shall be monitored by the Chief Finance Officer in conjunction with the Capital Programme Board (the Assistant Director Group will fulfil this function).

**5.9.2** The Capital Programme Board shall consist of the Chief Finance Officer and Assistant Directors representatives from each Directorate. The Capital Programme Board will consider rescheduling / resource shifting / financial programming, i.e. wider programme management, rather than being involved in the detail of individual projects. Only exceptions, where there is a risk of significant impact on financials or deliverables, would be reported to, and considered by, the Capital Programme

Board.

- 5.9.3 Project Briefs will be developed by the Project Manager, and agreed with the Project Sponsor, after consultation with all affected services, and the budget model is agreed with Finance.
- 5.9.4 The Capital Programme Board considers significant change only, with minor change being dealt with by the Project Manager / Project Sponsor. Tolerances of what constitutes significant change to be agreed at the start of the contract.
- 5.9.5 For capital schemes determined, as per the Lincoln Project Management Model, to be 'mega projects' the performance of that scheme can be undertaken through a designated project board rather than through the Capital Programme Board. In such circumstances the Chief Finance Officer, or representative of, will form part of the project board.
- 5.9.6 Performance Scrutiny Committee and Executive will receive a progress report from the Chief Finance Officer on a quarterly basis on the capital schemes monitored by the Capital Programme Board.



## EXPENDITURE

### 6.

#### 6.1 Authorisation and Certification

6.1.1 Expenditure should only be incurred if authority to purchase goods or services has been delegated to an employee by an Assistant Director.

6.1.2 A list is maintained by the Chief Finance Officer of the extent of the authority of each authorising officer who can approve orders and authorise invoices for payment.

6.1.3 A list is maintained by the City Solicitor of the extend of the authority of each authorising officer who can:

- i) authorise travel and expense claims;
- ii) authorise petty cash reimbursement claims;
- iii) authorise payroll transactions, including starters and leavers, overtime or bonus payment, notification of sickness, salary adjustments.

6.1.4 Transactions will not be processed unless authorisation has been given.

6.1.5 Agency staff are not permitted to place or approve orders or contractual payments.

6.1.6 Assistant Directors should notify the Chief Finance Officer and City Solicitor immediately of any changes in authorised personnel or requests for changes in authorisation limits. Periodically, the whole list of authorised officers shall be reviewed in its entirety.

#### 6.2 Contracts for Works, Goods and Services

6.2.1 All contracts entered into on behalf of the Council shall be subject to the Contract Procedure Rules (Part 4) of the Constitution.

6.2.2 Payment to contractors on account shall be authorised only on certified documents signed by an authorising officer up to their agreed authorised limited, as per paragraph 5.1.3, showing the total amount of the contract, value of work executed to date, retention money, amount paid to date and the amount now certified.

6.2.3 Subject to the specific contract allowing a variation, every variation, addition to the original specification or compensation event, shall be authorised, in writing, by an authorising officer up to their agreed authorised limit, as per paragraph 5.1.3. Any such variation, addition or event which necessitates an increase in the amount of an accepted tender or estimate which exceeds the budgetary provision will be subject to the scheme of virement as per paragraphs 5.4 and 5.7. No order shall be placed, nor any payment certified, in respect of any such variation or addition until this has been approved by the Executive if required under the scheme of virement.

6.2.4 The final certificate on a contract or accepted estimate shall be issued by the duly authorised officer.

6.2.5 In the case of contracts for works entered into by the Council and supervised and managed by architects or persons other than the Council's own officers, the agreement with the person having control of the work shall provide that he/she submit to the Council for authorisation by a duly authorised officer, all payments on account and valuation certificates, furnishing them with all documents and vouchers relating to prime costs, provisional sums etc. Subject to the rights of other parties to the contract, the final certificate shall not be issued, nor the balance under such contract paid until an authorised officer of the Council has had the opportunity to examine the accounts, vouchers and documents and authorise the final certificate and payment.

### 6.3 Orders for Works, Goods and Services

6.3.1 Purchase orders shall be made out in the name of the Council and shall be in a form approved by the Chief Finance Officer. Electronic ordering shall be the Council's preferred method of raising orders.

6.3.2 Official purchase orders are required for all work, goods or services to be supplied to the Council except for:

- i) supplies of public utility services;
- ii) contracts for works, goods and services as per paragraph 6.2
- iii) periodical payments (such as rent or rates);
- iv) petty cash purchases; or
- v) such other exceptions as the Chief Finance Officer may approve

If there is any doubt over whether a purchase order is required the Chief Finance Officer will confirm the requirements.

6.3.3 No official order shall be issued unless the rules regarding the obtaining of quotations/tenders in accordance with Contract Procedure Rules, (Part 4) of this Constitution, have been followed.

6.3.5 Verbal orders should only be given in emergencies and must be confirmed immediately by an official order, clearly marked 'Confirmation of an order issued verbally'. Personal credit cards can only be used in exceptional and justifiable circumstances and with prior authorisation of the Chief Finance Officer.

6.3.6 All orders shall specify the nature and quantity of the work, goods or services required, shall include all relevant expenditure (including freight/delivery) and shall specify the relevant contract and agreed or estimated price excluding Value Added Tax.

6.3.7 Each purchase order must be authorised by an authorising officer up to their agreed authorised limit. Before authorising purchase orders (or otherwise committing expenditure) authorising officers should ensure that sufficient budgetary provision is available.

6.3.8 Any purchases undertaken as part of a corporate procurement card scheme shall be in accordance with the instructions issued. Purchase orders are not required for

procurement cards.

- 6.3.9 No financial loan, leasing or hire purchase arrangement (with the exception of land and property) may be entered into without the express permission of the Chief Finance Officer.
- 6.3.10 Under no circumstances may individual employees use the Council's ordering or payments systems for personal use or benefit.
- 6.3.11 Assistant Directors shall ensure that, where construction maintenance works are undertaken, the contractor fulfils necessary Construction Industry Tax Scheme requirements.

#### **6.4 Payment of Accounts**

- 6.4.1 The Chief Finance Officer shall be responsible for making safe and efficient arrangements for all payments.
- 6.4.2 The primary method of payment of funds due from the Council is by BACS payment drawn on the Council's bank account by the Chief Finance Officer. In exceptional circumstances other forms of payment e.g. CHAPS/faster-payment/direct debit/standing order may be used with the agreement of the Chief Finance Officer.
- 6.4.3 Each Assistant Director shall be responsible for ensuring that prior to purchase orders for goods and services being confirmed as being goods received (or on occasions invoices being authorised for payment) the examination, verification and certification of the receipt of all goods and services under his/her control is in line with the original purchase order or subsequent amendments. He/she shall satisfy him/herself that robust procedures exist to ensure that;
  - i) the goods, works or services mentioned have been received, examined and approved as to quality and quantity and are in accordance with the order and/or subsequent correspondence;
  - ii) the relevant expenditure has been properly incurred, and is within the relevant budget;
  - iii) appropriate entries have been made in inventories, stores records or stock books as required;
  - iv) the account has not previously been passed for payment and is a proper liability of the Council;

Where the invoice received differs from the official purchase order or amounts certified as received, then they shall ensure that;

- i) the price charged is correct and in accordance with any accepted quotation or contract and that all appropriate allowances, discounts and credits have been deducted, and that the invoice is arithmetically accurate;

- 6.4.3 Statements shall not be paid but should be passed to the Chief Finance Officer for review and reconciliation. Scanned or photocopied documents shall not be passed for payment unless endorsed by the authorising officer stating that the original is not,

and is unlikely to become, available. If this is the case scanned or photocopied documents must be of sufficient quality to be processed.

6.4.4 Each order, **goods receipt confirmation** and/or invoice shall be **authorised by** the authorising officer up to their agreed authorised limit.

6.4.5 Assistant Directors must ensure that invoices for payment are dealt with promptly in accordance with any contract conditions, late payment legislation and performance criteria. Priority is to be given to invoices subject to a discount for prompt payment. On confirmation the purchase orders have been goods receipted or if required invoices have been authorised for payment, the invoices will be processed by the Chief Finance Officer for payment without delay.

## **6.5 Payment for Salaries and Wages**

6.5.1 The payment of all salaries, wages, compensation and other emoluments to all employees or former employees of the Council shall be made by the City Solicitor under secure and reliable arrangements approved by the Chief Finance Officer.

6.5.2 Assistant Directors and the City Solicitor will ensure that appointments of all employees are made in accordance with the Procedure Rules of the Council.

6.5.3 Assistant Directors shall notify the City Solicitor as soon as possible, complying with deadlines set down for payroll processing and in the form prescribed by him/her, of all matters affecting the payment of such emoluments, and in particular:-

- i) appointment, resignations, dismissals, suspensions, secondments and transfers;
- ii) absences from duty for sickness or other reason, apart from approved leave (via the appropriate admin team);
- iii) changes in remuneration, other than normal increments and pay awards and agreements of general application; (e.g. honorarium, accelerated increments, regradings etc)
- iv) information necessary to maintain records of service for superannuation, income tax, national insurance and the like.
- v) all employees in receipt of taxable benefits;
- vi) additional work such as overtime.

6.5.4 All time records or other pay documents shall be in the form prescribed by the Chief Executive and approved by the Chief Finance Officer and shall be certified by an authorising officer.

6.5.5 Assistant Directors must ensure that all pay transactions are processed through the payroll system. They must, in particular, seek advice from the City Solicitor on the employment status of potentially self-employed individuals or sub- contractors.

6.5.6 The City Solicitor shall implement all nationally agreed pay and related awards immediately.

## **6.6 Payments of officer's travel and subsistence**

6.6.1 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses in relation to the performance of official duties shall be submitted via the system prescribed by the City Solicitor and approved by the Chief Finance Officer and submitted in accordance with such timescales as he/she may determine.

6.6.2 All claims for payment shall be certified by an authorising officer. Such certification shall be taken to mean that the authorising officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council.

6.6.3 Irrespective of the method of claim or method of payment, all expenses for car allowances, subsistence allowances, travelling and incidental expenses shall be in accordance with the rates and scales set out in the HR Handbook as updated from time to time.

## **6.7 Payments to Member's or Independent Persons for Travel, Subsistence and Allowances**

6.7.1 Payments to Members, including co-opted Members of the Council or its committees, or independent persons who are entitled to claim travelling or other allowances, will be made by the City Solicitor upon receipt of the prescribed form duly completed. All claims for a financial year are to be submitted in accordance with the Members' Allowance Scheme.

6.7.2 All issues relating to the payment of Members' allowances and including the keeping of records and publication of amounts claimed, shall be in accordance with the Council's Members' Allowance Scheme extant at that time as any relevant legislation.

6.7.3 The City Solicitor shall determine which duties of Members should qualify for payment in accordance with the Members' Allowance Scheme. Any other payments will require approval by the Executive.

## **7. INCOME**

### **7.1 Fees and Charges**

7.1.1 All fees and charges to be made for Council services shall be reviewed at least annually by the Assistant Directors. Such fees and charges shall be submitted by the Chief Finance Officer to the full Council for approval as part of the Medium Term Financial Strategy.

7.1.2 Proposals for new fees and charges should normally be considered as part of the Medium Term Financial Strategy. Where this is not possible then the Assistant Director, in conjunction with the Chief Finance Officer shall submit a report to the Executive for approval of the new fees and charges. Reasonable notice should be given to service users to consult on the fees, before any new charge is implemented, together with clear advice on any discounts or concessions that will be available.

7.1.3 Any fees and charges regulated by statute shall be implemented on the due date without requiring approval or consultation with service users.

7.1.4 Given the uncertain nature of the economy, the need for price changes later in the year cannot be ruled out in order to respond to operational issues and the changing market, as well as to offer incentives that will encourage greater use of services and therefore increase overall income generated. Possible changes might include the introduction of promotions to stimulate demand as necessary, making offers for limited timescales, linking two services and offering discounts. Such discounts and promotions will need to rest with the service to introduce as part of being market-led and responsive.

7.1.5 In such circumstances the relevant Assistant Director has the discretion to amend the set fees and charges by +/- 50% for any individual fee, after consulting with the relevant Portfolio Holder. Such an occurrence shall be reported to the Chief Finance Officer at the earliest opportunity.

### **7.2 Collection of Income**

7.2.1 The collection of all money due to the Council shall be under the supervision of the Chief Finance Officer who shall ensure adequate arrangements are maintained for;

- i) the financial organisation and accounting necessary to ensure the proper recording of all sums due to the Council, and;
- ii) the collection, custody, control, disposal and prompt accounting of all cash in all Directorates and establishments of the Council and any bodies acting on the Council's behalf.

7.2.2 Each Assistant Director shall arrange for accounts to be raised promptly in respect of charges for work done or goods or services supplied and for rendering such accounts to the debtors concerned, along with required supporting documentation. Such accounts will be in a form specified by the Chief Finance Officer.

7.2.3 Assistant Directors shall promptly notify the Chief Finance Officer of contracts, leases and other agreements and other arrangements entered into which involves

the receipt of money by the Council.

- 7.2.4 The Council does not accept cash except where this is unavoidable and approved by an Assistant Director. Any cash received must be acknowledged by the issue of an official receipt.
- 7.2.5 All official receipt forms, books or similar items shall be in a form approved by the Chief Finance Officer.
- 7.2.6 All official receipt forms, books or similar items shall be ordered, controlled and issued only by the Chief Finance Officer and be in his/her custody, except where he/she may approve otherwise. A register shall be kept of all receipts and issues of such documents and each issue shall be acknowledged by the signature of the recipient.
- 7.2.7 Assistant Directors shall ensure that cash etc collected by an employee shall not be left unsecured in the absence, for any reason, of the employee from the point of collection. Where a collection point is left unattended, all cash must be put in secure conditions.
- 7.2.8 Every transfer of official money from one member of staff to another will be evidenced in the records of the departments concerned by the signature of the receiving officer.
- 7.2.9 Assistant Directors shall ensure that any shortages of cash collected shall be notified immediately to the Chief Finance Officer and Internal Audit to determine the nature of any action to be taken and to effect compliance with these Procedure Rules.
- 7.2.10 Personal cheques shall not be cashed out of the money held on behalf of the Council.
- 7.2.11 Each employee receiving income shall balance his/her collections at least daily and pay them to the Chief Finance Officer, the bank (either directly or via authorised collectors) or another officer nominated by the Chief Finance Officer in accordance with the instructions specified by the Chief Finance Officer. These payments must be properly coded and any VAT properly accounted for. No deduction may be made from such money save to the extent that the Chief Finance Officer may specifically authorise.
- 7.2.12 The Chief Finance Officer shall arrange for prompt banking of monies received by him/her.
- 7.2.13 Each officer who banks money (either directly or via authorised collectors) shall enter on the paying-in slip a reference to the related debt (such as the receipt number or the name of the debtor) or otherwise indicate the origin of the cheque; on the reverse of each cheque, the officer shall enter the name of his/her directorate, office or establishment.
- 7.2.14 As per paragraph 7.2.4 above the Council does not accept cash payments except where this is unavoidable. In those unavoidable instances in accordance with the Council's Anti-Money Laundering policy payment to the Council can be accepted if it is in cash and does not exceed a specified limit (currently £2,000). The receipt of

cash payments over £2,000 requires the prior authorisation of the Chief Executive, City Solicitor or Chief Finance Officer.

7.2.15 Electronic payments will be implemented on a service-by-service basis wherever this can be done so efficiently. Whenever possible this will be through a means that is without human intervention in the process such as through the online secure web pages or by automated telephone payments. All monies received through such methods shall be subject to the specific instructions concerned and shall comply with the Payment Card Industry Data Security Standards (PCIDSS). This requirement to comply with PCIDSS extends to any third parties/contractors working on behalf of the Council

### **7.3 Writing off bad debts**

7.3.1 The Chief Finance Officer shall generally administer the recovery of all income due to the Council, including taking appropriate proceedings in court. With exception of the delegation to the City Solicitor to settle all legal proceedings in consultation with the relevant instructing officer.

7.3.2 The authority to write out debts shall be as follows and exercised only where the debt is deemed uncollectable by virtue of the bankruptcy or liquidation of the debtor, the debt being statute barred or the absence of further remedies being available such as following a committal hearing or a deceased debtor with no estate or where the debt is deemed irrecoverable or uneconomic to pursue:

i) not more than £5,000 for any one debtor in respect of any one financial year – authorisation required by Chief Finance Officer, City Solicitor or the Head of Shared Revenues and Benefit Service.

ii) following a report to and the approval of the Executive in respect of debts over £5,000.

7.3.3 Where authorisation exists to write out a debt, the Chief Finance Officer may seek to mitigate the loss to the Council by selling the debt or passing it to an agency on a commission basis. Nothing in these Procedure Rules shall preclude the passing of a debt to an agency where either the debtor becomes liable for those costs or there is provision in the budgets or provisions to meet such costs. Nothing in these Procedure Rules shall preclude “technical” write-offs necessary to correct any account raised in error.

7.3.4 The authority to reinstate previously written off debts upon receipt of outstanding amounts shall be as follows:

iii) Reinstatement of debts up to £5,000 - authorisation required by Chief Finance Officer, City Solicitor or the Head of Shared Revenues and Benefit Service.

i) Reinstatement of debts over £5,000 – authorisation required by the Chief Finance Officer



## **8. Taxation**

- 8.1 The City Solicitor shall be responsible for accounting to the HM Revenue's & Customs for all tax deducted from employees' emoluments under the PAYE arrangements.
- 8.2 The Chief Finance Officer shall be responsible for accounting to the appropriate agency for all other forms of taxation payable to or by the Council and for supplying to such agencies such other information as they may validly require.
- 8.3 The Chief Finance Officer may require from any employee of the Council such information as is necessary for fulfilment of the Council's obligation under this Procedure Rule. Assistant Directors shall be responsible for reporting taxable benefits (e.g. un-badged uniforms), which their staff may have received to the Chief Finance Officer in accordance with the timescales and procedures laid down by him/her.
- 8.4 Any purchase which is taxable under VAT Procedure Rules, whether or not the purchase price includes an element of VAT, shall be paid for only on receipt by the Chief Finance Officer of a suppliers invoice complying with VAT Procedure Rules or a written guarantee that an authenticated VAT receipt will be issued. Under no circumstances will VAT be payable on cheque requisition forms unless authorising officers have sought an authenticated VAT receipt.
- 8.5 Authorised officers accounting for income must ensure that the correct VAT is charged. Liability is determined by the type of organisation being charged and the nature of the service provided.
- 8.6 Assistant Directors should have regard to the provision of the Construction Industry Scheme (CIS) and should ensure that all payments which may incur a liability under this scheme are passed directly to the Chief Finance Officer for payment.

## **9. Resources and Asset Management**

### **9.1 Banking Arrangements**

- 9.1.1 All arrangements concerning banking services, including the opening, closing and operation of the Council's bank accounts shall be made solely upon direction of the Chief Finance Officer.
- 9.1.2 Cheques and other instruments drawn on the Council's banking accounts shall bear the facsimile signature of the Chief Finance Officer or be signed by the Chief Finance Officer or other officer authorised to do so in the bank mandate. **The Chief Finance Officer will authorise the inclusion of specific officers on the bank mandate (to be at a minimum of Assistant Director level).**
- 9.1.3 All such cheques and instruments shall be ordered only on the authority of authorised signatories and the Chief Finance Officer shall make proper arrangements for their safe custody.
- 9.1.4 The Chief Finance Officer shall authorise the establishment of all standing orders and direct debits.
- 9.1.5 The Chief Finance Officer shall maintain a list of all Council procurement cards issued and their holders. The Chief Finance Officer will authorise the issue of any new cards, the withdrawal of existing cards and provide operating guidance.
- 9.1.6 Card holders shall be personally responsible for the security of cards and for ensuring compliance with guidelines for their use, which shall include the requirement that procurement cards may only be used for Council business and in no circumstances used for personal purposes.

### **9.2 Investments, Borrowings and Trust Funds**

- 9.2.1 The Council has adopted CIPFA's "Code of Practice for Treasury Management in Local Authorities".
- 9.2.2 The Council shall determine a Treasury Management Policy setting out its strategy and procedures for Treasury Management and set the Council's Prudential Indicators. The policy shall be reviewed once a year and completed in accordance with the budget timetable.
- 9.2.3 All money in the Council's possession shall be aggregated for the purposes of Treasury Management and shall be under the control of the Chief Finance Officer.
- 9.2.4 All Executive decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer or through him/her to his/her staff who shall all be required to act in accordance with current statutory requirements, professional guidelines and the Treasury Management Policy extant at the time of the transaction.
- 9.2.5 The Chief Finance Officer shall report to the;
- i) Executive no less than twice in each financial year on the activities of the

Treasury Management operation and on the exercise of Treasury Management powers delegated to him/her. One such report shall comprise an Annual Treasury Management Stewardship and Prudential Indicators Report for presentation by 30 June of the succeeding financial year.

- ii) Performance Scrutiny Committee no less than twice a year on the activities of the Treasury Management operation. Including, as a minimum, a mid-year review and an annual report after its close, in the form prescribed in its Treasury Management Practices.
- iii) Audit Committee on an annual basis on the treasury management strategy before approval by the Executive and full Council.

- 9.2.5 Responsibility for the implementation and regular monitoring of the Treasury Management policies and practices is delegated to the Performance Scrutiny Committee.
- 9.2.6 The Audit Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- 9.2.7 All borrowings, investments and trust funds shall be made in the name of the Council.
- 9.2.8 The Chief Finance Officer shall act as a registrar of mortgages, stocks, shares and bonds, whilst appropriate arrangements shall be made for other securities.
- 9.2.9 All trust funds shall, wherever possible, be in the name of the Council and Officers acting as trustees by virtue of their official position shall deposit all securities, etc., relating to the trust with the City Solicitor unless the deed otherwise provides.
- 9.2.10 The Chief Finance Officer shall arrange, where funds are held on behalf of third parties, for their secure administration and to maintain written records of all transactions.
- 9.2.11 The Chief Finance Officer shall ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

### **9.3 Floats and Imprest Accounts**

- 9.3.1 The Chief Finance Officer may establish and provide such imprest accounts and cash float holdings and in such a form as he/she deems appropriate.
- 9.3.2 The Chief Finance Officer shall maintain a list of all Council imprest accounts and cash float holdings issued and their signatories.
- 9.3.3 No income received on behalf of the Council may be paid into an imprest account but must be banked or paid to the Council as provided elsewhere in these Procedure Rules.
- 9.3.4 Payments shall be limited to minor items of expenditure up to a general individual limit of £50 and to such other items as the Chief Finance Officer may approve and shall be supported by a receipted voucher to the extent that the Chief Finance Officer may require. A VAT receipt should be obtained where possible.

- 9.3.5 Each imprest holder shall maintain an approved record of the sum received and disbursements made and shall produce the record and cash for checking on demand by the Chief Finance Officer or his/her representative.
- 9.3.6 Claims for reimbursement are completed by each imprest holder. The vouchers are attached to the claim certified by an authorising officer, and submitted to the Chief Finance Officer at such intervals as the Chief Finance Officer determines.
- 9.3.7 On leaving the employment of the Council or otherwise ceasing to be entitled to hold an imprest account, an Officer shall account to the relevant Assistant Director for the amount advanced to them

#### **9.4 Unofficial Funds**

9.4.1 The Council will not as a general rule supervise the financial administration of unofficial funds and will not in the course of normal business audit them. It accepts no liability whatsoever for any loss however caused. Those operating such funds therefore have an overall responsibility to ensure that proper financial stewardship is observed. This should include ensuring that:-

- i) a Treasurer and an independent auditor are formally appointed;
- ii) proper rules are operated to secure adequate standards;
- iii) adequate records and procedures are maintained;
- iv) regular reports on fund transactions and balances are received and checked against bank statements;
- v) annual statements of income and expenditure and fund balances are prepared and audited.

9.4.2 Those operating or intending to operate such funds are also required to:

- i) notify the Chief Finance Officer of details of the fund as soon as this is set up;
- ii) provide an independent audit certificate for the fund on an annual basis.

9.4.3 The Chief Finance Officer reserves the right to inspect the accounts and records of such funds as necessary.

#### **9.5 Asset Registers and Inventories**

9.5.1 The Chief Finance Officer shall maintain an Asset Register, in such a form to record sufficient details to meet the requirements of the Code of Practice on Local Authority Accounting in respect of capital accounting, for all non-current assets with a value in excess of £10,000.

9.5.2 **The Chief Finance Officer and the Assistant Director of Housing** shall be responsible for ensuring that the Corporate Asset Management Plan **and the HRA Asset Management Plan (respectively)** under his/her control are up to date and provide the corporate framework for a coordinated approach to asset management within the Council.

- 9.5.3 In particular the Chief Finance Officer:-
- i) will maintain a terrier of all properties owned by the Council recording the holding service, purpose for which held, location, extent and plan reference, purchase details, particulars of nature of interest and rents payable and review periods and particulars of tenancies granted;
  - ii) shall hold and regulate access to all title deeds to land and property owned by or mortgaged to the Council and shall hold the Council's seal.
- 9.5.4 Assistant Directors shall be responsible for maintaining an inventory of all items under their control with a replacement value in excess of £250, but including electrical and photographic equipment, that do not form part of the Asset Register modules or subsidiary records. Such inventories shall be in a form determined by the Chief Finance Officer.
- 9.5.5 The Assistant Director of Strategic Development shall be responsible for maintaining a central inventory of computer equipment.
- 9.5.6 Asset records and inventories are to be checked by Assistant Directors annually to ensure;
- i) that new items are entered,
  - ii) that items are present; and
  - iii) any deficiencies are either accounted for or investigated without delay.
- 9.5.7 Each Assistant Director is responsible for maintaining proper security at all times for buildings, furniture, equipment, stocks, stores, cash and other valuable resources or assets under his/her control. All valuable resources must be locked away wherever possible to reduce the risk of theft. Buildings must be kept secure, well maintained and, where appropriate, access must be restricted. He/she shall consult promptly with the Chief Finance Officer in any case where security of cash or assets is thought to be defective or where it is considered that special security and/or safety arrangements may be needed.
- 9.5.8 The Council's vehicles, plant and equipment shall not be removed otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by the Chief Officer concerned.
- 9.5.9 A loss of any asset of any kind must be reported to the Chief Finance Officer and Internal Audit Manager.
- 9.5.10 Guidance on asset disposal is included within section 9.7.
- 9.6 Stocks and Stores**
- 9.6.1 Each Assistant Director shall be responsible for the custody, control and recording of stores in his/her department. He/she shall keep such records of stocks in a form approved by the Chief Finance Officer.

- 9.6.2 The Chief Finance Officer in conjunction with the Assistant Director concerned shall determine the method to be employed in the valuation of stocks and stores
- 9.6.3 Each Assistant Director shall undertake a regular system of stocktaking, and at least annually, to ensure that:-
- i) deficiencies or surpluses are detected promptly,
  - ii) obsolete and redundant stock is revealed, and
  - iii) year end stocks can be ascertained accurately and promptly.
- 9.6.4 The Chief Finance Officer shall be entitled to receive from each Assistant Director such information as he/she or she requires in relation to stores for the accounting, costing and financial records.
- 9.6.5 The Chief Finance Officer may, after investigation, authorise the writing off of deficiencies and/or obsolete stores where he/she is satisfied as to the cause.
- 9.6.7 Guidance on the disposal of surplus materials, stores or equipment is included within section 9.7.

## **9.7 Disposal of Items of Inventory, Stocks and Stores**

- 9.7.1 The procedures contained in section 9.7 apply to the disposal of surplus goods, equipment, stocks and stores but do not apply to the sale in the ordinary course of business of any article or publication the price of which has been fixed by the Council.
- 9.7.2 Where the actual or estimated value of the goods to be sold is less than £10,000 the relevant Assistant Director may approve the disposal and may decide the procedure to be adopted. The Assistant Director must establish if the goods could be used in the Directorate or elsewhere in the Council and consider whether any of the following methods are considered appropriate:

- i) use of an appropriate selling agent/organisation
- ii) offered for sale to employees and Members on the basis of the highest bid
- iii) use of the Council's Ebay Account (subject to final approval of parameters)
- iv) any of the disposal methods as set out in 9.7.4

If the item has no remaining value, its removal from the premises by an appropriately qualified contractor should be arranged.

- 9.7.3 Goods of an actual or estimated value exceeding £10,000 must be disposed of in one of the following ways, as determined most appropriate by the Assistant Director:
- i) by public tender;
  - ii) by public auction; provided that a reserve price has been fixed by the authorised person or body in advance and the consideration obtained is equal to or more than the reserve price;
  - iii) by "trading in" goods at the best price obtainable against the purchase of other goods on behalf of the Council;

- iv) by exchange, where authorised by the Assistant Director, for goods or works, subject to monetary adjustments as appropriate;
- v) by treating with not less than 3 bona fide prospective purchasers;
- vi) by sale to another local or public authority;
- vii) in accordance with a statutory requirement or procedure.
- viii) by sale in accordance with any other procedure approved by the Council or the Executive.

9.7.4 A record must be kept of the method of sale, price obtained, and the name and address of the purchaser. Where competitive prices have been sought, a record must be kept of the offers received and of the names and addresses of the persons making those offers.

9.7.5 The Chief Finance Officer shall be notified of the disposal of all goods and equipment, including stocks and stores. Assistant Directors are responsible for ensuring any inventories and records of stocks and stores they hold are updated to reflect the disposal of goods and equipment.

9.7.6 The receipt of any income from the disposal of goods, equipment, stocks and stores shall be treated as a capital receipt if it is in excess of £10,000, below this threshold it will be treated as revenue income for the relevant service area.

## 9.8 Acquisition and Disposal of Land and Buildings

9.8.1 Authority for any land and buildings acquisition must be sought through the Executive, with the recommendation of the Strategic Property Manager and in consultation with the Chief Finance Officer.

9.8.2 All acquisitions and interests in land and buildings must be negotiated through the Strategic Property Services Manager:

- i) by private treaty;
- ii) by tender;
- iii) at auction, provided that the maximum price to be paid has been fixed by the Chief Finance Officer in advance and is not exceeded.

9.8.3 All disposals of land and buildings must be authorised by the Executive or a sub-committee authorised by the Executive, on the recommendation of the Strategic Property Manager and in consultation with the Chief Finance Officer

9.8.4 The Strategic Property Manager may enter into a contract for the disposal of any interest in the land and buildings;

- i) by public tender;
- ii) by public auction, provided that a reserve price has been fixed by the authorised person or body in advance and the consideration obtained is equal to or more than the reserve price;
- iii) by exchange, where authorised by the Council or the Executive, for goods, works or land, subject to monetary adjustments as appropriate;
- iv) by treating with one or more prospective purchasers, lessees or licensees

- v) by sale to another local or public authority;
- vi) in accordance with a statutory requirement or procedure;
- vii) by sale in accordance with any other procedure approved by the Council or the Executive.

9.8.5 The City Solicitor will be responsible for the completion of all deeds and legal agreements relating to the acquisition and disposal of any interest in land and buildings, in accordance with the Council's scheme of delegation.

## **9.9 Procedure For Disposal By Public Tender**

9.9.1 Every invitation to tender must be sent out in accordance with the standard tender process as detailed in Contract Procedure Rules.

9.9.2 The Strategic Property Manager may accept the highest tender.

9.9.3 Acceptance of a tender, which is not the highest, may only be authorised by the Executive whose decision and the reasons for it must be recorded in the minutes.

## **9.10 Insurances**

9.10.1 The Chief Finance Officer shall be responsible for deciding whether an insurable risk should be insured, how or at what level it should be insured and for negotiating all insurances of the Council using consultants or directly with insurance companies under arrangements approved by the Council or in establishing/operating an Insurance Reserve or Provision.

9.10.2 The Chief Finance Officer shall annually, or at such other period as he/she may consider necessary, review all insurances and excess levels.

9.10.3 Assistant Directors shall give prompt notification to the Chief Finance Officer of;

- i) all new risks and liabilities which may require specific insurance cover or an alteration to existing insurances;
- ii) all new properties, vehicles or plant that require insurance or an alteration, including revised valuations, to existing insurances;
- iii) all leases of property granted by or to the Council which involve a transfer of insurance cover;
- iv) all new partnership arrangements or changes to existing partnership arrangements that require insurance or an alteration to existing insurances.

9.10.4 All claims and recoveries are to be negotiated by the Council's appointed claim handler. Each Assistant Director must inform the Chief Finance Officer of any incident, e.g. any liability or damage, which could give rise to an insurance claim, immediately the notice of any such incident comes to his/her attention, in accordance with the Council's Incident Reporting Procedure.

9.10.5 Assistant Directors shall consult the Chief Finance Officer and City Solicitor with regard to the terms of any indemnity, which the Council is requested to give. No indemnity is to be given without the written consent of the City Solicitor.



- 9.10.6 Assistant Directors are responsible for ensuring that no employee shall admit liability nor offer any payment of compensation that may prejudice the Council's liability in respect of any future claim.
- 9.10.7 All appropriate employees of the Council shall be included in suitable fidelity guarantee insurance whilst carrying out duties directly connected with their employment as a Council officer undertaking official business of the Council.
- 9.10.8 All of the above shall be done in the context of the Council's Risk Management Policy.

## **10. EXTERNAL ARRANGEMENTS**

### **10.1 Partnerships**

10.1.1 The Chief Finance Officer will ensure that the accounting arrangements adopted in relation to partnerships and joint ventures are subject to financial control procedures that reflect those of the Council, legislative requirements and other professional guidance. Partnerships include;

- i) services provided by private sector and community and voluntary sector partners;
- ii) shared services with other public bodies, including section 75 agreements entered into under the Health Act 2003 or similar arrangements;
- iii) where the Council becomes the accountable body under legislation or the terms of a grant;
- iv) any other partnerships involving a sharing of resources or risk and reward.

10.1.2 Assistant Directors must ensure that partnerships involving the Council are entered into or set up in accordance with the corporate guidance. This includes the responsibility to take appropriate professional advice (including financial, legal and procurement) when entering into partnership arrangements and to ensure that the impact of any such arrangements in terms of risk or financial standing are identified and considered by the Executive and the Council as appropriate. This includes:

- i) governance arrangement for the partnership;
- ii) risk management and risk sharing arrangement;
- iii) performance and financial management/monitoring arrangements;
- iv) financial administration, cash management and accounting arrangements;
- v) pensions risk;
- vi) taxation implications;
- vii) human resources implications;
- viii) the transfer of assets and liabilities;
- ix) insurance arrangements.
- x) ICT implications

10.1.3 Assistant Directors shall also ensure that;

- i) such partnerships do not adversely impact upon services provided by the Council;
- ii) all contracts are properly documented in a form approved by the City Solicitor; and
- iii) all appropriate information is provided to the Chief Finance Officer to enable a note to be entered into the Annual Statement of Accounts.

### **10.2 External Funding**

10.2.1 The Chief Finance Officer must be consulted on and approve all submissions to Central Government and other agencies for funding. Prior to making any submission in relation to external funding, Assistant Directors must ensure that:

- i) an exit strategy is identified to manage the ultimate cessation of the funding stream with no adverse impact on the Council, including any ongoing revenue implications;
- ii) any match funding requirements are given due consideration prior to entering into agreements and that future revenue budgets reflect these requirements; and
- iii) they are able to comply with the terms and conditions of a grant scheme, including auditor certification requirements, before accepting them.

10.2.2 Assistant Directors must seek approval from the Chief Finance Officer before accepting any offer of funding from external bodies.

10.2.3 Assistant Directors are responsible for ensuring that all expenditure to be funded by grant is properly incurred in accordance with the requirements and conditions of the funding body, and is supported by adequate evidence.

10.2.4 Assistant Directors are responsible for ensuring the completion and submission of grant claims. Officers must also ensure that grant claims comply with the requirements and grant conditions of the funding body, are submitted promptly, and supported by adequate evidence.

### **10.3 Providing Services to Third Parties**

10.3.1 No tender or quotation for any contract for the execution of works or provision of services by the Council may be submitted, or any such contract entered into, without first consulting the Chief Finance Officer and the City Solicitor

10.3.2 If either the Chief Finance Officer or City Solicitor object to any proposal to enter into a such a contract, then no authorised person or body other than the Executive may approve the submission of a tender or quotation or enter into such a contract.

10.3.2 All proposals to submit a tender or quotation shall consider;

- i) governance arrangements for the contract;
- ii) risk management and risk sharing arrangements, including the risk of service failure;
- iii) financial administration, cash management and accounting arrangements;
- iv) pensions risk;
- v) taxation implications;
- vi) human resources implications;
- vii) the transfer of assets and liabilities;
- viii) insurance arrangements.

Assistant Directors shall also ensure that;

- i) the contract is not subsidised by the Council;
- ii) the service has the appropriate expertise to undertake the contract;
- iii) such contracts do not adversely impact upon services provided for the Council;
- iv) all contracts are properly documented in a form approved by the City

- Solicitor; and
- v) all appropriate information is provided to the Chief Finance Officer to enable a note to be entered into the Annual Statement of Accounts.

## **11. LOCAL AUTHORITY COMPANIES**

- 11.1 Where consideration is being given to the establishment of a local authority company or involvement in other companies the relevant Chief Officer must consult the Chief Finance Officer and the City Solicitor on all aspects of the proposal, at the earliest possible time, prior to seeking approval from the Executive.
- 11.2 The relevant Chief Officer, in consultation with the Chief Finance Officer and City Solicitor is responsible for:
- i) preparing a detailed business case and business plan for the establishment of any trading organisation in accordance with relevant legislation and following best practice. The business plan must include full financial projections for the profit and loss account, balance sheet, cash flow statement. The business case must address the full financial implications and risks to the Council of establishing a trading company;
  - ii) ensuring that proposals for trading activities are not ultra vires and have Executive approval before the company is established or any contract with a third-party to establish a trading company is entered in to;
  - iii) ensuring that they have acquired the necessary expertise to establish the trading company and that its establishment does not adversely impact on the services provided for the Council;
  - iv) determining the appropriate form of company that should be established and that as appropriate, the articles of association of the trading company and any shareholders' agreement ensure that the Council can exert the appropriate degree of control over the trading company as shareholder;
  - v) ensuring that the trading company is not subsidised by the Council and that all services, officer time and other support provided to the company is charged to the company in accordance with the CIPFA Service Reporting Code of Practice;
  - vi) any contract drawn up between the trading company and the Council addresses risks to the Council;
  - vii) seeking and acting upon appropriate financial, legal and taxation advice in establishing a trading company.

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<b>SUBJECT:</b>	<b>AUDIT COMMITTEE WORK PROGRAMME</b>
<b>REPORT BY:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>
<b>LEAD OFFICER:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>

**1. Purpose of Report**

1.1 To provide details of the draft Audit Committee work programme for 2017/18

**2. Executive Summary.**

2.1 The Audit Committee approves a work programme each year and monitors progress.

**3. Main Details**

3.1 The proposed work programme is attached at Appendix A. The frequency of meetings has been reviewed and is considered appropriate for 2017/18.

**4. Organisational Impacts** (nb. Finance, Legal and E & D sections below are mandatory, others to be completed only where there is an impact)

4.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

4.2 Legal Implications including Procurement Rules

There are no direct legal implications arising as a result of this report.

4.3 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required)

There are no direct E and D implications arising as a result of this report.

**5. Recommendation**

5.1 That Audit Committee comment on and agree the work programme for 2017/18.

**Key Decision** No

**Do the Exempt Information Categories Apply?** No

**Call in and Urgency:** Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?

No

**How many appendices does the report contain?**

One

**List of Background Papers:**

None

**Lead Officer:**

Audit Manager Telephone 873321



## AUDIT COMMITTEE AUDIT WORK PROGRAMME FOR 2017/18

Meeting dates	Audit Items	Training (Suggested)	Comments
18 <sup>th</sup> July 2017	<ul style="list-style-type: none"> <li>• Internal Audit Progress report</li> <li>• Statement of Accounts</li> <li>• Annual Governance Statement (Draft review)</li> <li>• Audit Committee Work Programme</li> <li>• Annual Internal Audit Report</li> <li>• 12 month Fraud and Error report</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Committee effectiveness (new members)</li> <li>• Local Government Financial Statements explained</li> <li>• Annual Governance Statement/Corporate Governance (Part of Meeting)</li> </ul>	
19 <sup>th</sup> September 2017	<ul style="list-style-type: none"> <li>• Statement of Accounts / Annual Governance Statement (Final)</li> <li>• Annual Governance Report / Auditors Report (External Audit)</li> <li>• Internal Audit progress report</li> <li>• Audit Committee Work Programme</li> <li>• Information Governance – update report</li> <li>• Peer review - update report</li> <li>• Annual Governance Statement monitoring report</li> <li>• Annual Complaints report</li> </ul>		

<p><b>19 December 2017</b></p>	<ul style="list-style-type: none"> <li>• Annual Audit Letter (External Audit)</li> <li>• Internal Audit progress report</li> <li>• Six Month Fraud and Error report</li> <li>• Annual Governance Statement - monitoring</li> <li>• Audit Committee Work Programme</li> <li>• Information Governance Update</li> <li>• Appointment of External Auditor</li> <li>• Counter fraud policies</li> <li>• Review of the Constitution-Financial Procedures Rules</li> </ul>	<ul style="list-style-type: none"> <li>• Counter Fraud</li> </ul>	
<p><b>13 Feb 2018</b></p>	<ul style="list-style-type: none"> <li>• Internal Audit Progress report</li> <li>• Treasury management policy and strategy (consultation prior to approval by Council)</li> <li>• Audit Committee Work Programme</li> <li>• External Audit annual report on grants and returns</li> <li>• External Audit progress report</li> <li>• Review of Counter Fraud policies – anti-bribery</li> <li>• Code of Corporate Governance</li> <li>• External Audit Plan</li> <li>• Review of the effectiveness of Internal Audit and Audit Committee</li> <li>• Terms of Reference review – Internal Audit</li> <li>• Terms of Reference review Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Treasury Management</li> </ul>	

	<b>Annual report of the Audit Committee Chair (Report direct to Council)</b>		
<b>27 Mar 2018</b>	<ul style="list-style-type: none"> <li>• <b>Internal Audit Progress report</b></li> <li>• <b>Combined Assurance report</b></li> <li>• <b>Annual Governance Statement –update</b></li> <li>• <b>Internal Audit Strategy and Plan</b></li> <li>• <b>Risk Management Strategy / annual report</b></li> <li>• <b>Statement on Accounting Policies</b></li> <li>• <b>Audit Committee Work Programme</b></li> <li>• <b>External Audit Inquiries – 17/18 Statement of Accounts</b></li> <li>• <b>IAS19 – Assumptions used to calculate pension entries in the Statement of Accounts and Audit Regulations</b></li> </ul>		

*A private meeting between the Audit Committee and internal and external audit managers can be arranged outside of the meeting agenda times.*

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