

AUDIT COMMITTEE

Tuesday, 27 March 2018

5.00 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, Paul Berry, Sally Brooks, Pat Jukes, Becky Scott, John Scott, Daren Turner and Democratic Services

A G E N D A

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

32. Confirmation of Minutes - 19 December 2017

RESOLVED that the minutes of the meeting held on 19 December 2017 be confirmed.

33. Declarations of Interest

Councillor Ronald Hills declared a Disclosable Pecuniary Interest with regard to the agenda item titled 'Internal Audit Progress Report'.

Reason: In relation to any reference to the Western Growth Corridor, this subject matter related to property and land in his ownership. He left the room during the discussion of this item.

34. Draft External Audit Plan (To Follow)

This agenda item was deferred to the next meeting of Audit Committee to be held on 27 March 2018.

35. Certification of Grant Claims

John Scott, Audit Manager:

- a. reported that External Audit was required to report annually the results of grant certification work
- b. requested that members receive and comment on the findings of the External Audit Grant Claims and Returns report for 2016/17, which was largely factual and similar in format to that submitted in previous years.

Mike Norman, representing KPMG, external auditor:

- a. presented the Annual Report of the City of Lincoln Council on the Certification of Grants and Returns 2016/17
- b. reported on certification work undertaken resulting in adjustments having been made to the council's housing benefit claim, as in previous years subject to a qualification letter, which reduced the overall amount of subsidy due to the council by £1129.00
- c. advised that there had been some errors in the Council 's Housing Pooling Return, resulting in an increase in poolable receipts of £134,000, however, an unqualified assurance report for this return was issued

- d. reported the proposed fee from KPMG for certifying the Council's 2016/17 Housing Benefit Subsidy grant at £10,173, which was still subject to approval by the Public Sector Audit Appointments Limited (PSAA)
- e. added that the fee for the Housing Pooling Return had been agreed directly with the Council amounting to £3,000.

Members discussed the content of the report in further detail, asking the following questions:

Question: Would the Housing Benefit Subsidy grant be affected by roll-out of Universal Credit with the council having less site of what clients were claiming?

KPMG Response: Core assessments were based on earnings and allowances. It was feasible this could have an effect. He would look into this matter further and report back to members under separate cover.

Question: What did the pooling return relate to?

KPMG Response: It related to the sale of 40-50 council houses a year and equated to notional debt.

John Scott, Audit Manager emphasised that the Council had an incentive to keep errors as low as possible in respect of housing benefit subsidy, which was showing at 98% accuracy on the IMPS system.

Mike Norman, representing KPMG commented that the housing benefit subsidy claim was an inherently complicated system with more claims being qualified than not.

RESOLVED that the content of KPMG's report and members comments on the certification of grants and returns 2016/17 be noted.

36. Review of Code of Corporate Governance

John Scott, Audit Manager, on behalf of Heather Grover, Principal Policy Officer:

- a) presented a report to inform Audit Committee of the outcome of a review of the Code of Corporate Governance
- b) confirmed that City of Lincoln Council adopted a new Code of Corporate Governance in March 2017, with an agreed first review date of January 2018
- c) advised that an internal audit was undertaken in autumn 2017 to look at compliance with the code, and as a result of the audit some very minor changes to the code itself were also identified as detailed at paragraph 3.4 and Appendix A of the report
- d) reported that no further changes were recommended at this time and it was proposed the next review should be in January 2020
- e) invited members' questions and comments.

John Scott, Audit Manager confirmed that Jane Nellist, Independent Member, had suggested to him that the Whistle Blowing Policy be included in the key document list for the Code of Corporate Governance.

The Chairman supported Janes comment as relevant.

Members queried how the results were arrived at and recorded in relation to the seven core principles outlined within the Code of Corporate Governance, and suggested that this should be incorporated into the 2020 review.

John Scott, Audit Manager advised that the results were determined by a self-assessment exercise conducted by officers a few years ago. CIPFA/SOLACE Guidance was relatively detailed but open to interpretation by local authorities. Analysis would always be subjective. He suggested that Audit Committee members be provided with a few examples of how the results were decided in relation to the various key processes.

RESOLVED that:

1. Audit Committee members be provided with a few examples of how results were arrived at and recorded in relation to the seven core principles outlined within the Code of Corporate Governance.
2. Minor amendments to the Code of Corporate Governance be noted incorporating the Whistle Blowing Policy within the key document list for the Code of Corporate Governance.
3. The next review date for the Code of Corporate Governance of January 2020 be agreed.

37. Prudential Indicators 2017/18 - 2020/21 and Treasury Management Strategy 2018/19

Sarah Hardy, Group Accountant (Technical and Exchequer):

- a. presented a report for Audit Committee to scrutinise and recommend to the Executive for approval the adoption of the 15 statutory prudential indicators and 8 local indicators for the period 2017/18 to 2020/21, together with the 2018/19 Treasury Management Strategy alongside the Medium Term Financial Strategy 2018-23, prior to being reported to Council for final approval
 - b. referred to training undertaken prior to the start of this meeting in relation to Treasury Management in order to help members take an informed view on the contents of this report
 - c. summarised the key prudential indicators which had been incorporated into the 2018/19 strategy; the projected capital expenditure would determine the capital financing or borrowing requirement, which would in turn determine the actual level of external borrowing taken and hence, cash balances available for investment
- a. reported on the methodology employed for selecting investment counterparties as detailed at paragraph 2.2 of the report
 - b. advised that the strategy for 2018/19 had been prepared taking into account changes in the Prudential Code and Treasury Management Code

- c. outlined the operation of the Council's prudential indicators, its treasury function and its likely activities for the forthcoming year, incorporating the four key Council reporting requirements as follows:
- Prudential and Treasury Indicators
 - Minimum Revenue Provision (MRP) Statement
 - Treasury Management Strategy
 - Investment Strategy
- d. requested that Audit Committee review the content of the report and its associated appendices and recommend to Executive and Council for approval.

Members considered further the content of the report, raising the following questions:

- Question: Would capital receipts from the sale of land/property still be available by the year 2020?
- Officer Response: The balance of capital receipts was not shown in the table provided at paragraph 4.1.2 of the report. It would be detailed in the final Medium Term Financial Strategy 2018-2023(MTFS).
- Question: How were large capital sums allocated to projects during the year built into the MTFS?
- Officer Response: New projects which came on board during the year would be presented to Executive for approval as part of the capital programme moving forward. Performance Scrutiny Committee also received regular quarterly financial updates.
- Question: How did ongoing maintenance of assets get accounted for?
- Officer Response: A maintenance budget and a sinking fund capital budget was built into the figures for the MTFS.
- Question: What happened to those assets reducing in value and dropping to the bottom of the priorities list?
- Officer Response: An asset register was kept/maintained. The Council's priorities at any one time dictated whether or not individual assets were the subject of investment. A cyclical programme of asset revaluation was undertaken, any devaluation of assets would be reflected in the balance sheet.
- Question: What was the meaning of 'counterparties'?
- Officer Response: This was a standard description in treasury terms for people the Council had financial arrangements with.

RESOLVED that:

1. The prudential indicators detailed in Section 4.1 and Appendix 1 of the report be recommended to Executive and Council for approval.
2. The Treasury Management Strategy (including the Treasury Management Prudential Indicators and the Investment Strategy) as set out in Section 4.3 and Appendix 3 of the report be recommended to Executive and Council for approval.

38. 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 November 2017 – January 2018, 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 public sector internal audit standards
- 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 audits carried out in the following areas given assurances as follows:
 - Debtor Key Controls: High Assurance
 - Tenancy Services: Substantial Assurance
 - Creditors Key Controls: Substantial Assurance
- e. reported on other significant work ongoing in relation to:
 - Parliamentary Election – Claim for Expenses
 - Choice Based Lettings
 - General Data Protection Regulations
 - Combined Assurance Map
 - 2018/19 Audit Plan
 - Asset Rationalisation
 - Western Growth Corridor
- f. advised on audits currently in progress as detailed at paragraph 6 of the report
- g. reported on high priority recommendations completed, due, overdue and not yet due at pages 160-161 of the report
- h. added that high priority audit recommendations due March 2018 would be forwarded to members under separate cover once the relevant information was available
- i. detailed the contents of the Audit Plan Schedule at Appendix 2 of the report
- j. highlighted performance against annual planned work targets as detailed at paragraph 8 and Appendix 4 of the report
- k. presented an updated version of medium priority recommendations due and not yet due as at 31 January 2018 at Appendix 5, including additional information showing further progress made since the previous committee meeting, as requested by members

I. requested members' consideration on the content of the report.

(Councillor Hills left the room at this point, having declared a disclosable pecuniary interest in any discussion on the Western Growth Corridor.)

The Chair pledged the support of Audit Committee to the recommendations carried through in the internal audit review in respect of Western Growth project management, registering support for strong financial and governance arrangements.

Members highlighted that if any performance issues should arise in relation to the project management of the scheme these would be referred to Performance Scrutiny Committee.

(Councillor Hills re-joined the meeting.)

Members discussed the remaining content of the report.

Members sought and received confirmation from John Scott, Audit Manager that his team was made up of the equivalent of 3 full time staff.

Members thanked the Audit Team for all the hard work they were doing.

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

39. Internal Audit Plan

John Scott, Audit Manager:

- a) presented for consideration and approval the Internal Audit Plan and Strategy 2018-19, as detailed at Appendix A to his report
- b) drew members' attention to the areas proposed for auditing
- c) advised that an allocation for Housing Benefit Subsidy claim work was included in the Internal Audit Plan as it was likely that it would be completed by Internal Audit again during 2018/19
- d) reported that minor variations to the plan may be approved by Management on a risk basis; any major changes would be reported via the Audit Committee in accordance with the agreed terms of reference
- e) invited members' questions and comments.

Members considered the content of the report in further detail, raising questions which received responses from officers as follows:

- Comment: Equality and Diversity did not seem to be represented in the 2018/19 plan.
- Response: This would be considered for inclusion.
- Question: Was Universal Credit to be considered as an internal audit priority?
- Response: Yes. It should have a 'tick' against it in the agenda paperwork.
- Question: Why was the Internal Audit risk for Key Control Testing showing as red, whereas the Risk Advisory Group rated it as green?

- Response: Our Internal Audit risk assessment was rated quite highly in respect of key controls tested being of crucial importance to the Council involving large sums of money. The Risk Advisory Group ratings related to how the key controls were managed.

John Scott, Audit Manager, advised that homelessness was the subject of impending new legislation which needed time to be embedded before an audit was conducted. The authority was trying to be more reactive in respect of audit areas reported to committee, to account for change on a risk basis.

The Chair asked any members with suggestions to feed into the Draft Internal Audit Plan to contact the Audit Manager directly following this meeting.

RESOLVED that the Internal Audit Plan 2018-19 be approved.

40. Audit Committee Work Programme

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.

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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 and overseen by Corporate Leadership Team as well as monitored at the Audit Committee.

3.2 Summary of Findings

There are now just two significant issues remaining – both are now considered, by the responsible officer to be amber.

- Information Management - Good progress has been made in delivering the Information Management training programme and in preparing for the General Data Protection Regulations in May 2018. Further actions are found in Appendix A and are reported in detail in a separate report by Legal Services
- IT Disaster Recovery - With the secondary data centre in action at Hamilton House, concentration is now on ensuring the remaining Audit recommendations are implemented.

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 was approved by Exec in December 2017 – details of progress are to be found in Appx A
- Risks around compliance to the Lincoln Project Management Model are being monitored during the transition period from the SPIT group to the new Capital Programme Team 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 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:	Pat Jukes, Business Manager, Corporate Policy Ext 3657

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**Quarterly Summary of Progress with AGS Risk Actions
to SMF 22nd March 2018 and Audit Committee 27th March 2018**

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
Information Management: Legal and Democratic Services Manager	<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>RED to AMBER:</p> <ul style="list-style-type: none"> • Training programme to be concluded by July 2017 <p>AMBER to GREEN:</p> <ul style="list-style-type: none"> • Ongoing training programme implemented and training materials finalised • Privacy Impact Assessment procedure rolled out • Review of all existing contracts and partnerships for information sharing arrangements • Any additional work to ensure compliance with the European Data Protection Regulation due to be in force May 2018 	<p>The Information Governance Officer has delivered generic and tailored training to each team. An Information Asset Owner (IAO) Handbook has been prepared and circulated with the first training undertaken in Q1, and the second in September. <i>IAO's now have a checklist to complete, following further training which was carried out in February 2018. Contracts data is currently being reviewed.</i></p> <p>The E-learning programme continues to be rolled out to teams, <i>and AD's are now chasing individual staff members who have not yet completed the training.</i> Further actions are contained in the Information Management Action Plan and Management Plan and monitored by Audit Committee/AD Group, which is largely on target to implement the GDPR Project by May 2018.</p>	<div style="border: 1px solid black; width: 30px; height: 30px; background-color: yellow; margin: 0 auto;">A</div>

	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
IT Disaster Recovery BDIT Manager (ICT DR Plan) CFO (Business Continuity)	<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>RED to AMBER:</p> <ul style="list-style-type: none"> Construction of a secondary data centre at Hamilton House - complete <p>AMBER to GREEN:</p> <ul style="list-style-type: none"> Revisit all Business Continuity Plans – commence January 2017 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. ICT DR Plan to be considered and reviewed for changes and or future requirements 	<p>Progress on the ICT DR Plan has been made for Business Continuity Group. 1-2-1's held with service areas with a table top exercise to be scheduled later in 2018</p> <ul style="list-style-type: none"> The Draft DR Plan is now complete and reviewed by BC group. The Plan has been considered by CMT and approved on 31st October 2017 Consultation with service areas is complete An internal audit on DR plan/BC issues is complete. Issues arising from the audit were referred to BC group for consideration Meetings were held in January and March and further meetings will be held to review progress on all recommendations. The three key outstanding actions are all considered to be low level recommendations and thus low risk. The expectation is that there will be substantial progress on these by September 	
Other areas to retain a focus on during 2017/18 but are not classed as 'significant issues';			
Partnership companies	<p><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>	<p>The proposed Housing Company - the latest position is that:</p> <ol style="list-style-type: none"> Executive made a decision in principle to establish a company in February 2016 January 2017 there was approval for the company to be progressed subject to General Fund due diligence work The full Business Case was presented to Policy Scrutiny on the 28th November and approved by Executive on 18th December 2017 Lincoln Quality Homes to be set up by April 2018 	

	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
		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	
Loss of compliance to Lincoln Project Management Model	<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 was reviewed by CMT and CLT in September 2017. This involves ensuring that the financial monitoring and the operational aspects of project management are both considered for all defined projects.</p> <p>A full review of the Lincoln Project Management Model is currently underway to incorporate agreed changes to move from the Strategic Project Implementation Team (SPIT) to the Capital Project Team (CPT) overseen by the Corporate Leadership Team.</p> <p>Until these changes are agreed and implemented, SPIT will continue alongside the introduction of the CPT</p>	G

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SUBJECT: INFORMATION MANAGEMENT UPDATE

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

**REPORT AUTHOR: BECKY SCOTT, LEGAL & DEMOCRATIC SERVICES
MANAGER (LDSM)**

1. Purpose of Report

- 1.1 To update Audit Committee on the progress of information management and in particular the General Data Protection Regulation (GDPR) Vision 2020 project.

2. Training Programme

- 2.1 As members are aware, the Information Commissioners Office (ICO) set out the framework for the Council to work in to ensure compliance with the Data Protection Act 1998 ('DPA') and the General Data Protection Regulation which will come into force on the 25 May 2018. Also the forthcoming Data Protection Bill which is due to replace the DPA in April/May 18.
- 2.2 Assistant Directors are monitoring the take up of the training programme and are taking responsibility, along with the Service Managers, for its implementation. 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 ICO that the organisation was taking the protection of its data seriously.
- 2.3 The general audit and information asset audit recommendations were included as an IMP for Performance DMT's which are now included in Service Plans. All service areas have received face to face team training, as well as training for service managers and team leaders identified as Information Assets Owners (IAO's) and annual members training
- 2.4 Current take up for the DP e learning training on City People is over 80%. The list of those who have not completed the training has been sent to each Assistant Director and they are currently chasing up the progress. A further report of those who have not completed it will be reviewed at the end of March. The current completion level would not be considered satisfactory to the ICO and completion of this training should be 100%.
- 2.5 It became apparent that some staff have limited contact with personal data, if any. Therefore, the Information Governance Officer (IGO) has prepared a sheet for those staff members who just need to know the basic framework and to assist those staff who do not have easy access to the computer system.

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 Working Group on the Vision 2020 Project. Including implementing the outstanding actions on the GDPR action plan.
- Completed the training programme for teams and focussed on getting staff to do their e-learning module with the preparation of the basic framework sheet for staff with limited contact with personal data.
- Continues to assist in implementing the audit recommendations for City of Lincoln Council (CLC) and from East Lindsey's audit into the Revs and Bens service
- Completed the preliminary stages of an internal audit planned of Information Governance at CLC with the Audit Manager
- Met all Assistant Director's to report outcome of asset audits in their area and has had an appointment with a nominated representative of the remaining directorate Major Developments.
- Ongoing support to all staff with DP and GDPR queries, which have increased due to awareness. Finalising 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 in respect of GDPR compliance.
- Developed an improved Data Protection Impact Assessment process together with guidance which has been issued and completed by a number of asset owners across directorates. Meeting with IAO's to provide assistance with these assessments when requested.
- Developing and issuing an IAO/GDPR Handbook for each IAO to be able to refer to for an outline of their responsibilities
- Developing and delivering a training session in January/February for the IAO's in respect of the checklist to be rolled out for the IAO's to complete in relation to their role as an IAO and the changes to be made by GDPR.
- Prepared a GDPR Data Protection Policy to replace the current one for consideration by Policy Scrutiny Committee and then Executive.
- Analysed data breaches to monitor and report data breach trends internally. Also overseeing reviews of processes to mitigate future risks.

4. GDPR Action Plan Progress

4.1 The GDPR Action Plan is attached at Appendix A.

4.2 The GDPR Group are prioritising becoming compliant and completing the project however there is a lot of work to be done, particularly in the following areas:-

(a) Training

Action:

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.

Once we have completed the e learning training, the ongoing training will be essential and needs to be programmed as to how this will be achieved, and will be made easier when Netconsent is in place.

(b) Privacy Impact Assessments

Action:

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 DPIAs should be signed off at an appropriate level and implemented into project planning at the earliest stage.

These have been rolled out to various teams to be completed in respect of assessing how we process personal data before a project/piece of work, for example.

In addition from May these assessments will become mandatory in particular circumstances including retrospectively for core systems proceedings large amounts of sensitive data.

(c) Contract review for GDPR clauses

Action:

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

Each contract for CLC which include personal data needs to be reviewed and amended to comply with the GDPR. The IGO and the LDSM are finalising the standard clauses to be used and then will be rolling these out to contract managers and assistance given to ensure compliance.

(d) Record of Processing Activities

Action:

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

We have an asset register compiled by the IGO after extensive work with IAO's. This needs to be kept up to date by IAO's and this needs to include the legal basis

for processing. The register does include a description of information being shared although this may need to be expanded upon in some areas.

(e) Individual Rights

Action:-

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.

The Business Development and IT Manager continues to work on this area however solutions are complex, and options potentially expensive and resource intensive.

(f) Policies and procedures

Action:

Draft GDPR policies to be implemented and agreed before May 2018 to replace Data Protection Policy and Summary sheet. Obtain approval and issue to staff.

The GDPR Data Protection Policy will be considered at Executive on 22 March 2018 and thereafter there needs to be a review of all policies.

The above actions are the ones which the GDPR working group highlight as being the more complex ones where extensive resources are needed, particularly for the IGO and also time from all other staff involved to ensure we can achieve compliance. Assistant Directors have been asked to re-iterate to their teams the importance of undertaking any work in this area, as well as to monitor their Service Managers/IAO's who have numerous responsibilities.

The GDPR Plan has also been key coded to identify the completed actions highlighted in green. Actions where further work is required and where failure to complete may result in a higher fine under GDPR of 20 million Euros are highlighted in yellow. Actions where further work is required and failure to complete in may result in the lower fine of 10 million Euros.

5. Annual Spring Clean

- 5.1 In accordance with the City People article, it was agreed by Assistant Director's that officers will be encouraged to carry out a clean-up of the data they hold in January, in particular that information held on emails. The LDSM and the IGO are aware that many officers have done this and reduced their inbox sizes accordingly.

6. Breaches

- 6.1 There has been fewer breaches in recent months and none resulting in sanctions from the ICO.

7. Data Protection Officer

7.1 This post, which is required under the GDPR, is now being recruited to.

8. GDPR Fee Structure

8.1 Fees payable to the ICO have been confirmed to be rising to £2,900 per year, an increase of £500. This is understood to be to assist the supervisory body to enforce the GDPR. For councillors, there is a rise of £5 each to £40 which will be met by the Democratic Services budget.

9. AGS

9.1 The Annual Governance Statement (AGS) status for the Information Governance section is now amber, and all the work being undertaken for the implementation of the GDPR will be reviewed in due course to see whether the Council might improve this status.

10. Vision 2020

10.1 The GDPR project is one of the Vision 2020 projects to be delivered in year 2018/19. The Working Group has been meeting monthly to ensure that we are on target with our Project Plan.

10.2 This 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 compliance.

11. Organisational Impacts

11.1 Finance

The fee to the ICO will be met by within existing corporate budgets.

11.2 Legal Implications

As outlined in the report.

12. Recommendation

12.1 To note the report and progress of the internal GDPR working group.

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?

5

List of Background Papers:

None

Lead Officer:

Becky Scott Legal & Democratic Services Manager
Telephone (01522) 873441

General Data Protection Regulation (GDPR) Action Plan

V 0.6 Key										
Outstanding- failure attracts higher level fines- 20 million Euros										
Completed										
Outstanding-failure attracts lower level fine -10 million Euros										
Ref	Action	Agreed action	At Dec 17	At Jan 18	At Mar 18	Target Date	Next Review	Progress Review Notes	Actions outstanding and resources required	Responsible Officer
Issues under ICO's 12 Steps to take now										
1. Awareness										
1.1	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.	Completion rate to be reviewed again at the end of Jan 18 and issued to AD's after recent issuing of low risk dp training sheet for staff with no or very little contact with personal data.	Completion rate to be reviewed again at the middle of March 18 and issued to AD's . GDPR specific training via video/e learning/Netconsent to go to IAO/s SM's early from May	Completed but ongoing	Apr-18	List of staff not having completed the e-learning went to AD Group in Feb 18. The % includes staff on long term leave, maternity etc so % would be higher. Issued 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. Deliver GDPR specific training	IGO/LDSM/BD ITM
1.2	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 article issued late Dec17-clear up on emails retained. Jan 18 article regarding all emails being potentially disclosable on Dp forum. GDPR visual introduction to be issued by comms end of Jan 18.	Jan 18 article regarding all emails being potentially disclosable on Dp forum. GDPR visual introduction issued by comms in Feb. Article on mandatory data breach reporting issued in March	Comms to be issued every month running up to 25/05/2018	Apr-18	Agreed 6 month plan with Comms and IG team	Plan complete -Monthly assistance from Comms. IG team to amend and approve comms before issuing.	IGO/COMMS
1.3	Policies, Guidance and procedures	Draft GPDR Handbook for IAO's. Draft GDPR policies 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 polices were reviewed and approved in May 2016. All polices 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.	Ongoing	GDPR handbook circulated and checklist in draft has been issued. To be finalised with netconsent soon. GDPR policy drafted to PSC on 20 March 2018 and Exec on 26 March 2018	GDPR policy and summary sheet be issued to staff before May 2018 via netconsent	Apr-18	Handbook prepared and checklist being rolled out 24 January. Summary sheet to be drafted and issued to staff. Include data subject's enhanced rights and changes to SAR's.	GDPR Policy to be issued. Summary sheet to be drafted and issued to staff. Procedures on website for Subject Access Requests to be changed before May 18. All IM policies to be reviewed.	IAO's IGO/LDSM/BD ITM
1.4	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.	Included in report to AD's Jan 18.	Has been recommended to all IAOs through training/checklist and then to AD's. SMTF have agreed to put it on their agenda.	Quarterly-ongoing for teams	Apr-18	Included in IAO's checklist issued Jan 18 and SM's reminded in Feb meeting	Completed	IAO's
2. Information the council holds										

25

Ref	Action	Agreed action	Work completed to date	Work completed to date	Work completed to date	Target Date	Next Review	Progress Review Notes	Actions outstanding and resources required	Responsible Officer	
2.1	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	Outstanding recs being monitored in performance DMT. IAO's be chased again regarding outstanding recs.	Outstanding recs being monitored in performance DMT. IAO's be chased again regarding outstanding recs.	Audit completed recs to be followed up	Apr-18	All IAO's sent IMPs recs as reminder to summaries. Need to follow up IAO's who have not responded.	IGO following up recs with IAO's.	IGO	
2.2	Information asset register/ records of processing (ROPA)	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.	Work being completed towards ROPA. Consolidating asset register and identifying legal basis for processing.	Work being completed towards ROPA. Consolidating asset register and identifying legal basis for processing. Included in IAO's checklist	Reviewed by IAO's every 6 months and as and when required.	Apr-18	Legal basis for processing being added and links to retention schedules and Sharing Agreements	IGO and BDIT resolved to have the ROPA developed before May 18	IAO/BDIT/IGO	
2.3	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. Form part of IAO checklist. Guidance in IAO GDPR Handbook.	Complete.	Complete.	Implementation reviewed by IAO's every 6 months and as and when required	Apr-18	Responsibility with IAO's	Complete save for monitoring	IAO's	
2.4	Information sharing- with our data processors-(Contracts)	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.	CCS issued standard terms and conditions for contracts involving processing of personal data in Jan 18. Plan to list contracts and contact parties to agree variations where required.	Plan in place to list contracts and contact parties to agree variations where required. IAO's requested to populate contracts register and complete declaration in Mar 18. AD's to declare. Next stage to identify personal data contracts and prioritise. Obtain contact details to vary contracts	May-18	Apr-18	Progress with contracts and partnership register being up to date and sign off by IAOs and then AD's by 23 march then, we'll be able to contact suppliers	ID contracts where personal data and non framework to then contact suppliers	IGO/LDSM/PO and IAO's	
2.5	Information sharing- with other data controllers who are not processing on our behalf (ISA's)	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. 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.	New ISA's being implemented and being identified for issue from new DPIA process.	New ISA's being implemented and being identified for issue from new DPIA process.	May-18	Apr-18	Complete and ongoing	Review dates in IAO checklists. Consider whether review dates can be monitored through Netconsent	IGO/LDSM and IAO's	
2.6	ICO fees	£2900 for the organisation £40 for councillors	Pay in Aug. when registration is up	Ongoing	Ongoing	Aug-18	Apr-18	Complete and ongoing on annual basis	complete in Aug.	LDSM	
3	3. Communicating privacy information										

Ref	Action	Agreed action	Work completed to date	Work completed to date	Work completed to date	Target Date	Next Review	Progress Review Notes	Actions outstanding and resources required	Responsible Officer
7.1 Y	Consent	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.	Consents being altered as IAO's identify and approach IG team if required for assistance.	Consents being altered as IAO's identify and approach IG team if required for assistance.	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
8	8. Children									
8.1 G	Obtaining personal data directly from children	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.	Not identified applicable in any areas to date.	Not identified applicable in any areas to date.	May-18	Apr-18	Included in IAO's checklist	Complete - ongoing monitoring	IAO's
9	9. Data breaches									
9.1 20	Data breaches	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.	Ongoing Policy and reporting process in place.	Ongoing Policy and reporting process in place.	May-18	Apr-18	Comms Plan includes changes to breach reporting and time limits.	Data Protection Breach Management Policy to be slightly amended to include GDPR changes and new time limits.	IGO/LDSM/BD ITM
10	10. Data protection by design and data protection impact assessments (DPIA's)									
10.1 G	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	New simplified process developed and issued to IAO's across directorates for projects for completion. IGO assisting when requested.	New simplified process developed and issued to IAO's across directorates for projects for completion. IGO assisting when requested.	May-18	Apr-18	Rolled out guidance, training done, in IAO handbook and checklist. Ongoing	Complete-ongoing and monitoring.	LDSM/BDITM/ IGO Project Managers
10.2	Build privacy by design (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	Ongoing discussions	Ongoing discussions	May-18	Apr-18	LPMM to be changed	Review of project model and incorporate DPIA process	LDSM

Ref	Action	Agreed action	Work completed to date	Work completed to date	Work completed to date	Target Date	Next Review	Progress Review Notes	Actions outstanding and resources required	Responsible Officer
10.3	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.	Ongoing	Ongoing	May-18	Apr-18	Audit is ongoing	Ongoing BDIT	BDITM
10.4	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	Ongoing	Ongoing	May-18	Apr-18	Checklist includes this	Relevant System's team BDIT and IAO's	IAO's/AuditM/BDITM
10.5	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.	Ongoing	Ongoing	Audit planned 18/19. Checklist issued to IAO's annually	Apr-18	Ongoing	Internal Audit	IAO Audit
10.6	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.	Continues to be implemented	Continues to be implemented	Ongoing/Adhoc	Apr-18	Checklist includes this	Complete-ongoing with monitoring	IAO's

Ref	Action	Agreed action	Work completed to date	Work completed to date	Work completed to date	Target Date	Next Review	Progress Review Notes	Actions outstanding and resources required	Responsible Officer
11	11. Data protection officer's (DPO's)									
11.1	Data Protection officer	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.	Job evaluation panel considering Jan 18.	Job approved, to be recruited March-18	May-18	Apr-18	Recruiting March 18	DPO to be appointed	LDSM
12	12. International									
12.1	International supervisory authority (ICO)	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)	Ongoing	Ongoing	May-18	Complete	Included in the checklist and privacy statements	Complete and monitoring	IGO/LDSM
12.2	International transfers	Identify any areas where personal data is being transferred to a third country (outside EU and EEA) and if taking place ensure necessary safeguards are in place.	No areas identified although IT due diligence questions being drafted to include products to hosted in the UK although IT already applying in Polices	No areas identified although IT due diligence questions being drafted to include products to hosted in the UK although IT already applying in IT Policies	No areas identified although IT due diligence questions being drafted to include products to hosted in the UK although IT already applying in IT policies	May-18	Apr-18		To finalise due diligence IT questions to be raised when procuring products	BDITM

SUBJECT: RISK MANAGEMENT – ANNUAL UPDATE

REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER

1. Purpose of Report

1.1 This report details the risk management framework adopted by the Council and the risk management activity during 2017/18.

2. Executive Summary

2.1 The Council's Risk Management Strategy has recently been reviewed and is presented for Members information. The Strategy is based on a risk appetite methodology approach to the management of the Council's risks that reflect the environment in which it operates.

2.2 A key element of the Council's management of its risks is the development and monitoring of the key strategic risks, those which could affect the Council's ability to achieve its priorities during the year. The Council's Strategic Risk Register currently identifies seven strategic risks.

2.3 An Internal Audit, undertaken during 2017/18, of the Council's risk management arrangements concluded that there was substantial assurance that the Council had effective risk management arrangements in place.

3. Background

3.1 Risk management is about controlling, transferring and living with risks so the focus is on becoming risk aware, not risk averse. This puts the Council in an informed position to make the right decisions and enable us to manage risk.

3.2 Specific elements of Risk Management are outsourced to Lincolnshire County Council's (LCC) Assurance Lincolnshire service in order to provide the level of expertise that we require. This includes support in the development of risk management strategies and approaches along with access to the County Council's resources i.e. training, provision of documentation, toolkits. The development and monitoring of the Council's strategic, operational and project risk registers however remains a role that is undertaken by the Council through the Corporate Management Team, Directorate Management Teams and Strategic Plan Implementation Team.

3.3 As part of the reporting protocol within the current Risk Management Strategy both the Executive Committee and Performance Scrutiny Committee receive reports on the Strategic Risk Register to consider the status and movement of all strategic risks at that particular point in time.

4. Risk Management Strategy

- 4.1 The Council's Risk Management Strategy was developed in 2014 and was based on a new risk appetite methodology approach to risk management. As a result of the need to regularly review the Strategy and due to the launch of the Council's new Vision 2020 the Strategy has been reviewed during 2017/18.

There have been no significant changes to the Strategy or the Council's approach to risk management, the revised Strategy is attached at Appendix A.

- 4.2 "Risk appetite" can be defined as the amount of risk that an organisation is willing to take on in pursuit of value, or the total impact of risk an organisation is prepared to accept in its pursuit of its strategic objectives. Defining the Council's risk appetite provides the strategic guidance necessary for decision making.
- 4.3 All Members, senior officers and officers with risk management roles and responsibilities have now been provided with training and guidance on the 'risk appetite' approach. For officers this is supplemented by a Risk Management Toolkit which sits alongside the Strategy as a practical guide for officers undertaking their risk management responsibilities. As the delivery of this training to all managers was only completed in 2016, it is anticipated that during the course of 2018/19 staff and Members will have further awareness training.

5. Formulation of the Strategic Risk Register

- 5.1 The Council's Strategic Risk Register is developed under the risk appetite methodology. Now that training and guidance on this approach has been provided to all officers, as set out above, this methodology is now in the process of being applied to the Council's operational and project risk registers.
- 5.2 The Strategic Risk Register for 2017-18 was initially formulated by the Corporate Management Team in May 2017 and presented to the Executive Committee on the 15 June 2017 This has subsequently been reviewed and reported to both the Executive and Performance Scrutiny Committee on a quarterly basis, to consider the status and movement of the strategic risks at that particular point in time. A copy of the latest Strategic Risk Register is attached at Appendix B.
- 5.3 Seven strategic risks were initially identified and linked to the Council's Strategic Plan, consideration is also given to the working "Towards Financial Sustainability" Programme when formulating the Risk Register. The Risk Register has also been refreshed in light of the launch of the Council's new Vision 2020.
- 5.4 Each risk is scored based on likelihood and impact to allow prioritisation of the risks as High (Red), Medium (Amber), or Low (Green) with their ownership.

5.5 The status of the seven strategic risks currently identified is as follows:

No:	Risk Rating	Likelihood	Impact
1	Amber/Medium	Possible	Critical
2	Red/High	Probable	Critical
3	Amber/Medium	Probable	Major
4	Amber/Medium	Possible	Major
5	Amber/High	Possible	Critical
6	Amber/Medium	Probable	Major
7	Amber/Medium	Possible	Major

5.6 The application of risk appetite to each of the seven risks has also been undertaken, this determines the level and nature of controls that are either in place or need to be implemented. This ensures that the controls in place are proportionate to the risk itself and the Council's appetite for risk within that area.

5.7 As the Strategic Risk Register is a live document it is subject to continuous review and any risks identified i.e. from Directorates may receive consideration for inclusion accordingly.

6. Formulation of the Directorate (Operational) Risk Registers

6.1 Each Directorate identify the key risks within their service areas resulting in the formulation of a Directorate Risk Register. These registers contain those risks that are mainly of an operational nature and may only concern one particular directorate or department.

6.2 Regular review of the Register and respective mitigation/action plans are then undertaken at the Directorate Management Team meetings. Any major risks identified by Directorates can also be elevated for consideration to be added to the Strategic Risk Register as required.

6.3 Assurance has been given by Directorates that the Risk Registers and mitigation/actions plans have been reviewed at their Directorate Management Team meetings and are up to date. However it should be noted that the newly formed Major Development Directorate has yet to produce its Directorate Risk Register although this is in the process of being prepared.

6.4 In addition to the Directorate Risk Registers individual projects and new policies, either of a service or strategic nature are required to develop and monitor a project risk register. These registers are overseen by the relevant operational boards, e.g., Towards Financial Sustainability Programme Team, Transport Hub Programme Board, Boultham Park Board etc.

7. Risk Advisory Group (RAG)

7.1 Following implementation of a revised management structure in January 2016, a review of all corporate working groups was undertaken to determine the continued purpose of each of the groups, its terms of reference and its representatives. As a result of this review the Risk Advisory Group (RAG) was disbanded with its specific functions transferred to other established groups, those being Corporate Leadership Team, Service Managers Team and Safety Matters Review Group with the majority of

the responsibility for risk management issues transferring to the Corporate Leadership Team which consists of all of the Assistant Directors.

8. Training

8.1 Risk Management training is made available to the City of Lincoln Council via Lincolnshire County Council.

8.2 There is a comprehensive training programme for all officers who have roles and responsibility for risk management is delivered every 2 years. In 2016-17 training was provided to 60 officers and was supplemented by the Risk Management Toolkit. The next set of training is scheduled for both officers and members from April 2018-19.

In addition individual training and support has been provided to project officers as and when requested.

9. Risk Management Benchmarking

9.1 Although the Council has historically benefited from participating in the benchmarking exercise undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) and The National Forum for Risk Management in the Public Sector (ALARM) 2015 was the final year that it participated.

9.2 The decision to no longer participate was taken as it was considered to be of limited value to continue to participate. In recent years the number of participants in the exercise has gradually reduced, with many authorities looking to reduce costs and officer time, none of the other Lincolnshire Districts participate any longer and the comparator group who do participate only includes one other district Council.

9.3 Moving forward, the Greater Lincolnshire Risk Management Group (GLRMG) will be conducting their own annual benchmarking exercise between the districts within Lincolnshire. This will be a much simpler way of benchmarking and enables us to share best practice without being too onerous.

10. Greater Lincolnshire Risk Management Group (GLRMG)

10.1 The Principal Risk Officer from Lincolnshire County Council (LCC) represents the City of Lincoln Council at GLRMG and updates the Risk Advisory Group of GLRMG activity. Reflecting the reduction of dedicated risk management resources with the local authorities and a move to joint support through LCC and embedment of working practices into the day to day work of all officers, meetings now only occur on an annual basis. The purpose of such a meeting being to share best practice, co-ordinate approaches and maximise the use of resources. The main focus of the meeting during 2017-18:

- Comparison exercise of each Authorities Strategic Risk Registers, identifying common themes/risks and responses.
- Division of benchmarking survey for Greater Lincs
- Revision of Partnership Risk Registers
- Preparation for GDPR and implications
- Climate Change implications (lead is LCC)

11. Internal Audit

11.1 During 2017/18 Internal Audit undertook a review of the Council's Risk Management processes as part of a wider audit of Governance and Risk. The audit covered the following potential risks in relation to risk management:

- The purpose of this review was to focus on the Strategic and Directorate risk registers to ensure that they are up to date, regularly reviewed and risks are actively managed including:
 - Responsibility
 - Risk registers and their review and oversight (DMT/CMT/Members)
 - How focus is maintained on the key registers
 - Risk mitigation actions—responsibility and tracking
 - Mega-project risk management / risk registers
 - Links to the toolkit—e.g. ensuring risk registers moved onto the new version

11.2 The overall level assurance opinion was substantial and it concluded that the Council had effective risk management arrangements in place, specific areas of good practice were identified as;

- The Council continues to work with Lincolnshire County Council who provide risk management advice and guidance
- A new toolkit has been developed and rolled out with training for service managers completed
- Service manager group have recently taken on the role of the previous RAG (Risk Advisory Group), and will in future as part of that role review DRR and SRR risk registers and feed any comments back to CLT
- Project management guidance now includes the new register templates
- The strategic risk register is regularly reviewed by officers (CMT) and members
- The Risk management strategy has been reviewed and updated
- Risk appetite training has been completed and largely rolled out

11.3 There were however some improvements required in relation to how some aspects of operational risk management currently operate, these being;

- Ensure that all Directorate risk registers (and other key registers) are brought up to date using the new template

- Consider a more pro-active monitoring role to review compliance
- Finalise training for Assistant Directors and CMT on the new toolkit
- Consider additional guidance on the front of the template and remind Directorates to complete target dates/responsibility on outstanding further actions

11.4 A copy of the Audit report is as attached at Appendix C.

12. Strategic Priorities

12.1 Sound risk management is one way in which the Council ensures that it discharges its functions in accordance with its expressed priorities, as set out in the Strategic Plan/Vision 2020, and that it does so in accordance with statutory requirements.

13. Organisational Impacts

13.1 Finance – There are no direct financial implications arising as a result of this report. The Council’s Strategic Risk Register contains two specific risks in relation to the Medium Term Financial Strategy and the Towards Financial Sustainability Programme.

13.2 Legal Implications including Procurement Rules – The Council is required under the Accounts and Audit Regulations 2011 to have a sound system of Internal Control which facilitates the effective exercise of the Council’s functions and which includes arrangements for the management of risk. The maintenance and considerations about risk, such as provided in this report, is part of the way in which the Council fulfils this duty.

14. Risk Implications

14.1 This report relates to overall risk management, the Audit Committee should know about the most significant risks facing the Council and be assured that the risk management framework is operating effectively.

15. Recommendation

15.1 Members note the Risk Management framework adopted by the Council and also the Risk Management activity undertaken during the year.

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?	Three
List of Background Papers:	N/A
Lead Officer:	Robert Baxter, Interim Chief Finance Officer Telephone 873361

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RISK MANAGEMENT STRATEGY

2017-2020



1. Introduction

- 1.1 Risk management refers to the culture, processes and structures that are directed towards the effective management of potential opportunities and threats which may impact on the business of the Council. It is the Council's policy to proactively identify, understand and manage the risks inherent in its services and associated with its projects, plans and strategies, so as to encourage responsible informed risk taking, balancing risk and opportunity.
- 1.2 The Risk Management Strategy recognises that the next few years will continue to present challenges for the Council in delivering its services and its Vision 2020 priorities, with the need to identify and manage risks being even more crucial. As the nature of the Council's funding continues to fundamentally change and become more uncertain, and as a result of the need to identify new sources of income the Council will inevitably be forced to have more of an appetite for risk. Effective management of risk is therefore essential in ensuring that the Council is prepared for the challenges ahead and encouraging a move from a 'risk averse' to a 'well measured' risk approach.
- 1.3 Effective risk management is also a key element of corporate governance and is recognised as such in the Accounts and Audit Regulations 2015 (through the Annual Governance Statement).

2. Aim

- 2.1 The aim of this strategy is to provide a framework and process that enables the Council to manage uncertainty in a systematic, effective, consistent and efficient way. This supports informed decision making thereby enabling opportunities to be exploited or action to be taken to mitigate or manage, to an acceptable level, the key risks facing services and the successful delivery of the Vision 2020.
- 2.2 It supports the Council's Vision 2020 of 'Together, let's deliver Lincoln's ambitious future and the strategic priorities of:
 - Let's reduce inequality
 - Let's deliver quality housing
 - Let's drive economic growth
 - Let's enhance our remarkable place
- 2.3 It seeks to encourage well measured risk taking where it is likely to support the Council in delivering transformed services required within the dynamically changing environment of local government.

3. Objectives

3.1 This Risk Management Strategy seeks to achieve a number of specific objectives:

- To ensure that there is a strategic approach to risk management to make better informed decisions which is vital to successful transformational change.
- To set a 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities. Understanding our 'Risk Appetite' and acknowledging that how we 'think about risk' will be different depending on the context of corporate impact and sensitivity.
- To acknowledge that even with good risk management and our best endeavours – things will go wrong. Where this happens we use the lessons learnt to try and prevent it from happening again.
- To develop leadership capacity and skills in having a clear understanding of the risks facing the Council in delivering our services and transformational change and how we manage these risks. Risk management should be integral to how we run Council business/services.
- To support a culture of well measured risk taking throughout the Councils business, including strategic, change and operational.
- To ensure that our approach to risk management is proportionate to the decision being made.
- To ensure that we have effective monitoring and Corporate Management/Executive intelligence on the key risks facing the Council.
- To ensure that we have good practice tools to support management of risks in place, which are applied consistently throughout the Council

4. The Policy Framework

4.1 In order to achieve the strategy objectives the following policy and principles underpin the Council's risk management arrangements;

- Risk management will be embedded into business critical processes ensuring that risks are considered as part of the formulation of Council plans (service / strategic / financial), projects, policies and performance.
- A simple risk management process will be in place which;

- identifies, understands, and manages key risks affecting the Council, at both corporate/strategic and operational levels
 - sets risk ownership and accountabilities
 - considers risks for likelihood and impact
 - identifies mitigating controls with clear allocation of responsibility - thinking about the level of risk, appetite for risk, reward, impact and cost of control measures (responding in a balanced way).
 - includes risks relating to strategic partnerships
 - ensures that processes include risk monitoring
- Key responsibilities, for officers, members, and committee including reporting structures will be clearly set out.
 - A senior officer and member champion will be identified who will take overall responsibility for risk management.
 - Processes will be cascaded effectively to officers and members, using adequate mentoring facilitation and training.
 - Process will be in place to consider and disseminate risk management best practice.

5. Strategy

5.1 The Council's Risk Appetite statement is **Creative & Aware**:

*"The Council wishes to be **creative** and open to considering all potential delivery options with well measured risk taking whilst being **aware** of the impacts of its key decisions. The Council is prepared to 'take leaps of faith' on this basis, with an acceptance that it might not always work out as planned. As an authority it is prepared to take calculated risks to achieve its vision and strategic priorities".*

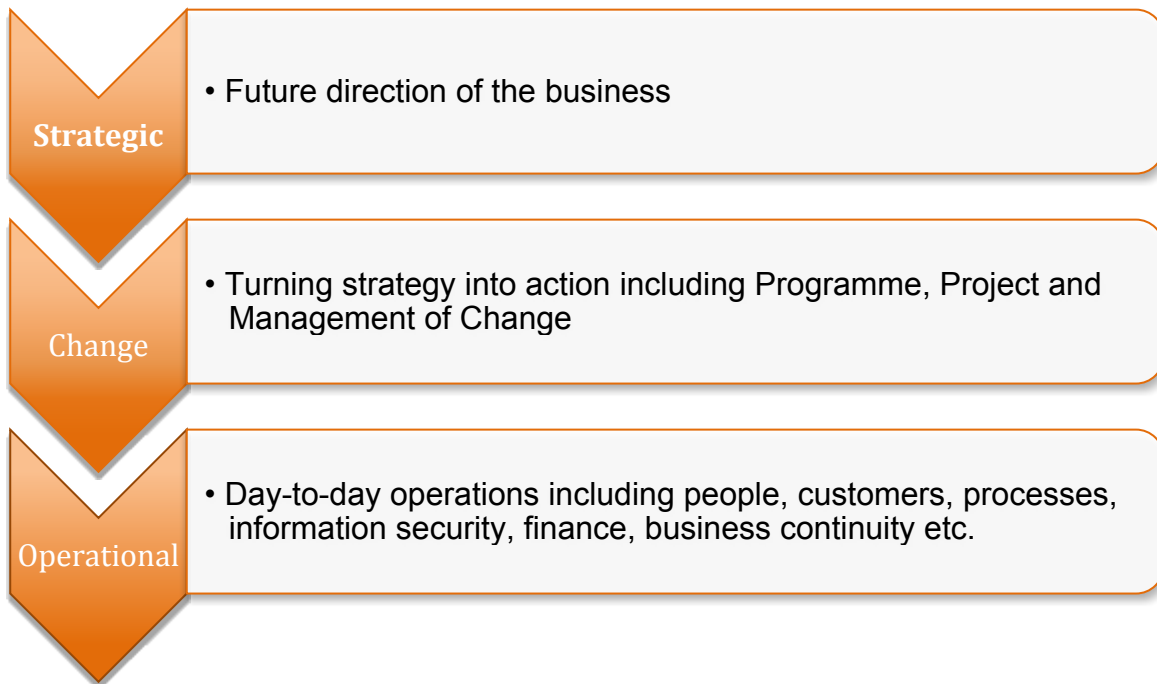
5.2 This means that the Council's risk and assurance systems need to be working well so to create an environment of 'no surprises'.

5.3 Whilst working within this overall context – 'tone from the top' – it is acknowledged that the risk appetite will vary depending on the nature of the service. For example the Council's appetite for risk taking on Health & Safety is more cautious.

5.4 Where the Council undertakes operations or initiatives outside the agreed risk appetite this must be reported and monitored through the appropriate Director. This helps promotes informed decision making based on risk awareness.

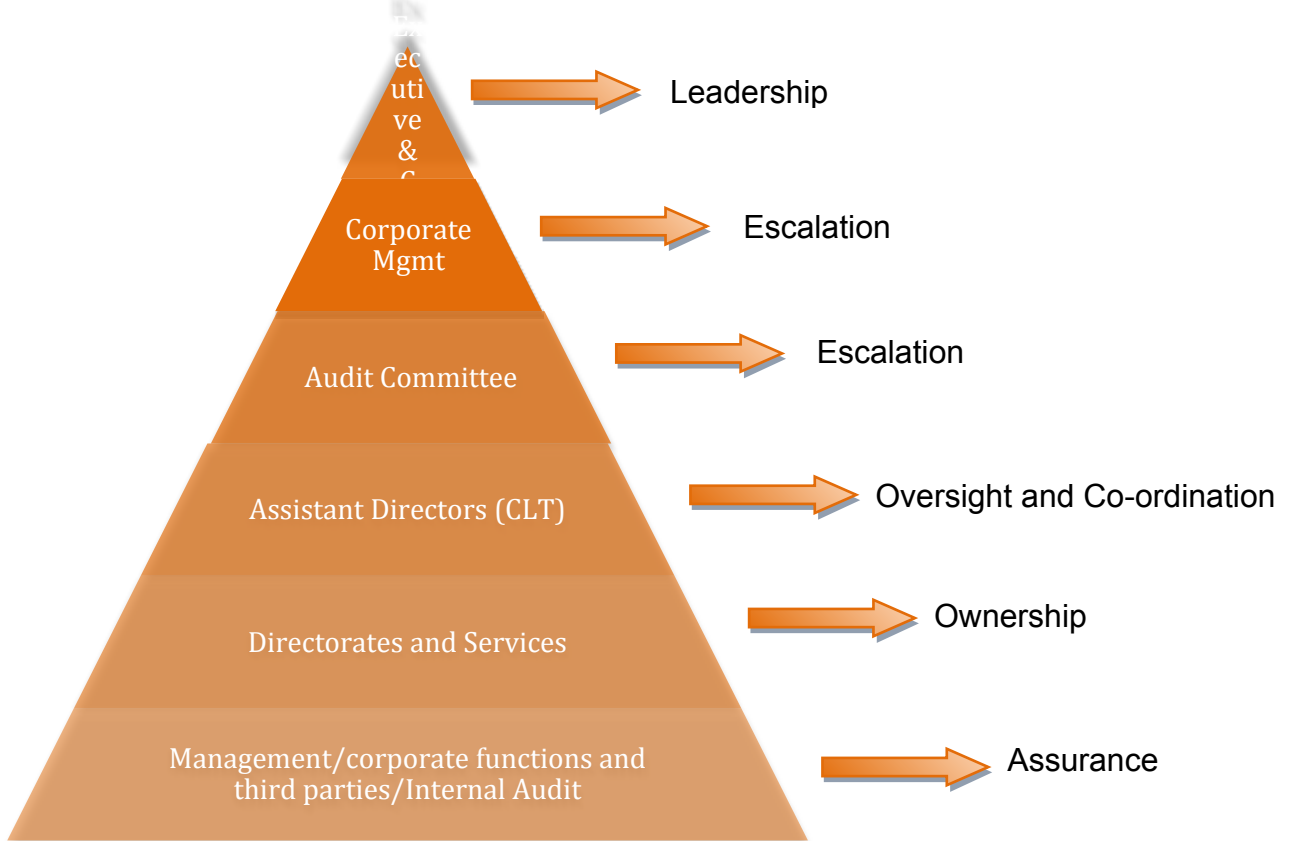
5.5 The Council's approach to risk management is proportionate to the decision being made or the impact of changes to service delivery/strategies. Risk management

arrangements enable the Council to manage uncertainty in a systematic way at all levels of the Council's business – as shown below:



- 5.6 A formal risk assessment, producing a risk register, is not required for everything the Council does. Risk Registers are only required for:
- Strategic Risks
 - Significant Directorate Operational Risks
 - Key projects and programmes determined by the Vision 2020 and Project Management guidance.
 - New service strategies that have a greater impact on people, finance and the Council.
- 5.7 All key decisions presented to the Executive must clearly show the key risks associated with the decision (recommendations), the potential impact and how these will be managed. This helps promote informed decision making, particularly in an environment of uncertainty and change.
- 5.8 Officer and Member awareness is a key component of successfully embedding risk management arrangements; specific training will be made available to officers and members with risk management responsibilities with general awareness training provided for other officers and members. Specific Risk Management Guidance which sets out the Council's requirements and processes and gives people the tools to help them identify and manage risks effectively is also available for officers.

6. Roles and Responsibilities



6.1 Within this structure, each party has the following key roles:

- The Executive and Corporate Management Team, on the top of the pyramid, has the ultimate accountability for the risk and related control environment and is responsible for approving and reviewing risk policies and setting the level of risk the council is prepared to accept – the ‘risk appetite’.
- The Audit Committee is responsible for overseeing the effectiveness of the Council’s risk management arrangements, escalating issues to the Corporate Management Team/Executive.
- The Performance Scrutiny Committee is responsible for ensuring that the Council’s Strategic Risks are effectively managed, escalating issues to the Executive.
- The Assistant Directors (Corporate Leadership Team) is responsible for the facilitation and co-ordination of risk management activity across the Council.

- Directorates and Services are the 'risk takers' and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions and activities.
- As part of the Council's combined assurance model, management, third parties and Internal Audit give assurance on the management of risks and the operational/performance controls.

6.2 Whilst effective risk management is integral to how services are run, the Council in conjunction with the Strategic Risk Management Team at Lincolnshire County Council helps support management and promote good practice. The key roles being:

- To co-ordinate and maintain the Council's Strategic Risk Register.
- To develop and co-ordinate the implementation of the Risk Management Strategy.
- Provide guidance on risk management.
- To support Members and Officers to help them identify and manage risks facing the Council.
- Promote good risk management through training and awareness events/publications.
- Measuring/monitoring the successful implementation of the Risk Management Strategy.

7. Review

7.1 This Strategy will be reviewed at least every three years and any significant amendments reported to the Council's Executive for approval.

Revised: February 2018 (no significant amendments).

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APPENDIX B - STRATEGIC RISK REGISTER

Likelihood	A Almost Certain				
	B Probable			6. 3.	2.
	C Possible			4. 7.	1. 5.
	D Hardly Ever				
		4 Negligible	3 Minor	2 Major	1 Critical
		Impact			

RISK REGISTER: STRATEGIC RISKS – AS AT Q3 end: 31 December 2017

VERSION: 1

REVIEWED:

CMT 07/11/17

Risk owners 06.02.18

CMT 08/02/18

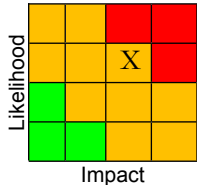
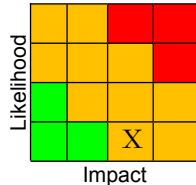
OWNER: CORPORATE MANAGEMENT TEAM

All of the objectives on this Register are linked to the Council's Vision 2020 and four strategic objectives, which are:

- Let's drive economic growth
- Let's reduce inequality
- Let's deliver quality housing
- Let's enhance our remarkable place

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
1.	Engaging with the Council's strategic partners, council staff and stakeholders to deliver against the Council's Vision 2020.	CX	<u>Creative & Aware</u> Projects & Major Change Partnerships	<ul style="list-style-type: none"> New Vision 2020 including 4 new strategic priorities launched internally Vision developed following extensive consultation with, businesses, partners and community groups. Strong focus internally on 4 very clear strategic priorities within the Vision 2020 Resources in MTFS directed towards strategic projects Dedicated officer support to ensure delivery of the 3-year programme, 'keeping the Vision alive'. Communications plan and stakeholder mapping done Review of internal delivery groups to ensure focus on delivery of projects First 4 x Vision Group meetings took place w/c 2.5.17 and continue All Vision 2020 related internal comms now being clearly flagged as being Vision 2020 projects Comms log' now being kept, to keep abreast of all Vision 2020 comms activity – both internal and external External launch of Vision including engagement with the GLLEP, Chamber of Commerce etc. –Feb 2017 Promotion of the Vision through hoarding displays Online 'Engine Room' launched 22.6.17, 	<ul style="list-style-type: none"> High Performing Services arrangements scoped (July 2017) – inaugural meeting held 1.8.17. Still early days for this group Determination of the range of conferences for the next year to support the vision i.e Lincoln's Vision 2020 Conference in March 2018 Sponsorship of Lincolnshire Construction and Property Awards in February 2018 Alignment of Vision 2020 with Portfolios Vision 2020 staff roadshows to be undertaken in January 2018. Revision of internal and external communication methods to be undertaken Feb-March 2018 			Substantial	Improving

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
				<ul style="list-style-type: none"> Physical Engine Room designed in Committee Room 4 Annual Report with a focus on achievements towards Vision 2020 – to be sent to stakeholders by CX/Leader – Nov 2017 					
2.	To deliver a sustainable Medium term Financial Strategy	CFO	<u>Creative & Aware</u> Finance & Money	<ul style="list-style-type: none"> Draft 5 Year MTFS approved for scrutiny and consultation – based on Local Government Finance Settlement, delivering a sustainable budget in the medium term and includes identification of key risks and controls/actions in place. MTFS 2018-23 continues to support Vision 2020 Good financial management with <ul style="list-style-type: none"> Quarterly monitoring and reporting to CMT, Exec and Performance Scrutiny Committee (including specific risks) SPIT monitoring of capital programme Savings targets monitored through Towards Financial Sustainability (Risk No 4) Key income budgets monitored monthly by CMT with mitigation plans for areas of target monitored quarterly. Monitoring arrangements 	<ul style="list-style-type: none"> Link to TOFS Programme, risk no 4 below. Continued assessment of changes in business rates – to 75% BR Draft MTFS 2018-23 prepared and subject to consultation and scrutiny – Jan - Feb 18 			Full	Static

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
				firmly established for business rates, including the Lincolnshire Pool <ul style="list-style-type: none"> Budget flexibility to deal with in year changes Council has been successful in its bid to be a 100% Business Rates Pilot for 2018/19 with all Lincolnshire Districts together with the County and North Lincolnshire Council. Budget Setting report, including challenges and key assumptions considered by Executive 30/10/17 Establishment of the Wholly Owned Housing Company business plan –approved by Executive in December 2017 					
3.	To ensure compliance with statutory duties and appropriate governance arrangements are in place, including: <ul style="list-style-type: none"> Health & Safety Information Management/IT Security ICT Disaster Recovery 	CLT	Creative & Aware Regulatory standing & legal compliance Cautious Business Continuity	<ul style="list-style-type: none"> Annual Governance Statement reviewed on an annual basis with plan/milestones developed for all significant issues, delivery of which is monitored quarterly through the Assistant Directors Team/Audit Committee Internal audit reviews undertaken as part of annual audit plan Health and Safety Development Plan/Work Programme in progress (includes the development of specific action plans e.g Asbestos Corporate Groups in place 	<ul style="list-style-type: none"> Continued progression of ongoing actions in Information Governance Strategy. Data Protection e-learning package for all staff at 70% completion and increasing. To be re-presented every 2 years Information Management polices to be updated to reflect GDPR by May 18. DPO to be appointed before May 18. 			Substantial	Static

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
				<p>which monitor work programmes/ actions for H&S, e.g, Safety Matters Review Group/Champions</p> <ul style="list-style-type: none"> Information Management Strategy and Action Plan approved in November 2015. Key elements being training programme for teams now completed and Information Asset Audit conducted. Information Asset Register created and updated Retention schedules. Info Governance Project Officer post extended to complete action plan – including policy work, staff training. Formation of GDPR working group and Action Plan, being overseen by IG Group and Audit Committee Restructure of Health & Safety Team completed and all roles now recruited to. Positive progression of actions in Health and Safety Development Plan (specific timescales in plan, majority of areas complete). Internal Audit carried out a review of CH&S to assess progress against plan – Mar 17. Substantial assurance ITDR Plans – Business continuity arrangements for IT including new serves at Hamilton House now in place and endorsed at CMT. 	<ul style="list-style-type: none"> Continued progression of ongoing actions in Information Governance Strategy. Data Protection e-learning package for all staff at 70% completion and increasing. To be re-presented every 2 years Information Management polices to be updated to reflect GDPR by May 18. DPO to be appointed before May 18. Continued progression of GDPR Action Plan and Training Needs Plan. GDPR included in Vision 2020 project plan. Waiting outcome of HSE inspection ITBC plan endorsed by CMT (Oct 17), now needs to have operational testing and delivery ITDR plan endorsed by BC meeting (August), and CMT (November) now needs to have operational testing and delivery. . Internal Audit 				

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
					<p>completed and actions referred to BC group for consideration</p> <ul style="list-style-type: none"> DR procedure manual has been developed (which is expected to change frequently as we build and refine) All critical service business continuity plans have been revisited in light of new arrangements BC group has now considered issues and allocated responsibilities, which will be reviewed again in March 18 A Revision of procedures for management of non –operational buildings is to be undertaken together with the allocation of an appropriate RO . A working group being set up to undertake this 				
4.	Deliver the Towards Financial Sustainability Programme whilst ensuring the	CFO	<p><u>Creative & Aware</u></p> <p>Projects & Major Change</p> <p><u>Hungry</u></p>	<ul style="list-style-type: none"> TFS Board and Programme Team in place. Established procedures and monitoring arrangements Reporting of achievement against targets included within quarterly financial 	<ul style="list-style-type: none"> Delivery of Phase 4 programme through existing management and monitoring systems – ongoing to complete outstanding projects 			Full	Static

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	resilience of the Council		Reputation and Public Confidence	<p>monitoring/performance monitoring reports to Executive/Performance Scrutiny Committee</p> <ul style="list-style-type: none"> Inclusion of ToFS Projects on DMT agendas to ensure focus remains on delivering against timescales. Annual reporting of progress and forward programme PSC Programme of reviews in place and monitored monthly through Board and Team. Development of phase 5 with Service Managers, focussing on commercialisation and possible incentive scheme. Target of £3.5m for 2017/18 overachieved. Savings targets increased as part of MTFS 2018-23. 	<ul style="list-style-type: none"> Commence the delivery of phase 5 of the programme in Nov 17, with a focus on the 3 strands: <ul style="list-style-type: none"> Asset Rationalisation (freeing up necessary resource to focus on this area) Commercial activities including advertising income Savings/ shared services /demand management. Further years programmes to be considered – to achieve increase in targets as per the revised MTFS 2018-23 				
5.	Develop an appropriate strategic response to the changing structures in Local Government	CX	<u>Creative & Aware</u> Partnerships	<ul style="list-style-type: none"> Information gathering and a watching brief on national and local developments Formation of RLG Group (Reshaping Local Government) has been formed and meets regularly to review local and national developments, which continue to be monitored regularly. This includes the proposed business rate retention consultation, and any proposals for fairer funding arrangements. 	<ul style="list-style-type: none"> Information gathering and a watching brief on national and local developments – ongoing. Reviewing a range of policies, statistics and potential scenarios and keeping a watching brief nationally 			Substantial	Improving

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
6.	Meet the emerging changes required in the Council's culture, behavior and skills to support the delivery of the council's Vision 2020 and the transformational journey to a "performance culture".	CS	<u>Creative & Aware</u> People	<ul style="list-style-type: none"> Leadership development delivered to CMT, Assistant Directors and Service Managers New HR Manager in post. Lead roles within HR developed for Health and Wellbeing and Performance. New People Strategy and action plan developed, approved March 2017 New appraisal system implemented – June 2017 Coaching Programme for CMT, Assistant Directors and Service Managers to be delivered – started August 2017 	<ul style="list-style-type: none"> Implementation of People Strategy action plan – annual review. Staff Recognition scheme to be rolled out in Q3 Volunteering programme being put together to support people strategy enhance staff wellbeing and corporate social responsibility– CLT in Nov-Dec 2017 Further coaching programme to be made available for team leaders – TBC CMT to evaluate Coaching programme – Dec/Jan 2018 			Substantial	Static
7.	Ensure sufficient levels of resilience and capacity exist in order to deliver key strategic projects within the Council	CX	<u>Creative & Aware</u> Projects & Major Change	<ul style="list-style-type: none"> BCP Plans in place for critical services New Vision 2020 launched, with associated 3 year programme, forming basis of service plans and priorities Strategic Projects reported on a quarterly basis to CMT/Exec/PSC Programme Boards established for key strategic projects. Draft MTFS 2017-22 allocates resources in line with Vision 2020. 	<ul style="list-style-type: none"> Allocation of further resources of £140k to areas needed further capacity (continued utilisation during 2017/18) DMD – deliberate slowing down of some phase 2 projects to concentrate on key priorities for 17/18 Service planning 2018/19 to ensure capacity exists before commitments 			Substantial	Static

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
				<ul style="list-style-type: none"> Lincoln Project Management model in place including allocation of Project Managers, Sponsors, appropriate project management records and Identification of critical tasks within specific project plans Regular reporting of other all Strategic Plan schemes Development of skills and abilities of key leaders and staff through Leadership Development Programme New Director of Communities & Environment in place. New position of Major Developments Director established and recruited Restructure of MDD complete with staff resources allocated. Restructure of Housing /Regeneration approved Some temporary additional resource has been provided within Finance CX recruited temporary CFO to bring stability to the service CMT to undertake a review of existing commitments to fit capacity (financial and resource) to project Recruitment to two vacant Assistant Directors posts within DHR DCE has appointed additional S3 resource to 	<ul style="list-style-type: none"> made Recruitment process undertaken to recruit to AD – Strategic Development – start date 8 January 2018 Further recruitment within DHR to both Assistant Director Roles Dec- Feb 2018 Priority setting to commence by CMT Jan-Feb 2018 Draft Service plans to be completed early March 2018 				

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
				support project delivery					



For All Your Assurance Needs



Appendix C

Internal Audit Report

RISK MANAGEMENT

4th May 2017

FINAL

What we do best...

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

The contacts at Assurance Lincolnshire with this review are:

John Scott

Audit Manager (Head of Internal Audit)

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Principal Auditor

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Background and Scope	Page 1
Executive Summary Assurance Opinion and Key Messages	2
Management Response	5
Action Plan Findings, Recommendations and Agreed Actions	5
Advisory Points – Adding Value through Efficiencies Findings and advice	10
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Background and Context

The Council's risk management arrangements have recently been updated with a new risk toolkit developed with Lincolnshire County Council.

Risk registers, both Strategic and Directorate, are being updated in line with the new guidance.

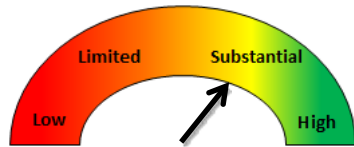
All service managers have had training on the new toolkit

- Links to the toolkit—e.g. ensuring risk registers moved onto the new version

Scope

- The purpose of this review was to focus on the Strategic and Directorate risk registers to ensure that they are up to date, regularly reviewed and risks are actively managed.
- We also reviewed:
 - Responsibility
 - Risk registers and their review and oversight (DMT/CMT/Members)
 - How focus is maintained on the key registers
 - Risk mitigation actions—responsibility and tracking
 - Mega-project risk management / risk registers

Executive Summary



Substantial Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – Risks are not managed (effectively)	Green	0	2

Key Messages



Key Messages

We found that overall Risk Management arrangements were in appropriate and working well:

- The Council continues to work with Lincolnshire County Council who provide risk management advice and guidance
- A new toolkit has been developed and rolled out with training for service managers completed
- Service manager group have recently taken on the role of the previous RAG (Risk Advisory Group), and will in future as part of that role review DRR and SRR risk registers and feed any comments back to CLT
- Project management guidance now includes the new register templates
- The strategic risk register is regularly reviewed by officers (CMT) and members
- The Risk management strategy has been reviewed and updated
- Risk appetite training has been completed and largely rolled out

We identified some areas where improvements are required and the key ones are;

- Ensure that all Directorate risk registers (and other key registers) are brought up to date using the new template
- Consider a more pro-active monitoring role to review compliance
- Finalise training for Assistant Directors and CMT on the new toolkit

Executive Summary



- Consider additional guidance on the front of the template and remind Directorates to complete target dates/responsibility on outstanding further actions

We would like to thank Jaclyn Gibson and Lara Trickett for their help in undertaking this review.

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Managing your risks



Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

During our audit work we did not identify any significant or high risks that we feel should be considered for inclusion on your service Operational Risk register

Management Response

Management Response



Actions have been agreed to address the recommendations which should help further embed the recently issued strategy and toolkit.

Business Management Team Leader

Action Plan

1	Risk Description	Current Rating	Target Rating
	Risks are not managed effectively (training and guidance)	GREEN	GREEN
Findings			
<p>Whilst the new toolkit has recently been introduced, and training provided there are some further improvements that could be made to risk management processes to ensure compliance and improve the management of risk:</p> <ul style="list-style-type: none"> A) The risk register template could include (on the front page) some brief guidance derived from the toolkit such as risk appetite categories, information from “tool 7” – the risk descriptors, a reminder to include target dates and responsibility for any (further) actions. Not all risks actions (on all registers) have target dates and responsibility assigned. A reminder to refer to the SRR when updating and also consideration to removal of “green” / low risks once target achieved. B) Training has recently been completed for service managers and some AD’s on the new toolkit but could be expanded to all AD’s and CMT C) Further risk management training for members – particularly Executive, Performance Scrutiny and Audit should be considered – this has been completed in the past but hasn’t been completed recently. D) The officer / member risk champions - the Leader and the Chief Finance Officer – could be clarified within documentation. E) On reviewing the registers there are some “green” risks and some older and what could be “business as usual” risks which could be considered for removal – the guidance on the front sheet of the template could encourage regular removal of these low risk / older risks. 			
Implications			
<ul style="list-style-type: none"> A) Limited guidance on the front page of the template may aid completion B) To ensure that senior management are fully aware of the new guidance training could be extended C) Members may not understand risk management in sufficient detail - a key part of decision making D) The roles of the officer / member risk champions may not be clear E) Some green / low risks could possibly be removed which may aid focus on key risks 			

Action Plan

Recommendation	Priority level	
<ul style="list-style-type: none"> A) Include (on the front page of the RR template) some brief guidance derived from the toolkit B) Expand recent training on the toolkit to all AD's and CMT C) Undertake further risk management training for members – particularly consider Executive, Performance Scrutiny, Policy Scrutiny and Audit D) The officer / member risk champions could be updated/ clarified within documentation which would help with the profile of risk management E) On reviewing the registers there are some “green” risks and some older risks which could now be “business as usual” risks which could be considered for removal – the guidance on the front sheet of the template could encourage regular removal of these low risk / older risks. 	Medium	
Agreed Action	Responsibility	Implementation date
<ul style="list-style-type: none"> A) Agreed – some additional summary guidance will be included on the template B) Agreed – once the main actions in the report are completed a short refresher session will be booked on to CLT when both AD/CMT are present. C) Agreed – the BMTL will consider appropriate member training with the City Solicitor/Democratic Services and include on forward programmes D) The champions and their role will be clarified within the strategy, toolkit and City People E) Agreed – this will be included as a guidance note on the template and Directorates will be reminded to consider removing any low risk/ older risks 	<p>Chief Finance Officer</p> <p>Business Management Team Leader (BMTL)</p>	<p>A) 30th September 2017</p> <p>B) 30th September 2017</p> <p>C) 30th June 2017</p> <p>D) 30th September 2017</p> <p>E) 30th September 2017</p>

Action Plan

2	Risk Description	Current Rating	Target Rating
	Risks are not managed effectively - compliance and review	GREEN	GREEN

Findings

- A) The DHR risk register was updated in January 2017 but previously reviewed in February 2016; it requires a further review and moving onto the new risk register format
- B) The business management team leader has in the past taken on a monitoring / compliance role –this role could be considered again and could include DRR’s, key partnership registers and Board registers. Key partnership risk registers (Revs and Bens / Planning) have been prepared and reported to the relevant Committee (October 16 and June 16) but need to be reported again and if possible moved onto the new format. The WGC risk register is being updated now – last updated January 2016.
- C) The review of the SRR could be enhanced by reviewing the DRR’s at the same time (and vice versa) to ensure that any high DRR risks (or risk themes) are considered at a strategic level. The BMTL advised that there was some overlap between the Strategic Risk register and the Directorate registers so considering the SRR at the same time would be useful and for CX Directorate was being considered.
- D) Generally the inclusion of a “risk” section within Executive reports is good practice (and is required for “key decisions”) although in our sample we did find three Executive reports without a risk section including Vision 2020, customer experience strategy and Contract procedure rules. The Committee template doesn’t currently have risk management as a “mandatory” section. This should be re-considered for Executive reports.
- E) We have reviewed the DRR and SRR risk registers and cross checked to the recent Combined Assurance work – Annex A maps those Amber and Red combined assurance areas to the risk registers and highlights any potential gaps - officers may wish to consider whether these should be included within the risk registers.

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Action Plan

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Implications		
<ul style="list-style-type: none"> A) The current DHR register may not fully reflect the Directorates key risks. Without regular review risk actions cannot be effectively monitored. B) Increased monitoring may aid compliance; the two partnership registers could be reported again to ensure effective monitoring by Committee C) The review of the SRR could be enhanced by reviewing the DRR's at the same time (and vice versa) D) Risks may not always be considered (under a risk management section) in Executive Committee reports E) We have reviewed the DRR and SRR risk registers and cross checked to the recent Combined Assurance work – Annex A maps those Amber and Red combined assurance areas to the risk registers and highlights any potential gaps - officers may wish to consider whether these should be included within the risk registers. 		
Recommendation	Priority level	
<ul style="list-style-type: none"> A) Ensure that the DHR risk register is brought up to date and formally reviewed quarterly in future B) The business management team leader should take on a more pro-active monitoring / compliance role and report findings to the Officer Champion or CMT ; partnership risk registers (Revs and bens / Planning) should be reported to Committee again and then six monthly; if possible moved to new format. C) When reviewing the SRR (CMT) ensure the DRR's are reviewed at the same time (and vice versa for Directorates) D) Review the Committee template to ensure risk management is a “mandatory” section in Executive reports. E) Review the Annex A which maps Amber and Red combined assurance areas to the risk registers and consider whether these should be included within the risk registers. 	Medium	
Agreed Action	Responsibility	Implementation date

Action Plan

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<ul style="list-style-type: none"> • A) The BMTL will liaise with DHR management to move the register onto the new format and encourage regular review / update. • B) The business management team leader will take a more pro-active monitoring / compliance role and report findings to the Officer Champion or CMT. The BMTL will liaise with officers to ensure partnership risk registers (Revs and bens / Planning) are reported to Committee again and then regularly using the new format. The WGC Board now has monthly meetings in for next 6 months – the updated risk register will go to that Board at the May meeting. • C) The BMTL will circulate DRR's at the same time the SRR is reviewed by CMT to ensure that any red/high DRR risks or risk "themes" are considered for SRR inclusion. • D) The BMTL will review the Committee template with the City Solicitor and Democratic services to ensure risk management is a "mandatory" section in Executive reports. • E) The BMTL will circulate the Annex A which maps Amber and Red combined assurance areas to the (current) risk registers for Directorates/CMT to consider whether these should be included within the SRR/DRR risk registers. 	<p>Director of Housing / Housing Business Support Officer</p> <p>Chief Finance Officer</p> <p>BMTL</p>	<p>A) 30th June 2017 B) 31st May 2017 / 30th September 2017 C) 31st May 2017 D) 30th September 2017 E) 30th September 2017</p>
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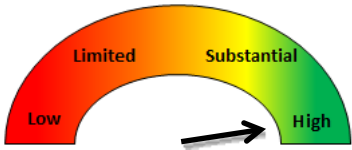
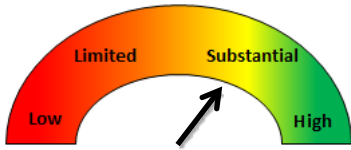
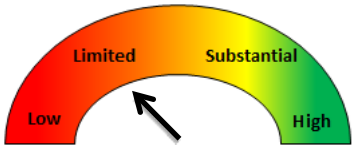
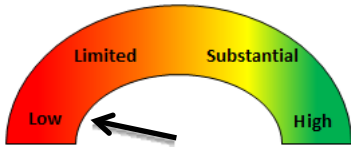
Advisory Points - Adding Value through Efficiencies

The following items are advisory recommendations / comments arising from the audit, which management may wish to consider implementing to improve efficiency of the system or performance.

Ref	Finding	Advice
AP1	There are none.	

Appendix 1 - Assurance Definitions

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High	Substantial
<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>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>
Limited	Low
<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>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>

Appendix 1 - Assurance Definitions

Action Priority	
High	Immediate management attention is required - an internal control or risk issue where there is a high certainty of: substantial loss / non-compliance with corporate strategies, policies or values / serious reputational damage / adverse regulatory impact and / or material fines (action taken usually within 3 months).
Medium	Timely management action is warranted - an internal control or risk issue that could lead to financial loss / reputational damage / adverse regulatory impact, public sanction and / or immaterial fines (action taken usually within 6 to 12 months).

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Appendix 2 – Distribution List

Distribution List



Chief Finance Officer

CX/Directors

Assistant Directors

Business Management Team Leader

Disclaimer

The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

This report has been prepared solely for the use of Members and management of City of Lincoln Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

SUBJECT: STATEMENT OF ACCOUNTING POLICIES 2017/18
DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK
LEAD OFFICER: ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To present to the Audit Committee the Council's accounting policies which are to be used to prepare the 2017/18 Statement of Accounts.

2. Background

- 2.1 Under the Accounts and Audit (England) Regulations the Council must comply with proper practice. Proper practice is defined as the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS). The Council produces its financial statements on the basis.
- 2.2 The Statement of Accounts will be subject to external audit review.

3. Accounting Policies

- 3.1 Under Financial Procedure Rules the Chief Finance Officer is responsible for selecting the Council's accounting policies, including any changes to these policies and ensuring they are applied accurately and consistently. The accounting policies are presented to this committee as the committee charged with governance and with specific responsibility for reviewing the statement of accounts (including consideration of whether appropriate accounting policies have been followed).
- 3.2 Each year as part of the development of the Statement of Accounts the content of the accounting policies is reviewed to ensure that they reflect the requirements of the Code and remain relevant to the Council.
- 3.3 Other than minor wording amendments, accounting policy 12 has been extended to include Community Infrastructure Levy (CIL), which the Council has elected to charge from 5 February 2018.
- 3.4 The accounting policies for the 2017/18 Statement of Accounts are detailed in Appendix 1, with all amendments highlighted for review.

4. Financial Implications

- 4.1 There are no financial implications arising as a direct result of this report. The report reflects the way financial information is presented in the Council's

Statement of Accounts.

5. Significant Policy Impacts

5.1 There are no significant policy impacts arising as a direct result of this report.

6. Organisational Impacts

6.1 There are no organisational impacts arising as a direct result of this report.

7. Recommendations

7.1 That Audit Committee review and note the Accounting Policies to be used for 2017/18 Statement of Accounts.

Key Decision No

Key Decision Reference 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

If Yes, how many Appendices? 1

List of Background Papers: None

Lead Officer: Robert Baxter, Interim Chief Finance Officer
Telephone: 01522 873361
Email: robert.baxter@lincoln.gov.uk

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Statement of Accounts has been prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the Accounts and Audit Regulations 2015.

The accounting convention adopted in the Statement of Accounts is historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts are prepared on a going concern basis which assumes that the functions of the Council will continue in operational existence for the foreseeable future.

2. Accruals of Income and Expenditure

The revenue accounts of the Council are maintained on an accruals basis meaning that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments

that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

Service revenue accounts, central support services and trading accounts are charged with the following amounts to reflect the cost of holding fixed assets during the year:

- depreciation of the assets used by the service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off
- amortisation of intangible fixed assets used by the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is referred to as the Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP). The Council's policy on MRP is approved by Council in March each year as part of the Treasury Management Strategy. Depreciation, revaluation and impairment losses and amortisation are replaced by the MRP and VRP, by way of an adjusting transaction between the

Capital Adjustment Account and the General Fund Balance in the Movement in Reserves Statement, for the differences between the two.

7. Council Tax and Non-Domestic Rates

The Council (as the billing authority) acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of Lincolnshire County Council and Lincolnshire Police (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, all share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

8. Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or time off in lieu, earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which employees take the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs of restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to relevant accounting standards. In the Movement in Reserves Statement, transfers are required to and from the Pensions Reserve to remove notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Lincolnshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the protected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and forecasts of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the pension scheme actuary (based on the yield of UK Government Bonds plus a 'credit spread' allowance to reflect the extra risk involved in using AA corporate bond yields).

The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unlisted securities – current bid price
- Property – market value.

The change in the net pensions liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Net interest cost on the net defined benefit liability (asset), i.e net interest expense for the Council – the change during the period in the net defined

benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Local Government Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

9. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual charges for interest payable are shown in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, and are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, with accrued interest due within one year shown under short term borrowings; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, any premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the unexpired life of the original loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, with interest receivable within one year shown under short term investments and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, occasionally the Council may make loans to other parties (e.g. voluntary organisations) at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in the Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices in active markets for identical assets – the market price
- Other instruments with fixed and determinable payments in active markets for identical assets – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuation or most recent price at which the shares changed hands.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

11. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where material amounts in foreign currency are

outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses, if material, are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

12. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and the third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by BID levy paid by non-domestic ratepayers. The Council acts as a principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable development for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure, however a proportion of the charges may be used to fund revenue expenditure

13. Intangible Assets

Intangible assets are assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences). Expenditure on intangible assets is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council for a period of more than one year.

Internally generated intangible assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of the Council's website is not capitalised as the website is primarily intended to promote or advertise the Council's services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

Intangible assets are amortised over their useful life and charged to the relevant service lines in the Comprehensive Income and Expenditure. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

14. Interests in Companies and other Entities

Councils are required to produce Group Accounts to include services offered to Council Tax payers by organisations other than the Council itself but in which the Council has an interest. There are a number of criteria set out by which the Council must determine whether the value of the company and the Council's interest is significant enough for Group Accounts to be produced. The Council has complied with the Code of Practice on Local Authority Accounting, and while it has identified a company over which it has joint control, it has concluded that the company does not meet the criteria that would require consolidation into the Council's accounts.

15. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either the FIFO or weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus and Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

16. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

17. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. If and when these exist the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

18. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A financing charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution (Voluntary Revenue Provision - VRP) is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by the VRP in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from use of the leased asset. Charges are made on a straight-line basis over the term of the lease.

The Council as Lessor**Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain and loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a long-term lease debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipt Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserve Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

19. Overheads and Support Services

The cost of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

20. Non-Current Assets – Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant or Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. Repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Investment properties and surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, in exceptional circumstances, gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to services.

When decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are reviewed at each year-end for evidence of reductions in value i.e. impairment. Where impairment is identified, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

When impairment losses are identified, they are accounted for as follows:

- Where there is a balance in the revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings – straight-line allocation over the replacement lives of the major components as identified within the Housing Investment Programme
- Other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of asset

Where an item of property, plant or equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A major component is defined as comprising at least 20% of the value and having a useful life of 50% or less of that of the parent asset.

Council dwellings are separated into their principal components, which are depreciated separately. The components are defined by reference to the Building & Construction Industry Standard (BCIS) and the Housing Investment Programme elements. The replacement life cycles as recommended by BCIS and the Housing Investment Programme are used for the purposes of depreciation. Components are depreciated based on the existing Use Social Housing value.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that would have been charged based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

21. Heritage Assets

The Council holds a number of Heritage Assets, which can be grouped into the following categories:

- Civic Insignia
- Art and Sculptures
- Musical Instruments
- Vehicles
- Ancient Monuments and War Memorials
- Miscellaneous

These are not held in a single collection but in a number of appropriate locations, where they are considered to contribute to increasing the knowledge, understanding and appreciation of the Council's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

- **Civic Insignia**

The collection of civic insignia includes the Mayor's and Sheriff's badges and chains of office, mace and ceremonial swords. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are subject to periodic reviews by a specialist valuer. The civic insignia are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- **Art and Sculptures**

This category includes paintings and a number of public art works such as statues and sculptures. Where a valuation is available e.g. an insurance valuation, the asset is reported in the balance sheet at this valuation. However, for a number of public art sculptures and statues, no cost or valuation information is available and consequently, these assets are not recognised in the balance sheet. Where artworks are recognised, they are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation.

- **Musical Instruments**

The Council holds a Steinway grand piano at the Drill Hall and a Stradivarius violin, which is on loan to the Halle orchestra. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are subject to periodic reviews by a specialist valuer. The instruments are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- **Vehicles**

The Council holds one diesel locomotive as a heritage asset. This is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are subject to periodic reviews by a specialist valuer. The vehicle is deemed to have indeterminate lives as it is not in operation but is on display; hence the Council does not consider it appropriate to charge depreciation.

- **Ancient Monuments and War Memorials**

This category includes various roman ruins and ancient structures and four war memorials. The Council does not consider that reliable cost or valuation information can be obtained for the items in this category. This is because of the nature of the assets held and the lack of market values. Consequently, these assets are not recognised in the Balance Sheet.

- **Miscellaneous**

This category includes any other assets which are being held for their contribution to knowledge and culture but do not readily fall into the above categories. One

example is the collection of Books of Remembrance held at the City crematorium. These items are reported in the Balance Sheet at either cost or insurance valuation where material. No depreciation is charged on these assets.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's accounting policies on impairment. The Council may occasionally dispose of heritage assets which are unsuitable for public display or to an appropriate body which will ensure the asset is maintained and displayed within a suitable collection e.g. to a museum or historical trust. The proceeds of such items are accounted for in accordance with the Council's accounting policy on disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

22. Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. These should be:

- Immediately available for sale
- Sale is highly probable
- Actively marketed
- Expected to be sold within 12 months

The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus and Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from the disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are transferred to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account in the General Fund Balance in the Movement in Reserves Statement.

23. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits.

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

26. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

27. Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing an asset or liability (assuming they were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques, which takes into account the three levels of inputs to valuations for fair value assets:

- Level 1 – quoted prices
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

AUDIT COMMITTEE

27 MARCH 2018

SUBJECT:	EXTERNAL AUDIT INQUIRIES - 2017/18 STATEMENT OF ACCOUNTS
DIRECTORATE	CHIEF EXECUTIVE AND TOWN CLERK
LEAD OFFICER:	ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER

1. Purpose of Report

1.1 To inform members of the External Auditor’s requirement for the provision of information regarding the Council’s approach to dealing with fraud, litigation, laws and regulations as part of their audit of the Council’s Statement of Accounts for 2017/18 and to allow members to comment on the response related to ‘Those Charged with Governance’.

2. Inquiries for Those Charged with Governance

2.1 As part of the annual approach taken by the Council’s external auditors, KPMG, they seek responses to a range of inquiries concerning the Council’s approach and reporting arrangements for a number of key areas, in particular related to themes surrounding fraud, litigation, laws and regulations together with some areas specific to the accounts such as related parties and estimates used in the accounts. The responses to these provided by officers will inform the approach taken by KPMG to the audit of the 2017/18 Statement of Accounts.

2.2 In addition to the inquiries made to officers KPMG also require a response to a number of inquiries relating to the arrangements for identifying, responding to and managing risks around fraud from ‘those charged with governance’. Details of the specific inquiries and a proposed response to each is provided in Appendix A for members to review and comment on ahead of agreeing the final version for submission to KPMG.

3. Significant Policy Impacts

3.1 There are no significant policy impacts arising as a direct result of this report.

4. Organisational Impacts

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

4.2 There are no direct financial implications arising from this report.

5. Recommendations

5.1 That Audit Committee receive, and comment upon, the inquiries for those charged with governance for the 2017/18 Statement of Accounts.

Key Decision No

Key Decision Reference 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

If Yes, how many Appendices? One

List of Background Papers: None

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Name of Interviewee(s) : Audit Committee

Name of KPMG Interviewer(s) :

Date(s) of Interview :

Required Inquiries

Category	Short Description	Detailed Description	Comments
Fraud	REQUIRED Programs and controls to prevent, detect and deter fraud – oversight by those charged with governance	How do those charged with governance exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the entity and internal controls management has established to mitigate these fraud risks?	<p>Management and the Audit Committee receive 6 monthly updates on counter fraud activity and fraud outcomes (through a fraud and error update report)</p> <p>The audit committee have received a training presentation on counter fraud/fraud awareness (December 17)</p> <p>Fraud e-learning is currently being rolled out across Directors, AD;'s and service managers.</p> <p>There is a corporate fraud risk register previously presented to management and the Audit Committee in 2016 – currently being updated and will be re-presented in March 18</p> <p>Periodic reporting and review by the Audit Committee of counter fraud policies</p> <p>Regular updates on the Internal Audit Plan and reports are provided to management and the Audit Committee.</p> <p>There is a clear reporting mechanism for any suspected fraud to be reported to the Council.</p>
Fraud	REQUIRED Management's assessment of fraud risks including the nature, extent and frequency of such assessment	What are your views about fraud risks at the entity?	<p>As with any large and complex organisation there are a range of fraud risks and emphasis on reducing fraud risk is continuous.</p> <p>The results of the NFI, internal audit work and reported fraud show some low value frauds.</p> <p>Management and the Audit committee is kept up to date with fraud risks through updates on the fraud risk register, counter fraud, internal audit and other ad hoc reports.</p> <p>Work on updating the fraud risk register is currently ongoing and</p>

Category	Short Description	Detailed Description	Comments
			<p>will be reported to management and Audit Committee in March 2018.</p> <p>Fraud risks are acknowledged in key areas. Members and officers are aware of these and the risks are managed through established processes.</p>
Fraud	<p>REQUIRED</p> <p>Actual, suspected or alleged instances of fraud</p>	<p>Are you aware of or have you identified any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?</p>	<p>No – not financial reporting or misappropriation of assets</p> <p>Instances of fraud have been identified, primarily in the following areas:</p> <ul style="list-style-type: none"> • Tenancy • Council Tax single persons discount • Housing benefit <p>These have been investigated and actioned as appropriate (e.g. penalty, discounts removed, DWP referral, police referral etc.)</p>
Laws and regulations	<p>REQUIRED</p> <p>Compliance with legal and regulatory framework</p>	<p>How is the entity complying with the legal and regulatory framework?</p>	<p>The Council is governed by all national legislation, regulation and EU law.</p> <p>The Council's core functions are set out in the Constitution and associated policies and procedures, which reflect the legal and regulatory framework within which it operates.</p> <p>Directorates and Managers are responsible for identifying and complying with the legal and regularity framework.</p> <p>Advice is obtained from the Council's legal service as required</p> <p>All Committee reports have legal implications assessed, reported and these are reviewed by Legal</p> <p>All the necessary training for members and officers completed so all are aware.</p> <p>Internal audit undertake an "emerging legislation" audit review for added assurance</p>

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

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 an extended section in relation to external funding (section 10)
- the establishment of Local Authority Companies (section 11)

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 (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;

Amending fees and charges	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 by the Assistant Director to full Council at the earliest opportunity.	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.
Collection of income	In accordance with Anti-Money Laundering requirements, no payment to the Council shall be accepted if it is in cash and exceeds a specified limit (currently 15,000 euros, approximately £12,000).	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	<p>The authority to reinstate previously written off debts upon receipt of outstanding amounts shall be as follows:</p> <ul style="list-style-type: none"> • Reinstatement of debts up to £5,000 - authorisation required by Chief Finance Officer, City Solicitor or the Head of Shared Revenues and Benefit Service. • Reinstatement of debts over £5,000 – authorisation required by the Chief Finance Officer
Disposal of Items of Inventory,	No specific reference	Where the actual or estimated value of the goods to be sold is less than

Stocks and Stores		£10,000 the relevant Assistant Director may approve the disposal and may decide the procedure to be adopted.
Disposal of Items of Inventory, Stocks and Stores	No specific reference	Goods of an actual or estimated value exceeding £10,000 must be disposed of in one of the ways, listed 9.7.3 (of the FPRs) as determined most appropriate by the Assistant Director.
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 10 April 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 Audit Committee comment on the revised Financial Procedure Rules and amendments to the Constitution.
- 8.2 That 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. 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 31st 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 31st 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 in 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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SUBJECT: IAS19 – ASSUMPTIONS USED TO CALCULATE PENSION ENTRIES IN THE 2017/18 STATEMENT OF ACCOUNTS

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER

1. Purpose of Report

1.1 To allow Audit Committee to consider the assumptions the pension fund actuary proposes to use in preparing IAS19 figures for inclusion in the 2017/18 Statement of Accounts.

2. Background

2.1 IAS19 is the accounting standard for pension costs, which deals with the accounting requirements for retirement benefits. It is based on the simple principle that an organisation should account for retirement benefits when it is committed to give them.

2.2 To calculate the costs of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries use assumptions to reflect expected future events. Assumptions used lead to best estimates of future cash flows that will arise under the scheme liabilities.

2.3 The Council will use the calculated costs and the underlying assumptions, based upon the advice of the actuary of the Lincolnshire County Council Pension Fund in preparing the Statement of Accounts for 2017/18.

3. Financial Assumptions

3.1 A briefing note prepared by Hymans Robertson, the pension fund's appointed actuary, is attached at Appendix A. The key assumptions are highlighted in the following paragraphs.

3.2 Inflation Rate – this allows for the effect of inflation and is derived from yields available on fixed interest and index linked government bonds.

3.3 Discount Rate – allowing for the effect of inflation on the liabilities in the scheme, derived from a corporate bond yield curve constructed from yields on high quality bonds.

3.4 Pension Increase – this is linked to CPI, (which is approximately 1.0% below RPI).

3.5 Salary Growth – this is set relative to the derived RPI/ CPI assumption at the reporting date, using the same methodology as the most recent actuarial funding valuation.

4. Demographic Assumptions

4.1 Demographic assumptions typically try to forecast when benefits will come into payment and what form these will take. For example, when members retire, how long they will survive and whether they will exchange some of their pension for tax free cash.

4.2 Demographic assumptions as at 31 March 2018 will be based on the data gathered for the 2016 formal fund valuation.

5. Financial Implications

5.1 Statutory provisions require the General Fund and HRA balance be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated in accordance with IAS19. This means that the accounting entries are reversed and replaced with the amount paid to the pension fund in year, therefore ensuring there is no impact to the Council Tax payer.

6. Significant Policy Impacts

6.1 There are no significant policy impacts arising as a direct result of this report.

7. Organisational Impacts

7.1 There are no organisational impacts arising as a direct result of this report.

8. Recommendations

8.1 That the Audit Committee approve the IAS19 assumptions the pension fund actuary proposes to use in preparing IAS19 figures for inclusion in the 2017/18 Statement of Accounts.

Key Decision No

Key Decision Reference 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

If Yes, how many Appendices? 1

List of Background Papers:

Lead Officer: Robert Baxter, Interim Chief Finance Officer
Telephone: 01522 873361
Email: robert.baxter@lincoln.gov.uk

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Accounting Assumptions



Take control early, it's your call!

From listening to LGPS employers, we understand the importance of the pension figures disclosed in your accounts. The figures disclosed can have a material impact on your ability to carry out your normal business function.

The pension figures, in both the balance sheet and revenue account, are heavily dependent on the choice of assumptions. Crucially, as directors of the organisation, it is your responsibility to set assumptions that reflect the characteristics of your organisation.

Your options

1 Enhanced Service

For employers who wish to take control of the figures disclosed in their pension accounts, using the enhanced service would allow your organisation to:

- Receive provisional FRS102 / IAS19 figures in advance of the reporting date, giving an early indication of how your assets and obligations have developed and can also help inform the assumption setting exercise. Further, for Scottish employers in 2018, provisional figures would also capture the 'step-change' from the 2017 actuarial funding valuations. This 'step-change' experience item could have a significant positive or negative impact on your accounting balance sheet.
- Provide an employer specific assumptions paper covering the assumptions key to your organisation, what changes to assumptions could be made, and the impact on your accounting disclosures. This would be based on information you provide about future expected pay growth and recruitment plans.
- Arrange a face-to-face meeting (or a call) with an Actuary to discuss the accounting assumptions further and how these impact on your organisation's accounting figures. Engaging directly with the Actuary preparing your FRS102 / IAS19 report is typically more cost-effective than seeking third party advice.

2 Basic Service

For employers who are happy to adopt the default assumptions, appropriate for an average LGPS employer with your liability profile, we will prepare the standard accounting report for the standard fee.

If you would like to know more about our enhanced service, please [click here](#) or speak to either Craig Alexander on 0141 566 7843 or Kameel Kapitan on 0141 566 7880.

Briefing note

Local Government FRS102 / IAS19

February 2018

“
You choose assumptions
appropriate for your
organisation”

As the actuary to the LGPS fund in which you participate, we provide a set of default accounting assumptions for a ‘typical LGPS employer’ which can be amended to be more appropriate for your organisation.

The accounting assumptions adopted are ultimately the responsibility of your organisation’s directors (or equivalent) based on actuarial advice.

We therefore strongly recommend that you consider the suitability of the default assumptions to your specific organisation. It is up to you to determine how to proceed with the choice of assumptions given the relative importance of the LGPS accounting figures to your organisation’s own circumstances.

The value placed on the liabilities for accounting purposes (the defined benefit obligation) is heavily dependent on the assumptions adopted. The assumptions you choose to adopt will drive:

1. your **accounting balance sheet at the year-end date**; and
2. your **profit and loss cost for the year following the year-end date**.

For example, adopting a lower salary increase assumption than our default assumption may better reflect your own organisation’s forecasts. This change would lower the value placed on the defined benefit obligation (and improve the accounting balance sheet position).

If you wish to take control of your accounting disclosures, please get in touch with us as soon as possible.

The remainder of this briefing note sets out the rationale behind the setting of our default principal accounting assumptions. The approach to our default assumption setting applies to all accounting disclosures (unless otherwise stated). We have discussed this approach with the National Audit Office, Audit Scotland and Wales Audit Office who have not raised any concerns.

Discount Rate

Both FRS102 and IAS19 state that the discount rate used to place a value on the liabilities should be determined by reference to market yields on high quality corporate bonds at the reporting date. In addition, the currency and term of the high quality corporate bonds used to set the discount rate should be consistent with the currency and term of the liabilities.

Corporate bond yield curve

Government bond yield curves are updated and available on a daily basis from the Bank of England. It is therefore relatively easy to identify a spot yield on Government bonds at any duration and at any date. Unfortunately, a similarly accessible corporate bond yield curve is not so readily available.

We have adopted an approach to setting the discount rate whereby a “Hymans Robertson” corporate bond yield curve is constructed based on the constituents of the iBoxx AA corporate bond index.

Weighted average duration

The discount rate should reflect the ‘term’ of the benefit obligation. We have interpreted ‘term’ to be the weighted average duration of the benefit obligation. This is broadly defined as ‘*the weighted average time until payment of all expected future discounted cashflows, determined based on membership and the financial and demographic assumptions at a particular time*’. The shorter the duration, the more ‘mature’ the employer.

With increased divergence of LGPS employers, the weighted average durations of individual employers can be materially different. It is therefore not appropriate for all employers to adopt the same financial assumptions for accounting purposes. Our default assumption approach sets out 3 separate discount rates (and corresponding RPI/CPI inflation assumptions) for employers who fall into each duration category below:

Weighted average duration at most recent actuarial valuation	Duration category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

Retail Prices Inflation (RPI)

This assumption is typically derived from yields available on fixed interest and index linked government bonds, and should be consistent with the derivation of the discount rate.

We use a market implied inflation curve over a range of maturities. Cashflow weighted single RPI rates are derived from the market implied inflation curve that recognise the weighted average duration of each corresponding duration category defined above.

Pension Increases (CPI)

The pension increase assumption is set in line with our default Consumer Prices Index (CPI) assumption. As a market in CPI linked bonds does not exist, we need to estimate the long term gap between RPI and CPI in order to derive a CPI assumption for accounting purposes.

Our default assumed RPI-CPI gap will be 1.0% p.a. (unchanged from the 2017 accounting exercise).

Salary growth

Our default assumption for salary growth is set relative to the derived RPI/CPI assumption at the reporting date using the same methodology as the most recent actuarial funding valuation for the LGPS fund(s) in which you participate. Further details on the salary growth assumption can be found in the latest actuarial valuation reports available on each LGPS fund's website.

Longevity assumptions

Our default longevity assumptions for the 2018 accounting exercise are in line with those adopted by your LGPS fund(s) for the most recent funding actuarial valuation.

Other demographic assumptions

These include assumptions for commutation, withdrawal, ill-health early retirements, proportions of deaths leaving a dependant, etc. We gathered data on recent experience of LGPS funds in order to set appropriate demographic assumptions for the most recent actuarial valuation. Our default approach will be to use the same demographic assumptions for accounting purposes as at the most recent funding actuarial valuation. Collectively, these demographic assumptions are intended to be best estimate.

Indicative default assumptions (based on market conditions as at 31 January 2018)

The following table shows our default financial assumptions at 31 January 2018, based on the above methodology. Our default assumptions used for the 31 March 2017 exercise are also shown for comparison purposes.

Please note that bond yields can be particularly volatile and it is the observed bond yields at the actual year-end date that will be used to set our default assumptions. Therefore, the actual default assumptions could be significantly different from the indicative assumptions which are based on **market conditions as at 31 January 2018**.

Duration category	31 March 2017		31 January 2018	
	Discount rate	RPI (CPI)	Discount rate	RPI (CPI)
Short	2.5%	3.4% (2.4%)	2.6%	3.5% (2.5%)
Medium	2.6%	3.4% (2.4%)	2.7%	3.5% (2.5%)
Long	2.7%	3.4% (2.4%)	2.7%	3.4% (2.4%)

SUBJECT:	INTERNAL AUDIT PLAN 2018-19
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 To consider the Internal Audit Plan and Strategy 2018-19

2. Executive Summary

2.1 Members reviewed a draft version of the audit plan before final approval in March. This audit plan sets out the proposed work of Internal Audit for 2018-19.

2.2 The internal audit plan is updated each year and is based upon a risk assessment and our Combined Assurance work and discussions with Management.

3. Report Summary

3.1 A detailed breakdown of the plan and strategy is attached at Appendix A.

3.2 It is likely that Housing Benefit Subsidy claim work will be completed by Internal Audit again during 2018-19 and an allocation is included within the plan.

3.3 Minor variations to the plan may be approved by Management on a risk basis; any major changes will be reported via the Audit Committee in accordance with agreed terms of reference. The intention however is to remain reactive responding to changing circumstances or emerging risks during the year.

3.4 Currently the only changes from the draft plan are that HR work based learning has been included, HR people strategy remains but resources will be assessed in-year for this and equality and diversity is programmed for 19/20 but a management assurance report will be provided during 2018/19.

4. Organisational Impacts

4.1 There are no direct financial implications.

4.2 There are no direct legal implications; the Council has a responsibility under the accounts and audit regulations to provide an adequate and effective internal audit.

5. Recommendation

5.1 That Audit Committee consider the draft internal audit plan for 2018-19.

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:	None

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

For all your assurance needs

**City of Lincoln Council
Internal Audit Plan 2018/19
Draft**



What we do best

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

..... And what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

Contents



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Introduction

1. Internal Audit is a statutory service required under the Account and Audit Regulations 2015¹. We provide independent assurance designed to add value and improve how the Council operates. We help the Council achieve its priorities and objectives by bringing a systematic, disciplined approach to evaluate and improve the management of risk, control and governance processes of the Council.
2. This report sets out the proposed Internal Audit plan. The aim is to give a high level overview of areas we are likely to cover - giving you an opportunity to comment on the proposals.
3. Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities – seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:
 - Achieve strategic objectives
 - Ensure effective and efficient operational systems and programmes.
 - Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
 - Ensure the reliability and integrity of financial and operational information.
 - Ensure economic, efficient and effective use of council resources.
 - Ensure compliance with established policies, procedures, laws, regulations and contracts.

Our Internal Audit Strategy

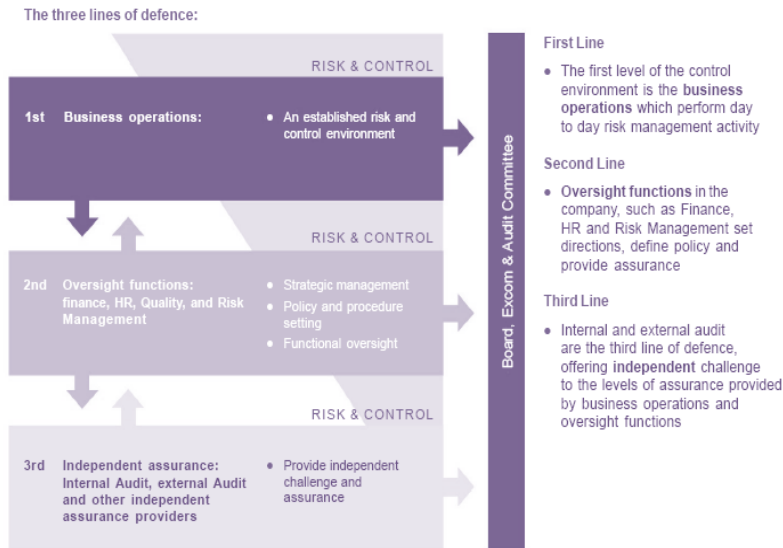
4. It is important that the Internal Audit function focusses its work on what matters most to you – providing insight, assurance and added value to the Council.
5. To help us do this we propose to change the way we prioritise and schedule our work – having a set annual plan is proving too restrictive on the audit service and for clients. Working with you we intend to have a continuous rolling audit work plan – updated each quarter – responding to changing circumstances or emerging risks during the year.
6. This approach has the benefit of enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. It also delivers greater productivity and efficiencies – reducing abortive planning and engagement time. The plan becomes more dynamic and responsive – essential for an effective Internal Audit service.
7. Our internal audit activity and plan has been driven by the Council's key objectives within the corporate plan, your key risks and critical service areas identified as part of the Combined Assurance Map.
8. Our aim is to align our work with other assurance functions – seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.
9. By adopting this approach it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. Internal Audit are then able to use our audit planning tool to target resources. This will to minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.

¹ The Account and Audit Regulation 2015 state that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes – taking into account public sector internal auditing standards or guidance'. The work of internal audit provides a substantial element of this requirement – in conjunction with the Audit Committee and Management.

10. We have identified the level of assurances in place by using the "Three lines of assurance" model – See **Figure 1**.

11. **Figure 2** shows the overall assurance levels on the Council's critical service areas / activities as at December 2017.

Figure 1 – Three Lines of Assurance Model



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Figure 2 –Your Assurance Status
To be completed for the final audit plan

12. Our Internal Audit Strategy also seeks to co-ordinate our work with other assurance providers where we can. In particular we liaise with External Audit to ensure the Council gets the most out of its combined audit resource – keeping audit fees low.

How we choose what we look at?

13. Various sources of information help inform our plan (see **Figure 3**. below)

Our Internal Audit Plan

Figure 3 – Sources of information considered when developing Internal Audit activity



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14. We prioritise our audit work taking into account the following considerations:

- **Significance** - how important is the activity to the Council in achieving its objectives, key plans and in managing its key risks. We look at both financial loss and strategic impact.
- **Sensitivity** - how much interest would there be if things went wrong and what would be the reputational and political impact.
- **Level of Assurance** – we assess the current level of assurance evaluating reliability and contribution to the Head of Internal Audit annual opinion on governance, risk and control.
- **Timescales** – when it will happen (this will determine when is the best time to do the Audit).

15. All potential pieces of audit work have been evaluated and the resources available mean that not all areas will be audited in a 12 month period. Each of the areas we propose to review are detailed in **Appendix A**. Information on other potential audit areas is provided in **Appendices B** for information.

Our Audit Focus for 2018/19

16. In the following table we provide information on key audit areas and the rationale for their inclusion in the audit strategy and plan.

Area	Reason for inclusion in the Internal Audit Strategy and Plan
Financial Governance	<p>Providing assurance that key financial controls are in place and operating effectively during the year across all areas of the Council. This work provides the Section 151 Officer with a key element of his assurance that the Council has effective arrangements for the proper administration of its financial affairs.</p> <p>The areas of coverage and key controls to be tested will be agreed the Section 151 officer. Bank is included for 18/19, procurement, Insurance</p>
Governance & Risk	<p>Providing assurance that key governance controls are in place and are operating effectively. These cross cutting audits focus on the Council's second line of assurance - corporate rather than service level systems. The areas proposed to be included in the plan are:</p> <ul style="list-style-type: none"> Information Governance; Human Resources; Risk Management; Counter Fraud; Partnerships; Governance; IT DR/Business Continuity

Area	Reason for inclusion in the Internal Audit Strategy and Plan Area
Critical Activities	<p>The combined assurance work undertaken in 2017/18 identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and governance processes. Working with management we will prioritise when audit work will be undertaken - potential areas for 2018/19 include: Business Strategy (Vision 2020) City Lottery; Housing Allocations; Council house sales; Planning; Growth; Commercial lease income</p>
Project Assurance	<p>There have been a number of critical projects identified by the Council. We will seek to provide assurance around their successful delivery (on-time – within budget – deliverables achieved and benefits realised).</p>

Our Internal Audit Plan

Area	Reason for inclusion in the Internal Audit Strategy and Plan
IMT	<p>Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of IMT has a great impact on how well the Council works. We will seek to provide assurance that key controls comply with industry best practice and are operating effectively. Audits planned come from previous year assessments and our awareness of current IMT risks. We have included</p> <ul style="list-style-type: none"> ▪ IT Security / IT Projects ▪ IT Applications ▪ IT Strategy
Follow Up	<p>Where an audit receives a Limited or Low Assurance level we will carry out a follow up audit to provide assurance that the identified control improvements have been effectively implemented and the risks mitigated.</p> <p>Working with management we also track the implementation of agreed management actions for all audit reports issued. We follow up and obtain evidence for high priority recommendations.</p>
Combined Assurance	<p>Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and partnerships – producing a Combined Assurance Status report in January 2019.</p>

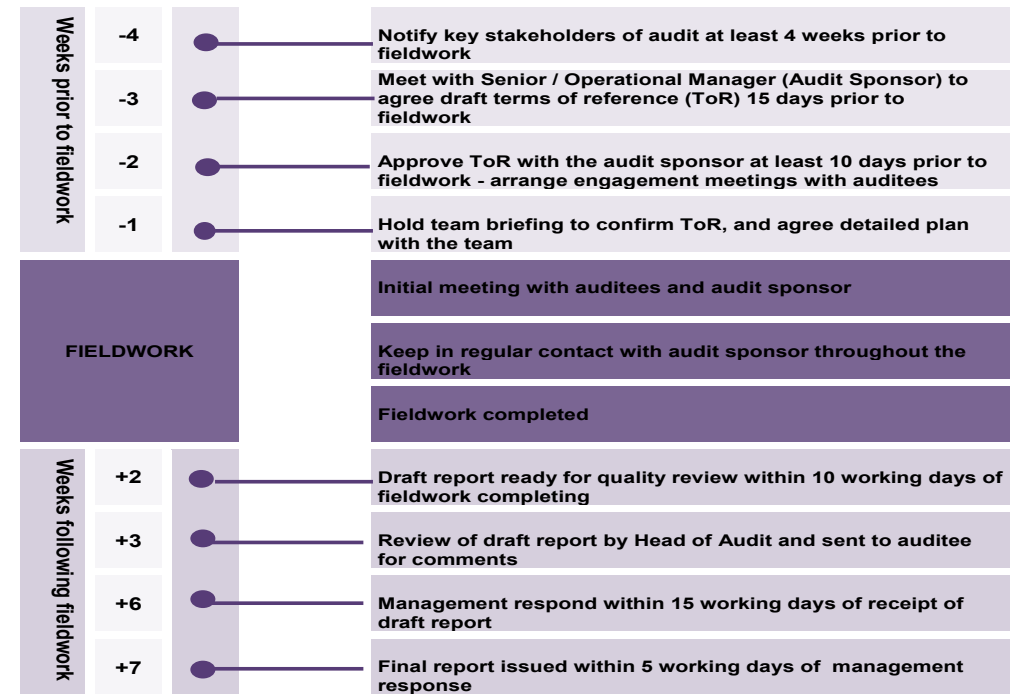
Area	Reason for inclusion in the Internal Audit Strategy and Plan
Consultancy /VFM / No-Opinion Reviews	<p>At the request of management we undertake specific reviews where they may have some concern or are looking for some advice on a specific matter or around governance, risk and controls for a developing system. Such reviews are not normally given an audit opinion.</p>

17. The Council's Internal Audit Plan is **400 Days** – with an additional **50 days** for testing of the Housing Subsidy claim on behalf of External Audit.

Annual Internal Audit Opinion

18. We are satisfied that the level and mix of resources - together with the areas covered in the plan - will enable the Head of Internal Audit to provide their annual internal audit opinion.

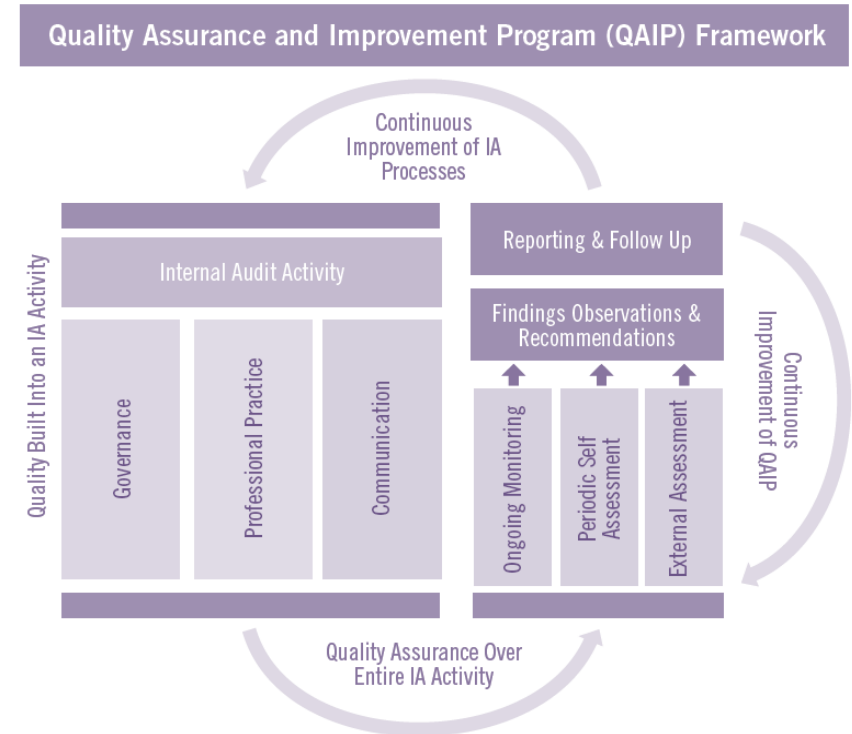
19. Our approach to delivering of internal audit work is based on a clear protocol detailed in the Audit Charter. How this works in practice is set out opposite.
20. Our performance is monitored by the Section 151 Officer and the Audit Committee - measured against 3 key areas:
- Delivery of planned work.
 - Timeliness (contemporary reporting).
 - Quality and Impact of work (communicating results / added value).
21. Strong communication is fundamental to quality delivery and maintaining trusting relationships. We keep management informed in accordance with agreed protocols including:
- agreeing potential audit work for the forthcoming year
 - providing quarterly updates to evaluate progress and discuss activities and priorities for the next quarter.
 - for individual audit engagements we hold planning meetings in person (our preference) by phone or email to discuss and agree the terms of reference and scope of our work..
 - we keep you informed of key findings during the audit and upon conclusion we hold a debrief meeting in person to discuss our findings and any outstanding issues.



- We communicate the results of our audit work in a clear and concise way – securing management action where control improvements are needed.
- We support Senior Management in attending the Audit Committee where a Limited or Low Assurance level has been given against the activity.

22. Quality is built into the way we operate – we have designed our processes and procedures to conform to best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.
23. Our audit team offers a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework and our training and development programme.
24. Our Quality Assurance Improvement Programme incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must cover all aspects of internal audit activity – **Figure 4** shows how we structure our internal assessments to ensure appropriate coverage.
25. We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.
26. Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council – this was approved by the Audit Committee and is due to be reviewed on 2018 following the planned revision of the CIPFA Local Government Application Note.

Figure 4 - Scope of Quality Assurance Improvement Programme



Your Internal Audit Team

27. Your Internal Audit Team will be led by John Scott (Audit Manager), supported by Paul Berry (Principal Auditor) and Helen Storr and Karen Atkinson.
28. The team will be supported by specialists from Assurance Lincolnshire and our wider audit framework as and when appropriate.
29. An indicative staff mix delivering our Internal Audit service to you is shown below:

Grade	2018/19 (days)	Grade Mix (%)
Head of Internal Audit	160	36%
Principal Auditor	120	36%
Senior Auditors	160	26%
ICT Consultant	10	2%

Conflicts of Interest

30. Internal Audit remains sufficiently independent of the activities that it audits to enable auditors to perform their duties in such a way that allows them to make impartial and effective professional judgements and recommendations.
31. We are not aware of any relationships that may affect the independence and objectivity of the team and which are required to disclose under the internal auditing standards.

Appendix A - Draft Internal Audit Plan

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Risk Register SRR (All); DRR(Red);FRR	Corporate Priority Vision 2020	Management Request	Internal Audit Priority
Critical Activities							
Chief Executive							
Human Resources (10)	Workbased learning – focus on new arrangements around finance and risk management	Amber	Amber				
Human Resources (3)	To follow up the attendance management audit 2017/18 New occupational health contract	Fin/Gov	Amber	SRR	HPS		✓
Human Resources	Effective implementation of the new people strategy	Fin/Gov	Amber	SRR	HPS		
Human Resources (10)	We will review recruitment processes to ensure compliance with policy / procedures; induction will also be covered	Fin/Gov	Amber	SRR	HPS		✓
Commercial Property and Small Business Support (10)	Commercial property income. We will also review arrangements at the Council’s managed workspace (Terrace/Greetwell road).	Amber	Green		RI		✓
Business Strategy (Vision 2020) (10)	We will build on the work undertaken 2017/18 by examining project management on key projects, including Housing and other areas.	Amber	Green	SRR	V2020 RI		✓
Partnerships (10)	We will review the Council’s partnership arrangements to ensure that partnership leads are appropriately managing the Council’s involvement in terms of governance and effectiveness.	Fin/Gov	Amber		V2020		✓
Commercialisation/	Review of strategy/projects including strategy, business case,	Amber	Amber		V2020		✓

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Asset Rationalisation (10)	risk management, project management, management arrangements, and delivery.						
Workbased Learning/Apprentice scheme	Review of the key financial and operational risks facing the service following the introduction of the new Levy system <i>(resources to be determined)</i>	Amber	Amber				
Director of Housing and Regeneration	Critical Activities						
Housing Allocations/Choice Based Lettings (10)	To review the migration of data to the new system; accuracy and arrangements for the new system following the 2017/18 audit.	Red	Red	DRR			✓
Housing Voids Plus Aids and Adaptations Rechargeable repairs	To review the arrangements for managing housing voids/Aids and Adaptations, including necessary repairs. <i>(Potential audit – if time allows during year)</i>	Amber	Green		QH		
Council house sales (5)	To review the processes around sales / discounts and ensure income is received correctly	Amber	Green				
New Build / Housing Company (10)	New build contracts and any links to the new housing company	Amber	Green				
Health and Safety (10)	Housing fire risk - governance arrangements	Amber					✓
Strategic Director – Communities & Environment	Critical Activities						
Planning (10)	We will review arrangements for the CIL (Community Infrastructure Levy) and S106	Amber	Green				

Appendix A - Draft Internal Audit Plan

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	The local plan has been approved and is now in delivery. This now needs close monitoring and management assurance that the plan is being delivered.						
CCTV	We will review the arrangements for management / monitoring of CCTV <i>(Potential audit – if time allows during year)</i> Plus management of WiFi network which is included within the CCTV network and part of the same installation project	Red	Green				
Private Sector Housing (5)	DFG/ Arrangements for the new Heating scheme	Amber	Amber			✓	
Major Developments Directorate	Critical Activities						
Growth (10)	We will review the Council's Economic and Growth agenda including strategies, investment, partnerships, and infrastructure.	Red	Green		G		✓
Transport Hub (8)	Assurance the closedown of works and final account	Red	Green	SRR DRR	G		✓
Financial Governance							
Chief Executive							
Benefits (10)	We will review the arrangements for the roll out of Universal Credit and how the Council is managing the risks involved Including the potential impact on Housing.	Fin/Gov	Green	DRR	RI		✓
Counter Fraud (20)	We will continue to liaise with the Lincolnshire Counter fraud partnership, undertake a Counter fraud healthcheck, engage	Fin/Gov	Amber	FRR			✓

Appendix A - Draft Internal Audit Plan

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	with NFI and build on work from Fraud risk assessment and continue to roll out the fraud e-learning training.						
NNDR (5)	Business Rates Growth Policy/Reliefs	Fin/Gov	Green				
Bank (5)	We will review the key controls around the Council' banking arrangements.	Fin/Gov	Green				✓
Procurement (10)	Review of frameworks and other OJEU level procurement to ensure compliance and value of money <i>Plus delivery of the social value policy and its outcomes, which is also a key project for V2020</i>	Fin/Gov	Amber		HPS RI		✓
City Lottery (3)	To review the governance arrangements for the new City Lottery	Amber	Green				
Governance and Risk							
Chief Executive							
Governance (10)	We will review the Council's cultural/ethical framework using an Assurance Lincolnshire toolkit	Fin/Gov	Green				✓
Governance (5)	Annual assurance focussing on the governance structures in place. We will consider the key elements of governance	Fin/Gov	Green				✓
Risk Management (5)	To review the Council's risk management arrangements to ensure compliance, aid with annual opinion and following up the audit work in 2017. Will include the risk management strategy, business areas approach to risk, risk registers, reporting of risk and mitigations, review and update of the risk registers. Information reported to management and committees.	Fin/Gov	Green				✓

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Information Management and Technology (IMT)							
Chief Executive							
Information Governance (10)	Assurance over the project to implement the new General Data Protection Regulations	Fin/Gov	Amber	DRR SRR	HPS		✓
ICT Audit (30)	We will seek to provide assurance that key controls comply with industry best practice and are operating effectively. This year we will continue with our review of Applications and review other IT security risk areas (to be agreed) to understand whether Cyber Threat is appropriately mitigated. Review of ICT Strategy implementation and ICT project /programme management – Operations and Business Development.	Fin/Gov	Green	✓	✓		✓
IT DR/Business Continuity (3)	We will follow up with the Business Continuity Group actions arising from the IT DR audit in 2017/18	Fin/Gov	Amber	SRR DRR	HPS		✓
Project Assurance							
Western Growth (15)	To review project management arrangements	Red	Amber	SRR DRR	G		✓
Programmes and Projects (13)	To provide assurance on project and programmes E.G Allotments / Sincil Bank / De Wint Court etc Review of project / programme governance arrangements including SPIT replacement	Red	Amber	✓	✓		✓
Consultancy /VFM / No-Opinion Reviews							
Focus to be agreed (10)	An example could be comparison of fees and charges applied by individual councils with a choice of comparator councils, and identify opportunities to increase income, as well as reviewing charging policies for consistency with wider objectives, such as inclusion and equality of access.	Amber	Green				

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We will liaise with the Business Development team on any specific review areas.								
Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request	Internal Audit Priority	
Key Control Testing	<p>To provide high level assurance that the Council's key controls are in place and operating effectively – this will cover financial and corporate areas. The areas of coverage and the key controls tested will be agreed with management but can cover:</p> <ul style="list-style-type: none"> – Financial – Supplier data – payments – HR – new starters, leavers, changes to payroll data – Key reconciliations eg bank – payroll – creditors - income – Complaint handling – Revs & Bens – key control indicators around collection and accuracy rates. <p>No additional days 18-19 - See financial Governance</p>	Red-DD	Green	Must Do				
Sub Total Days Allocated	287 days							

Appendix A - Draft Internal Audit Plan

Other Relevant Areas	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Audit follow up work (10)	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	N/A				
Combined Assurance (10)	<p>Completing the integrated assurance mapping process for the Council by helping to map assurance against critical activities and key risks. Helping coordinate the development of the annual status report.</p> <p>We will provide additional assurance information on equality and diversity assurance pending an audit review in 19/20</p>	N/A				
Contingency and Emerging risks (30)	<p>Contingency for any brought forward work and emerging risks</p> <p>Assurance on Equality and Diversity processes</p>					
Sub Total Days Allocated	50 days					
Advice and liaison, management, reactive investigations (35)						
Annual Internal Audit Report – (3)						
Audit Committee –(20)						
Review IA Strategy and Planning – (5)						
Sub Total Days Allocated	63 days					

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Audit Plan - Grand Total	400 days
Housing Benefit Subsidy	50 days

Appendix B- Auditable Areas

Service Area	Auditable Area / System (DD = Due Diligence)	Last audited	Last Opinion	Assurance Map Rating (2018)	Audit Risk Assessment (2018)	Included in 2018/19 Plan	Comments
Chief Executive							
CX Business Management	Business Management			Green	Green		
CX	Strategic Information Analysis			Green	Green		
City Solicitor	Legal	2012/13		Green	Fin/Gov		19/20
	Information Governance/GDPR	2017-18* (H/Check)		Amber	Fin/Gov	Yes	
City Solicitor	Electoral Services (elec reg & elections)	2017/18		Green	Amber		
City Solicitor	Democratic Services			Green	Amber		
City Solicitor	Procurement	2017/18		Amber	Fin/Gov	Yes	F/Work+ OJEU
City Solicitor	HR	2017/18		Amber	Fin/Gov	Yes	Workforce strategy Sickness f/up
City Solicitor	Payroll	2016/17		Green	Fin/Gov		
City Solicitor	Workbased Learning	2017/18		Amber	Amber		
City Solicitor	Civic and Twinning (5)			Green	Green		
Chief Finance Officer	Finance / Income / Bank / Budget / GL / Financial Strategy	2016/17		Green	Fin/Gov		Recent audit

Appendix B- Auditable Areas

Service Area	Auditable Area / System (DD = Due Diligence)	Last audited	Last Opinion	Assurance Map Rating (2018)	Audit Risk Assessment (2018)	Included in 2018/19 Plan	Comments
Chief Finance Officer	Insurance	2011/12		Green	Fin/Gov		19-20
Chief Finance Officer	Creditors	2017/18		Amber	Fin/Gov		Recent audit
Chief Finance Officer	Debtors	2017/18		Green	Fin/Gov		Recent audit
Chief Finance Officer	Risk Management	2017/18		Green	Fin/Gov	Yes	
Chief Finance Officer	TOFS (Incl Commercialism)	2016/17		Amber	Amber	Yes	
Chief Finance Officer	Revenues - Shared Service	2016/17		Green	Amber		
Chief Finance Officer	Revenues- NNDR	2017/18		Green	Fin/Gov		Recent audit
Chief Finance Officer	Revenues-Ctax	2017/18		Green	Fin/Gov		Recent audit
Chief Finance Officer	Revenues-Recovery	2016/17		Green	Fin/Gov		Recent audit
Chief Finance Officer	Benefits <i>Welfare reform</i> <i>Welfare advice</i>	2017/18		Green	Fin/Gov	Yes	Universal Credit / Welfare reform
Chief Finance Officer	Counter Fraud	2016/17		Amber	Fin/Gov	Yes	Annual
Chief Finance Officer	Asset Register	2014/15		Green	Fin/Gov		Ext Audit Assurance
Chief Finance Officer	VAT	2010/11		Green	Fin/Gov		19-20
Chief Finance Officer	Treasury Management	2016/17		Green	Fin/Gov		Recent audit

Appendix B- Auditable Areas

Service Area	Auditable Area / System (DD = Due Diligence)	Last audited	Last Opinion	Assurance Map Rating (2018)	Audit Risk Assessment (2018)	Included in 2018/19 Plan	Comments
Chief Finance Officer	Bank	2014/15		Green	Fin/Gov	Yes	
Chief Finance Officer	Small Business Support			Green	Amber	Yes	Terrace/ MWS income
Chief Finance Officer	Property Services <i>Facilities management</i>	2014/15		Green	Amber	Yes	Commercial property income
Chief Finance Officer	Asset Rationalisation / AMP	2017/18		Amber	Fin/Gov	Yes	Recent audit
AD Strategic Development	Business Strategy / Vision 2020	2017/18		Green	Amber	Yes	Project level
AD Strategic Development	Performance	2016/17		Green	Fin/Gov		Recent audit
AD Strategic Development	Social Policy (Anti-Poverty / Community Cohesion)	2012/13		Green	Amber		Consider part of BS above

Appendix B- Auditable Areas

Service Area	Auditable Area / System (DD = Due Diligence)	Last audited	Last Opinion	Assurance Map Rating (2018)	Audit Risk Assessment	Included in 2017/18 Plan	Comments
AD Strategic Development	Consultation and engagement			Green	Amber		
AD Strategic Development	Partnership management	2010/11		Amber	Fin/Gov	Yes	Was 17/18
AD Strategic Development	Business Development and ICT <i>Infrastructure/security Projects and programmes Strategy Legal compliance Applications`</i>	2017/18		Green	Fin/Gov	Yes	Applications Projects Strategy Security
AD Strategic Development	Customer Services <i>(Incl workflow) Complaints Travel pass admin Build security</i>	2017/18		Green	Amber		
AD Strategic Development	Business Continuity and EP	2009/10 2017/18		Amber	Fin/Gov	Yes	IT DR follow up
AD Strategic Development	Projects and programme management	2017/18		Amber	Fin/Gov	Yes	See Plan
AD Strategic Development	Equality and Diversity	2010/11		Green	Fin/Gov		19/20
AD Strategic Development	Corporate Governance	2017/18		Green	Fin/Gov	Yes	Ethics
AD Strategic Development	Communications			Green	Amber		
Strategic Director – Housing & Regeneration							
AD Housing	Housing Strategy			Green (V2020)	Red	Yes	Vision 2020

Appendix B- Auditable Areas

AD Housing	Housing Company			Green	Red	Yes	Part of new build below
AD Housing	Affordable Housing			See Housing Strategy	Amber		See Housing Strategy
AD Housing	HRA Business plan	2012/13		Green	Red		19-20
AD Housing	HRA/Landlord Services (Tenancy) various – caretaking / rech repairs	2017/18		Green	Red		Recent audit
AD Housing	HRA/Landlord Services - Rent collection	2016/17		Green	Fin/Gov		Recent audit
AD Housing	Housing Needs (Sheltered/supported)	2011/12		Green	Amber		
AD Housing	Business Support	2012/13		Green	Amber		
AD Housing	Property Shop/ Choice based lettings/allocations	2016/17		Red	Red	Yes	New system+ follow up
AD Housing	Homelessness	2009/10		Red	Red		19-20
AD Housing	Control Centre	2016/17		Green	Amber		
AD Housing	Housing Repairs Service <i>Voids</i> <i>Fleet</i> <i>H/safety</i> <i>IT</i> <i>Stores</i> <i>Fuel poverty</i>	2017/18		Green	Amber	Yes	Voids External Contracts Aids and Adaptations Rechargeable repairs
AD Housing	Housing Investment – Planned Maintenance	2017/18		Green	Amber		
AD Housing	Housing Investment – New build	2016/17		Green	Amber	Yes	

Appendix B- Auditable Areas

	<i>Housing Company</i>			Green	Amber		
AD Housing	Safeguarding	2015/16		Green	Amber		
AD Housing	Council house sales			Green	Amber	Yes	
Strategic Director – Communities & Environment							
Planning Manager	Planning (Joint Strategic Planning)	2014/15		Green	Amber	Yes	Policy/CIL
Planning Manager	Planning (Development Management) (CIL-12) (10) <i>Planning (S106) (8)</i> <i>Geographical Information System (GIS)</i>	2015/16		Green	Red	Yes	Policy/CIL
Planning Manager	Land charges and searches			Green	Amber		
Planning Manager	Building Control	2012/13		Amber	Amber		19/20
Planning Manager	Planning (Heritage)			Green	Amber		
AD Communities & Street Scene	Public Protection	2012/13		Green	Amber		19/20
AD Health & Environmental Services	Licensing	2011/12		Green	Amber		19/20
AD Communities & Street Scene	CCTV	2009/10		Green	Amber	Possible	
AD Communities & Street Scene	Parks & Open Spaces & Allotments	2012/13		Green	Amber		
AD Communities & Street Scene	Boultham Park	2017/18 (project)		Green	Amber		
AD Communities & Street Scene	Street Cleansing	2015/16		Green	Amber		

Appendix B- Auditable Areas

Service Area	Auditable Area / System (DD = Due Diligence)	Last audited	Last Opinion	Assurance Map Rating	Audit Risk Assessment	Included in 2018/19 Plan	Comments
AD Communities & Street Scene	Grounds Maintenance	2015/16		Green	Amber		
AD Communities & Street Scene	Refuse and recycling	2015/16		Green	Amber		
AD Communities & Street Scene	Public Conveniences	2017/18		Green	Green		
AD Communities & Street Scene	Car Parks	2017/18		Green	Amber		
AD Communities & Street Scene	Bus Station	2017/18		Green	Amber		
AD Communities & Street Scene	Strategic Waste Management			Amber	Amber		
AD Health & Environmental Services	Environmental Protection			Green	Amber		
AD Health & Environmental Services	Pollution Control			Green	Amber		
AD Health & Environmental Services	Food safety	2012/13		Green	Amber		19/20
AD Health & Environmental Services	Health & Safety <i>Other public health</i> <i>External enforcement H/S</i>	2016/17		Amber	Fin/Gov		Recent audit (NB See Housing)
AD Health & Environmental Services	Private Sector Housing <i>Empty homes</i> <i>DFG</i>	2017/18		Amber	Amber	Yes	Heating Grants
AD Health & Environmental Services	Community Centres			Green	Amber		
AD Health & Environmental Services	Sport and Leisure (pitches)	2015/16		Amber	Amber		

Appendix B- Auditable Areas

AD Health & Environmental Services	Crematorium and Cemeteries	2014/15		Green	Amber		
AD Health & Environmental Services	Events, Culture and Tourism	2014/15		Amber	Amber		
AD Health & Environmental Services	Neighbourhood working	2011/12		Amber	Amber		
AD Health & Environmental Services	Central Market			Amber	Amber		
Major Development Director							
	Growth strategy / key projects / investments (large business enquiries, promotion of the city, markets, urban extensions, master plan, renewal area strategy)			Green	Red	Yes	
	Supporting strategic infrastructure projects			Green	Amber	Yes	
	Transport Hub	2017/18		Green	Amber		
	Western Growth Corridor	2017/18		Amber	Red	Yes	

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 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 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 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:

Lead Officer: Audit Manager Telephone 873321



City of Lincoln Council
Progress Report – March 2018
Appendix A



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Key Messages	2 /3
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Appendix 2 – Internal Audit Plan & Schedule 2017/18	
Appendix 3 – Assurance Definitions	
Appendix 4 – Performance Details	
Appendix 5 – Recommendations Overdue & Not Yet Due	

Contact Details:

John Scott
 Audit Manager



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Introduction

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

2. The 2017/18 audit plan is progressing well; twenty-two pieces of work have been completed, six are in progress and two are being prepared. As at the end of February 88% of the revised plan has been delivered. Appendix 2 provides details on the current status of the audits within the plan.

Any audits that are not completed by the end of March will be completed using the contingency sum in the 2018/19 Audit Plan.

Due to timings the following audits are being moved into 2018/19;

- Transport Hub
- Housing Company
- Work Based Learning

3. Details on High priority recommendations can be found in Para 7 and for Medium priority recommendations see Appendix 5.

Internal Audit Reports Completed January - March

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

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy
None	Asset Acquisition Car Park Income	None	None	None

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.

Asset Acquisition – Substantial Assurance

The Executive approved an Asset Rationalisation Strategy in August 2017 as part of the Towards Financial Sustainability agenda and asset review process, which provides the Council with the ability to make efficient informed decisions on asset / property acquisition by investing capital to bring in revenue, which will support the savings programme.

The scope of the review was to provide assurance on the acquisition of property assets.

Given the time sensitivities to ensure a target completion by the end of January following approval of the acquisition by the Executive, the audit review focused on the financial and risk management around this individual purchase.

The review considered the following key risks;

- The Council invests in the wrong assets
- Asset acquisition is not managed effectively
- Internal & external regulations not complied with
- Risks are not managed
- Financial resources are not managed effectively

We examined these risks by considering the following;

- Application of the agreed criteria in the Asset Rationalisation Strategy
- Due diligence checks
- Approval processes
- Risk assessments
- Financial appraisals and valuations

Our review provided substantial assurance that the Council had effective mechanisms in place for acquisition of the asset and there were no material impacts in the processes which would have affected the completion of this purchase.

We did identify areas within the acquisition process that we believe can be strengthened for ongoing control of this particular acquisition and for future acquisition projects;

- Whether any savings on financing costs in earlier years should be held in reserve to cover higher than expected interest rates or other costs in future years
- Updating the Asset Rationalisation Strategy to set criteria for the minimum percentage return after financing costs, having a minimum reserve provision as a default position and the need for a balanced portfolio.
- A periodic review of the strategy by CMT/Executive for continued applicability
- As the acquisition programme moves forward consider capacity and availability of additional skills

- Develop one filing structure for all information in a secure location which is retained until the asset is paid for
- Maintain a record of rejected projects
- Developing a strategic risk register for risks that would affect all acquisitions

For this type of acquisition decision making has to have a quicker turnaround than normal. Despite this requirement and pressure to deliver the acquisition we found that officers involved ensured that due diligence checks are undertaken and the right expert advice is sought if necessary. The Constitution was followed for delegated and key decision making.

Car Park Income – Substantial Assurance

The Council operates over 20 car parks that generate approximately £4.3million per year, which will rise to over £6 million per year when the new Central car park is fully operational. With the exception of the new Central car park which is Pay on Exit, all car parks are Pay & Display. The most popular method of payment continues to be cash, which has to be collected, reconciled and banked. Other payment methods include debit / credit card and Pay by Phone. The Communities & Environment Risk Register contains a red risk for financial pressures, which includes parking income levels.

The key risks are;

- Income is not collected, banked and accounted for
- The correct fee / charge is not levied
- Income is misappropriated
- The audit did not examine the income collection processes for season tickets and Penalty Charge Notices.

It was intended to review the income procedures for residents-only parking but unfortunately there was insufficient time to do this.

We are able to award Substantial Assurance based on our findings. Parking Services and Accountancy have effective procedures in place to manage the processing of car park income;

- Procedure notes are in place and processes include a division of duties for cash handling.
- Machines are frequently emptied and income is regularly banked.
- Cash handling is controlled and monitored.
- Cash and electronic income collected is recorded and reconciled to supporting records
- Variances over a specified level are investigated and reported.
- Income is correctly posted to the ledger.
- Budgets are regularly monitored and management and Members receive regular reports

The operation of the new Central car park, with different payment processes and technology, has been successfully assimilated into the Parking team's existing working practices.

We identified some areas of improvement to further strengthen the controls already in place:

- Undertake a monthly reconciliation of debit / credit card transactions at the Central car park to data from the car park machines
- Consistently apply the procedure to notify a supervisor of cash variances over a set amount
- Review the income collection health and safety risk assessment to reflect the recent opening of the Central car park
- Re-instate periodic supervisory checks of the Daily Income record
- Determine if the data retention period for the Central car park IT system can be extended, but if it can't then determine what data needs to be exported and retained
- Periodically change the passwords to access the Central car park IT system
- Improve the monitoring process of manual barrier openings at the Central car park, and introduce a periodic review of the reasons to determine if procedures are being complied with or if further guidance is required

In 2016/17 the overall parking income budget was revised down by £500,000 to £4.1m and achieved £4m. For 2017/18 it is predicted that there will be again be a shortfall of at least £100,000 against the budget of £4.3m. For 2018/19 an income budget of almost £2m per year has been set for the new Central car park and the income budgets for all the other car parks have been maintained at the same levels. This has been recognised as a risk within the Directorate risk register.

There have been long-standing issues with some Pay & Display machines not operating at times and not reporting their transaction data correctly due to lost signals / bad connections on the mobile network, but it is hoped that changing the Chip & Pin provider and modems during 2018 will address the problems.

Other Significant Work

5. Updates on other significant work;

Combined Assurance Map

The Assurance Map summary was approved by CMT in February and is presented to this Committee in a separate report.

2018/19 Audit Plan

The Final Plan is presented to this Committee in a separate report.

Fraud Risk Register

The FRR has been comprehensively updated and presented to CMT. It is presented to this Committee in a separate report.

Audits in Progress

6. The following audits are in progress;

- Planned Maintenance - fieldwork in progress
- Boutham Park restoration (final account) – fieldwork in progress
- Procurement – fieldwork in progress
- Private Sector Housing – fieldwork in progress
- Council Tax – fieldwork in progress
- Strategic Risk Mitigation – being prepared
- Bus Station – being prepared
- Vision 2020 monitoring – report being agreed with management

Other work in progress;

- National Fraud initiative matches – continued review with officers
- Liaison with LCFP – Lincs counter fraud partnership
- Fraud e-learning roll out

Audit Recommendations

7. 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
2015/16			
ICT Mobile Devices (Substantial) PH CMCS AD SD (CX)	Audit of ICT assets (linked to corporate inventory check) (Mar 16)	June 18	Extended 3 mths The inventory check is underway
Creditors (Substantial) PH CMCS AD CFO (CX)	Review & update Purchase Order project (Sept 16)	Mar 18	Completed. The project plan has been refreshed and the project is ongoing (led by the CX).
2016/17			
Information Governance – Revenues & Benefits (Limited) PH CMCS AD SD (CX)	Finalise the COLC-NKDC-WLDC ICT service level agreement (Jun 17, Dec 17) All staff to undertake DP e-learning (Apr 17)	Jun 18 May 18	Ongoing; linked to shared costs review Extended by 2 months. At 70% in early March.
Housing Strategy New Build (Substantial) PH Housing AD H (Hous)	Review the LPMM and clarify its application for these sorts of projects (Sep17)	Mar 18	Will be completed on target.
Choice Based Lettings (Low) PH Housing AD H (Hous)	Detailed annual reviews and additional bid cycle testing	Jun 18	Commenced
2017/18			
Stores PH Housing AD H (Hous)	Make a decision on the resourcing of an upgrade to the Servitor system (April 18)	Apr 18	Completed. Servitor will be upgraded after Choice Based Lettings.
Customer Experience Strategy	Project planning and monitoring processes (February 18)	Mar 18	Most parts have been completed. Waiting for update

PH CMCS AD SD (CX)	Review how efficiencies (time saved) can be captured and reported (Apr 18)	Apr 18	Completed
Tenancy Services PH Housing AD H (Hous)	Develop a pre-tenancy system to provide improved access to risk and needs information (Aug 18)	Aug 18	Not yet due

Appendix 5 provides details of all outstanding Medium priority recommendations.

Performance Information

8. 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 February 2018.

Other Matters of Interest

9. Recent Developments You May Need to Know About

CIPFA Audit Committee Update

Regulations and Consultations

Treasury Management Code of Practice and the Prudential Code

Those audit committees that have taken on the responsibility for the scrutiny of treasury management should be aware of the new codes issued by CIPFA in December 2017. While the treasury management code is applicable to all public sector organisations, local authorities in England, Scotland and Wales are required to 'have regard' to the codes.

Treasury Management in the Public Services

The objectives of the Prudential Code are to provide a framework to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable.

The Prudential Code for Capital Finance in Local Authorities

Ethical Standards in Local Government

The Committee on Standards in Public Life has issued a consultation on whether the current ethical standards arrangements are conducive to high standards of conduct in local government. The consultation invites submissions from local authorities, members, officials and members of the public. The closing date is 18 May 2018. Local government ethical standards

Reports, Recommendations and Guidance

CIPFA Position Statement on Audit Committees in Local Authorities and Police

CIPFA has updated its position statement and supporting guidance for audit committees. The new edition will be published soon and will align with the guidance the Home Office is planning to provide on audit committee arrangements when a police and crime commissioner takes on the responsibilities of a fire and rescue authority. As a result the publication is being delayed until the Home Office issues its own statutory guidance. Full details of the publication are available from CIPFA publications.

CIPFA Briefing on 2016 Annual Governance Statements

CIPFA reviewed statements published in 2017 which were the first to be made under the 2016 edition of *Delivering Good Governance in Local Government: Framework*. The briefing identifies the features of an effective statement and shares examples. Further details of what the audit committee should look for in an annual governance statement are available in Issue 22 of Audit Committee Update. CIPFA Briefing

Report on the Results of Auditors' Work 2016/17

Public Sector Audit Appointments (PSAA) has published reports summarising the outcome of external audits in the health and local government sectors in England for 2016/17. The reports cover the timeliness and quality of financial reporting and auditors' local value for money work. Key findings include the following:

- auditors at 92% of councils and 100% of police bodies were able to issue the opinion on the accounts by 30 September 2017
- there were no qualified opinions on the accounts issued to date to principal bodies
- 7% received a qualified conclusion on value for money
- a handful of accounts had still not been signed off as at December 2017.

Key findings in relation to health include:

- 99% of NHS trusts and 100% of clinical commissioning groups (CCGs) had their audit opinion issued by the deadline
- no trust or CCG received a qualified opinion on the accounts
- 19% of trusts and 4% of CCGs received an adverse opinion on value for money.

CIPFA Fraud and Corruption Tracker

In 2017 CIPFA undertook a survey of levels of fraud and corruption detected across local authorities. The results of the survey provide a valuable insight into current levels of detected fraud and corruption and can be downloaded from the CIPFA Counter Fraud Centre. 2017 Report

Effectiveness of Local Authority Overview and Scrutiny Committees

A report from the Communities and Local Government select committee has been published following their inquiry into scrutiny arrangements. The report does not address Audit Committees but some of the challenges facing scrutiny committees in the report may also apply to audit committees. When reviewing the adequacy of governance for the annual governance statement the report may highlight areas for improvement. Select committee report

Local Public Accounts Committees

The Centre for Public Scrutiny has issued a discussion document outlining the role that local public accounts committees could play in enhancing local accountability for value for money. The Centre is seeking responses by 23 March.

Appendix 1 – Details of Limited / Low Assurance Reports

There are none.

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	Oct	Risk Register updated May, Aug & Oct advice work
NNDR	Key controls	Q1	May	Nov	Completed - High
Housing Benefits	Key controls	Q1	Jun	Nov	Completed - High
Emerging Legislation	Implementation of 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 update Fraud Risk Register NFI Counter Fraud Partnership	Q1-4	Apr		Completed Completed In progress Ongoing
Corporate Governance	2016 Code compliance	Q2	May	Oct	Completed - Substantial
ICT	IT Disaster Recovery	Q2	July	Oct	Completed - Substantial
Housing Repairs Service	New stores contract	Q2	July	Nov	Completed - Limited
ICT	Applications	Q2	Oct	Nov	Completed - Substantial
Landlord Services	Risk Based Audit on tenancy management	Q2	Sept	Jan	Completed - Substantial
Corporate Governance	Ethical Governance	Q4	Jul		Framework in place for 18/19 audit
Elections	County & Parliamentary Expenses claims	Q2	Sept	Nov & Dec	Completed
Creditors	Key controls	Q2	Oct	Feb	Completed - Substantial
Debtors	Key controls	Q2	Oct	Feb	Completed – High
ICT	Channel Shift	Q2	Oct	Nov	Completed - Substantial
Housing investment	Planned maintenance	Q3	Nov		In progress
Business Strategy	Vision 2020 monitoring	Q3	Dec		Report being agreed
Parking Services	Income collection	Q3	Dec	Mar	Completed - Substantial

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Boultham Park Restoration	Contract variations & final account	Q3-4	Jan		In progress
Procurement	CPR compliance	Q3-4	Jan		In progress
Council Tax	Risk Based Audit	Q3-4	Feb		In progress
Private Sector Housing	Risk Based Audit	Q4	Mar		In progress
Risk Management	Strategic Risks - risk mitigation	Q4			Being prepared
Combined Assurance	Update of the Assurance Map	Q4	Jan	Mar	Completed
Audit Plan	New Plan for 2018/19	Q4	Jan	Mar	Completed
Bus Station	Operation of new facility	Q4			Being prepared
Partnership Management	Governance & outcomes	N/A	N/A	N/A	Replaced by work on Asset Rationalisation
Asset Rationalisation	Governance	Q4	Q4	Q4	Completed - Substantial
Housing Investment	New build projects	N/A	N/A	N/A	Moved to 18/19 at half year review
Growth Strategy	Risk Based Audit	N/A	N/A	N/A	Moved to 18/19 at half year review
Risk Management	Key controls	N/A	N/A	N/A	Removed at half year review; reliance on strategic risk work
Work Based Learning	Finance & risks				Moved to 18/19 Timing
Transport Hub	Project management/Final Account				Moved to 18/19 Timing (F/A)
Housing Company	Governance arrangements				Extended Advice provided Moved to 18/19 Timing

Appendix 3- Assurance Definitions¹

<p>High Assurance</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>Substantial Assurance</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>Limited Assurance</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>Low Assurance</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>

¹ 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	88% at end February 2018
Percentage of key financial systems completed.	100%	100% end Mar	80% Final piece of work is in progress.
Percentage of recommendations agreed.	100%	100%	93% (83 out of 89) 6 IT DR recs were not agreed
Percentage of High priority recommendations due implemented.	100% or escalated	100% or escalated	75% (3 out of 4)
Timescales: Draft report issued within 10 working days of completing audit.	100%	100%	100% (14 out of 14)
Final report issued within 5 working days of closure meeting / receipt of management responses.	100%	100%	100% (14 out of 14)
Period taken to complete audit –within 2 months from fieldwork commencing to the issue of the draft report.	80%	80%	86% (12 out of 14)
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Average of 28 out of 32 (or 88%). Good-Excellent 10 issued and 4 returned.

Customer Experience Strategy	Nov 17	Substantial	10	6	1		3	<ul style="list-style-type: none"> Formally consider whether each project requires an Equality Impact Assessment Review 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 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 	Mar 18	<p>Completed</p> <p>Completed</p> <p>Part completed</p> <p>Part completed</p> <p>Completed</p> <p>Completed</p> <p>Completed In progress</p> <p>Also see High Priority Recs in para 7 (x2)</p>
Malware PH CMCS	Nov 16	Substantial	8	6		2	<ul style="list-style-type: none"> Operate net consent software (Mar 17) Include IT Security within HR training system (Mar 17) 	June 18	Extended 3 mths NetConsent close to operational Course drafted but needs above software	
IT Disaster Recovery	Oct 17	Substantial	19	6			13	<ul style="list-style-type: none"> Seating in the event of the DR plan Contractor requirements (Housing) LAN connection (Hamilton House) 	June 18	Extended 3 mths Being monitored / implemented through the Business Continuity Group

								<ul style="list-style-type: none"> • Property Services to review utility requirements • Produce (Mini) Business Continuity Plans for the remaining service areas • Ensure that the approach used to assess risks is clearer • Address RPO in the Business Continuity Plans for the Service Areas • <u>LCC to review the IT DR plan to ensure that it ties into the corporate BCP and BCPs for each Service Area.</u> • Have the Service Areas plan for 'loss of IT services' for up to two (2) weeks • <u>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.</u> • <u>CMT to ensure that the BCG meets regularly</u> • Ensure that the next BCP desk-top exercise includes the IT DR plan • Review the arrangements for wider staff education and awareness 	<p>All "underway"</p> <p><u>Six implemented</u> (Underlined)</p>
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									<ul style="list-style-type: none"> • The IT department and Service Areas to meet to consider the issues and requirements pertaining to the 'return to normal service' • A test plan be produced and thereafter implemented • Ensure the (IT) room is "clear" other than IT equipment • <u>Review security of racking</u> • <u>Fire extinguishers</u> 		
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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				
CX - Chief Finance Officer										
Accountancy PH CMCS	June 15	Effective	3	1		2		<ul style="list-style-type: none"> • Review & update Financial Procedure Rules (Apr 15) • Review & update the budget holder manual (Dec 15) 	May 18	Revised FPR are going to Council in March. Budget holder manual will then be updated.
Risk Management PH CMCS	May 17	Substantial	9	8		1		Improve guidance & deliver further training CLT / Members (Sept 17)	July 18	Extended 4 mths A training plan has been agreed by the Service Managers Forum.
Corporate Governance Code	Oct 17	Substantial	See above					Consider the need for a detailed Asset Management Plan (Mar 18)	June 18	Extended 2 mths AMP may be incorporated into

										Asset Rationalisation Strategy
Creditors Key Controls	Feb 18	Substantial	1			1		DMT's to approve authorisation schedules	Feb 18	Completed

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				
CX – Head of Shared Revenues & Benefits										
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)	Jun 18	In progress.
Revenues & Benefits – Information Governance PH CMCS	Feb 17	Limited	15	12	2	1		Complete the R&B Info Gov actions (Jun 17) Also see High priority recs at para 7.	May 18	Extended 3 mths
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 Dec 18	Not yet due. Not yet due.

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				
DHR - Assistant Director Housing										
Vehicle Fuel Management PH Housing	Feb 2013	Limited	8	7		1		Update the Driver Code of Practice (Aug 13)		Given the age of this rec IA will review current guidance to see if it is sufficient.
Control Centre PH Housing	Oct 16	Substantial	8	7		1		Ensure up to date agreements are in place with agencies (Sep 17)	Sept 18	Extended 6 mths A new, GDPR complaint agreement is being developed
Responsive Repairs PH Housing	Jun 17	Substantial	6	2		4		<ul style="list-style-type: none"> Record planned repairs on UH (Nov 17) Take before & after photos (Nov 17) 	March 18 Dec 18	Update requested Extended 9 mths Servitor upgrade required first
Stores	Nov 17	Limited	12	8	1	2	1	<ul style="list-style-type: none"> Agree a process for adding items to the core stock list (Mar 18) Undertake a fraud / theft risk assessment (Dec 17) Clear the unallocated materials suspense account on a regular basis (Dec 17) 	Mar 18 April 18 Mar 18	Completed Not Yet Due Completed Also see High priority recs at para 7.
Tenancy Services	Jan 18	Substantial	7	2			5	<ul style="list-style-type: none"> Review & update procedures and service standards (Sept 18) 	Sept 18	Not yet due

								<ul style="list-style-type: none"> • Verify tenant identity at sign up and the 3 week visit (Feb 18) • Update the fraud strategy & fraud risk assessment, and undertake some proactive work (Sept 18) • Review fraud training requirements (Nov 18) • Consider undertaking annual inspections (Sept 18) • Record eviction authorisation on UH (Feb 18) <p>Also see High priority rec at para 7.</p>	Feb 18	Completed
									Sept 18	Not yet due
									Nov 18	Not yet due
									Sept 18	Not yet due
									Feb 18	Completed

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				
DCE - Assistant Director Health and Environmental Services										
Empty Homes PH Housing	Sept 13	Limited	6	5		1		Review the Private Sector Housing Enforcement Strategy (Apr 14)	Apr 18	Not yet due Update requested
Health & Safety Development Plan PH CMCS	Mar 17	Substantial	2	1		1		Resolve the remaining RO cases (Aug 17)	Mar 18	Update requested

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				
DCE - Assistant Director Communities & Street Scene										
Boultham Park Refurbishment PH RSH PH PPER	Jun 17	High	2	1		1		Complete the revised partnership agreement (Jul 17)	Jun 18	Extended 3 mths

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				
MDD – Major Developments Directorate										
Transport Hub PH CMCS PH PPER	April 17	Substantial	9	6		3		Review Thub health and safety file CHS (Jul 17) CE's finalized and marked off financial report (Jul 17) CE documentation (Apr 17)	April 18 April 18	Extended In progress, part of project closedown Extended In progress, part of closedown

SUBJECT: COMBINED ASSURANCE REPORT

REPORT BY: JOHN SCOTT, AUDIT MANAGER

LEAD OFFICER: JOHN SCOTT, AUDIT MANAGER

Purpose of Report

- 1.
- 1.1 By grouping the different sources of assurance in a single model we provide the basis for Senior Management and the Audit Committee to gain a better understanding of their organisations assurance status and needs.

2. Executive Summary.

- 2.1 The report provides an overview of assurance across the Council. It offers assurance opinions provided by management; corporate assurance systems (performance), other third party assurance and Internal Audit. The Combined Assurance Report is produced annually and the current report covers the period 2017/18.

3. Main Report

- 3.1 The report is attached at Appendix A.
- 3.2 The report details the methodology that was used and assurance across critical systems, projects and risks and provides further details on those with Amber or Red assurances.
- 3.3 The report also feeds into the assurances considered for the Annual Governance Statement and informs the Internal Audit Plan.

4. Organisational Impacts

- 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 note and comment upon the Combined Assurance report.

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

Combined Assurance Status Report

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CITY OF
Lincoln
COUNCIL



February 2018

What we do best...

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector



Combined Assurance Status Report

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Partnerships	11
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Combined Assurance Status Report

Introduction

This is the sixth combined assurance report for the Council.

By grouping the different sources of assurance in a single model we provide the basis for Senior Management and the Audit Committee to gain a better understanding of their organisations assurance status and needs.

We do this by coordinating assurance arrangements – providing some structure – this is the Assurance Map.

We have well established Assurance Maps that help us to focus our work plans on the make or break risks that affect the successful delivery of services and strategic objectives. The Map also recognises the importance of critical business systems that support successful delivery and ‘protect the business’ – the due diligence activities.

The Map gives an overview of assurance provided across the whole organisation – not just those from Internal Audit – making it possible to identify where assurances are present, their source, and where there are potential assurance ‘unknowns or gaps’.

The Map is an invaluable tool for senior managers, providing a snapshot of assurance at any point of time. This report explores those assurances in more detail.

We gathered and analysed assurance information in a control environment that:

- takes what we have been told on trust, and
- encourages accountability with those responsible for managing the service.

Scope

We gathered information on:

- **Critical systems** – those areas identified by senior management as having a significant impact on the successful delivery of our priorities or whose failure could result in significant damage to our reputation, financial loss or impact on people.
- **Risks** – found on our strategic risk register, operational risk registers or associated with major new business strategy / change.
- **Projects** – supporting corporate priorities / activities.
- **Partnerships** – partnerships that play a key role in successful delivery of services
- **Corporate Governance**



Combined Assurance Status Report

Methodology

To ensure our combined assurance model shows assurances across the entire Council, not just those from Internal Audit, we leverage assurance information from your 'business as usual' operations. Using the '3 lines of assurance' concept:



Our approach includes a critical review or assessment on the level of confidence the Council can have on its service

delivery arrangements, management of risks, operation of controls and performance.

We did this by:

- Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.
- Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.
- Using the outcome of Internal Audit work to provide independent insight and assurance opinions.
- Considering other information and business intelligence that feed into and has potential to impact on assurance.

We used a Red (low assurance), Amber (medium assurance) and Green (high assurance) rating to help us assess the level of assurance confidence in place.

The overall assurance opinion is based on the assessment and judgement of senior management. Internal audit has helped co-ordinate these and provided some challenge **but** as accountability rests with the Senior Manager we used their overall assurance opinion.



Combined Assurance Status Report

Key Messages

We identified 78 critical services/systems, 127 projects and 7 Strategic risks

Out of the total of 212 areas;

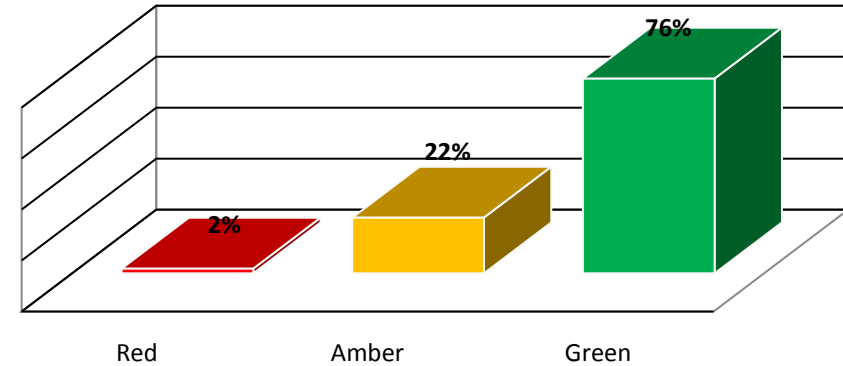
- 172 have Green assurance (81%)
- 33 have Amber assurance (15%)
- 7 have Red assurance (4%)

Overall percentage assurance ratings have changed slightly compared to 2016/17.

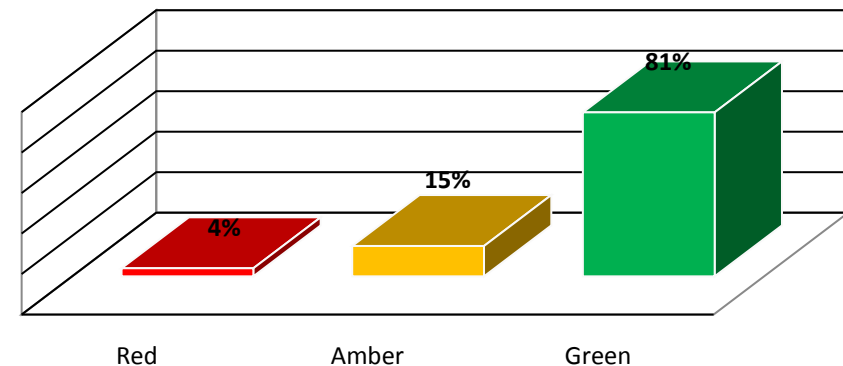
Consideration should be given to Red or Amber areas for the Annual Governance Statement and the 2018-19 internal audit plan.

More detail on critical systems, projects and risks is included within the report.

Overall Assurance Status 2016/17



Overall Assurance Status 2017/18





Combined Assurance Status Report

Suggested next steps.....

This is a positive report and shows an improving assurance position. Plans are in place to manage any mitigate any Amber or Red assurances.

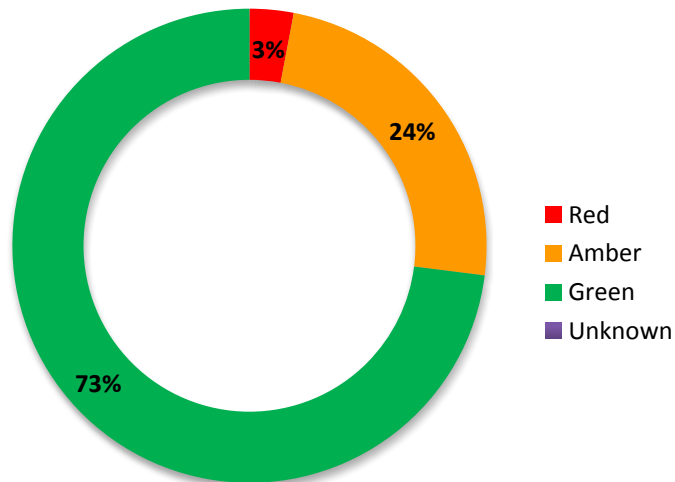


Critical Systems

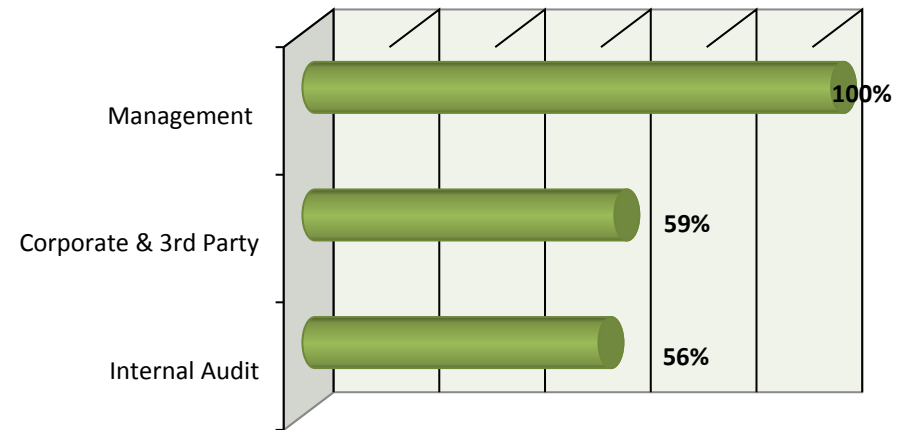
78 critical services/systems were identified and of these management considered 57 (73%) to be Green and 19 (24%) to be Amber and 2 Red. (3%)

2016/17 Critical services/systems; Green (77%), Amber (19%) & Red (4%).

Internal Audit provided assurance on 56% of areas (within the last 3 years plus current year).



Who Provides Your Assurance



Corporate and third party - it should be noted that some services do not have current performance information logged within IMPS.



Combined Assurance Status Report

Chief Executives Directorate

Within the Chief Executives Directorate, the following key services / critical systems received “green” assurance:

- CX Business Management
- Legal
- Electoral Services
- Democratic Services
- Civic and International Partnerships (Twining)
- Finance
- Insurance
- Debtors
- Risk Management
- Audit
- Small Business Support
- Property Services
- Revenues - Shared Service
- Revenues- NNDR
- Revenues-Ctax
- Revenues-Recovery
- Benefits/CTS
- Fraud Prevention/Detection
- Business Strategy/V2020
- Strategic Information Provision
- Corporate Governance (Code)
- Customer Services

- Performance
- Social Policy (Anti-Poverty / Community Cohesion)
- Business Development and ICT
- Equality and Diversity

The Amber assurance areas are (no reds):

Data Protection / Information Management This remains an Amber area until GDPR is implemented in May 2018, however there is good progress against the action plan. Recruiting permanent full-time Data Protection Officer. This remains a significant issue on the AGS and is being monitored by Audit committee.

Procurement The Procurement Lincolnshire Contract expires March 18. We are exploring how to obtain specialist advice if needed. Some areas are not seeking timely (procurement) advice causing some difficulties trying to advise retrospectively

HR (and payroll) Sickness absence is a significant issue. Overtime and enhancements still requires review (cost / inconsistency). Training needs are not (always) being properly identified through the appraisal process. There have been some difficulties with recruitment. People Strategy - separate Action Plans are in place for Wellbeing & Performance with a lead HR officer for each. Staff survey and coaching feedback (led by an external person) has identified further issues to address.



Combined Assurance Status Report

222

Creditors Project to increase official orders is ongoing-part of debtors and creditors action plan

TOFS (Including Commercialism & Asset Rationalisation) 17/18 targets will over-achieve. Further work required to meet new / future targets. Asset rationalisation good progress. Many teams considering and delivering commercial approach.

Facilities Management Still an area where there is insufficient budget resource (budget pressure). The Asset Management Plan may help. Non-operational buildings – current health and safety issue being addressed and way forward considered

Business Continuity IT DR plan approved - remains Amber until (new) BC group actions completed. Significant issue on the AGS and is being monitored by Audit committee.

Project management (framework) SPIT ceases end March 18 & CLT / AD Group replaces. Will review HIP / GIP spend and receive project info by exception. LPMM currently being rewritten (by end March 18). Formal training will then be delivered. There will be central policing of LPMM compliance. Rated Amber due to transition period / and improvements in logging projects.

Workbased Learning/Apprentice scheme Funding / income and way forward under the new system is still to be determined.

Partnership management Significant work completed and generally partnership working is effective in many areas; the Amber assurance reflects the update of the partnership register - further follow up with officers and CMT pending. There will be an annual responsibility to check off the partnership register for Information Asset owners.

Counter Fraud Fraud partnership continues; refreshed CF strategy and action plan; corporate fraud risk register being refreshed (Feb 18). NFI engagement. Lack of resources in some areas for pro-active work outside of fraud partnership and NFI, e.g. tenancy fraud, council tax support.

Communications Developing updated communications strategy (original March 2017 but not progressed through AD group); wider advertising strategy / procurement being developed. Performance analysis on IMPS requires updating.

Communities and Environment Directorate

The following services received a green assurance:

- Planning (Development Management)
- Planning (Joint Strategic Planning)
- Planning (Heritage)
- CCTV
- Parks & Open Spaces & Allotments
- Street Cleansing
- Grounds Maintenance
- Waste collection and recycling
- Public Conveniences
- Car Parks



Combined Assurance Status Report

Bus Station
Environmental Protection
Pollution Control
Food safety
Public Protection
Licensing
Community Centres
Crematorium and Cemeteries
Events, Culture and Tourism

The Amber (no red) assurance areas are;

Building Control Delivering a good service, meeting costs but income below target. Market share has fallen. All service options currently being explored. New IT system still settling in.

Strategic Waste management Main issues are that the Energy from Waste plant is at capacity, and there are worsening levels of contamination in recycle. The County Council (responsible for waste disposal) are leading on the development of a new Joint Municipal Waste Management Strategy but this is not finished, no solutions yet identified and agreed. Lincolnshire Waste Partnership are working with WRAP and looking into separate food waste collections. Ultimately changes to current arrangements could cost more / affect vehicles required / impact on contract renewal

Health & Safety Development plan in place however lower risk areas will take a long time to achieve; making Champions aware / and agree limitations. Overall resourcing is a risk after

April 19. Ad hoc pressures can take away resource for example investigations into health and safety incidents.

Other public health - strategic role - still pushing Lincolnshire Public Health to set up a strategic health partnership (non-statutory)

Private Sector Housing Policy update will help to be more flexible with funding £600K DFG grant; agreed with County to use £200K on central heating (scheme); change to the housing assistance policy will provide more flexibility to spend money on indirect areas that will benefit household. New Empty Homes Strategy and implementation will improve situation; new strategy will allow other team members to use other enforcement powers. HMO licensing inspection will increase as now two story properties - legislation effective (probably) Autumn 18; may need new IT system and will require additional staff.

Sport and Leisure agreement between CoIC and Castle Academy almost complete. Reviewing other options for new facilities. Longer term aspirations for new leisure centre.

Housing and Regeneration Directorate

The following services received a green assurance:

- HRA/Landlord Services / Tenancy Management / ASB / Resident Involvement "



Combined Assurance Status Report

- HRA/Landlord Services - Tenancy Management - Rent collection
- Housing Needs (Sheltered/supported)
- Housing Solutions - Lincare/Control Centre
- Safeguarding
- Maintenance Services / Day to day maintenance / Aids and adaptations / Craft development
- Housing Investment / Decent Homes / Contracts / Capital Programme / Asset management / Inspection / Gas servicing
- Safety Assurance
- Housing Strategy and Enabling /New Build / Affordable Housing

New system migration underway; March 18 target. Lettings Policy recently amended (minor changes) with a wide ranging review planned for summer 18. Staffing levels have been an issue for some time. Registration of applications requires improvement. Data quality project ongoing. First time acceptance of offers down to 75%.

Homelessness Reduction Act effective April 18 brings significant changes - will increase the numbers that need assistance but may reduce the numbers accepted as homeless. May need to recruit additional staff. Some targets are being missed. Rough sleepers increasing - increasing work with the third sector. Capacity within the team.

These areas are supported by an action plan.

Major Developments Directorate

The following services received a green assurance:

Growth (Regeneration strategy & delivery)
Supporting strategic infrastructure projects (NB WGC specifically is a RED Vision 2020 assurance project)
Investments (large business enquiries, local business support, promotion of the city)

The Amber assurance areas are;

Housing Business Support Rechargeable repairs ongoing project not completed - waiting for further information on debtors/recovery; SLA with recovery pending
IT and data management - new Choice based Lettings system priority for March; Servitor upgrade to follow

Neighbourhood working

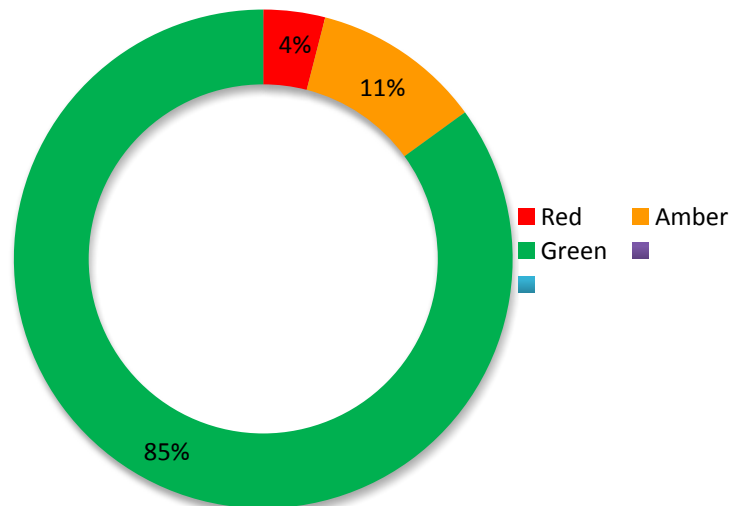
Focus of team now on Sincil Bank; team reduced now to 3 staff.

The Red assurance areas are;

Housing Solutions- Property Shop/Allocations/Homelessness (R)



Projects



Overall Comments

The Council has a range of strategic projects linked to Vision 2020, transformation and capital schemes.

We identified 102 Vision 2020 projects, 10 current TOFS projects and 19 capital (SPIT) although there was some overlap – in total 127 projects

108 are rated as Green (85%)

14 are rated as Amber (11%)

5 are rated as Red (4%)

Project assurance 16/17 was Green 69%, Amber 31%

Amber or Red assurance projects are:

Amber:

Compulsory Acquisition - 13 Albany Terrace – delays due to resourcing; moving on this now - 5 missed milestones, primarily relating to the legal aspects

CCTV Upgrade – Works schedule, Staff Training, and contracts milestones



Combined Assurance Status Report

Two projects not yet started

Housing Asbestos database project – project not yet started due to resources/capacity issues.

Heat mitigation – Terrace – on hold as initial costs over budget (re-profiled to 18-19)

TOFS (Amber assurance)

Customer experience strategy/channel shift – further savings required

Revenue and Benefits shared service – support costs – still in discussion with NKDC

Vision 2020 (Red assurance projects – significant blockage)

Growth – WGC waiting for outcome of highways assessment

Inequality – reduce incident of suicide due to lack of resources to cover additional activities

Leisure village options – red as– new milestones to be created due to prioritisation of BLC and Transport Hub

Air quality action plan – not moving as quickly as planned

Christmas lights – renovation project – future year contribution subject to financial support

Amber projects are not listed but relate mainly to “some slippage”

Other areas:

Section 106 Group

The Section 106 group is responsible for the monitoring of the Council’s Section 106 agreements and to ensure that monies received are used for the correct purpose and spent by the critical expenditure date. Balance to be allocated £418,370. To improve communications around the spending of section 106 agreements all future performance reports will identify why a particular project has been chosen to be funded by section 106. The choice is based on key Council Strategies, the City Centre Master Plan or the Local Plan, all of which have been subject to member review and/or approval.

Disabled Facilities Grants

During the third quarter 15 Disabled Facilities Grants were completed and this compares to 24 completions for the same period in 2016/17. There were 46 other referrals (6 of which have gone through the pilot scheme without cancellations) within the system which compares to 53 referrals for the same period last year. Of the 46 referrals, 34 had been assessed and had a total DFG value of £167,382.

The remaining 12 referrals had not yet been assessed but applying the mean DFG payment for 2016/17 this gave an



Combined Assurance Status Report

estimated value of £81,444. Taken together the 46 cases had an estimated value of £248,826.

A pilot scheme is in operation whereby the council makes an initial eligibility assessment of a social services recommendation and then sends the proposal direct to a contractor. The contractor undertakes both the design and the works. This will be assessed to see if it brings about a quicker delivery time for the customer, and if it creates any increased risk to the council e.g. exposure to greater costs. There were 4 pilot completions and 2 active pilot cases in the third quarter

Housing Revenue Account (HRA Business Plan)

Following the achievement of the “Decent Homes Standard” set by the Government, the HRA Business Plan commits to maintaining the standard whilst incorporating the requirements of the Lincoln Property Standard into the investment profile. By the end of the third quarter 1,811 instances of improvement works (kitchens, bathrooms, rewires, doors etc.) had taken place. In the same period 302 instances of improvement works had been refused by tenants.

Management of Risk

SPIT ceases end March 18 & CLT / AD Group replaces. The group will review HIP / GIP spend and receive project info by exception. LPMM will be updated. Formal training will then be

delivered. There will be central monitoring of LPMM compliance

Partnerships

Overall Comments

Significant work has been completed in identifying and engaging pro-actively with partners and that the right officers and members are representing the City Council. There is a key partnership register covering both member and officer involvement – this still requires updating however. There is also a membership of Outside bodies register.

Management of Risk

Governance arrangements should be in place for significant partnerships, working to agreed terms of reference and incorporating performance management aspects. Partnership governance is the responsibility of the respective service manager/AD to ensure that the Partnership guidance document (recently updated) is followed. The GDPR project is also being used to ensure partnership agreements/contracts

CoIC interact with the voluntary sector and have built strong relations with those bodies supporting the council’s strategic priorities- in particular the Third Sector Infrastructure Body for Lincoln – Voluntary Centre Services, which is now located in City Hall and the “Network”. Management have not identified



Combined Assurance Status Report

any non-compliance with the Council's partnership / joint working corporate guidance. Internal Audit will carry out a partnerships internal audit in 2018/19 to obtain independent assurance on partnership / joint working governance.



Risks

Strategic Risks

The Council has 7 Strategic Risks – 1 is assessed as Red and 6 as Amber. The Red risks are;

- **To deliver a sustainable Medium term Financial Strategy**

All risks are being actively managed in accordance with the Risk Management Framework.

Amber strategic risks are:

- Engaging with the Council’s strategic partners, council staff and stakeholders to deliver against the Council’s Vision 2020.
- To ensure compliance with statutory duties and appropriate governance arrangements are in place, including:
- *Health & Safety*

- *Information Management/IT Security*
- *ICT Disaster Recovery*
- Deliver the Towards Financial Sustainability Programme whilst ensuring the resilience of the Council
- Develop an appropriate strategic response to the changing structures in Local Government
- Meet the emerging changes required in the Council’s culture, behaviour and skills to support the delivery of the council’s Vision 2020 and the transformational journey to a “performance culture”.
- Ensure sufficient levels of resilience and capacity exist in order to deliver key strategic projects within the Council

The Council has an active approach to risk management and has reviewed the key strategic risks facing the Council.

As well as the risks identified in this section, Managers identify operational risks and these are managed through similar processes.

Strategic risks are managed through CMT and are reported through the Performance Scrutiny Committee / Executive.

Each risk is managed through a member of the Corporate Management Team.



Combined Assurance Status Report

Overall, risks are clearly identified and well managed by the Council.

All Strategic Risks have a management assurance which reflects how well the risk is being managed rather than the risk score;

All strategic risks have Green management assurance (full or substantial assurance)

Operational Risks

There are also four operational (Directorate) risk registers. There are three Red risks linked to:

CX - **Capacity** of service areas to respond to requirements of ongoing service delivery and support to the Towards Financial Sustainability Programme, whilst acknowledging impact of the Programme on the Services themselves (*Substantial assurance*)

DCE **Management of financial pressures** *Limited/Amber Assurance*)

- Failure to deliver against TFS programme
- Income targets are not met
- Tripartite Agreement
- Unfunded budget pressures
- Managing growth
- Car parking income levels during Hub construction

Declining recycling rates. Recycling rates continue to fall (*Limited/Amber Assurance*)

DHR (no reds)

DMD (no reds)

All risks are being actively managed in accordance with the Risk Management Framework; some updating on Operational risk registers is required.

Emerging Risks

No red emerging risks have been identified that are not already identified within existing risk registers and service plans.

Corporate Governance

Our Combined Assurance model focuses on assurance against critical systems, projects, risks and partnerships. This helps the organisation to understand corporately where it's performing well and where improvements are required. Many of the Council's critical services and systems underpin a sound corporate governance framework. In this section we set out how the Council has approached corporate governance, complied with guidance and obtained assurance on its significant governance issues.



Combined Assurance Status Report

The Council needs to ensure that it meets the highest standards and that governance arrangements are not only sound but are seen to be sound. It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. Council's should develop a local a local Governance Code which reflects the "delivering good governance in local government; framework (CIPFA/SOLACE 2016)" (the framework)

The framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework.

A formal local code is in place

A self-assessment is undertaken to demonstrate that governance structures comply with the principles contained in the framework

An up to date Annual governance statement is developed based on a review of governance arrangements

The annual governance statement significant issues are regularly reviewed by Audit Committee

Significant governance issues:

SGI1 – IT Disaster Recovery (currently Amber Assurance)

SGI2 – Information Governance (currently Amber Assurance)

It is worth noting that within the critical services section above there are some areas that are part of the Corporate Governance framework which have a current Amber assurance.

- Data Protection / Information Management
- Procurement
- HR
- TOFS (Towards financial sustainability)
- IT DR/Business Continuity
- Project management (framework)
- Partnership management
- Counter Fraud
- Communications



Combined Assurance Status Report

End of report

SUBJECT:	FRAUD RISK REGISTER
REPORT BY:	JOHN SCOTT, AUDIT MANAGER
LEAD OFFICER:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 To provide Audit Committee with an updated fraud risk register for consideration.

2. Executive Summary.

2.1 The fraud risk register was completed in 2016, and has recently been updated following discussions with officers.

3. Main Report

3.1 The register is attached at Appendix A. There are 24 risk areas. The register has been developed in conjunction with Assurance Lincolnshire partners who have also recently updated their own registers. The register covers specific service based fraud risks, e.g. Council Tax or Tenancy, and other more general risks such as contracting/contract management, procurement, payments, income collection, payroll/employees, IT/data, theft/asset misuse, bribery and corruption which can apply corporately.

3.2 In most areas risks are Green and there are a small number of Amber risks (five in total).

3.3 There are some mitigating actions to consider/complete which are included.

3.4 The register will be circulated to Assistant Directors and Service Managers.

3.5 CMT have examined the register and are satisfied with the review and mitigation/action plans.

4. Organisational Impacts

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 note and comment on the latest fraud risk register.

Key Decision No

Do the Exempt Information Categories Apply? Yes

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: John Scott Audit Manager Telephone 873321

STRATEGIC FRAUD RISK REGISTER

Appendix A

Likelihood	A Almost Certain				
	B Probable				
	C Possible	16	14,19, 18	13	
	D Hardly Ever	3,4,7,8,11	1,2,5,6,9,10,12,15,17,20,21,22,24	23	
		4 Negligible	3 Minor	2 Major	1 Critical
	Impact				

RISK REGISTER: FRAUD RISKS – AS AT FEBRUARY 2018

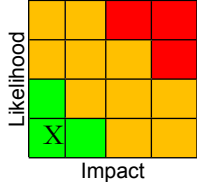
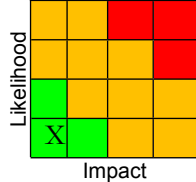
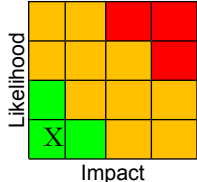
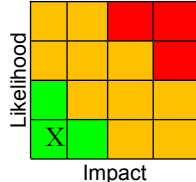
February 2018
VERSION: 1

REVIEWED:
CMT
Risk owners

OWNER: CHIEF FINANCE OFFICER/CORPORATE MANAGEMENT TEAM

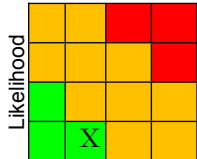
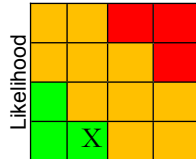
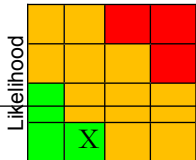
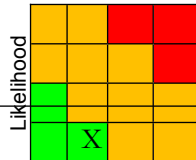
National and local fraud comparison - uses CIPFA fraud survey 2017

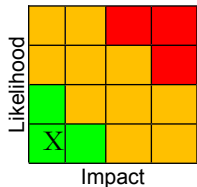
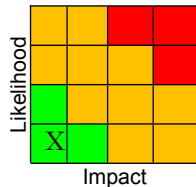
Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
1.	<p>Contracting /contract management</p> <p>National – Low Local – no issues</p> <p>Bribes and kickbacks - corruption abuse of position Inflated performance information Failure to deliver contract / standard Altered payment details / mandate fraud False / duplicate payments / double invoicing / overpayments Cartels Collusion with suppliers / contractors Conflict of interest Delivery of inferior or substandard substitute products</p>	City Solicitor	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing	None			Substantial	Updated next register
2.	<p>Procurement</p> <p>National – Low Local – no issues</p> <p>Violation of procedures Bribery of officers involved in tendering. Cartels Manipulation of accounts Records or methods of payments. Failure to supply Failure to supply to contractual standard. Bid rigging False bid information</p>	City Solicitor	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Tendering process Transparency Code E-procurement Credit checks	None			Substantial	

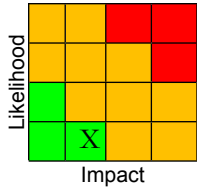
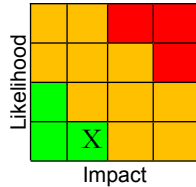
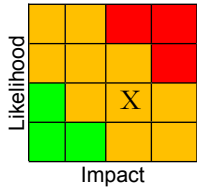
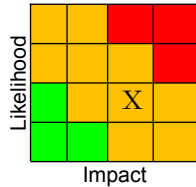
Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
3	<p>Payments – Creditors</p> <p>National – Low Local – there are duplicate payments but very low numbers paid incorrectly</p> <p>Credit card/ procurement card False invoices/claims Duplicate payments - false submission BACS fraud - fraudulent change of bank details. Mandate fraud. Finance lease fraud Illegitimate purchases</p>	CFO	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes P-card controls Purchase order control Bank details checks Reconciliations System controls	<p>To agree the level/type of duplicate payment checks needed (CFO)</p> <p>Purchase order project CFO/CX</p>			Substantial	
4	<p>Income Collection</p> <p>National – Low Local –Occasionally. EG Car park income - theft of machine money (not staff) - Periodic fraud at other LA's - usually around lack of supervision, procedures, receipting, reconciliation, signage. Policy of ""cash free"" environment – but some very limited cash still received.</p> <p>Ticket forgery possible - theft of services</p> <p>Theft by employee / external individuals</p>	CFO	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes Parking services controls PCIDSS IT security Bank reconciliation Receipting systems No-cash policy	None			Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (in timescales)				
	Abuse of customer payment card data Cash received borrowed Non recording of income Falsification of income records Theft of cash / income / accounting fraud - some significant areas such as parking income Avoidance of charges								
5	Debt management National – Low Local – no issues Falsifying refunds Manipulation of credit balances/payments Improper write off / cancellation Failure to institute recovery proceedings Switching/transferring arrears or manipulation of credit balances Suppression of any notification of debt to be raised	CFO	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes Refund procedure Balance transfer procedure Write off/recovery procedure/authorisation On hold procedure/review Reporting performance	None			Substantial	
6	Money Laundering National – Low Local – no issues Hiding improper transactions Exchanging money or assets	City Solicitor	Cautious	Staff training and awareness Policies and procedures Income controls Monitoring processes Segregation of duties Cash payment limits Financial regulations Whistleblowing policy	Money Laundering policy to be updated again 2018 City Solicitor/Audit Manager)			Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (in timescales)				
	obtained criminally for 'clean' money or assets Refunds following cash overpayments			Counter fraud policy					
7	BACS/Cheques National – Low Local – no issues False instruments Theft of customer card data Mis-use / alteration of cheques Mandate, Direct Debit or Standing Order fraud on Council's account. Counterfeit cheques Alteration of existing cheques	CFO	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes Bank reconciliation PCIDSS compliant Cheque control Other reconciliation arrangements	None	 Likelihood Impact	 Likelihood Impact	Substantial	
8	Payroll/employees National – Low Local – Occasional Ghost employees Manipulation of payroll data Recruitment fraud e.g. qualification / reference/ convictions False claims and allowances False recording of working hours and leave Pension fraud Abuse of holiday, sickness absence or other time off entitlements Working whilst on sick leave Failure to declare convictions	City Solicitor	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Recruitment controls/ID checks IT systems	None	 Likelihood Impact	 Likelihood Impact	Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	Mis-use of time - excessive use of mail / internet Unauthorised changes to payroll system Redirection or manipulation of payments Not undertaking required duties Working for multiple employers without knowledge of others breaches of authorisation and payment procedure false identity immigration - no right to work acceptance of gifts/ conflicts of interest								
9	Treasury management / investment fraud National – Low Local – no issues Misappropriation / manipulation of investments for personal gain Potential conflicts of interest Unauthorised access to information Fraudulent misappropriation of assets Loss through breach of procedures False Instruments	CFO	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Treasury advisors Treasury strategy and guidance	None			Substantial	
10	Property, land , equipment National – Low Local – no issues	CFO	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR	None			Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	Misappropriation / misuse Valuation of property for personal gain Disposal of assets - land and property			Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Inventory Asset registers Acquisition and disposal procedures RICS Legal review					
11	Grants - Housing and Economic Support / Third Sector National – Low Local – no issues This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation Fictitious / fraudulent claims "False payment of grants, loans or financial support to any private individual, company, charity or non-governmental organisation, including; - housing renovation / DFG grant - collusion between housebuilder and builder	CFO City Solicitor AD-HES	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Grant control procedures Quotes/tenders	None			Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	- grants paid to landlords for property regeneration" donations to local sports clubs and other clubs loans or grants made to a charity Misuse of monies / failing to deliver agreed service Theft / misappropriation of grant funds Conflicts of interest								
12	False Accounting National – Low Local – no issues Making misleading / false or deceptive entries Omission of details	CFO	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Internal control processes External audit Reconciliations IT systems	None			Substantial	
13	IT/Data National – Medium Local – External malware attacks possible / very occasional issues with employees accessing data Misuse/ theft of information for personal gain Manipulation of data – financial or non-financial –	AD-SD City Solicitor	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control	None			Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	performance or gain Data theft e.g. access rights Cyber fraud/malware/ransomware/hacking Theft of equipment Misuse of internet and email			Authorisation processes IT access controls IT security policies PCIDSS Prevention Cryptshare Citrix controls Software controls Patching Back-up/IT DR Asset registers Procurement process Disposal process					
14	Insurance National – Low Local – no issues This fraud includes any false insurance claim made against an organisation or an organisation's insurers.	CFO	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Claims management systems Database of previous cases	None			Substantial	
15	Council Tax National – High Local – 2015-16 CoIC SPD - 322 removals savings £85K and 1 penalty £70 Further review 2018	CFO HRBSS	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI	Single Person Discount review 2018 planned HRBSS			Substantial	

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Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	<p><i>There are some concerns about Landlords manipulating the system to avoid CTax on Student accommodation. Only 4/5 incidents uncovered.</i></p> <p><i>Only 1 attempt has been made to fraudulently obtain a refund of Tax, not successful and reported to Police and Bank</i></p> <p>A. Single Person Discount A. Exemptions - student occupancy/ vacant properties / property left empty by deceased persons / severely mentally impaired B. Avoidance of liability through any other fraudulent claim for council tax entitlement e.g. student exceptions B. New properties not on the list built without planning permission B. No notification of properties built & occupied or built & substantially complete. C. Refund fraud</p>			Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls SPD review Exemptions/discounts review processes Property inspection Refund controls Benefit record matches					
16	<p>Business Rates</p> <p>National – low risk Local –BR avoidance project now completed</p> <p><i>One or two are referred to the Insolvency service each year</i></p> <p><i>Non-disclosure - there are about 10 a year where we have issues and need to</i></p>	CFO HRBSS	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control	None			Substantial	

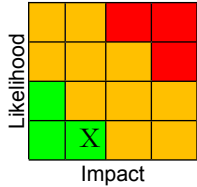
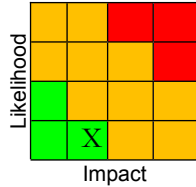
Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	<p><i>investigate further/challenge</i></p> <p>Business rate fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to differentiate between evasion and avoidance. Business rate fraud can include the falsification of circumstances to gain exemptions and discounts.</p> <p>This is any fraud linked to the avoidance of paying NNDR which could include: False company details Failure to declare occupation Payment using false bank details Companies going into liquidation then forming new companies Not disclosing relevant information - e.g. size of company to gain rate relief (small business relief) Manipulation of credit balances/payments Fraudulent refunds</p>			<p>Authorisation processes IT access controls</p> <p>Company checks Insolvency service Business rates avoidance work – ongoing learning used Intelligence gathering Reliefs – approval Balance transfer approval Refund process</p>					
17	<p>Council Tax Support Scheme</p> <p>National – High Risk Local –</p> <p><i>Changes are made to CTS accounts linked to any HB fraud data</i></p> <p>Any fraud linked to the false claiming of Council Tax Support.</p>	CFO HRBSS	Cautious	<p>Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls</p>	<p>Considering County Fraud partnership request to consider Capacity Grid Paper presented to CFO's estimated that could be £750K saving / return(overall)</p> <p>CFO/HRBSS</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
				HB changes actioned CTS policy HB matching service RTI					
18	<p>Housing Benefit</p> <p>National –High Risk Local – no issues</p> <p><i>(Sept 17) So far in 2017/18 the Council was involved with 82 benefit referrals to and from SFIS linked to possible benefit fraud. CoIC officers are still responsible for agreeing administrative penalties.</i></p> <p><i>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</i></p> <p>Any fraud linked to the false claiming of housing benefit</p> <p>No recourse to public funds - this type of fraud includes claimants using false documents to obtain benefits</p>	CFO HRBSS	Cautious	<p>Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls</p> <p>Fraud Policies and Procedures DWP/SFIS liaison Validation exercises HB Matching Scheme NFI matching scheme RTO/Optional RTI – RTI continues 18-19 Fraud policy Fraud Act Intelligence gathering Data cleansing</p>	<p><i>HB/CTS fraud policy requires updating (18/19) HRBSS</i></p> <p><i>Ongoing liaison with DWP:</i></p> <p><i>There are delays between fraud proved and CPS taking to court - up to a year.</i></p> <p><i>Where DWP decide not to prosecute and goes to their compliance team we are not always getting timely information through to amend claim</i></p>			Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
19	<p>Housing</p> <p>National – High Risk Local – Dec 17, 17-18 2 cases sub-letting 11 notices to quit for non-occupation</p> <p><i>Applications: False information is received, but the risk impact is low as checks made would normally capture such as fraud</i></p> <p><i>Have had some cases where we have referred potential client (financial) abuse to the Police</i></p> <p><i>Housing and tenancy fraud takes a number of forms including: illegal subletting for profit providing false information to gain a tenancy wrongful tenancy assignment and succession failing to use the property as the principal home right to buy fraud, for example where circumstances have been misrepresented to qualify for a discount</i></p> <p>Tenancy sub-letting in contravention of tenancy agreement (A) Non-occupation in contravention of tenancy agreement (not technically fraud)" Key selling (A) Fraudulent succession - false information (A) Right to Buy fraudulent application , valuation (A) Fraudulent application - false</p>	AD-Housing (management/Investment)	Cautious	<p>Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls</p> <p>Fraud policy Application process Social Housing Fraud Act Eviction powers ID checks Valuation process (RTB) RTB verification process Home visits No involvement with client monies Access/Key security</p>	<p>Revise/update tenancy fraud policy, strategy and action plan - see tenancy internal audit</p> <p>Undertake a tenancy fraud risk assessment and produce an updated fraud strategy/action plan, aligned to a refresh of the fraud policy.</p> <p>Undertake some pro-active fraud work during 2018/19 (using a tenant verification service) making resources available as part of the new budget process.</p> <p>Agreed that a process of ID verification needs to be undertaken at the 3 week visit. When a tenant registers with the Council a copy of photo ID should be taken"</p> <p>AD Housing Management</p>			Limited/Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	information (B) False homelessness applications - false information (B) Sheltered schemes - theft of customers money (C)								
20	<p>Development management / Planning</p> <p>National – Low Local – no issues</p> <p>Corruption / collusion / inducements / conflict of interest / bribery Planning, S106, affordability, other areas where officers are checking compliance / fines issued Using Planning process to increase land values False representations (Support/non-support) Provision of false information by the applicant.</p>	Planning Manager	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes Legal requirements Public records Transparency Planning Ombudsman	None			Substantial	
21	<p>Theft / Asset misuse</p> <p>National – Low Local – no issues</p> <p>Stores Materials Plant Vehicles Fuel General Theft of cash Theft of income Accounting fraud - significant areas such as Parking income.</p>	CFO + All AD's	Cautious	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes	Completion of inventories CFO			Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	Inappropriate use of Council assets - eg IT equipment, vehicles, other assets			Asset register Inventory Policies/procedures See income risk					
22	<p>Refund fraud</p> <p>National – Low Local – "Linked to Council Tax, NNDR, Rents One case 2015/16"</p> <p><i>We have tightened the controls considerably and put strategies in place so that we are much less likely to be exposed to this kind of fraud.</i></p> <p>Any fraud linked to the false claiming of Council Tax Support, NNDR or Rents refunds. Payment using false/fraudulent instrument then reclaiming a refund. Employee based false payment then request for refund.</p>	CFO	Cautious	<p>Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes</p> <p>Application process PCIDSS Due diligence checks Banking checks Segregation of duties IT access</p>	None	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	Substantial	
23	<p>Election Fraud</p> <p>National –low Local – no issues</p> <p>Fraudulent voting Fraudulent acts by canvassers Fraudulent acts by poll clerks/officers Fraudulent acts by individuals</p>	City Solicitor	Cautious	<p>Management review of processes Staff training Clear policies and procedures Restricted system access Independent count staff Security at the count centre Management oversight</p>	None	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2018	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
				Ballot boxes are secure Audit trail Verification of signatures and dates of birth of postal voters Verification of identify at the polling station Supervision at counts Access controls Application form checks Regular review of electoral register Daily checks are completed to ensure that there are no duplicate entries in the register. Controls around impersonation					
24	Bribery and Corruption National – Low Local – no issues Bribery / Corruption / collusion / inducements / conflict of interest	City Solicitor CFO	Cautious	Anti-bribery policy Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing	None			Substantial	

SUBJECT:	AUDIT COMMITTEE WORK PROGRAMME 2018/19
REPORT BY:	JOHN SCOTT, AUDIT MANAGER
LEAD OFFICER:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 To provide details of the draft Audit Committee work programme for 2018/19.

2. Executive Summary.

2.1 The Audit Committee approves a work programme each year and monitors progress.

3. Main Report

3.1 The proposed work programme is attached at Appendix A. The frequency of meetings has been reviewed and is considered appropriate for 2018/19.

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 2018/19.

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 2018/19

Meeting dates	Audit Items	Training (Suggested)	Comments
14 th June July 2018	<ul style="list-style-type: none"> • Internal Audit Progress report • Statement of Accounts (Draft) • Annual Governance Statement (Draft review) • Audit Committee Work Programme • Annual Internal Audit Report • 12 month Fraud and Error report • Review of the effectiveness of Internal Audit and Audit Committee • Terms of Reference review – Internal Audit • Terms of Reference review Audit Committee 	<ul style="list-style-type: none"> • Audit Committee effectiveness (new members) • Local Government Financial Statements explained • Annual Governance Statement/Corporate Governance (Part of Meeting) 	
17 Jul 2018 6.00 pm	<ul style="list-style-type: none"> • Statement of Accounts / Annual Governance Statement (Final) • Annual Governance Report / Auditors Report (External Audit) 		
18 Sep 2018 6.00 pm	<ul style="list-style-type: none"> • Internal Audit progress report • Audit Committee Work Programme • Information Governance – update report • Peer review - update report • Annual Governance Statement monitoring report • Annual Complaints report 		

<p>18 Dec 2018 6.00 pm</p>	<ul style="list-style-type: none"> • Annual Audit Letter (External Audit) • Internal Audit progress report • Six Month Fraud and Error report • Annual Governance Statement - monitoring • Audit Committee Work Programme • Appointment of External Auditor • Counter fraud policies • Information Governance Update • Appointment of External Auditor • Review of the Constitution-Financial Procedures Rules 	<ul style="list-style-type: none"> • Counter Fraud 	
<p>12 Feb 2019 6.00 pm</p>	<ul style="list-style-type: none"> • Internal Audit Progress report • Treasury management policy and strategy (consultation prior to approval by Council) • Audit Committee Work Programme • External Audit annual report on grants and returns • Code of Corporate Governance update report • Draft Internal Audit plan 19-20 	<ul style="list-style-type: none"> • Treasury Management 	
<p>26 Mar 2019 6.00 pm</p>	<ul style="list-style-type: none"> • External Audit Plan (deferred) • Internal Audit Progress report • Combined Assurance report • Annual Governance Statement –update report • Final Internal Audit Strategy and Plan 19- 		

	<p>20</p> <ul style="list-style-type: none"> • Risk Management Strategy / annual report • Statement on Accounting Policies • Audit Committee Work Programme • External Audit Inquiries – 18/19 Statement of Accounts • IAS19 – Assumptions used to calculate pension entries in the Statement of Accounts and Audit Regulations • Strategic Fraud risk register • Information Governance Update report 		
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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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