

AUDIT COMMITTEE

Tuesday, 26 March 2019

6.00 pm

Committee Room 1, City Hall

Membership: Councillors Geoff Ellis (Chair), Sue Burke (Vice-Chair), Thomas Dyer, Jim Hanrahan, Laura McWilliams, Gary Hewson and Ronald Hills

Substitute member(s): Councillors Bob Bushell

Independent Member: Jane Nellist

Officers attending: Democratic Services, Jaclyn Gibson and John Scott

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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You are asked to resolve that the press and public be excluded from the meeting during the consideration of the following item(s) because it is likely that if members of the press or public were present, there would be disclosure of 'exempt information'

SECTION B

- | | |
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[Exempt Para 3]

- Present:** Councillor Geoff Ellis (*in the Chair*)
- Councillors:** Thomas Dyer, Gary Hewson, Ronald Hills, Adrianna McNulty and Laura McWilliams
- Independent Member:** Jane Nellist
- Also Present:** Jon Machej, Mazars, External Auditor
- Apologies for Absence:** Councillor Sue Burke and Councillor Jim Hanrahan

44. Confirmation of Minutes - 11 December 2018

RESOLVED that the minutes of the meeting held on 11 December 2018 be confirmed.

45. Declarations of Interest

No declarations of interest were received.

46. Change to Order of Business

RESOLVED that the order of business be amended to allow the following reports to be considered before the remaining agenda items.

- Internal Audit Recommendation Follow Up
- Information Management Update
- External Audit Progress Report

47. Internal Audit Recommendation Follow Up

John Scott, Audit Manager:

- a. presented an update on all outstanding audit recommendations over 12 months old, to provide members with more information on older audit recommendations and the ability to request managers to provide further feedback
- b. advised that Caroline Bird, Community Services Manager was unable to attend this meeting due to unforeseen circumstances but would attend the next meeting as requested to provide an update on Boutham Park Restoration Scheme.

Matt Smith, Business Development and IT Manager gave the following update on outstanding IT audit recommendations.

- ICT Mobile Devices: An asset register was held in IT. IT were now following options to detect most devices in an automated manner, now largely complete. The Finance Team were in the process of preparing a full inventory on IT devices held in council buildings which would help for comparison purposes.
- ICT Malware: The software Net Consent was now operational which provided the material needed for security management training. Questions were being

developed to ensure the effectiveness of the training which would be in place within the next few weeks. It would be revisited annual or biannually after this.

- IT Applications: Officers were working on a new supplier for upgrading My Info. Once this was in place contractual arrangements would be revised.

Members of the committee asked:

- With the expansion of Cloud computing, were mobile devices disappearing?
- Officer response: Some IT assets were smaller, however, every piece of IT equipment formed part of the inventory.
- These recommendations were over 2 years old. Were officers confident that the revised completion date at the end of March 2019 could be met?
- Officer response: Resources to complete the manual check of IT devices were ongoing and being given priority for completion heading towards the allocated timescale.

Jaclyn Gibson, Chief Finance Officer gave the following update on outstanding IT Disaster Recovery audit recommendations:

- Recommendations 5, 6 and 9 identified within Appendix A of the officer's report were now complete and signed off.
- Recommendation 3 to provide seating allocation at Hamilton House in an emergency situation would be completed within 1-2 months.
- Recommendation 4 to provide alternative accommodation for contractors based at Hamilton House was now in place subject to final clarification on timescales required to vacate the premises should space be required.
- Recommendation 7 to address Recovery Plans would be dealt with over the next six months as part of the refresh of Business Continuity Plans (BCP) for 2019.
- A test plan had been developed to address recommendation 8 to carry out the next BCP desktop exercise which would take place in April 2019.
- Recommendation 10 to plan for loss of services up to 2 weeks would be included in the refresh of BCP's in 2019

Dave Ward, Area Housing Manager (Central) gave the following update on outstanding Tenancy Services audit recommendations:

- A review on the permanent transfer of the voids team to Tenancy Services was due for completion by the end of March 2019.
- Development of a pre-tenancy process to bolster up pre-tenancy work would be linked to the above review, as were all other outstanding audit recommendations.

RESOLVED that

1. The content of the report and officer responses be noted.
2. Caroline Bird, Community Services Manager Park be invited to attend the next meeting of Audit Committee to provide an update on the restoration of Boutham Park.

48. Information Management Update

Matt Smith, Business Development and I T Manager:

- a) presented a report to update Audit Committee on progress made with Information Management reporting on significant progress made as detailed at paragraph 2.3 of his report
- b) highlighted a number of areas requiring further work to be completed as outlined in previous update reports, as detailed at paragraph 2.4 of the report
- c) gave details of how the GDPR Group had considered best to move forwards with the work programme as detailed at paragraph 2.6 of the report, work had already begun to deal with these issues in priority order
- d) advised that further resources had been identified in Chief Executive's Business Administration and Legal and Democratic Services alongside resources within the Business Development service as a whole to be applied initially
- e) reported that as work progressed more information would become available which would be reflected in regular updates to this committee
- f) invited members' questions and comments.

Members welcomed progress being made in respect of the recommendations provided within the report.

RESOLVED that the content of the report be noted.

49. External Audit Progress Report

Jon Machej, representing Mazars, External Auditor:

- a. provided the External Audit progress report to Audit Committee which gave an update on progress in delivering their responsibilities as external auditor to the City of Lincoln Council
- b. stated that Mazars were currently in the process of finalising the Audit Strategy Memorandum and completing its walkthrough at the time of writing, if there were any issues arising to report to this Committee, these would be included in the next audit progress report
- c. advised that the Audit Strategy would be reported to March Audit Committee meeting
- d. confirmed that plans were in place to give an Audit Opinion by 31 July 2019.

RESOLVED that the content of the report be noted.

50. Draft Internal Audit Plan 2019/20

John Scott, Audit Manager:

- a) presented the Internal Audit Plan 2019-20 for consideration and approval, as detailed at Appendix A to his report

- b) advised that the plan had been developed using a combination of the Council's Combined Assurance Model, an assessment of risk, consultation with senior management and issues raised by Audit Committee
- c) reported that the Internal Audit Plan should focus on the key risks facing the Council, be adequate to support the Head of Audit opinion taking into account key risks facing the Council when developing the plan, achieving a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year, via a regular review of any changing activity and risks
- d) drew members' attention to the areas proposed for auditing as detailed at Appendix B to his report
- e) advised that as part of the review of the medium term financial strategy, along with other services, it was proposed to reduce the Audit Plan by 50 days from 450 to 400 in 2019/20, the excess days being sold on at no impact to existing staff
- f) invited members' questions and comments.

Members considered the content of the report in further detail, making comments as follows:

- There seemed to be quite a lot of areas marked as 'red' within the Audit timetable of activities
- Officer Response: The areas marked as red did not necessarily point to a poor service, however, higher at risk assessment.
- Were officers confident to be able to provide the same service delivery with a 50 day reduction in the Audit Plan?
- Officer Response: The service would not be exactly the same as it would be reduced, however, officers were looking at different ways of working to achieve it. Officers were comfortable that the plan still delivered the relevant assurances.

Jane Nellist, Independent Member, referred to a review at Northamptonshire County Council which had revealed a reduction in governance arrangements leading to problems. She asked what procedures were in place to identify potential issues.

Jaclyn Gibson, Chief Finance Officer, emphasised that the authority was satisfied that relevant levels of assurance and audit of areas of key risk could be delivered. Should the Audit Manager feel at any time there was risk of any compromise to this service delivery then levels of assurance would be reviewed. There was a degree of flexibility to allow him to concentrate more on assurance work rather than offering assistance to projects and working groups.

John Scott, Audit Manager, highlighted that there were other councils delivering an Audit Plan at 200 days looking at due diligence only.

Members urged the need to give tighter focus on recommendations remaining outstanding after 6 months.

RESOLVED that:

1. The Internal Audit Plan reduction and associated resources as set out in Section 4 of the officer's report be agreed.
2. The Internal Audit Plan 2019-20 be approved.

51. 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 2018 – January 2019, 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:
 - Corporate Property Income: High Assurance
 - Malware/Anti- Virus: Substantial Assurance
 - Transport Hub: Substantial Assurance
- e. reported on other significant work ongoing in relation to:
 - Audit Plan 2019/20
 - Combined Assurance Map
 - De Wint Court
 - Counter Fraud
- f. reported on Audit Plan changes
- g. advised on audits currently in progress as detailed at paragraph 9 of the report
- h. provided a summary of all audits where recommendations were overdue/extended/implemented and not yet due as detailed at paragraph 10 of the report
- i. referred to a separate report on tonight's agenda detailing audits reaching one year old with recommendations still outstanding
- j. reported on other matters of interest as detailed at paragraph 12 of the report
- k. detailed the contents of the Audit Plan Schedule at Appendix 2 of the report

- l. highlighted performance against annual planned work targets as detailed at paragraph 11 and Appendix 4 of the report
- m. requested members' consideration on the content of the report.

Members discussed the content of the report, asking whether the delay in completion of the 5th floor of the Central Car Park was causing a loss of income with 20% of the spaces still unavailable for use.

Officers advised that a suitable weather window was awaited to lay the deck finish to the fifth floor. The car park was not at full capacity therefore it was difficult to demonstrate valid options for seeking compensation.

Jaclyn Gibson, Chief Finance Officer advised that the original sub contractors for the scheme had gone into administration which had added to a delay in the work being finalised to the fifth floor. She would ask the Project Manager of the scheme for an update on options for compensation to provide to members of Audit Committee before the next meeting.

RESOLVED that:

1. An update on options for compensation regarding delays in work to the fifth floor of the Central Car Park be provided to members of Audit Committee before the next meeting.
2. The contents of the report and continuation of further monitoring arrangements be noted.

52. Prudential Indicators 2018/19 - 2021/22 and Treasury Management Strategy 2019/20

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 2018/19 to 2021/22, together with the 2019/20 Treasury Management Strategy alongside the Medium Term Financial Strategy 2019-24, 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 2019/20 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
- d. reported on the methodology employed for selecting investment counterparties as detailed at paragraph 2.2 of the report
- e. advised that the strategy for 2019/20 had been prepared taking into account changes in the Prudential Code and Treasury Management Code

- f. 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
- g. 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.

Jane Nellist, Independent Member, referred to cash balances for short term investments having reduced and queried whether they would stop altogether.

Sarah Hardy, Group Accountant (Technical and Exchequer) advised that a minimum level of £5m available cash balances had been set for short term investment, although it may not go as low as this figure. Temporary short-term borrowing measures could be used to ensure sufficient liquidity of resources managed on a daily basis.

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.
3. The revised MRP policy detailed in Appendix 2 of the report be recommended to Executive and Council for approval.

53. Audit Committee Work Programme 2018/19

John Scott, Audit Manager, presented a report to inform members of Audit Committee on the work programme for 2018/19 as detailed at Appendix A.

RESOLVED that that the contents of the Audit Committee work programme 2018/19 be noted, subject to the following revised business for the 26 March meeting:

- Internal Audit Progress report
- Combined Assurance report
- Annual Governance Statement –update report
- Final Internal Audit Strategy and Plan 19-20 – (to be deleted if no changes)
- 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
- Information Governance Update report
- External Audit Plan
- Grants Report

SUBJECT: EXTERNAL AUDIT INQUIRIES - 2018/19 STATEMENT OF ACCOUNTS

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON, 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 2018/19 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, Mazars 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 Mazars to the audit of the 2018/19 Statement of Accounts.
- 2.2 In addition to the inquiries made to officers Mazars 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 Mazars.

3. Organisational Impacts

- 3.1 There are no direct financial impacts arising from this report.
- 3.2 There are no direct legal impacts arising from this report.

4. Recommendation

- 4.1 That Audit Committee receive, comment upon and confirm the contents of the inquiries for those charged with governance for the 2018/19 Statement of Accounts.

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: Jaclyn Gibson, Chief Finance Officer
Telephone (01522) 873258

ENQUIRIES OF THOSE CHARGED WITH GOVERNANCE

The International Standards on Auditing (ISA), specifically ISA 240 “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements” and ISA 250 “Consideration of Laws and Regulations in an Audit of Financial Statements”, requires auditors to perform certain procedures to obtain an understanding of the entity and its environment, including the entity’s internal control. These procedures include making appropriate inquiries of management and others within the organisation, for the purpose of obtaining information for use in identifying the risks of material misstatement due to fraud and other issues.

The purpose of this document is to record Those Charged With Governance’s assessment against these requirements.

NAME OF INTERVIEWEE : AUDIT COMMITTEE

DATE OF INTERVIEW :

Inquiry Area	Description	Response
Fraud [ISA 240.20]	How do those charged with governance (TCWG) exercise oversight of management's processes for identifying and responding to the risk of fraud in the Council and the internal control that management has established to mitigate these 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) and further training guidance in late 2018 followed up in March 2019</p> <p>Fraud e-learning has been rolled out across Directors, AD;'s and service managers.</p> <p>There is a corporate fraud risk register presented to management and the Audit Committee in December 2018</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>

Inquiry Area	Description	Response
Fraud [ISA 240.21]	<p>Are TCWG aware of or have they identified any instances of actual, suspected or alleged fraud within the Council? This includes instances of misconduct or unethical behaviour related to financial reporting or misappropriation of assets.</p> <p>Where TCWG are aware of such instances how have these been addressed?</p>	<p>No – not financial reporting or misappropriation of assets. 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>
Fraud [ISA 240.21]	<p>What are the views of TCWG about fraud risks at the Council?</p>	<p>As with any large and complex organisation there are a range of fraud risks and emphasis on reducing fraud risk is continuous. 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>Fraud risks are acknowledged in key areas. Members and officers are aware of these and the risks are managed through established processes.</p>

Inquiry Area	Description	Response
Laws and Regulations [ISA 250.15]	How do you gain assurance that all relevant laws and regulations have been complied with?	<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 All Committee reports have legal implications assessed, reported and these are reviewed by Legal All the necessary training for members and officers completed so all are aware.</p> <p>Internal audit have undertaken an "emerging legislation" audit/review in the past.</p>

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**SUBJECT: EXTERNAL AUDIT – AUDIT STRATEGY MEMORANDUM
2018/19**

DIRECTORATE: CHIEF EXECUTIVE & TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To receive and comment upon the External Audit – Audit Strategy Memorandum for 2018/19.

2. Background

- 2.1 The External Audit – Audit Strategy Memorandum describes the External Auditor's (Mazars LLP) approach in delivering the financial statements audit work for City of Lincoln Council along with their approach to value for money (VFM) work for 2018/19. The document also highlights significant audit risks and areas of key judgement as well as providing details of the audit team. The Council's external auditor will be in attendance at the meeting to take the Committee through the reports.

3. Strategic Priorities

3.1 High Performing Services

There are no direct implications for the Council's strategic priorities. The external audit of the Council's financial statements is a statutory requirement and as such contributes towards the fitness for purpose of the Council's governance arrangements.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

The Audit fee is included within page 17 of the Audit Strategy Memorandum (Appendix A to this report). The fee includes work on the VFM conclusion and the audit of the financial statements. The Audit Fee of £36,332 is in accordance with the scales fees set by the PSAA. Separate agreement will be reached with Mazars regarding the additional fee in relation to the EU PIE classification.

A separate procurement process has been undertaken in order to engage Mazars in relation to the Housing Benefits Subsidy Return 2018/19 at a fee of £6,000. A further process will be undertaken for the Housing Pooling Return 2018/19.

4.2 Legal Implications including Procurement Rules

There are no direct legal implications. The External Auditor is required to satisfy themselves that the Council's accounts comply with statutory requirements and that proper practices have been observed in compiling them.

5. Risk Implications

5.1 There are no specific risk implications arising as a direct result of this report. The Audit Strategy Memorandum sets out the key risks, as identified by the External Auditor, relevant to the audit of the financial statements.

6. Recommendation

6.1 Members should note and comment on the External Audit – Audit Strategy Memorandum 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: Jaclyn Gibson, Chief Finance Officer
Telephone (01522) 873258

Audit Strategy Memorandum

City of Lincoln Council

Year ending 31 March 2019





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Materiality and misstatements
5. Significant risks, key audit matters and other key judgement areas
6. Value for money conclusion
7. Fees for audit and other services
8. Our commitment to independence

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

Appendix C – Extended auditor’s report

This document is to be regarded as confidential to the City of Lincoln Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance by the Council. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Members of the Audit Committee
City of Lincoln Council
City Hall
Beaumont Fee
Lincoln
LN1 1DD

13 March 2019

Dear Sirs / Madams

Audit Strategy Memorandum – year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for the City of Lincoln Council for the year ending 31 March 2019.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 8 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing City of Lincoln Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07875 974 291.

Yours faithfully

Mark Surridge
Mazars LLP

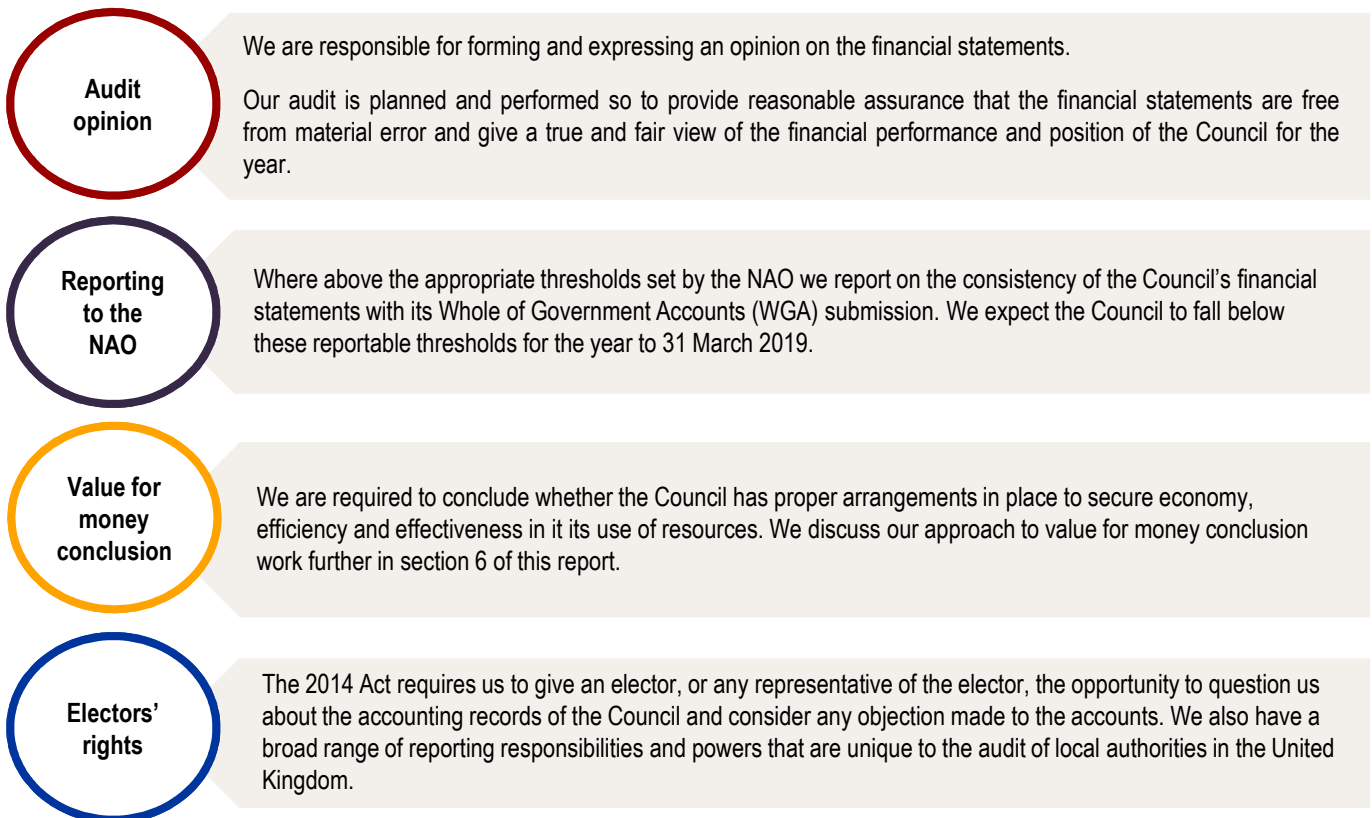
1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of City of Lincoln Council (the Council) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

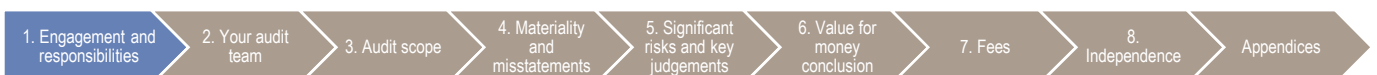


Our audit does not relieve management, or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with management. However, we, as auditors, are also responsible for those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified Full Council as those charged with governance.



2. YOUR AUDIT ENGAGEMENT TEAM



Mark Surridge
Director and Engagement Lead

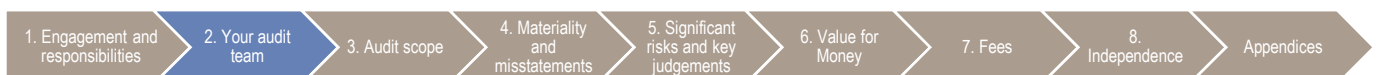
E-Mail: mark.surridge@mazars.co.uk
Tel: 07875 974 291



Jon Machej
Manager

E-Mail: jon.machej@mazars.co.uk
Tel: 0115 964 4782

In addition, an engagement quality control reviewer (EQCR) has been appointed for this engagement.



3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

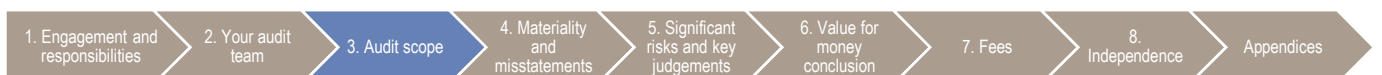
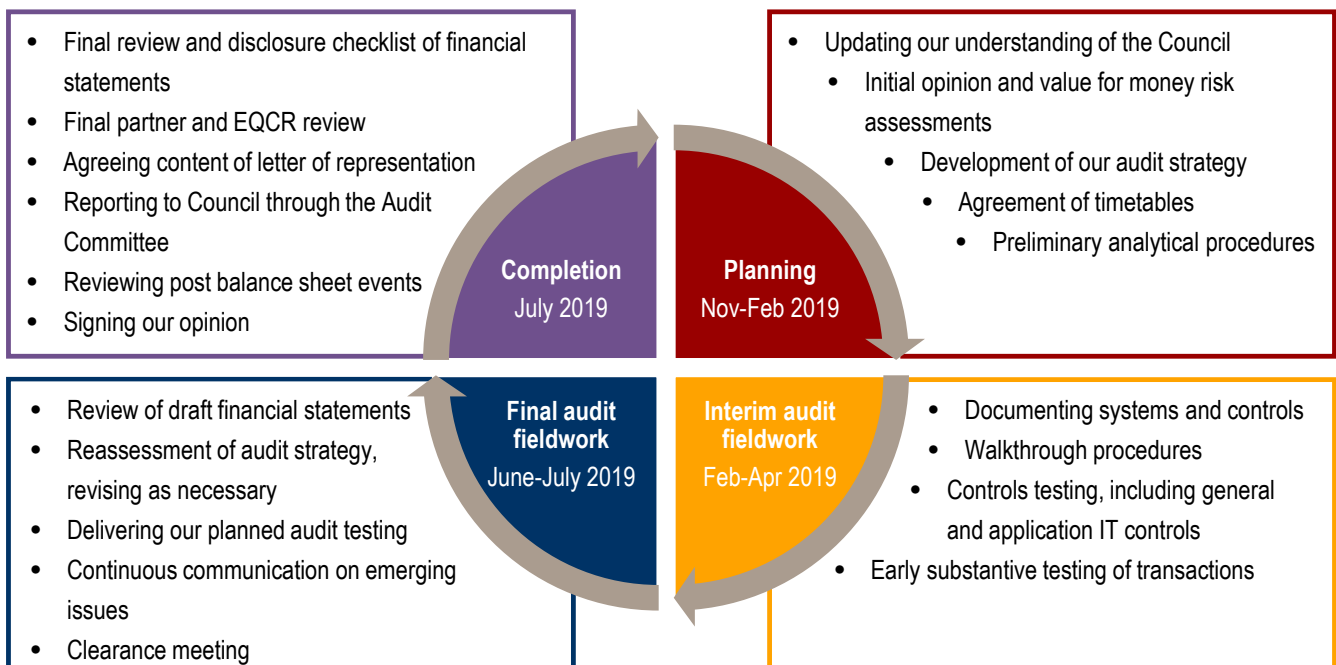
Audit approach

Our audit approach is risk-based and primarily driven by the matters that lead to a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 4.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Public interest entities

Some types of audits require additional considerations, such as public interest entities (PIEs). PIEs are those bodies as defined by the Financial Reporting Council's Ethical Standard, including those holding listed debt. As the Council holds debt (less than our materiality level set out in this document) listed on the London Stock Exchange, it is classed as a Public Interest Entity. This results in:

- additional acceptance and engagement considerations (see further considerations in section 8);
- enhanced quality control requirements; and
- additional enhanced audit report requirements.

These requirements are not included in the scale fee set by Public Sector Audit Appointments and therefore will result in additional audit fees

Reliance on internal audit

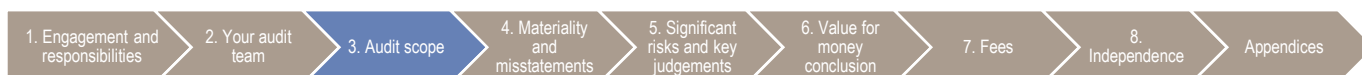
Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

We are not planning to rely on the work of internal audit, but should we do so, we would evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. We discuss our use of experts further in respect of independence in section 8.

Items of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson <i>Actuary for Lincolnshire Pension Fund</i>	PWC <i>Consulting actuary appointed by the NAO</i>
Property, plant and equipment valuation	District Valuer Services <i>External valuation specialist</i> Paul Clifton <i>The Council's internal valuer</i>	Gerald Eve <i>Consulting valuer appointed by the NAO</i>
Business rate appeals provisions	InformCPI <i>External rating specialist</i>	Not applicable
Financial instrument disclosures	Link Asset Services <i>Treasury management advisors</i>	Not applicable



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Service organisations

International Auditing Standards define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Pension cost (cost of services) Net interest on defined benefit liability Re-measurements of the net defined benefit liability (OCI) Net pension liability	Lincolnshire Pension Fund <i>The IAS 19 pension entries that form part of the Council's financial statements are material and are derived from actuarial valuations. The process of obtaining these is co-ordinated by and uses information held and processed by the service organisation.</i>	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. Where we conclude that we do not have a sufficient understanding of the services provided by the service organisation we will seek to obtain assurance by using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organisation.



4. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Materiality £000
Overall materiality	£1,523
Performance materiality	£838
Trivial threshold for errors to be reported to Council through the Audit Committee	£46

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

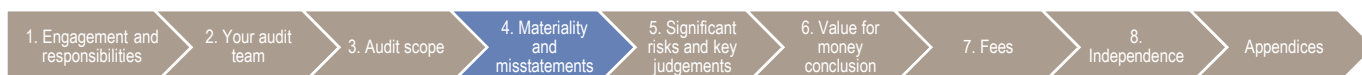
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of the 2017/18 gross expenditure at the surplus/deficit on provision of services level. We have calculated a headline figure for materiality but have also identified separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Council through the Audit Committee.

We consider that gross expenditure at the surplus/deficit on provision of services level is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



4. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We have set our materiality threshold at 1.3% of the benchmark based on the 2017/18 audited financial statements. We considered qualitative factors in making our assessment including:

- the level of understanding users of the financial statements have in respect of the inherent uncertainties and judgements made;
- the level of understanding users of the financial statements have that the statements being audited to levels of materiality; and
- our ability to make informed decisions about users' understanding of materiality.

Based on our assessment, we did not identify any limiting factors. Therefore we anticipate the overall materiality for the year ending 31 March 2019 to be £1.523 million. After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting performance materiality we have taken into account that this is our first year of audit and accordingly we do not hold extensive cumulative audit knowledge about the Council's financial statements. We have therefore set our performance materiality at 55% of our overall materiality, being £838,000.

As with overall materiality, we will remain aware of the need to change this performance materiality level through the audit to ensure it remains to be set at an appropriate level.

Specific items of lower materiality

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following items of account:

Item of account	Basis	Specific materiality
Note 34 - Members' allowances and expenses*	25% of total	£57,000
Note 35 - Senior Officers' remuneration*	25% of total	£108,000
Note 35 - Officers' remuneration (bandings table)**	Bandings (£5,000)	£5,000
Note 36 - External audit costs*	25% of total	£15,000

* Based on prior year amounts and accounts reference

** Reflecting movement from one salary band to another



4. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Reporting misstatements threshold (triviality)

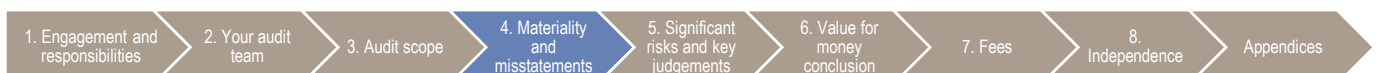
We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to Council through the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £46,000 based on 3% of overall materiality.

Reporting to Council through the Audit Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to Council through the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



5. SIGNIFICANT RISKS, KEY AUDIT MATTERS AND OTHER JUDGEMENTS AND ENHANCED RISKS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

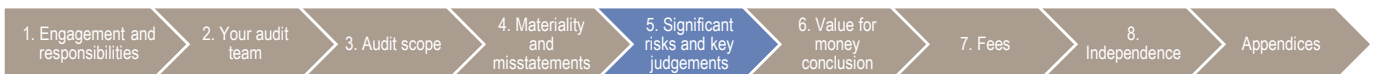
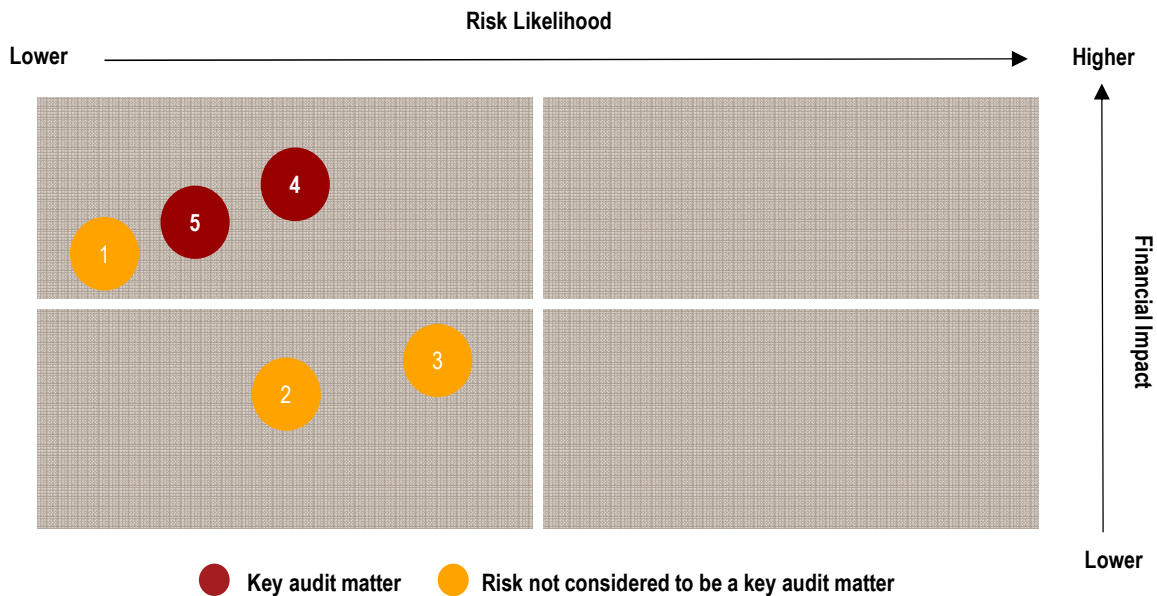
Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Key audit matters

Key audit matters are defined as those matters that, in our professional judgment, are of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we have identified, including those which have the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. Key audit matters are broadly equivalent to the assessed risks of material misstatement included in the previous version of ISA (UK and Ireland) 700, The Independent Auditor’s Report on Financial Statements.

It is important that you understand and have opportunity to discuss with us why something is being communicated as a key audit matter and the way this is described. The summary risk assessment, illustrated in the audit risk continuum below, highlights those risks which we deem to be significant, key audit matters and other enhanced risks. Our audit response to each of these risks in the following section.

At the time of writing this memorandum we are yet to complete our detailed risk assessment work over the Council’s key financial systems and general IT controls. We aim to complete this work as part of our interim visit in February and March and will update the Audit Committee where we subsequently identify any additional risks.



5. SIGNIFICANT RISKS, KEY AUDIT MATTERS AND OTHER JUDGEMENTS AND ENHANCED RISKS (CONTINUED)

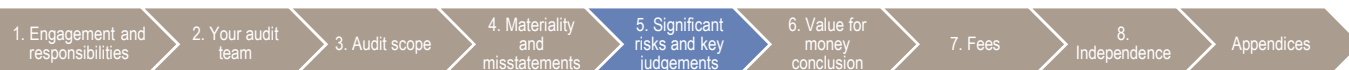
We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Council through the Audit Committee.

	Description of risk	Fraud	Error	Judgement	Expected KAM	Planned response
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	●	●	○	We plan to address the management override of controls risk through performing tailored tests over significant accounting estimates, journal entries and identified significant transactions that are outside the normal course of business or judged to be otherwise unusual.
2	<p>Revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition although, based on the circumstances of each audit, this is rebuttable.</p> <p>Having considered the factors for revenue recognition and the Council's revenue streams, we have concluded that the risk lies in the year-end balance sheet and in particular the existence and accuracy of debtors, specifically those that relate to useable reserves, are material, subject to manual intervention and/or significant estimation.</p> <p>This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	●	●	●	○	<p>We will evaluate the design and implementation of controls to mitigate the risk of material manual debtors being recognised in the wrong period. In addition, we will test such debtors to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly.</p> <p>Our audit approach will also incorporate a range of other substantive procedures, including:</p> <ul style="list-style-type: none"> • testing from receipts pre and post year-end to ensure revenue has been posted to the correct period; and • testing journals.



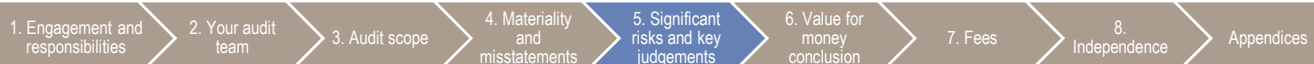
5. SIGNIFICANT RISKS, KEY AUDIT MATTERS AND OTHER JUDGEMENTS AND ENHANCED RISKS (CONTINUED)

	Description of risk	Fraud	Error	Judgement	Expected KAM	Planned response
3	<p>Expenditure recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council (FRC), which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Again, based on the circumstances of each audit, this is rebuttable.</p> <p>Having considered the factors for expenditure recognition, we have concluded that the risk lies in the year-end balance sheet and in particular the completeness and valuation of creditors, specifically those that are material, manually accrued and impact the Council's useable reserves.</p> <p>This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	●	●	●	○	<p>We will evaluate the design and implementation of controls to mitigate the risk of material manual accruals being recognised in the wrong period. In addition, we will test such accruals to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly.</p> <p>Our audit approach will also incorporate a range of other substantive procedures, including:</p> <ul style="list-style-type: none"> testing of payments around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2018/19 accounts; and testing journals.



5. SIGNIFICANT RISKS, KEY AUDIT MATTERS AND OTHER JUDGEMENTS AND ENHANCED RISKS (CONTINUED)

	Description of risk	Fraud	Error	Judgement	Expected KAM	Planned response
4	<p>Valuation of property, plant and equipment, investment properties and assets held for sale</p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE), investment properties and assets held for sale.</p> <p>The Council employs valuation experts to provide information on valuations, because there is a high degree of estimation uncertainty associated with the (re)valuations of PPE, investment properties and assets held for sale due to the significant judgements and number of variables involved.</p>	○	●	●	●	<p>In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we will:</p> <ul style="list-style-type: none"> critically assess the Council's arrangements for ensuring that PPE, investment property and assets held for sale valuations are reasonable; critically assess the data provided by Gerald Eve (an expert commissioned by the NAO), as part of our challenge of the reasonableness of the valuations provided by the Council's valuers; consider the competence, skills and experience of the valuers and the instructions issued to the valuers; and where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.
5	<p>Valuation of net defined benefit liability</p> <p>The financial statements contain material accounting entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	●	<p>In relation to the valuation of the Council's defined benefit pension liability we will:</p> <ul style="list-style-type: none"> critically evaluate the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and challenge the reasonableness of the Actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office.



6. VALUE FOR MONEY

Our audit approach

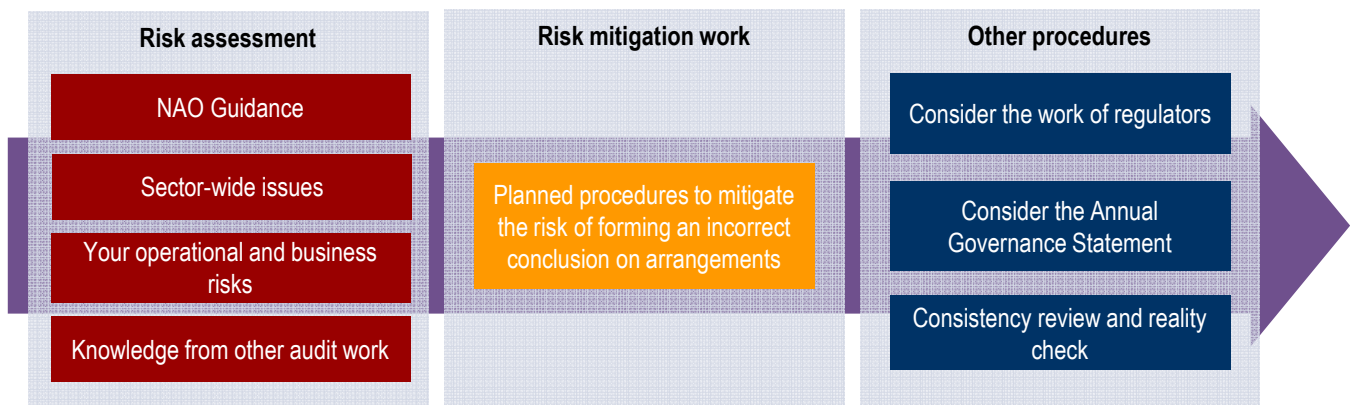
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are provided set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake is provided below:



Significant risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a significant risk exists. Risk, in the context of our value for money (VFM) work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2018/19 financial year, we have not identified any significant risks to our VFM conclusion. We will continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a risk to our VFM conclusion does exist and where any such risk is identified, these will be reported to Council through the Audit Committee as part of our Audit Completion Report.



7. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we recognise that the scale fees set by PSAA, as communicated in our fee letter of 25 April 2018, are based on the Council's previous non-public interest entity classification. We therefore recognise that there will be a need to increase these fees to reflect the additional audit requirements as set out in section 3.

Service	2017/18 fee (KPMG LLP)	2018/19 fee
Code audit work – Scale fee	£47,185	£36,332
Code audit work – Additional fee in relation to EU PIE classification	£5,000	*

* - Subject to discussion and agreement with the Chief Finance Officer

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 8.

Service	2017/18 fee	2018/19 fee
Assurance Services: Housing Benefits Subsidy return	£10,570*	£6,600
Assurance Services: Housing Pooling return	£3,500**	-

* - KPMG LLP

** - Mazars LLP



8. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

We have not made arrangements for any of our activities as auditor to be conducted by another firm that is not a Mazars' member firm. In section 5 we have outlined the experts that we intend to use as part of our audit. We will write to these experts seeking confirmation of their independence and will report this within our Audit Completion Report.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

Public interest entity specific requirements

In addition, there are specific requirements in respect of public interest entities, such as this Council, including in respect of:

- the prohibition on provision of certain non-audit services; and
- rotation periods.

Confirmation of independence

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Surridge in the first instance.

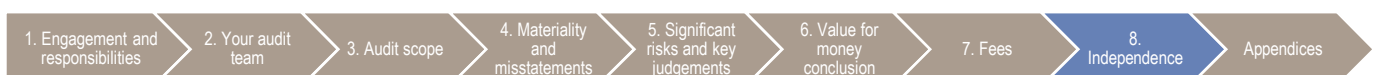
Prior to the provision of any non-audit services Mark Surridge will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Our assessment of perceived threats and safeguards for non-audit services in respect of 2018/19, as detailed in section 7, is set out in the table below.

Assessment of perceived threats and safeguards for non-audit services in respect of 2018/19

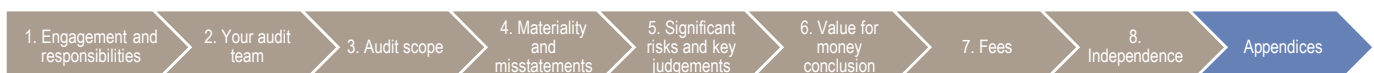
Area of work	Perceived threat	Safeguards and commentary
Assurance Services: Housing Benefits Subsidy return	Self-review threat	No safeguards required. The fee for this work is neither significant to Mazars LLP nor the Council.



APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum Engagement letter
The planned scope and timing of the audit including any limitations, specifically including with respect to key audit matters.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report Discussion at Audit Committee Audit planning and clearance meetings
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report



APPENDIX A – KEY COMMUNICATION POINTS (CONTINUED)

Required communication	Where addressed
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; significant difficulties, if any, encountered during the audit; significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; written representations that we are seeking; expected modifications to the audit report; and other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. 	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report Audit Committee meetings
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> whether the events or conditions constitute a material uncertainty; whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such methods.	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Identification of each key audit partner involved in the audit.	Audit Strategy Memorandum
Communication in respect of any arrangements for any of our activities as auditor to be conducted by another firm.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Materiality and misstatements

5. Significant risks and key judgements

6. Value for money conclusion

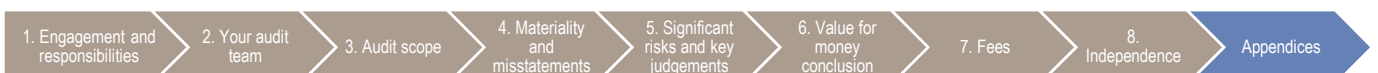
7. Fees

8. Independence

Appendices

APPENDIX A – KEY COMMUNICATION POINTS (CONTINUED)

Required communication	Where addressed
Description of nature, frequency and extent of communication with the Audit Committee and other relevant bodies including dates of meetings.	Audit Strategy Memorandum
Description of distribution of tasks among the auditors where more than one auditor has been appointed.	Audit Strategy Memorandum
Description of methodology used, including which categories of the balance sheet have been directly verified and which categories have been verified based on system and compliance testing, including an explanation of any substantial variations compared to the previous year.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Disclosure of quantitative level of materiality applied to the audit, any specific materiality levels applied to particular classes of transactions, account balances or disclosures, and qualitative factors considered when setting materiality.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Explanation of judgements about events or conditions identified during the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty, and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Reporting on significant deficiencies including whether or not the deficiency in question has been resolved by management.	Audit Completion Report



APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments: the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised cost.

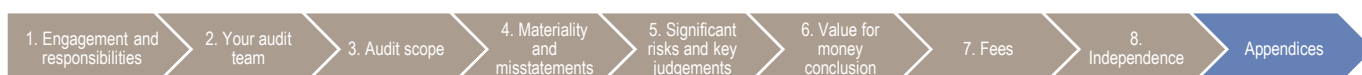
For Councils that hold instruments required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.

IFRS 15 Revenue from Contracts with Customers: the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local authorities.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2020/21	<p>We anticipate that the new leasing standard will be adopted by the Code for the 2020/21 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council are party to.</p>



APPENDIX C – EXTENDED AUDITOR’S REPORT

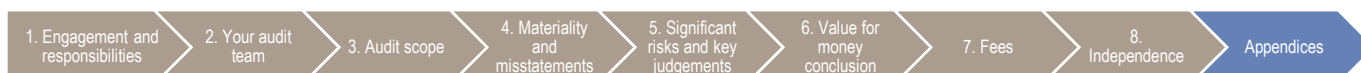
Basis of requirement for an extended auditor’s report

We are required to issue an extended auditor’s report on the Council’s 2018/19 financial statements under ISA (UK) 700 ‘Forming an Opinion and Reporting on Financial Statements’. This is required as the Council meets the definition of a Public Interest Entity as a result of it having debt that is listed on an EU regulated market.

Layout of the extended auditor’s report

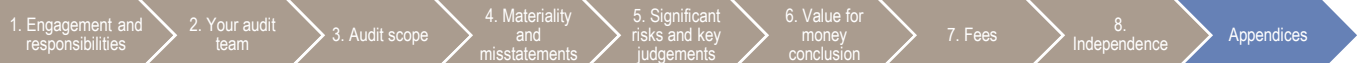
The extended auditor’s report for 2018/19 is expected to follow the format and structure outlined below, assuming that no emphasis of matter or qualification is required.

Paragraph heading	Summary of key content
Opinion	What we have audited and our opinion thereon.
Basis for opinion	Confirmation: <ul style="list-style-type: none"> that the audit is undertaken under the ISAs (UK); of our independence including with the FRC’s Ethical Standard; and regarding sufficiency and appropriateness of audit evidence obtained to provide a basis for our opinion.
Conclusions relating to going concern	Reporting by exception on the Council’s: <ul style="list-style-type: none"> use of the going concern basis of accounting; and disclosure of any material uncertainties.
Key audit matters	Definition of key audit matters. Clarification that these matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and that we do not provide a separate opinion on these matters. For each key audit matter identified: <ul style="list-style-type: none"> a description of the most significant assessed risk(s) of material misstatement; a summary of our response to those risks; and key observations arising with respect to those risks including clear reference to relevant disclosures in the financial statements, where relevant.
Our application of materiality	Explanation of how we applied the concept of materiality in planning and performing the Council’s audit. The overall materiality threshold for the Council’s financial statements as a whole.
An overview of the scope of our audit	Overview of the scope of the audit, including an explanation of how the scope addressed each key audit matter and was influenced by our application of materiality.
Other information	Responsibilities of the Chief Finance Officer and of the auditor for other information included in the Narrative Report.



APPENDIX C – EXTENDED AUDITOR’S REPORT (CONTINUED)

Paragraph heading	Summary of key content
Responsibilities of the Chief Finance Officer for the financial statements	Cross reference to the Statement of the Chief Finance Officer Responsibilities.
Auditor’s responsibilities for the audit of the financial statements	Explanation of the ‘reasonable assurance’ objective of the audit. Cross-reference to our responsibilities for the audit on the FRC’s web-site.
Value for money conclusion	Our conclusion on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.
Basis for conclusion	Overview of the scope of our value for money work.
Responsibilities of the Council for arrangements for securing economy, efficiency and effectiveness in its use of resources	Sets out the Council’s responsibilities.
Auditor’s responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources	Sets out the auditor’s responsibilities, derived from the Local Audit and Accountability Act 2014.
Matters on which we are required to report by exception	Report in the public interest under section 24 of the Local Audit and Accountability Act 2014. Recommendation under section 24 of the Local Audit and Accountability Act 2014. Exercise of any other special powers of the auditor under the Local Audit and Accountability Act 2014.
Other matters which we are required to address	Confirms that we have not carried out any prohibited non-audit services and that we remain independent to the Council. Confirms that our audit opinion is consistent with the Audit Completion Report.
Use of the audit report	Sets out who we are reporting to and what the report may be used for.
Audit certificate	Sets out that we have completed the audit of the Council in accordance with the Local Audit and Accountability Act 2014.



SUBJECT:	RISK MANAGEMENT – ANNUAL UPDATE
REPORT BY:	CHIEF EXECUTIVE
LEAD OFFICER:	JACLYN GIBSON, 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 2018-19.

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 ten strategic risks.

2.3 An Internal Audit, undertaken during 2018-19, 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 and Directorate Management Teams.

3.3 As part of the reporting protocol within the current Risk Management Strategy both the Executive 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 As a result of the need to regularly review the Strategy and due to the launch of the Council's new Vision 2020 the Council's Risk Management Strategy reviewed during 2018-19.

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 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.

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 2018-19 was initially formulated by the Corporate Leadership Team in early 201/19 and presented to the Executive and Performance Scrutiny Committee. This has subsequently been reviewed and reported to both Committees 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 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.

5.4 The status of the ten strategic risks currently identified is as follows:

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

- 5.5 The application of risk appetite to each of the ten 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.
- 5.6 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.
- 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, Western Growth Programme Board.

7. Risk Advisory Group (RAG)

- 7.1 Corporate Leadership Team, Service Managers Team and Safety Matters Review Group with the majority of the responsibility for risk management issues is overseen by the Corporate Leadership Team which consists of all of the Assistant Directors. Services Managers Forum monitor operational risks.

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 that is delivered every 2 years. A series of training has been undertaken in 2018/19 for the following groups:

- Service Managers Forum – May 2018
- Corporate Leadership Team – June 2018
- Members - July 2018

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

when requested.

An e-learning package has been drafted and is currently being made available digitally online for the purpose of refresher training and for new staff as part of their induction process. This will be completed in 2019/20.

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) has conducted their own annual benchmarking exercise between the districts within Lincolnshire. This has been a much simpler way of benchmarking and enables us to share best practice without being too onerous. This is found in Appendix C.
- 9.4 This was undertaken in October 2018 and there were 9 members of the group that participated in this exercise.

The assessment is based on a maturity level on a scale of 1-5, where level 5 is the highest level of maturity. The assessment is based upon the principals of best practice in risk management as recognised by;

- The International Standard ISO31000
- The British Standard BS31100:2008
- HM Treasury
- The institute of Risk management, and
- ALARM, the Public Risk Management Association

- 9.5 The benchmarking was measured in the following areas:

- Leadership and Management – level 4
- Strategy and Policy – level 4
- People – level 4
- Partnership ,Shared Risk and Resources – level 3
- Processes – level 4
- Risk Handling and Assurance – level 3
- Outcomes and Delivery – level 4

Overall this is a good result and a suitable work plan for 2019/20 has been prepared to support these scores.

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 2018-19:

- 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
- Cyber risk
- Brexit implications (lead is LCC)

11. Internal Audit

11.1 During 2018/19 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 D.

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

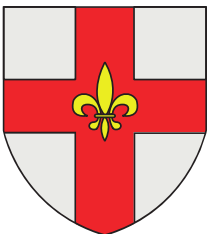
15.1 That Members note the Risk Management framework adopted by the Council and also the Risk Management activity undertaken during the year.

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?	Four
List of Background Papers:	N/A
Lead Officer:	Jaclyn Gibson, Chief Finance Officer Telephone 873258

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Our Strategy

RISK MANAGEMENT



CITY OF
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Introduction

1.

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 taking a 'well measured' risk approach.

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).

Aim

2..

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.

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

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.

OBJECTIVES

3. Objectives

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

Policy

Framework

4.

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 (Jaclyn Gibson, Chief Finance Officer) and member champion (Councillor Ric Metcalfe, Leader) have been identified who will take overall responsibility for risk management.
- Processes are cascaded effectively to officers and members, using adequate mentoring facilitation and training.
- Processes will be in place to consider and disseminate risk management best practice.



Strategy

5.

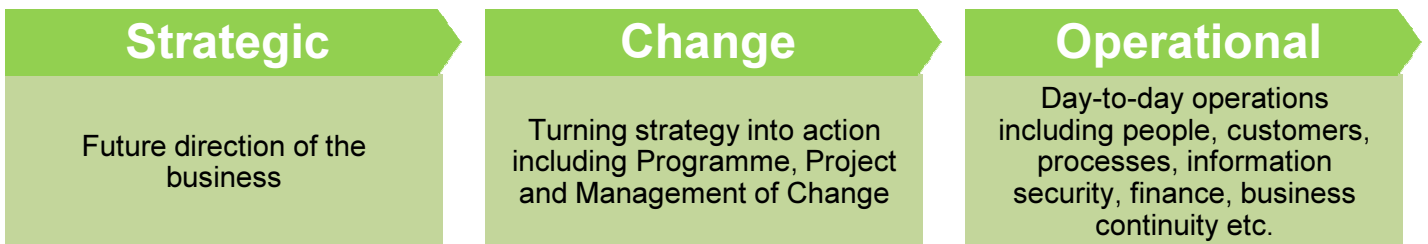
The Council's Risk Appetite statement is **Creative & Aware**:

*"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".*

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

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.

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:



A formal risk assessment, producing a risk register, is not required for everything the Council does. Risk Registers are only required for:

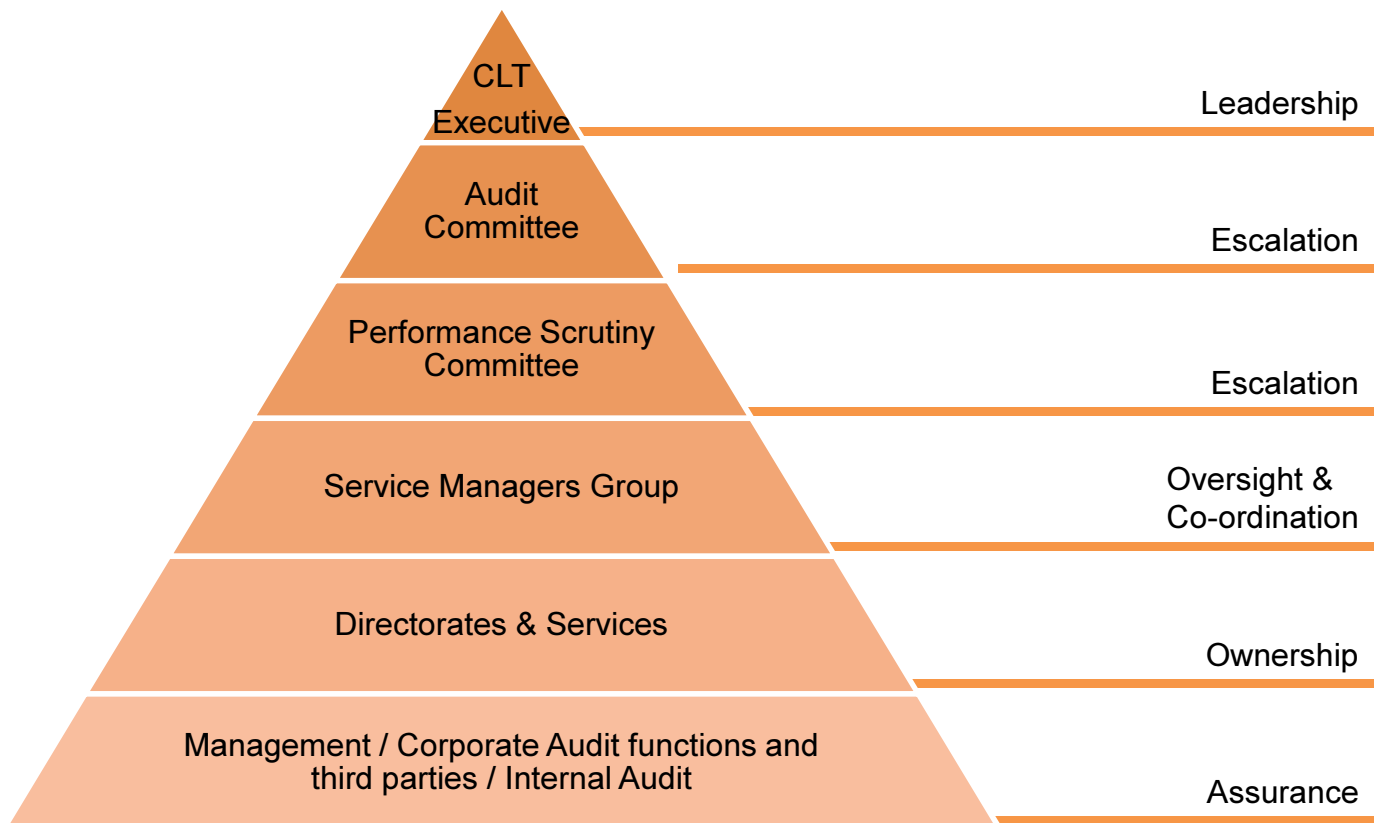
- Strategic Risks
- Significant Directorate Operational Risks
- Key projects and programmes determined by the Vision 2020 and Project Management guidance.
- New service strategies that have a greater impact on people, finance and the Council.

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.

Officer and Member awareness is a key component of successfully embedding risk management arrangements; specific training **has been provided 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.

Roles and Responsibilities

6. The Roles and Responsibilities for risk management are as follows:



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

The Executive and Corporate Leadership 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 Service Managers forum 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.

6. Continued

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.

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.

Review

7.

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

Revised:

February 2017 (no significant amendments).

July 2018 (no significant amendments).



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Strategic Risk Register Template

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Likelihood	4 Almost Certain			9.	
	3 Probable			6. 7.	2.
	2 Possible			1. 3. 4. 8.	5. 10.
	1 Hardly Ever				
		1 Negligible	2 Minor	3 Major	4 Critical
		Impact			

RISK REGISTER:

REVIEWED:
CMT 07/11/17
Risk owners 06.02.18 CMT 08/02/18
Risk owners 25.04.18
CMT 08.05.18
Reviewed 06.09.18
Reviewed 08.10.19
CMT 13.11.18
CMT 12.02.19

Tool 1. Risk Appetites - <U:\Current RISK Management\Toolkit - JULY 2018\Tool No 1 Risk appetites.pdf>

Those "green" risks that have been on the risk register for 6 months or more can now be classed as "business as usual" risk and therefore be removed

The matrix below, helps you define where the risk is by scoring it on a basis of 'Likelihood' and 'Impact':

APPENDIX B

Likelihood	4 Almost certain	Retain	Transfer Modify Retain	Avoid Transfer Modify	Avoid Transfer Modify	Description of occurrence	Occurs several times per year. It will happen.
	3 Probable	Retain	Prioritise for Modifying Retain	Transfer Modify Retain	Avoid Transfer Modify		It has happened before and could happen again.
	2 Possible	Retain	Prioritise for Modifying Retain	Prioritise for Modifying Retain	Transfer Modify Retain		It may happen but it would be unusual.
	1 Hardly ever	Retain	Retain	Retain	Prioritise for Modifying Retain		Never heard of it occurring. We can't imagine it occurring.
		1 Negligible	2 Minor	3 Major	4 Critical		

Impact	Service Delivery	Delay	Finance	Reputation	People
Critical	Very significant	>1month	>£1m	National media story	Loss of life
Major	Significant	1week - 1month	£500k - £1m.	Local media story	Serious Injuries
Minor	Major	1day - 1week	£100k - £500k	Limited Local publicity	Minor injuries
Negligible	Minor	<1day	<£100k	Little/No publicity	-

Those “green” risks that have been on the risk register for 6 months or more can now be classed as “business as usual” risk and therefore be removed from the register

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
1.	Failure to engage & influence effectively the Council’s strategic partners, council staff and all stakeholders to deliver against e.g. Council’s Vision 2020.	CX	Creative & Aware 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 	<ul style="list-style-type: none"> High Performing Services monitoring arrangements in place Revision of internal and external communication methods to be undertaken– Ongoing Annual staff briefings to be undertaken March 19 CMT to begin to develop Vision 2025 – Q1 2019-20 Transformational 			Substantial	Static

APPENDIX B

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (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"> 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 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 Continuation of partner meetings and 3rd sector - ongoing through hoarding displays “Engine Room’ launched June 2017 Annual Report with a focus on achievements towards Vision 2020 – to be sent to stakeholders by CX/Leader – Nov 2017 	<p>Change Lead recruitment – Q4</p> <ul style="list-style-type: none"> One Council approach rollout 20-21 				

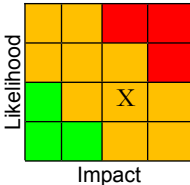
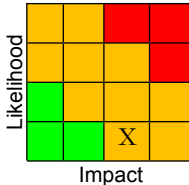
APPENDIX B

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (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"> • Vision 2020 staff roadshows undertaken in January 2018. • Sponsorship of Lincolnshire Construction and Property Awards in February 2018 • Successful COL Vision 2020 Conference held in March 2018. • Alignment of Vision 2020 with Portfolios – May 2018 • Continue meetings with key partners following COL Vision 2020 Conferences -ongoing 					
2.	Failure to deliver a sustainable Medium term Financial Strategy (that supports delivery of Vision 2020 (Council plan))	CFO	<p><u>Creative & Aware/ Opportunistic</u></p> <p>†</p> <p>Finance & Money</p>	<ul style="list-style-type: none"> • MTFS 2018-23 approved in March 2018, 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 	<ul style="list-style-type: none"> • Link to TOFS Programme, risk no 3 below. • Continued assessment of future funding reforms, including The Fair Funding Review, reset of business rates baselines and 75% retention of business rates – Ongoing – • Implementation of action plans developed in response to Q1 forecast overspend – ongoing • Draft MTFS 2019-24 prepared, with increased savings targets, subject to final approval – Mar 19 • Proposals for Crematorium business case in progress – Mar 19 			Substantial	Static

APPENDIX B

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (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"> monitored quarterly. 100% Business Rates Pilot in place for 2018/19 with all Lincolnshire Districts together with the County and North Lincolnshire Council.. Mitigation action plan developed in response to forecast overspend reported at Q1, specifically car parking Budget Strategy including review of assumptions and budget pressures to be prepared – Sept 18 BR Pilot Bid for 2019/20 submitted Sept 18 – Bid unsuccessful Review of earmarked reserves to release one-off resources – Oct 18 	<ul style="list-style-type: none"> 				
3.	Failure to deliver the Towards Financial Sustainability Programme whilst ensuring the resilience of the Council	CFO	<p>Opportunist</p> <p>Projects & Major Change</p> <p>Hungry</p> <p>Reputation and Public Confidence</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 monitoring/performance monitoring reports to Executive/Performance Scrutiny Committee Inclusion of ToFS Projects on DMT agendas to ensure 	<ul style="list-style-type: none"> Monitor delivery of Phase 5 Programme through established arrangements – ongoing Development of a high level commercial strategy, – Mar 19 Investment Strategy for property acquisition developed, subject to approval– Mar 19 Linkages to Organisational Development and Leadership Development to be explored – Mar 19 	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	Substantial	Static

APPENDIX B

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
				focus remains on delivering against timescales. <ul style="list-style-type: none"> Annual reporting of progress and forward programme PSC Programme of reviews in place and monitored monthly through Board and Team. Target of £3.5m for 2017/18 overachieved. Savings targets increased as part of MTFS 2018-23. Delivery of Phase 5 (designed to overachieve targets in MTFS) commenced in November 2017. Phase 6 proposals developed to achieve increased targets – Dec 18 	<ul style="list-style-type: none"> Project plans and programme mapping for Phase 6 to be prepared – Mar 19 				
4..	Failure to ensure compliance with statutory duties / functions and appropriate governance arrangements are in place,	CLT	Cautious Regulatory standing & legal compliance	<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 	<ul style="list-style-type: none"> Waiting outcome of HSE inspection – expected end Q4 			Substantial	Static

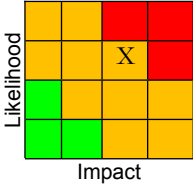
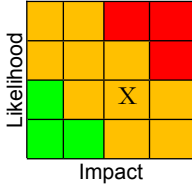
APPENDIX B

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (Full, Substantial, Limited, No)	Assurance - Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
65				<p>the development of specific action plans e.g Asbestos</p> <ul style="list-style-type: none"> • Corporate Groups in place which monitor work programmes/ actions for H&S, e.g, Safety Matters Review Group/Champions • Information Asset Register created and updated Retention schedules. • Continued progression of GDPR Action Plan and Training Needs Plan • ITDR plan endorsed and now needs testing which is to be scheduled in new financial year. Internal Audit completed with actions referred to BCP Group for consideration • Good progress on supporting IT DR with Business Continuity work • All Information Management Polices reviewed, updated and approved May 18. To be rolled out to staff Sept 18. • GDPR guidance provided to all Members May 18 and training for new members. All members to receive training 11.10.18. 					

APPENDIX B

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
5.	Failure to protect the local authority's vision 2020 due to changing structures in local government and impact on size, scale and scope of the Council	CX	<u>Opportunist</u>	<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	Static
6.	Unable to 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 transformation al journey to one Council approach	CS	<u>Opportunist</u>	<ul style="list-style-type: none"> Leadership development delivered to CMT, Assistant Directors and Service Managers 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 Volunteering programme rolled out to support people strategy enhance staff wellbeing and corporate social responsibility– CLT in Nov-Dec 2017 Registration of Virgin Corporate Global Challenge for staff – May 2018 Sickness Clinics to be progressed in areas of concern– June 2018 CMT workshop to review 	<ul style="list-style-type: none"> Implementation of People Strategy action plan – annual review. Transformation lead recruitment scheduled to support "One Council" approach – February 19 Staff Recognition scheme in progress – first winners to be announced March 2019 Award submissions to LGC and MJ to promote rising stars and recognize the work of our teams – March 19 East Midlands Challenge Team put forward for future development opportunities – March 19 Service planning 20-21 to help identify skill requirements moving forward Review wider Leadership requirements to support new Lincoln Leader model – Q1 20-21 			Substantial	Static

APPENDIX B

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
				People Strategy – October 2018 <ul style="list-style-type: none"> Global challenge award event to be held end of October 19 					
7.	Insufficient levels of resilience and capacity exist in order to deliver key strategic projects & services within the Council	CX	<u>Creative & Aware / Opportunist</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. MTFS 2018-23 allocates resources in line with Vision 2020. 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 Appointments have been made and Officers are in post for the two vacant Assistant Directors in Housing & Regeneration Interim Assistant Director – Strategic Development is in post. Priority setting for Phase 2 projects, 2018/19 – 	<ul style="list-style-type: none"> Recruitment to AD Growth (external advert March 2019) Recruitment to Transformation Lead to support “One Council” approach – March 19 Recruitment to Strategic Project Manager – Feb/March 19 			Substantial	Static

APPENDIX B

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
				2019/20 commenced through CMT and Portfolio Holders <ul style="list-style-type: none"> Vision 2020 Phase 2 projects agreed and work allocations within Directorates reviewed Health and Wellbeing group being set up with staff to support People Strategy – Ongoing Recruitment of vacant Director of Housing & Investment – Sept 18 Management restructure approved by Executive 					
8.	Decline in the economic prosperity within the City Centre	CLT	Opportunist	<ul style="list-style-type: none"> COLC representatives continue to sit on Bailgate Guild/Healthy High Streets/Chamber of Commerce etc City Stakeholder Group set up with MP/Police and third sector organizations to review pathways into support – Sept 2017 City Centre Masterplan in place Public Realm Strategy in place Townscape Assessment has been undertaken Range of partner developed strategies in place <input type="checkbox"/> New intervention team set up to support rough sleeping/homelessness/street begging – October 2018 Rollout of Business Growth Policy – Q2 <input type="checkbox"/> 	<ul style="list-style-type: none"> Research work in the city continues to understand the causes of the increases in rough sleeping and ASB. Markets Business case developed – March 2019 Review of Cities Masterplan/ongoing work with Central Lincs Review Public Arts Strategy – January 2019 Development of a programme of activity/investment to support the vibrancy of the city centre – Q3 Newly set up High Street Task Force now in place – continue to scope and monitor actions required Work on “evening economy” to commence January 2019 Review /engage 			Limited	Static

APPENDIX B

Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (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"> with government on Future High St Fund – bid submission by 22 March Working Together on tackling Homelessness Conference (working with a range of partners) scheduled for March 2019 Ongoing “Be Lincoln” campaign 19-20 to support promotion of place 				
9.	Failure to mitigate against the implications for the Council following the outcome of Brexit	CX	Cautious Regulatory standing & legal compliance	<ul style="list-style-type: none"> Internal working group focusing on BCP established, liaising with CMT/Leadership Attendance at Brexit Strategic Gold Command (SGC) meetings to consider the implications of a No Deal Brexit and its impact on Lincolnshire 	<ul style="list-style-type: none"> SCG conference calls scheduled with relevant Gold Command Officers at COLC – Jan – April 2019 Regular updates provided by officers at CMT following SGC meetings - Ongoing Localised Brexit exercise to be scheduled by LRF with partners/organisations – Feb 2019 Liaison with LCC and other districts to ensure common approach – ongoing Internal action plan/risk register to be developed - February 2019 Continued Information gathering from a wide range of sources including government/LRF/E 			Limited	N/A

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Risk No:	Risk Description	Risk Owner	Risk Appetite	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Assurance - Status (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"> ast Mids Councils and a watching brief on national and local developments. – ongoing Internal working group set up to understand impacts on residents/governance including current partnerships/contracts pending delay of Brexit vote/Article 50 Work ongoing to understand impact on pending election in May 19 				
10.	Failure to deliver key strategic projects i.e <ul style="list-style-type: none"> WGC New build project Crematorium Dewint Court 	CMT	Cautious Regulatory standing & legal compliance Projects & Major Change	<input type="checkbox"/> Relevant Boards are in place to monitor key milestones including financial/reputational and resource and partnership implications <input type="checkbox"/> Effective communication plans /risk registers which are owned and understood	<ul style="list-style-type: none"> Thorough shared understanding of implications of delivery and non - delivery. Use of external experts for advice and independent review 			Substantial	-



Maturity Model

Risk Management Benchmarking
Closed report for Greater Lincolnshire
authorities and their Risk Management
maturity level
Version 1.0 2018

	Leadership & Management	Strategy & Policy	People	Partnership, Shared Risk & Resources	Processes	Risk Handling & Assurance	Outcomes & Delivery
Level 5: Driving	Senior management uses consideration of risk to drive excellence through the business, with strong support and reward for well measured risk-taking	Risk management capability in policy and strategy making helps to drive organisational excellence.	All staff are empowered to be responsible for risk management. The organisation has a good record of innovation and well managed risk-taking. Absence of blame culture	Clear evidence of improved partnership delivery through risk management and that key risks to the community are being effectively managed.	Management of risk and uncertainty is integrated with all key business processes and shown to be a key driver in business success.	Clear evidence that risks are being effectively managed throughout the organisation. Considered risk-taking is part of the organisational culture.	Risk management arrangements clearly acting as a driver for change and linked to plans and planning cycles.
Level 4: Embedded & Working	Risk management is championed by the CEO. The Board and senior managers challenge the risks to the organisation and understand their risk appetite. Management leads risk management by example.	Risk handling is an inherent feature of policy and strategy making processes. Risk management system is benchmarked and best practices identified and shared across the organisation.	People are encouraged and supported to take managed risks through innovation. Regular training and clear communication of risk is in place.	Sound governance arrangements are established. Partners support one another's risk management capability and capacity.	A framework of risk management processes in place and used to support service delivery. Robust business continuity management systems in place.	Evidence that risk management is being effective and useful for the organisation and producing clear benefits. Evidence of innovative risk-taking.	Very clear evidence of very significantly improved delivery of all relevant outcomes and showing positive sustained improvement.
Level 3: Working	Senior managers take the lead to apply risk management thoroughly across the organisation. They own and manage a register of key risks and set the appetite.	Risk management principles are reflected in the organisations strategies and policies. Risk framework is reviewed, developed, refined and communicated.	A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework. Staff are aware of key risks and responsibilities.	Risk with partners and suppliers is well managed across organisational boundaries. Appropriate resources in place to manage risk.	Risk management processes used to support key business processes. Early warning indicators and lessons learned are reported. Critical services supported through continuity plans.	Clear evidence that risk management is being effective in all key areas. Capability assessed within a formal framework and against best practice standards.	Clear evidence that risk management is supporting delivery of key outcomes in all relevant areas.
Level 2: Happening	Board / Councillors and senior managers take the lead to ensure the approaches for addressing risk are being developed and implemented.	Risk management strategy and policies drawn up, communicated and being acted upon. Roles and responsibilities established, key stakeholders engaged.	Suitable guidance is available and a training programme has been implemented to develop risk capability.	Approaches for addressing risk with partners are being developed and implemented. Appropriate tools are developed and resources for risk identified.	Risk management processes are being implemented and reported upon in key areas. Service continuity arrangements are being developed in key service areas.	Some evidence that risk management is being effective. Performance monitoring and assurance reporting being developed.	Limited evidence that risk management is being effective in, at least, the most relevant areas.

<p>Level 1: Engaging</p>	<p>Senior management are aware of the need to manage uncertainty and risk and have made resources available to improve.</p>	<p>The need for a risk strategy and risk-related policies has been identified and accepted. The risk management system may be undocumented with few formal processes present.</p>	<p>Key people are aware of the need to understand risk principles and increase capacity and competency in risk management techniques through appropriate training.</p>	<p>Key people are aware of areas of potential risk in partnerships and the need to allocate resources to manage risk.</p>	<p>Some stand-alone risk processes have been identified and are being developed. The need for service continuity arrangements has been identified.</p>	<p>No clear evidence that risk management is being effective.</p>	<p>No clear evidence of improved outcomes.</p>
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Benchmarking exercise questions– October 2018

Following on from an independent review of Lincolnshire County Council's risk management processes in August 2016, it was felt that it would be useful to complete a similar self-assessment exercise amongst different councils that sit on an external Risk Management Group.



There were 9 members of the group that participated in this exercise.

The assessment is based on a maturity level on a scale of 1-5, where level 5 is the highest level of maturity. The assessment is based upon the principals of best practice in risk management as recognised by;

- The International Standard ISO31000
- The British Standard BS31100:2008
- HM Treasury
- The institute of Risk management, and
- ALARM, the Public Risk Management Association

Each Council has scored their own risk management activities against the criteria shown on page 1 of this document.

The main objective has been to assess the current level of risk maturity across the individual organisations and to also see where areas of good practice are and where there may be areas for improvement amongst the group.

A detailed breakdown of individual scores and comments can be seen on the following pages.



Conclusion in relation to individual assessment criteria

Strand – Leadership & management

Name of authority	Assessment of maturity
Authority A	4
Authority B	4
Authority C	3
Authority D	3
Authority E	4
Authority F	4
City of Lincoln Council	4
Authority G	4
Authority H	4

Key points from areas of best practice

- Some form of management takes the lead to ensure that risk management is applied across the council.
- Responsibilities are set up.
- Risk strategy is up to date.
- Risk appetite is set.
- Regular meetings with Audit Committees and Directors.
- A tone from the top on risk appetite is defined

Key points from areas for improvement

- Clear leadership responsibilities communicated through the entire organisation not just senior management.
- Engagement on risk appetite.



Strand – Strategy & Policy

Name of authority	Assessment of maturity
Authority A	3
Authority B	3
Authority C	4
Authority D	4
Authority E	4
Authority F	4
City of Lincoln Council	4
Authority G	4
Authority H	3

Key points from areas of best practice

- Risk toolkits/guidance in place.
- Regular reviews of policy and strategy.
- Risk registers reviewed regularly.
- Clear escalation process in place for risk management.

Key points from areas for improvement

- Consistency across all departments.
- Make better use of toolkits.



Strand – People

Name of authority	Assessment of maturity
Authority A	3
Authority B	4
Authority C	4
Authority D	4
Authority E	4
Authority F	3
City of Lincoln Council	4
Authority G	4
Authority H	3

Key points from areas of best practice

- Training of risk management to staff.
- Good level of development regarding training of staff.
- Good governance structures in place i.e. Audit Committee and risk groups.

Key points from areas for improvement

- Receive training feedback in order to make improvements.

- Liaise with teams such as H&S, audit and procurement.



Strand – Partnerships, Shared Risks & Resources

Name of authority	Assessment of maturity
Authority A	3
Authority B	2
Authority C	4
Authority D	3
Authority E	3
Authority F	3
City of Lincoln Council	3
Authority G	3
Authority H	3

Key points from areas of best practice

- Key partnerships agreed by management.
- Effective communication of risks between partners.

Key points from areas for improvement

- Create a partnership tab for risks in CAMs system or something similar.
- Establish guidance for partnership risk management that addresses issues with common language.

**Strand – Processes & tools**

Name of authority	Assessment of maturity
Authority A	4
Authority B	4
Authority C	4
Authority D	4
Authority E	4
Authority F	4
City of Lincoln Council	4
Authority G	4
Authority H	4

Key points from areas of best practice

- Risk appetite is included in the risk management process.

- Informs the decision making process.
- Good use of internal audit.
- Regular review of strategic and operational risks.

Key points from areas for improvement

- Engagement with emergency planning/business continuity.
- Consider how to evidence that risk management is embedded successfully into the process.
- Lessons learnt meetings with the relevant individuals/groups.



Strand – Risk Handling & Assurance

Name of authority	Assessment of maturity
Authority A	3
Authority B	3
Authority C	3
Authority D	3
Authority E	4
Authority F	3
City of Lincoln Council	3
Authority G	4
Authority H	3

Key points from areas of best practice

- Clear risk management process and frameworks available for the escalation (or de-escalation) of risk management.
- Internal audit plans have derived, to some extent, from the risk registers.
- Strong governance structures in place.

Key points from areas for improvement

- Ensure full cooperation with audit in order to make continuous improvements.
- Build risk into the organisational culture where appropriate.
- More work needed on project risk management



Strand – Outcomes & delivery

Name of authority	Assessment of maturity
Authority A	3
Authority B	3
Authority C	3
Authority D	3
Authority E	4
Authority F	3
City of Lincoln Council	4
Authority G	4
Authority H	3

Key points from areas of best practice

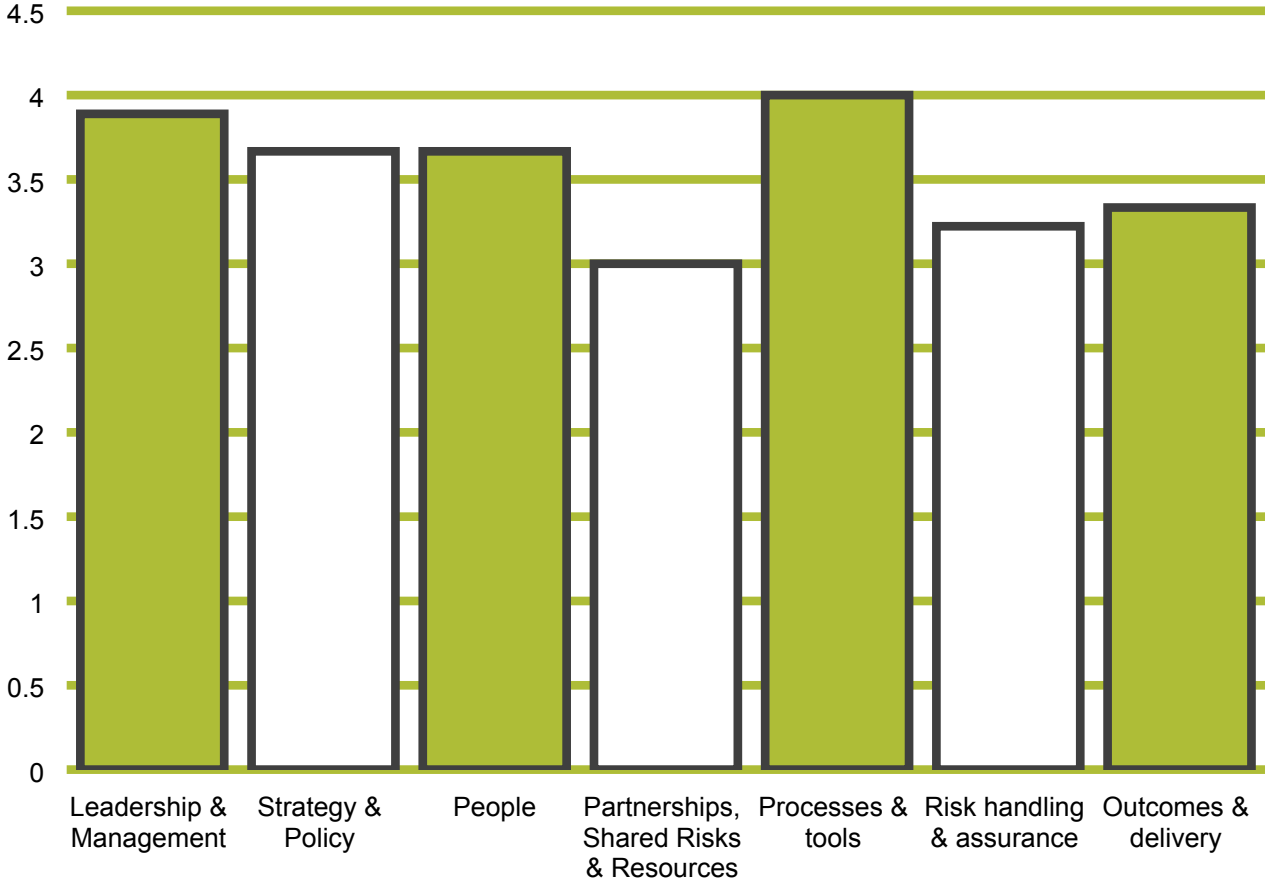
- Risk appetite and management approaches are regularly reviewed.
- Challenges of risk management at Audit Committees.
- Regular performance reports.

Key points from areas for improvement

- Integration of risks throughout all processes that will result in positive outcomes.

Figure 1

Average score of maturity strands

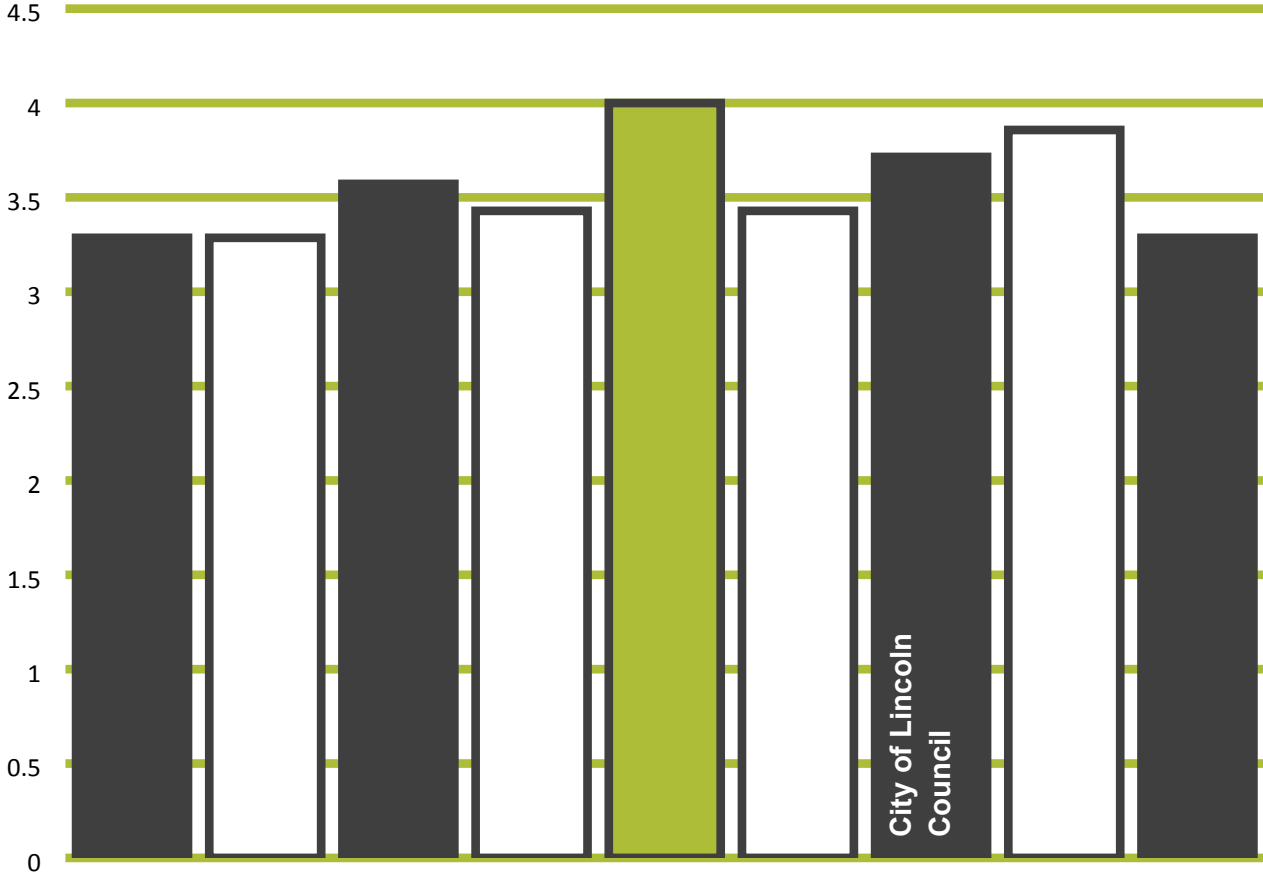


As you can see from the graph, the most embedded strands are Leadership & Management which is closely followed by People, Strategy & Policy and Risk Handling & Assurance. On reflection, the areas to work on are, Partnership, Shared risk & Resources, Processes and Outcomes & Delivery.



Figure 2

Authority overall scores



As you can see from figure 2, the average scores taken from the different strands highlights that the majority of the authorities are at a 'working' level 3.

As a group, it is important to learn from each other especially where there are areas for improvement.



For All Your Assurance Needs



Internal Audit Report

Risk Management

Final

Date: July 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

Contents

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Background and Context

The Council's risk management strategy was developed in 2014 (updated in 2017) and is supplemented by a risk management toolkit which exists as a practical guide for officers.

The risk management toolkit and guidance is currently being updated and will introduce an additional risk appetite category "opportunistic".

Training on the new toolkit has recently been delivered to Service Managers and Corporate Leadership Team, and members are due to attend a training session in July.

Risk registers are live documents so it is important that they are subject to regular review to create an environment of "no surprises"

Effective Risk Management is a key element of corporate governance and is reflected in the Annual Governance Statement.

Scope

The purpose of this review was to focus on the Strategic and Directorate risk registers to ensure that they are up to date,

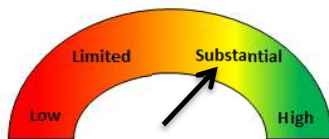
regularly reviewed and risks are actively managed using the correct template.

We also reviewed:-

- Risk management and the new LPMM guidance.
- Partnership/shared services/contract risks registers.
- Follow up on previous audit recommendations
- A (limited) comparison of major risks facing the organisation with other local authorities strategic registers.
- Identification of red and amber areas on the combined assurance report that have not been considered for inclusion in the risk registers.

The review did not include project 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 place and working well:-

- The Council continues to work with Lincolnshire County Council who provide risk management advice, guidance and training.
- The Risk Management Strategy was reviewed in February 2018 (minor amendments) and the risk toolkit has also been updated and a new risk appetite opportunist has been introduced.
- Risk training has recently been delivered to service managers, Members and CLT. An E-Learning risk training package will be rolled out later in 2018 for new staff/ managers.
- Performance Scrutiny and Members are provided with a status update for strategic risks on a quarterly basis.
- The Lincoln Project Management Model has recently been revised; it includes guidance in relation to Risk Management and the ownership and monitoring of risks.
- A partnership register is being developed and this will enable identification of key partnerships and provide an opportunity to consider whether a risk register should be in place.

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

Executive Summary

06


- The identity of the officer/member risk champion needs to be more specific within risk management documentation (strategy & toolkit) to help with the profile of risk management.
- Make the risk strategy available to staff via authority wide and city people.
- Consider additional guidance on the front of the template regarding risk appetite and the need for target dates and responsibility for mitigating actions to be recorded.
- Risk template to include the need to record responsibility for mitigating actions
- Risks for Kier & Aaron are to be transferred to the new template and long standing green risks (business as usual) to be removed to allow focus on current risks.
- The MDD risk register should be reviewed promptly; followed by regular quarterly updates
- A process to be developed to ensure that all directorate risks are reviewed at the required time to enable progress against all risks to be reported.
- Business Management & Team Leader to undertake a more pro active role in reviewing risk registers for key contracts and partnerships.

Training was delivered to both Service Managers and Corporate Leadership Team as the audit reached the report stage. Feedback from the training was very positive; the trainer (Principal Risk Officer LCC) commented that both CLT and Service Managers forum were very engaged and additional meetings have been held/planned to capitalise on the training.

All directorate risk registers have been updated following sessions with service managers and there is an opportunity for the Principal Risk Officer to hold further workshops to continue to drive forward engagement with risk management.

A Partnership audit is due to be completed later this year which will provide additional assurance regarding how risks are managed for strategic partnerships.

Executive Summary



We would like to thank the Business Manager & Team Leader and Principal Risk Officer (LCC) for their assistance during this audit.

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's Operational Risk register

Management Response

Management Response



Both CoLC officers and our colleagues at LCC, who provide our risk management support, seek to ensure that sound risk management arrangements are embedded across the Authority. There have been a number of actions taken this year to further ensure that this is the case, some which were being carried out at the time of the audit. We will continue to implement these alongside the recommendations made during the audit, together which they should maintain our sound level of risk management arrangements.

Provided by Jaclyn Gibson Chief Finance Officer

Advisory Points - Adding Value through Efficiencies

1	Risk Description	Current Rating	Target Rating
	Risks are not managed effectively (training & guidance)	GREEN	GREEN
Findings			
<p>Some improvements have been identified that could be made to the risk management process to ensure compliance and improve the management of risk:-</p> <ul style="list-style-type: none"> a) The officer / member risk champion (currently the Leader and Chief Finance Officer) are not specifically identified within the risk strategy and toolkit. b) The Risk Management Strategy has not been published in City People and is also not available in the Risk Management folder on Authority Wide c) The risk toolkit includes the need to allocate ownership of actions (person responsible for completing the action) and identify a target completion date. A review of the risk registers found that not all risk actions have target dates. There's no requirement on the template to include responsibility for required mitigation actions. d) The risk register template does not include any information relating to risk appetite definitions. A new risk appetite "opportunistic" has been introduced. 			
Implications			
<ul style="list-style-type: none"> a) The identity the officer/member risk champions is not clear. b) The Risk Management strategy is not available to staff. c) The provision of a target date enables progress against an action to be measured/slippage to be identified. Clear responsibility on the required mitigation column will help with ownership and delivery. d) A definition of each risk appetite should be readily available for quick reference to ensure that the correct risk appetite is used. 			

Advisory Points - Adding Value through Efficiencies

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Recommendation		Priority level
<p>a) The officer / member risk champions could be updated/clarified within documentation (policy & toolkit) which would help with the profile of risk management.</p> <p>b) The current Risk Management Strategy should be published on City People and made available to staff in the Risk Management folder in authority wide.</p> <p>c) Staff should be made aware of the importance of providing target dates for actions to be achieved. The requirement for responsibility should be clearly referenced in the register template column heading. Risk registers should be update accordingly to include targets dates and responsibility for mitigating actions.</p> <p>d) Include a brief definition of risk appetite on the template.</p>		Med
Agreed Action	Responsibility	Implementation date
<p>a) The strategy and toolkit were amended during the audit to clarify the officer & member role.</p> <p>b) The updated Risk Management Strategy was published in City People and placed in the Risk Management folder in authority wide during the audit</p> <p>c) The BMTL will notify directorate admin team leaders of the correct risk template to use and the need to provide timescales for actions to be completed.</p> <p>d) A hyper link to risk appetite will be inserted on the template by the BMTL</p>	Chief Finance Officer	<p>a) n/a</p> <p>b) n/a</p> <p>c) 31/08/18</p> <p>d) 31/08/18</p>

Advisory Points - Adding Value through Efficiencies

2	Risk Description	Current Rating	Target Rating
	Risks are not managed effectively –compliance and review	AMBER	GREEN
Findings			
<p>a) An update of the current strategy and guidance is due to be completed; this will include a new risk appetite category of “opportunist” existing risks should be assessed against this new appetite.</p> <p>b) The Service Managers group have taken on some of the roles of the disbanded Risk Advisory Group which included oversight of risk registers/risk management. Whilst the main review of registers is at DMT/CLT/CMT level Service managers have an important role to play in contributing to / challenging risk registers. Service Managers can feed into their directorate risk registers via SMT. There has been mixed engagement and ownership of risk by some service managers; recent training identified that this may be due to uncertainty regarding what their involvement is in the assessment of risks.</p> <p>c) The Business Management & Team Leader (BMTL) issues quarterly reminders regarding the need to update directorate risk registers. When reporting on risk management activity at the end of the third quarter for 2017/18 the Major Developments Directorate (MDD) and Directorate of Communities & Environment (DCE) risk registers had not been reviewed. The DCE register has subsequently been reviewed but the MDD risk register has not been updated since May 2017. Subsequently movement against risks could only be identified and reported against for two directorates.</p> <p>d) The current version of the strategic risk register was not in authority wide.</p> <p>e) As part of a recent Housing Audit , it was identified that joint CoIC/Contractor risk registers were in an old format although still discussed). Officers were not aware that an updated template needed to be used.</p> <p>f) We have reviewed the DRR and SRR risk registers and cross checked to the recent Combined Assurance work – Annex A maps 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 risk registers. Work has also been undertaken to compare the Council’s strategic risks with those of other Councils (Appendix B) a review may identify potential strategic risks for COLC.</p>			
Implications			
<p>a) Consideration will need to be given to whether any existing risks fall into the new risk category “opportunist”.</p>			

Advisory Points - Adding Value through Efficiencies

- b) Service Managers play an important role in the identification of potential new risks associated with their functions & activities and assessing how current risks are being managed. A failure to embrace this role and provide feedback at the required time will result in a gap in risk monitoring.
- c) Risks within MDD are not being actively considered using the standard register.
- d) The most up to date version of the Strategic Risk registers should be available in authority wide so that officers are aware of the current position regarding strategic risks.
- e) Housing officers not being aware of up to date (contract) risk register templates could indicate other similar instances elsewhere
- f) Annex A & Annex B provide an opportunity to ensure that all risks facing the Council are included on risk registers.

Recommendation	Priority level	
<ul style="list-style-type: none"> a) Undertake a review of existing risks against the definition of “opportunist” risk b) Ensure that service managers continue to review risk registers at service managers meetings (quarterly) and the results forwarded to DMT review . Consider whether this is sufficient to provide service manager input alongside any specific arrangements within Directorates. c) The MDD risk register should be reviewed promptly; followed by regular quarterly updates. d) The most up to date version of the strategic risk register should be placed in authority wide. e) The BMTL should review contracts and partnerships registers (where a risk register should be in place) and check if it is in the correct format, up to date and regularly reviewed f) Review Annex A & Annex B and consider whether any of the Combined assurance areas and Benchmarked strategic risks should be included within the council’s risk registers. 	Med	
Agreed Action	Responsibility	Implementation date
<ul style="list-style-type: none"> a) Existing risks will be reviewed and assessed against the new appetite. b) The BMTL will email Directorates to make them aware of the audit recommendation (2b) regarding service manager involvement in risk review and the need for engagement between AD’s & Service Managers. The 	Chief Finance Officer	<ul style="list-style-type: none"> a) 30/10/18 b) 31/08/18 c) 31/08/18 d) 31/08/18

Advisory Points - Adding Value through Efficiencies

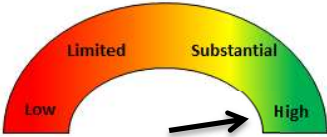
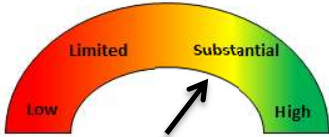
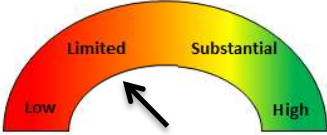
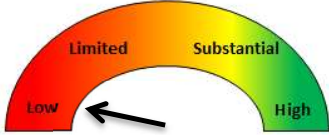
<p>BMTL will attach directorate risk registers to quarterly risk review reminders with a prompt that any comments should be raised to Assistant Directors.</p> <p>c) BM&TL to confirm that the recent review of the MDD risk register has been reflected in an update of the risk template; the updated risk register to be placed in authority wide.</p> <p>d) A PDF version of the current strategic risk register will be saved in authority wide.</p> <p>e) Following completion of the Partnership register the BM&TL will undertake periodic reviews of the register to ensure (where appropriate) that risk registers are completed and reviewed on regular basis.</p> <p>f) A review of Annex a & Annex B will be incorporated into a forthcoming CLT training session.</p>		<p>e) 31/12/18 f) 30/09/18</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	<ul style="list-style-type: none"> Staff understanding of risk 	<p>Consider a simple risk, cause and effect sentence and example in the template to remind staff of the structure of a risk</p> <p>This might help with focus.</p>
AP2	<ul style="list-style-type: none"> There are currently no performance indicators for the completion of risk registers. If the completion of Directorate (and strategic) risk registers was a “strategic” performance indicator this may have helped with completion 	<p>Consider whether the completion of Directorate and Strategic risk registers should be a strategic performance indicator/target.</p>

Appendix 1 - Assurance Definitions

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).

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 2018/19

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

1.1 To present to Audit Committee the Council's accounting policies which are to be used to prepare the 2018/19 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 There have been some significant changes to the 2018/19 CIPFA Code of Practice on Local Authority Accounting which came into effect for financial years beginning 1st April 2018. These changes are in the areas of Revenue recognition and Financial Instruments due to the adoption, by the Code, of International Financial Reporting Standard (IFRS) 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments. The adoption of these new IFRS in the 2018/19 Code does constitute a change in accounting policy which would normally require restatement of the previous year's accounts, but the Code contains provisions for transitional arrangements which only require adjustments to 1st April 2018 opening balances rather than full prior-year restatement. .

3.4 The key changes under IFRS 9 for local authorities are:

- IFRS 9 has introduced a new classification model based on the business model for holding the financial assets and on the nature of the cash flows that might flow from them. Local authorities will therefore need to identify their financial assets, consider them against the new tests in IFRS 9, remeasure any that have changed classification and prepare the relevant adjustments to opening balances and consider the possible impact of statutory reversals.
- IFRS 9 has also introduced a new expected credit loss model for impairment in contrast to the incurred loss model in IAS 39. This model will require local authorities to assess the risk of default on the relevant financial instruments rather than an assessment based on evidence that the default has already taken place. Local authorities will need to calculate their loss allowances based on this new model and adjust the General Fund Balance for these re-measurements.
- In addition, there are substantial new disclosures to support the objective of the standard to assist users in assessing the amounts timing and uncertainty of cash flows. More detail is included in relation to the disclosure of the carrying amounts and the gains and losses on financial instruments held. The expected credit loss model requires information on the credit losses of local authorities including a new disclosure providing a reconciliation of the loss allowances and details of the decisions authorities are likely to make in relation to the estimation and measurement of loss.

3.5 IFRS 15 introduces a five-step model for assessing the performance obligations in a contract for the provision of goods or services and how much of the transaction price is to be taken as each obligation is satisfied. In most cases, this will not change the way revenue is currently recognised within the accounts.

3.6 However, IFRS 15 might require some reconsideration of contracts where there is a significant timing difference between the authority providing goods and/or services and receiving payment. Payments in advance will bring a particular risk that the recognition point for income might have to be pushed back.

3.7 Revenue relating to such things as council tax, business rates, and housing rents shall be measured at the full amount receivable as these are statutory duties of the Council and there can be no difference between the delivery and payment dates.

3.8 The accounting policies for the 2018/19 Statement of Accounts are detailed in Appendix 1, with all amendments highlighted for review. Due to the nature of the financial activities within the authority the change is not expected to have a material impact to the 2018/19 accounts

3.9 Members are reminded that, by statute, the preparation of draft accounts has to be completed by 31st May and the audited statements need to be published by 31st July following the relevant year end.

4. Strategic Priorities

4.1 There are no specific impacts on the Council’s strategic priorities arising as a result of this report.

5. Organisational Impacts

5.1 Finance

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.

5.2 Legal Implications including Procurement Rules

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

6. Recommendations

6.1 That Audit Committee review and note the Accounting Policies to be used for 2018/19 Statement of Accounts.

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: Jaclyn Gibson, Chief Finance Officer
Telephone (01522) 873258

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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payment due under the statutory arrangements will not be made, the asset is written down and a charge made. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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.

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Loans and receivables

~~Loans and receivables~~ Financial assets measured at amortised cost 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 ~~financial assets held by 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.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has a number of loans to local organisations. It may not have reasonable and verifiable information to support the measurement of lifetime losses on individual loans without undue cost or effort to support the measurement of lifetime expected losses. It has therefore assessed losses for the portfolio on a collective basis.

The Council has grouped the loans into four groups for assessing loss allowances:

- Group 1 – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.
- Group 2 – Loans to related parties. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.
- Group 3 – Money Market funds. Loss allowance will be assessed on market value of the investment in the fund.

Available-for-Sale Assets – Financial Assets measured at fair Value through Profit and Loss (FVPL)

Available-for-sale Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

The fair value measurements of the financial assets are based on the following techniques:

- 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

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.

Joint Operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the

arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the council as a joint operator recognises:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

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, **even if this doesn't match the pattern of payments.**

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
- Dwellings and 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.

In relation to Council Dwellings, depreciation is based on the Existing Use Social Housing Value (EU-SHV) on the components, deemed to be land and buildings.

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.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

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 in active markets for identical assets or liabilities that the Council can assess at the measurement date.
- 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.

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SUBJECT: IAS19 – ASSUMPTIONS USED TO CALCULATE PENSION ENTRIES IN THE 2018/19 STATEMENT OF ACCOUNTS

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

1.1 To allow the committee to consider the assumptions the pension fund actuary proposes to use in preparing IAS19 figures for inclusion in the 2018/19 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 2018/19.

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 2019 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 Audit Committee approve the IAS19 assumptions the pension fund actuary proposes to use in preparing IAS19 figures for inclusion in the 2018/19 Statement of Accounts.

Key Decision	No
Key Decision Reference No.	N/A
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:	Jaclyn Gibson, Chief Finance Officer Telephone: 01522 873258 Email: jaclyn.gibson@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 best 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 an employer specific assumptions paper covering the assumptions key to your organisation, what changes to assumptions could be made, and the estimated financial 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 and how these impact on your organisation's accounting figures.
- 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.

Engaging directly with the Actuary preparing your FRS102 / IAS19 report is typically more cost-effective than seeking third party advice.

For more information about our enhanced service, please [click here](#) or call one of our accounting specialists - Craig Alexander on 0141 566 7843, Kameel Kapitan on 0141 566 7880 or Tom Hoare on 0141 566 7991.

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.

Briefing note

Local Government FRS102 / IAS19

January 2019

“ 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) and is discussed with the National Audit Office, Audit Scotland and Wales Audit Office.

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 2018 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 2019 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 December 2018)

The following table shows our default financial assumptions at 31 December 2018, based on the above methodology. Our default assumptions used for the 31 March 2018 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 December 2018**.

Duration category	31 March 2018		31 December 2018	
	Discount rate	RPI (CPI)	Discount rate	RPI (CPI)
Short	2.6%	3.4% (2.4%)	2.8%	3.5% (2.5%)
Medium	2.7%	3.4% (2.4%)	2.9%	3.4% (2.4%)
Long	2.7%	3.3% (2.3%)	2.9%	3.4% (2.4%)

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 the area identified as a 'significant governance issue' as set out in the 2017/18 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 issue raised in the latest AGS.

In addition the report highlights and reports on five areas that whilst not considered significant issues, have been designated as 'Areas of interest' – that is areas that have been subject to change or would benefit from having a governance overview.

3. Background

3.1 Monitoring of the 2017/18 AGS Issue

The updates on the significant issue identified within the 2017/18 AGS are included within **Appendix A**

This is monitored by the Service Manager's Group and overseen by Corporate Leadership Team as well as monitored at the Audit Committee.

4. Summary of Findings

There is now just one significant issue remaining – which is now considered, by the responsible officer to be amber.

- Information Management – As indicated in earlier reports, we had an excellent preparation for the implementation of the General Data Protection Regulations in May 2018. Member training was offered in October 2018 and January 2019.

The main outstanding actions now are in regards to whether our contractors are all applying GDPR to the same standards as we are. All new contracts and renewals have GDPR clauses. Existing contracts are being updated and reviewed based on risk.

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

- Partnership Companies – Following the announcement In October 2018 that the HRA borrowing cap would be removed, there is no longer a compelling need for the creation of a housing company, which was our only proposed Partnership Company
- Compliance to the Lincoln Project Management Model was monitored through the transition period from the SPIT group to the new Capital Programme Group, Project Sponsors and the Vision Groups. A Project Implementation Review is being planned for the summer 2019
- Western Growth Corridor – as the biggest project the council has ever undertaken, we need to ensure that governance is effective and efficient. Processes are in place to ensure this is so including for the next stages to follow in 2019
- Use of professional advice – A new committee report template is in place to improve the collation of key data and as above Legal and Finance representatives are to sit on all key Project/Programme Boards
- Some Housing Responsible Officer duties were not completely rolled out and a plan has been developed to complete this work. A bespoke HRA handbook has been drafted and training plans are progressing. The scheduled end date has now moved to April 2019

5. Strategic Priorities

This report does not focus specifically on any of the four Vision 2020 priorities, but does contribute significantly towards the High Performing Services aspect which underpins these aspirations.

6. Organisational Impacts

6.1 Finance (including whole life costs where applicable)

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

6.2 Legal Implications including Procurement Rules

There are no direct legal implications.

6.3 Equality, Diversity & Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination

- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

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

7. Risk Implications

- 7.1 (i) Options Explored - n/a
- (ii) Key Risks Associated with the Preferred Approach n/a

8. Recommendation

- 8.1 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
 - 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

Quarterly Summary of Progress with AGS Risk Action To Audit Committee 26th March 2019

Significant current issues from 2017/18 to focus on in 2018/19.

The risk actions below were identified in the 2017/18 AGS review. Progress will continue to be made in 2018/19, monitored and driven forward by the Service Managers Group and reported to Audit Committee quarterly.

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

- Information Management and IT disaster recovery: significant progress has been made and the decision was taken that this is no longer significant
- Three new areas to 'watch' identified – WGC governance arrangements; use of professional advice and Housing Responsible Officer duties

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	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
<p>Information Management:</p> <p>Legal and Democratic Services Manager</p> <p>DPO</p>	<p><i>2017/18 AGS narrative: During 2017/18 significant progress has been made towards achieving the aim of being fully compliant with General Data Protection Regulation (GDPR) by the implementation date in May 2018. However there remain a number of areas still in progression and due to the seriousness of non-compliance, until these are completed, this area will remain a significant issue</i></p> <p>AMBER to GREEN:</p> <ul style="list-style-type: none"> • Ongoing Information Governance Plan and Strategy to be devised and approved in working group. • Privacy Impact Assessment procedure currently being improved upon following consultation with users. • Continuation of review of Personal Data beyond retention for deletion particularly in systems. • Continuation of expanding upon our Corporate Asset Register and Records of Processing. 	<p>Data Protection Officer recruited and appointed March 18.</p> <p>The Information Governance Team devised and implemented a GDPR Action Plan and Working Group prior to GDPR coming into force 25 May 18. Some actions are ongoing including Contracts and partnerships review to include GDPR clauses.</p> <p>Original Data Protection Impact Assessment procedure rolled out to staff prior to May 18.</p> <p>Council customer privacy policy consulted on with staff and published on website May 18.</p> <p>Access to personal information requests procedures updated to reflect new rights for Data Subjects.</p> <p>GDPR Policy drafted, approved and rolled out for all staff to acknowledge through net-consent system May 18.</p> <p>All Information Management Policies reviewed, updated and approved May 18.</p>	<div style="border: 1px solid black; width: 30px; height: 30px; background-color: yellow; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> A </div>

	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
	<ul style="list-style-type: none"> Finalisation of contracts and partnerships review for GDPR clauses and information sharing arrangements. Any additional work to ensure ongoing compliance with the Data Protection Act 2018 and GDPR 	<p>E-learning for Data Protection up to 90% completion rate for all staff as at March 2019.</p> <p>Information Asset Owner training has been completed and IAO annual checklists rolled out. First checklists returned by IAO's Sept 2018.</p> <p>GDPR guidance provided to all Members May 2018 and full training for new members. Member training took place on 11.10.18 and all members received copies of the training and guidance. A follow up session for members unable to attend was offered. Training for new members arranged for May 19.</p> <p>Contracts review continues. All new contracts and renewals have GDPR clauses. Existing contracts are being updated and reviewed based on risk.</p>	

Other areas of interest - to retain a focus on during 2018/19 but not classed as 'significant issues';

	Areas of interest	Latest update	
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>At this point the only proposed new Company is the Housing Company. This has been put on hold until the appointment of a new Housing Director, who will decide on the need.</p> <p>At this point there are no other new ventures in the immediate frame, but the TFS Board has received a general report from the Finance consultant which contained views on when it is appropriate to consider using a partnership company and what safeguards to consider</p>	<p>The need for a Local Authority Housing Company is now being questioned as it was originally seen as a vehicle in which we could provide new homes from borrowing outside of the Local Authority debt cap.</p> <p>In October 2018 it was announced that the HRA borrowing cap would be removed and therefore there is no longer a compelling need for the creation of a housing company.</p>	G

Other areas of interest - to retain a focus on during 2018/19 but not classed as 'significant issues';			
	Areas of interest	Latest update	
Loss of compliance to Lincoln Project Management Model	<p><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> <p>A report on the options for the future of the Strategic Plan Implementation Team (SPIT) was reviewed by CMT and CLT in September 2017. This involved ensuring that the financial monitoring and the operational aspects of project management were both considered for all defined projects.</p> <p>SPIT sat for the last time in March 2017 and a final Q4 outturn report was produced for Performance Scrutiny and Exec.</p> <p>The new Capital Programme Team has been instigated and sits on a regular basis since April 2018</p>	<p>A full review of the Lincoln Project Management Model has been completed and now incorporates agreed changes to move from the old SPIT team to the new Capital Programme Group (CPG), which now monitors all capital projects in detail – along with additional responsibilities which are now undertaken by all Programme Boards and Project Sponsors.</p> <p>The new processes were communicated widely in June 2018 with a new training programme developed for all Project Sponsors, Project Managers and other relevant staff, rolled out through August and September 2018.</p> <p>A new Project Register has been developed which holds the key initiation details of all Strategic and Capital projects as well as the main service projects. A member of Policy Unit has been round all Vision Boards and DMTs to ensure officers know the process and are updating existing projects as well as adding in new ones.</p> <p>A PIR on the LPMM will be conducted in summer 2019 once the processes have bedded in.</p>	G
Western Growth Corridor	<p><i>Western Growth Corridor - to ensure that effective governance is maintained as the project develops further</i></p> <p>This is the biggest project ever undertaken by the City of Lincoln Council, so the governance around all aspects of the delivery needs to be tight and effective. Risk will be considered from every angle.</p> <p>The Lincoln Project Management Model covers all sizes of projects and includes special advice for Mega projects.</p>	<p>The WGC Programme Board is in place – which now includes all of CMT, thus meeting the new LPMM recommendations.</p> <p>There are Sub Groups of the Programme Board for Financial viability and for Legal aspects, and others will be created as and when necessary</p> <p>A full internal project plan is in use, as well as an external design team project plan</p> <p>Regularly updated risk registers developed which is tabled at</p>	A

Other areas of interest - to retain a focus on during 2018/19 but not classed as 'significant issues';

	Areas of interest	Latest update	
		<p>Programme Board at significant milestones</p> <p>Executive is meeting on Wednesday 20 March to consider the next stages of the WGC scheme including:</p> <ul style="list-style-type: none"> - Delivery Agreement: A confidential report setting out the commercial negotiation that has been reached on the landowner Delivery Agreement between the Council and Lindum in line with the key principles agreed by Executive on 24 September 2018. The agreement sets out the basis for how the landowners will work together to bring the development scheme forward; - Scheme Viability: A commercially sensitive report on Scheme Viability where officers assessments show that so long as the Council delivers a significant proportion of the development itself and/or in a form of joint venture then the scheme is viable to proceed; - Delivery of Phase 1a: As a result of the scheme viability assessment work it is proposed that the first 52 units on the Council's land at Skellingthorpe Road is developed by the Council itself for market housing. Sufficient resources, supported by Homes England grant, are available to deliver these new homes with any surpluses being set aside to help fund future phases. - Planning Application Submission: A Part A report provides feedback from the latest consultation and seeks authority to submit the planning application. 	
<p>Use of professional advice</p>	<p><i>Continually ensure that appropriate and timely professional advice is sought on key projects, policies and decisions</i></p> <p>It is particularly important that when reports are taken to Members for decisions, they have full information on all relevant aspects.</p>	<p>A new Committee Report Template has been developed and communicated from Democratic Services to remove some duplication and to clarify the expectations of report writers</p> <p>Reports will not be accepted that have not allowed an appropriate period for consultation by the key areas – especially Finance and Legal. This continues to be monitored and any</p>	<div style="background-color: #6aa84f; color: white; width: 30px; height: 30px; display: inline-block; border: 1px solid black;">G</div>

Other areas of interest - to retain a focus on during 2018/19 but not classed as 'significant issues';

	Areas of interest	Latest update	
	<p>To enable this to be completely up to date consultation is carried out with key departments as part of the report preparation. This consultation must allow sufficient time for individuals to assimilate the possible effects/costs etc. and respond</p> <p>If an Equality analysis is not deemed necessary, an equality statement should be made on all decision reports in the appropriate section</p>	<p>significant issues will be highlighted</p> <p>Legal and Finance representatives are invited to sit on all key Project/Programme Boards</p>	
<p>Responsible Officers</p>	<p><i>Ensure that the remaining Responsible Officer duties within the Housing services are fully rolled out during 2018/19</i></p> <p>The Tree of responsibility identifies all Responsible Officers responsible for the day to day management and safety of designated property or land within the HRA.</p> <p>Housing Department are in the process of replicating work undertaken across all other assets assisted by CH&S</p> <p>The aim is to complete the main stages – up to Job description changes by December 2018. However it should be noted that all activities are still being carried out currently.</p>	<p>Strategic Director for Housing & Investment has tasked AD-I&S with completing this work.</p> <p>There is a designated name to each item on the list of HRA properties and land.</p> <p>Guidance has been adapted from the original (GF) guidance to ensure it is fully applicable to the HRA.</p> <p>We have identified the requisite changes to Job Descriptions.</p> <p>Appropriate training has been commissioned for the responsible officers.</p>	<p style="text-align: center;">A</p>

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SUBJECT: INTERNAL AUDIT PROGRESS REPORT

REPORT BY: JOHN SCOTT, AUDIT MANAGER

LEAD OFFICER: JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

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

2. Executive Summary

- 2.1 The report highlights progress against the audit plan.

3. Background

- 3.1 A key requirement of public sector internal audit standards is that Internal Audit should report progress periodically to those charged with governance. The Audit Committee has within its terms of reference the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan. The latest progress report for 2018-19 is attached as the appendix to this report.

3.2 Internal Audit Progress Report

- 3.3 The Internal Audit progress report attached (Appendix A) covers the following areas :-
- Progress against the plan
 - Summary of Audit work
 - Implementation of Audit recommendations
 - Current areas of interest relevant to the Audit Committee

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

- 4.1 Finance (including whole life costs where applicable)

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

- 4.2 Legal Implications including Procurement Rules

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

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

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

5. Recommendation

5.1 Audit Committee is asked to note the content of the latest Internal Audit Progress Report for 2018-19 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 2019

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Contact Details:

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 Audit Manager



For all your assurance needs
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Introduction

1. The purpose of this report is to:
 - Advise of progress made with the 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 2018/19 audit plan is progressing well; at the end of February 84% has been completed of the revised plan, which is on target. The Plan is attached at Appendix 2 and shows progress to date.
3. Committee will be given an update on audit reports reaching one year old which have outstanding recommendations – see section 10 for a summary and a separate report for the details.

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 / Advice
Bank (key controls)	Council House Sales	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.

Bank – High Assurance

We found that the expected controls are in place, and operating as expected, to manage the key risks when processing electronic income.

We did not identify any areas requiring improvement.

Council House Sales – Substantial Assurance

Under the Right to Buy (RTB) scheme, secure tenants of Local Authority Housing have the legal right to buy their home at a price lower than the full market value. The qualifying period to be eligible for the RTB scheme is 3 years and the amount of discount depends on the length of the tenancy. The maximum discount is currently £80,900 and the maximum percentage discount is set at 70%.

This audit gives independent assurance that the sale of council houses is being administered in accordance with legislation and income from the RTB sales is being correctly accounted for.

We are able to award Substantial assurance based on our findings. Processing Right to Buy (RTB) applications involves three teams; Finance & Leasehold, Property Services & Legal, each have a specific role to play in processing the application. We found;

- The Finance & Leasehold Team have a comprehensive procedure manual which documents the RTB process including liaison with other departments and updates to I.T. systems.
- Legislative requirements are incorporated into procedures; key dates are monitored to ensure compliance.
- Discount levels are correctly updated each year and maximum discounts have not been exceeded.
- Right to Buy applications are made on the correct form
- Key checks include:-
 - Tenancy dates are verified and eligibility established
 - Tenant signature is genuine
 - Consent is obtained when a joint tenant does not wish to purchase
- Cost floor information is obtained and assessed for each RTB application.
- Valuations and discount calculation are carried out by Property Services; the discounted price is checked by two other members of the team.
- Property records on Universal Housing are updated to show a pending RTB application to ensure only essential repairs are carried out. The record is updated following the sale.
- A process is in place to ensure any debts/ rent owing to the Council are cleared prior to completion.
- Sales are not completed until all money due is received into the authorities bank account.
- A covenant is put on the property to offer it back to the Council if it is placed for sale within ten years of completion.

- The reconciliation of RTB income is undertaken as part of quarterly submissions to HMCLG; RTB income is monitored to identify potential repayments to central government.

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

- The introduction of a process (a spreadsheet) to record and calculate the qualifying years. From a sample of 5 discount calculations we found that for one RTB application the number of years had been incorrectly calculated (10 years instead of 11) which resulted in the incorrect discount being awarded (correct discount was £35,340 discount given to the applicant was £34,200). Testing was extended and a further sample of 112 applications confirmed that all discounts had been correctly calculated.
- Additional guidance points to be documented in respect of calculating qualifying periods for overlapping tenancies and joint applications where the tenancy that attracts the higher rate of discount should be used.

Other Significant Work

5. Updates on other significant work;

Audit Plan 2019/20

A Draft Plan was considered by Audit Committee in February and a Final Plan is presented in a separate report.

Combined Assurance Map

The Combined Assurance report has been considered by CMT and is presented in a separate report.

De Wint Court

Internal Audit continue to provide project risk management support for the feasibility group.

Counter Fraud

The following work is complete or underway;

- National Fraud Initiative – the required data sets have been submitted and matches received and work has commenced on their review.
- Housing Tenancy Fraud – a data matching review is being arranged and results are due March 2019
- Counter Fraud training – training has been obtained through the Assurance Lincolnshire partnership and has been rolled out to all staff and members

- Updated the Counter Fraud Strategy and the Anti-Money Laundering Policy - approved by Audit Committee 11 December 2018 and Executive 7 January 2019.
- Updating the corporate Fraud Risk Register – updated December 2018 and presented to Audit committee with the Counter Fraud Strategy.
- Counter fraud health check will be completed – this may roll over into the early part of 19/20

Northamptonshire County Council – governance and financial issues

Due to the delay by the Government in issuing financial resilience guidance the report will be presented to the next meeting.

Private Sector Housing HMO Licensing & Hazards – Follow Up

Further system implementation delays and staff shortages have resulted in this detailed testing on completed recommendations being postponed. It will now be undertaken during 2019/20 and will be reported once it is completed.

Audits in Progress

6. The following audits are in progress;

- Values & Culture – report being produced
- Health & Safety (Housing Fire risk) – report being produced
- Fees & Charges VFM – fieldwork in progress
- Community Infrastructure Levy / S106 agreements – fieldwork in progress
- Procurement – fieldwork in progress
- Vision 2020 project management – fieldwork in progress
- Partnership governance – fieldwork in progress
- Information governance / GDPR – fieldwork in progress
- Business Rates Growth Policy – fieldwork in progress
- Emerging Legislation – fieldwork in progress

Audit Recommendations

7. There is a formal process for tracking Internal Audit recommendations; they are recorded on a monitoring spreadsheet which management can record progress updates on at any time. Performance DMT's and Portfolio Holders monitor progress quarterly. On a monthly basis Internal Audit monitor recommendations becoming due. 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.

There are no audits to report reaching one year old where recommendations are still outstanding.

An outstanding recommendation from the Boutham Park Refurbishment audit in 2017/18 was reported in February but the service manager responsible was unable to attend at that time;

Revised Due Date	Agreed Action & Priority	Status	Service Manager comments
31/03/2019	Partnership Agreement to be signed (Medium)	In progress. 6mth extension agreed.	We made good progress on agreeing the terms of the revised Partnership Agreement with Linkage. There are just a few details to finalise which neither party envisages causing any problems. The delay has been purely down to the lack of staff resource to deal with this within the service. The Boutham Park project has been without a dedicated Project Manager for almost a year now, and this task is one of many that are having to be covered by the Community Services Manager as Caretaker Project Manager, alongside 'business as usual'. We are aware of the need to sign off the revised agreement and doing our best to prioritise this by the end of the year, and certainly by the formal closedown date of the delivery phase of the Boutham Park Restoration project (late February). In the meantime, we have a Partnership Agreement which fulfils the needs for the project at the current stage. (Community Services Manager)

The table below shows a summary of all audits where recommendations are overdue / extended, implemented and not yet due.

Recommendations Update (at 12th March 2019)

Audit Area	Date	Assurance	No of Recs	Implemented	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress since previous Committee
2015/16							
ICT Mobile Devices	Mar 16	Substantial	6 (1 High)	4	2 (1 High)		Both due May 2019
2017/18							
Responsive Repairs	Jun 17	Substantial	6	5	1		Due March 2020
Boultham Park Refurbishment	Jun 17	High	2	1	1		Due March 2019
IT Disaster Recovery	Oct 17	Substantial	18	17	1		6 completed Remaining rec due June 2019
IT Applications	Nov 17	Substantial	6	5	1		Extended to June 2019
Tenancy Services	Jan 18	Substantial	10 (3 High)	2 (1 High)	8 (2 High)		8 recs extended by 3mths
Procurement	Apr 18	Substantial	6 (1 High)	6 (1 High)			1 completed. All now implemented.
HMO Licensing and Hazards	Jun 18	Limited	20 (5 High)	14 (3 High)	6 (2 High)		Due May & June 2019
Housing Investment	Jun 18	Substantial	23 (4 High)	8	10 (1 High)	5 (2 High)	Under review with Manager – some extensions to May 2019

Audit Area	Date	Assurance	No of Recs	Implemented	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress since previous Committee
Council Tax	Jul 18	Substantial	6	5	1		Extended rec is due to be completed by target date (March 2019)
2018/19							
Risk Management	Jul 18	Substantial	8	7	1		Due May 2019
Sincil Bank Regeneration	Aug 18	Substantial	10 (1 High)	9 (1 High)	1		Extended rec is due to be completed by target date (March 2019)
Commercialisation	Oct 18	Substantial	4 (1 High)	1 (1 High)	3		3 recs extended by 3 months (to June 2019)
IT Applications	Oct 18	Limited	8 (2 High)		2 (2 High)	6	Extended to August 2019
Malware / Anti- virus	Nov 18	Substantial	9 (5 High)	5 (2 High)	2 (1 High)	2 (2 High)	1 completed 2 recs extended by 3 months to June 2019
Transport Hub	Dec 18	Substantial	2			2	Both due March 2019
Council House Sales	Feb 19	Substantial	3 (1 High)			3 (1 High)	

Performance Information

8. Our performance is measured against a range of indicators and is shown at Appendix 4. There are no concerns in any areas.

Other matters of interest

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
Chief Executive - Critical Activities					
Human Resources (10)	Workbased learning – financial and operational risks	Q3-4		<i>Moved to 19/20 due to changes in the service (AC advised Dec 18)</i>	
Human Resources (3)	Attendance management follow up	Q4	Feb		Draft report – Substantial assurance
Human Resources (10)	Recruitment process	Q4		<i>Moved to 19/20 at the request of management (AC advised Feb 19)</i>	
Commercial Property & Business Support (10)	Commercial property & workspace income	Q3	Oct	Jan	Completed – High assurance
Business Strategy (Vision 2020) (10)	Management of key projects	Q4	Mar		In progress
Partnerships (10)	Governance and effectiveness.	Q4	Mar		In progress
Commercialisation (10)	Review of strategy / projects	Q2-3	July	Oct	Completed – Substantial assurance
Housing and Regeneration - Critical Activities					
Housing Allocations / Choice Based Lettings (10)	Migration of data Data accuracy	N/A		Used for risk management support to Working Groups – Completed	
<i>Housing Voids, Aids & Adaptations, Rechargeable repairs</i>	<i>Management arrangements</i>	<i>TBA</i>		<i>Potential audit but no spare time. Included in 19/20 Plan</i>	
Council house sales (5)	Sales / discounts and income.	Q3	Oct	Feb	Completed – Substantial assurance
New Build / Housing Company (10)	Contracts and links to the housing company	TBA		Used for risk management support to the De Wint Court project group	
Health and Safety (10)	Housing fire risk - governance arrangements	Q3	Sept		Report being produced. Delayed due to Client
Communities & Environment - Critical Activities					
Planning (10)	Community Infrastructure Levy & S106. Local plan delivery and monitoring.	Q4	Feb		In progress Assurance on the Local Plan will be taken from work by NKDC & WLDC.

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Private Sector Housing (5)	DFG / Arrangements for the new Heating scheme	Q2	N/A		Background work has found that the audit is no longer required. The days will be used for existing audits (AC advised Dec 18). Some advice work was completed in February on PSH.
Major Developments - Critical Activities					
Growth (10)	Economic & Growth agenda - strategies, investment, partnerships, infrastructure.	N/A			Moved to 19/20 as the strategies are being developed during 18/19. The days will be used for the Values & Culture review (AC advised Sept 18)
Transport Hub (8)	Closedown of works and final account	Q2-3	Sept	Dec	Completed – Substantial assurance
Chief Executive - Financial & Governance					
Benefits (10)	Universal Credit roll out incl Housing impact.	Q4			Initial research completed for an audit in 19/20.
Counter Fraud (20)	Liaise with the Lincolnshire Counter fraud partnership, undertake a Counter fraud healthcheck, engage with NFI, build on work from Fraud risk assessment, and continue to roll out the fraud e-learning training.	Q1-Q4			In progress; <ul style="list-style-type: none"> • NFI data submitted. • Housing Tenancy Fraud review organized • Fraud e-learning training rolled out to staff and members
NNDR (5)	Business Rates Growth Policy/Reliefs	Q4	Feb		In progress
Bank (5)	Banking arrangement key controls	Q3	Nov	Feb	Completed – High assurance
Procurement (10)	Review of frameworks & OJEU procurement plus social value policy.	Q4	Feb		In progress
City Lottery (3)	Governance arrangements	Q2	Aug	Oct	Completed – Advice work No significant issues
Governance (10)	The Council's cultural framework	Q1	May		Report being produced
Governance (5)	Governance key controls for annual assurance.	Q1	April	May	Completed – no issues.
Risk Management (5)	Council's risk management arrangements	Q1	April	July	Completed – Substantial assurance

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Information Governance (10)	General Data Protection Regulations	Q4	Mar		In progress
ICT Audit (30)	Applications	Q1	July	Oct	Completed – Limited assurance
	Cyber risks	Q2-3	Sept	Nov	Completed – Substantial assurance
	ICT Strategy implementation & ICT project / programme management	Q3			Moved to 19/20 – Strategy delayed (AC advised Dec 18)
	Extended ICT Assurance mapping				Replaces ICT Strategy.
IT DR/Business Continuity (3)	Follow up of the Business Continuity Group actions from the 2017/18 IT DR audit	Q4			BC group working through previous audit Follow up review 19/20
Western Growth (15)	To review project management arrangements	Q1-4			Progress is being monitored and work will be undertaken at the appropriate time.
Programmes and Projects (13)	Sincil Bank Regeneration	Q1	June	Aug	Completed – Substantial assurance
	Review of project / programme governance arrangements, incl SPIT replacement	Q4			Not being undertaken as Policy are undertaking a similar review.
Consultancy / VFM (10)	Fees & Charges review	Q3-4	Sept		In progress
Emerging Legislation (2)	Arrangements for forthcoming legislation	Q4	Feb		In progress
Other work					
Audit follow up work (10)	Assurance that actions from previous key audits have been implemented	Q1-Q4	Q1-4		Progress information is provided to every Audit committee
Combined Assurance (10)	Update the integrated assurance map	Q3/4	Nov	Mar	Completed. To Audit cttee April 19

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Contingency and Emerging risks (30)	Contingency for any brought forward work and emerging risks	Q1-Q4			Part used for completion of 17/18 audits.
Advice and liaison, management, reactive investigations (35)	As area	Q1-Q4			Ongoing
Annual Internal Audit Report (3)	As area	Q1	April	May	Completed. To Audit cttee June 18
Audit Committee –(20)	Audit Committee support	Q1-Q4			Ongoing
Housing Benefit Subsidy (50)	Testing on behalf of External Audit	Q1-2	May	July	Completed
Review IA Strategy and Planning – (5)	New Plan for 2019/20	Q4	Dec	Mar	Completed. To Audit cttee April 19.

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 2018/19 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	84% at end of February
Percentage of key financial systems completed.	100%	100% end Mar	100% (1 due & completed)
Percentage of recommendations agreed.	100%	100%	100% (41 out of 41)
Percentage of High priority recommendations due implemented.	100% or escalated	100% or escalated	60% (5 due and 3 implemented)
<p>Timescales:</p> <p>Draft report issued within 10 working days of completing audit.</p> <p>Final report issued within 5 working days of closure meeting / receipt of management responses.</p> <p>Period taken to complete audit –within 3 months from fieldwork commencing to the issue of the draft report.</p> <p><i>NB – Not all completed work is included within the timescales, e.g. non assurance work / where no formal report is issued such as benefit subsidy; fraud work etc.</i></p>	<p>100%</p> <p>100%</p> <p>80%</p>	<p>100%</p> <p>100%</p> <p>80%</p>	<p>89% (8 out of 9)</p> <p>100% (9 out of 9)</p> <p>78% (7 out of 9)</p>
<p>Client Feedback on Audit (average)</p> <p><i>NB – feedback is generally only obtained for formal assurance work although sometimes it may be obtained for other types of work.</i></p>	Good to excellent	Good to excellent	<p>Good to excellent.</p> <p>Average score – 31 out of 32.</p> <p>(7 issued and 6 returned)</p>

SUBJECT:	COMBINED ASSURANCE REPORT
REPORT BY:	JOHN SCOTT, AUDIT MANAGER
LEAD OFFICER:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 By grouping 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. Inquiries for Those Charged with Governance

2.1 The report provides an overview of assurance across the Council. It combines 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 2018/19.

2.2 The report is attached at Appendix A.

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.

The report also feeds into the assurances considered for the Annual Governance Statement and informs the Internal Audit Plan.

3. Organisational Impacts

3.1 There are no direct financial impacts.

3.2 There are no direct legal impacts.

3.3 Equality, Diversity & Human Rights

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

4. Recommendation

4.1 That Audit Committee note and comment upon the Combined Assurance report.

Is this a key decision? No

Do the exempt information categories apply? No

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

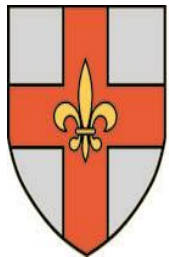
How many appendices does the report contain? One

List of Background Papers: None

Lead Officer: John Scott, Audit Manager
Telephone (01522) 873258

Combined Assurance Status Report

169
Draft



CITY OF
Lincoln
COUNCIL



March 2019

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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Risks	13
Corporate Governance	14

The contacts at Assurance Lincolnshire for this review are:

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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 95 critical services / systems, 82 projects and 10 Strategic risks

Out of the total of 187 areas;

- 141 have Green assurance (75%)
- 45 have Amber assurance (24%)
- 1 has Red assurance (1%)

In 2017/18 we identified 78 critical services/systems, 127 projects and 7 Strategic risks. Some existing service areas have been split into further sub-areas for 18-19.

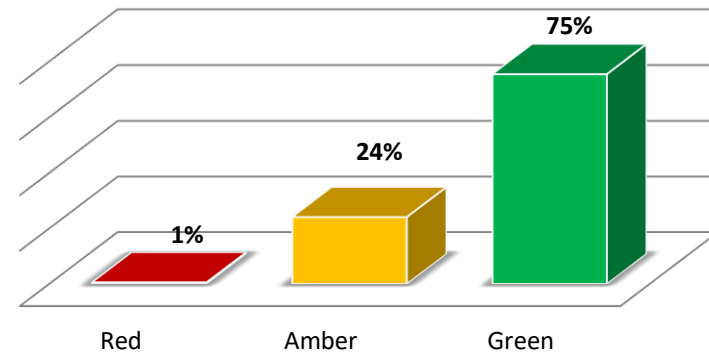
Overall percentage assurance ratings have changed compared to 2017/18 – the shift has been from Green to Amber. This has been partly affected by project assurance and the change in the number of critical areas. We have ensured that in the total figures above there is no double counting between critical services, risks and projects.

The Red and Amber areas have had their audit risk scores increased accordingly and have been considered for the 2019/20 Audit Plan.

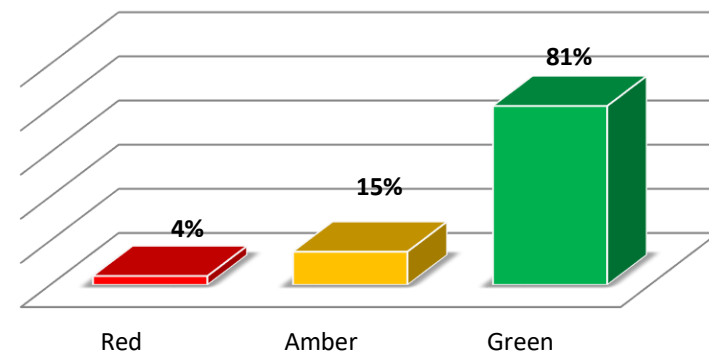
The Red and Amber areas will be considered for inclusion in the Annual Governance Statement.

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

Overall Assurance Status 2018/19



Overall Assurance Status 2017/18





Combined Assurance Status Report

Suggested next steps.....

This is a positive report and plans are in place to manage any mitigate any Amber or Red assurances.



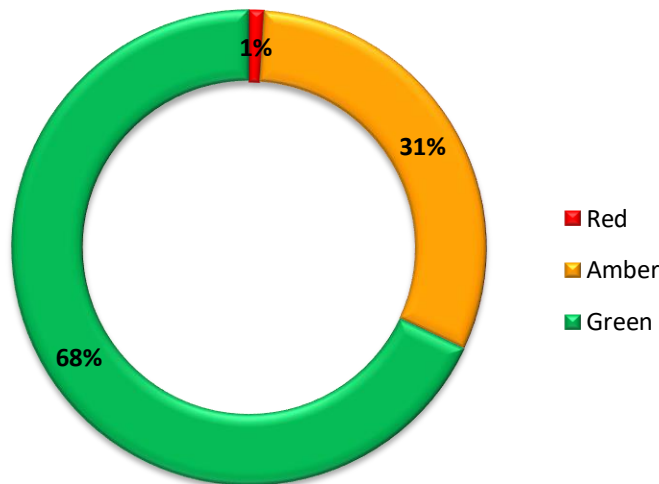
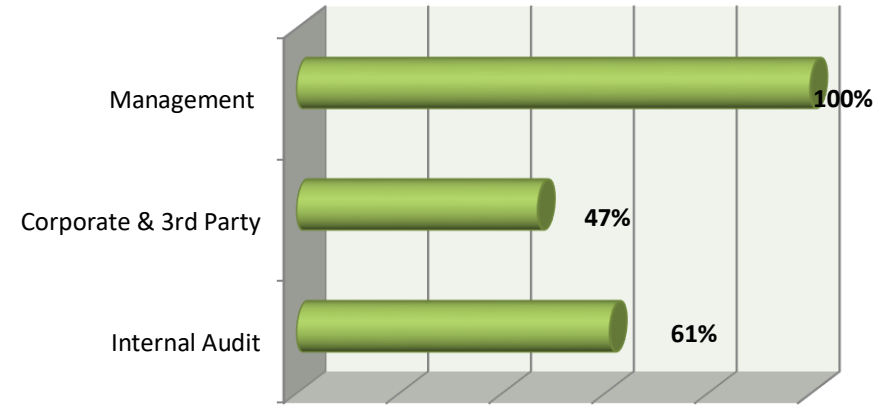
Critical Systems

95 critical services / systems were identified and of these management considered 65 (68%) to be Green, 29 (37%) to be Amber and 2 (2%) to be Red.

In the previous assurance map 73% were Green, 24% Amber and 2% Red. The shift has been from Green to Amber.

Internal Audit provided assurance on 61% 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 are not monitored by a V2020 theme group and do not have current performance information logged within IMPS.



Combined Assurance Status Report

Chief Executives Directorate

There are no Red assurance areas.

Amber assurance areas – continuing from previous year;

Human Resources

- Sickness absence levels are reducing and it is close to being Green assurance.
- People Strategy – Leadership Development and Core Competencies action plan is not yet in place. *CMT are proposing a number of extended CMT sessions over the next few months to map out what the Lincoln Leader/Manager looks, once this has been done then leadership development will follow this core competency criteria.*
- Corporate training & development (further work required linked to People Strategy) – *as above*

Efficiency Targets (Including Commercialism & Asset Rationalisation)

18/19 targets achieved but significant savings required in 19/20.

Corporate Asset Management/Facilities Management

No stock condition survey for a number of years. An Asset Management Plan would help to prioritise expenditure. An updated AMP (Asset management plan) is needed

Business Continuity

Good progress made on IT DR / BC actions but still some to deliver. No longer a significant issue on the AGS.

Workbased Learning / Apprentice scheme

Funding uncertainties remain in relation to training provider rules

Partnership management

Register developed but some outstanding actions to complete.

Counter Fraud (prevention & detection)

Lack of resources - could be more proactive, unable to undertake all projects however the ones completed have been successful

Housing Benefits Subsidy claim

The 2017/18 claim is qualified but has minimal adjustments. Claims have been qualified for a number of years.

Financial Regulations & management

Some updating is required and some service areas need improvement to address historic practices.

Amber assurance areas – NEW;

Values & Culture (linked to HR People Strategy)

Linked to work on the People Strategy in this area around staff engagement and staff charter which is still to be rolled out
There is a series of recommendations coming out of the Local



Combined Assurance Status Report

Government Ethical Standards review, which we are working through for members and officers.

Accountancy closedown

Challenging targets for 18/19 accounts due to staff shortages.

All other key services and critical systems received Green assurance;

- Legal
- Scrutiny
- Electoral Services
- Democratic Services
- Civic and International Partnerships (Twining)
- Payroll
- Procurement
- Finance
- Treasury Management
- Insurance
- Debtors
- Creditors
- Risk Management
- Audit
- Small Business Support
- Property Services
- Revenues - Shared Service
- Revenues- NNDR
- Revenues-Ctax

- Revenues-Recovery
- Benefits/CTS (Note: The number of customers awaiting assessment (HB/CTS) is increasing)
- Corporate Governance (Code)
- Programme / Project Management
- Customer Services
- Performance management
- Social Policy (Anti-Poverty / Community Cohesion)
- Business Development and ICT
- Equality and Diversity
- Member Development



Combined Assurance Status Report

Communities and Environment Directorate

There are no Red assurance areas.

Amber assurance areas – continuing from previous year;

Building Control

Delivering a good service, but income below target. Review of fee levels.

Strategic Waste management

A Joint Municipal Waste Strategy has been approved, however contamination levels in recycling are still an issue. The Governments Waste & Resources Act may place additional demands.

Corporate Health & Safety

A development plan is in place but some timescales have been extended.

Other public health

Strategic role - still trying to persuade Lincolnshire Public Health to set up a strategic health partnership (non-statutory)

Private Sector Housing

Disabled Facilities Grants - a review of resource allocation within the team and new procurement arrangements should improve performance still further

Empty Homes – good progress being made, mainly in Sincil Bank area, but further work is needed to achieve target and progress compulsory purchase orders (CPO's).
HMO licensing (new regulations) is not progressing as quickly as expected – software improvements are being made and further engagement with landlords is in progress
Rogue landlords project – successful high profile cases and now working to achieve all targets for project completion date which could be extended due to additional funding

Central Market

Income budget won't be achieved due to redevelopment works in the area.

Drill Hall

Financial pressures

Non-operational land

Additional funding may be required if areas are reclassified under the Local Plan.

Amber assurance areas – NEW;

Boultham Park restoration

Project successfully delivered - the contract final account is work in progress



Combined Assurance Status Report

All other key services and critical systems received 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 (Note: car park utilisation not at target)
- Bus Station
- Environmental Protection
- Pollution Control
- Food safety
- Public Protection
- Licensing
- Community Centres
- Leisure Centres
- Bereavement Services



Combined Assurance Status Report

Housing and Investment Directorate

There is one Red assurance area - continuing from the previous year;

Choice Based Lettings / Housing Allocations

Some delay registering applications, improvement plan in place. Staffing levels have been an issue for some time. New build properties have caused extra pressure.

Amber assurance areas – continuing from previous year;

Data Protection / Information Management

This remains a complex area and work is ongoing. Good progress although it is still a significant issue on the AGS and is being monitored by the Audit committee.

Housing Business Support

Rechargeable repairs project not completed - waiting for further information on debtors/recovery; SLA with recovery pending

IT and data management - Servitor upgrade to complete and mobile working improvements

Complaints – target not being achieved although being examined

Safety Assurance

Work is required on the asbestos database to improve efficiency (not a risk to operatives / contractors).

Housing Repairs Service – (IT service)

Operation of phones / handheld devices is impacting delivery.

Amber assurance areas – NEW;

Homelessness (was previously Red)

Much improved and statutorily compliant - some action points to complete. Recently agreed new performance targets

ICT

The separate ICT assurance map shows a mix of green and amber assurances. Areas of current focus include ICT strategy, policy review, IT risk register and infrastructure. Cyber security stocktake report received from the LGA and an action plan is being developed.

All other key services and critical systems received Green assurance;

- Tenancy Management / ASB / Resident Involvement
- Void management
- Rent collection
- Housing Needs (Sheltered / supported)
- Housing Solutions - Lincare/Control Centre
- Safeguarding
- Housing Repair Services (Day to day maintenance, Aids and adaptations)



Combined Assurance Status Report

- Housing Investment / Decent Homes / Contracts / Capital Programme / Asset management / Inspection / Gas servicing
- Housing Strategy and Enabling
- Regeneration – Sincil Bank



Combined Assurance Status Report

Major Developments Directorate

There are no Red assurance areas.

Amber assurance areas – continuing from previous year;

Western Growth Corridor

Scheme is progressing but with such a large project there are risk areas to manage moving forward.

Amber assurance areas – NEW;

Markets Redevelopment & City Square

Progress is slower than originally planned although this was necessary and therefore slowed down

New Build Housing

New Homes strategy needs to be developed. Once completed will require a delivery programme including a procurement strategy

All other key services and critical systems received Green assurance;

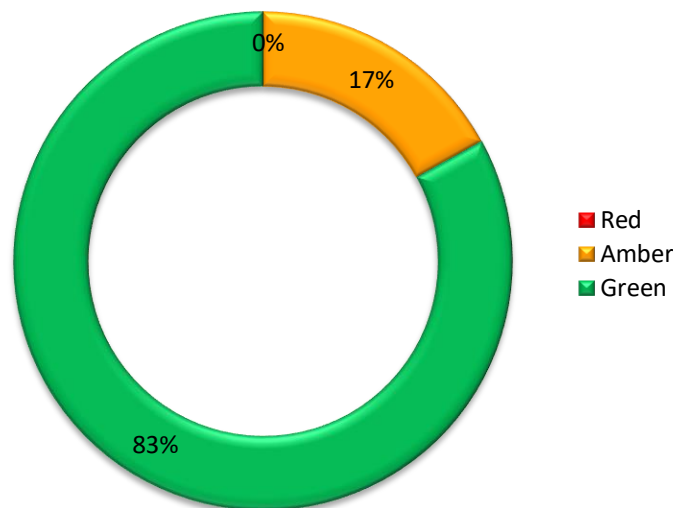
- Growth (Regeneration strategy & delivery)
- Investments & supporting development (large business enquiries, local business support, promotion of the city)

- Transport Hub
- City Centre Masterplan
- Vision 2020 Programme

- Infrastructure (smart cities, improving road & rail links)
- Sustainable urban extensions
- Leisure village



Projects



Overall Comments

The Council has 70 projects linked to the Vision 2020 (V2020) themes and a further 12 Transformation (TOFS) projects.

These are periodically reported to Committee and management provide a “RAG” management (governance) assurance rating

In total there are 82 projects; currently 68 (83%) are Green and 14 (17%) are Amber assurance. There are no Red assurance.

In comparison, project assurance in 2017/18 was; 85% Green, 11% Amber and 4% Red.

Amber assurance projects are;

- Boutham Park restoration (V2020) – final account to complete
- Birchwood Leisure Centre (V2020) – final account sign off when defects completed. TOFS savings progress slower than expected
- Improve biodiversity (V2020) – project needs scoping
- PSICA scheme (V2020) – scheme/ milestones to be developed



Combined Assurance Status Report

- Provide a central hub of support for young people through the Network (V2020) – outcomes being reassessed
- Maintaining support for people moving to Universal Credit (V2020) – uncertainty over future arrangements
- Delivery of Spa Road Development (V2020) – awaiting funding decision
- Social Impact Bond project supporting rough sleepers (V2020) – cash flow concerns
- Lead on the Western Growth Corridor development (V2020) – some key issues to resolve
- Communication Strategy (V2020) – progress slower than expected
- Sickness levels & sickness management (V2020) – some actions still to complete
- Purchase order review (V2020) – lack of progress due to resource issues
- Christmas Market sponsorship (TOFS) - progress slower than expected
- Financial Services restructure (TOFS) – progress slower than expected

Project Management / Monitoring

In March 2018 CLT / AD Group replaced SPIT as the body responsible for reviewing Housing Investment and General Investment Programmes expenditure and receiving project information by exception.

The Lincoln Project Management Model has been updated to reflect these and other changes and formal training has been delivered.

A post implementation review of the operation of these new arrangements will be undertaken in early 2019/20.

Section 106 Group

The Section 106 group is responsible for the monitoring of the Council's S106 agreements and ensures that monies received are used for the correct purpose and spent by the critical expenditure date. The Group provides annual updates to the Performance Scrutiny committee.



Combined Assurance Status Report

Partnerships

Work is still required to develop and embed a partnership governance framework.

Internal Audit will undertake some work in this area in 2018/19

There is a partnership register and there is also a membership of Outside bodies register.

Partnership governance is the responsibility of the respective service manager / Assistant Director to ensure that the Partnership guidance document (recently updated) is followed. The GDPR project is also being used to ensure partnership agreements/contracts are in place.

Partnership risk registers are being reviewed by CMT.



Risks

Strategic Risks

The Council has 10 Strategic Risks – 2 are assessed as Red and 8 as Amber. The Red risks are;

Deliver a sustainable Medium term Financial Strategy

Failure to mitigate against the implications for the Council following the outcome of Brexit

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

- Deliver the Towards Financial Sustainability Programme whilst ensuring the resilience of the Council
- Protect the authority’s Vision 2020 due to changing structures in local government and impact on size, scale and scope of the Council
- 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 one-Council approach.
- Ensure sufficient levels of resilience and capacity exist in order to deliver key strategic projects
- Decline in the economic prosperity in the City Centre
- Failure to deliver key strategic projects i.e
 - WGC
 - New build project
 - Crematorium
 - Dewint Court

The Council has an active approach to risk management and regularly reviews its key strategic risks. Strategic risks are managed through CMT and are reported through the Performance Scrutiny Committee / Executive. Each risk is managed by a senior manager or group.



Combined Assurance Status Report

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

- 8 strategic risks have Green management assurance (substantial assurance)
- 2 strategic risks (decline in the economic prosperity of the City Centre / brexit) have Amber management assurance (Limited assurance)

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

Operational Risks

There are four operational (Directorate) risk registers.

Managers identify operational risks and these are managed through similar processes to Strategic Risks.

There is one Red risk;

- Chief Executives - **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 / Green assurance*)

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

Fraud Risks

A Strategic Fraud Risk register is maintained and periodically refreshed by Internal Audit.

The latest version shows that;

- There are no Red fraud risks
- There are 9 Amber fraud risks;
 - IT / Data (misuse of data, manipulation of data, data theft, cyber fraud, etc)
 - Insurance (false claims)
 - Council Tax (single person discounts, exemptions, avoidance of liability)
 - Council Tax Support Scheme
 - Housing Benefit
 - Housing
 - Elections



Combined Assurance Status Report

- Partnerships & outside bodies
- Identity fraud

The Council works well with partners to deliver some areas together which have had a significant impact (for example single person discount).

There are a range of mitigation actions and linked projects to most of these fraud risk areas.



Combined Assurance Status Report

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.

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 Annual Governance Statement is developed based on a review of governance arrangements and any significant issues are regularly reviewed by Audit Committee.

There is currently one significant governance issue;

- Information Management (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
- HR Training & Development
- TOFS (Towards financial sustainability)
- ICT
- Counter Fraud

End of report



Combined Assurance Status Report

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

1. Purpose of Report

1.1 To provide details of the Audit Committee work programme for 2019/20.

2. Executive Summary.

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

3. Details

3.1 The proposed work programme is attached at Appendix A. The frequency of meetings has been reviewed and is considered appropriate for 2019/20.

4. Organisational Impacts

4.1 Finance

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

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

5. Recommendation

5.1 Audit Committee should comment on and agree the work programme for 2019/20.

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 2019/20

Meeting dates	Audit Items	Training (Suggested)	Comments
13 th June 19	<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 • Audit recommendations report 	<ul style="list-style-type: none"> • Audit Committee effectiveness (new members) • Local Government Financial Statements explained • Annual Governance Statement/Corporate Governance (Part of Meeting) 	
18 th July 19	<ul style="list-style-type: none"> • Statement of Accounts / Annual Governance Statement (Final) • Annual Governance Report / Auditors Report (External Audit) • Terms of Reference review - Internal Audit • Annual Audit Letter (External Audit) 		
26 th Sept 19	<ul style="list-style-type: none"> • Internal Audit progress report • Audit Committee Work Programme • Annual Governance Statement monitoring report • Annual Complaints report • Audit recommendations report 		

<p>17 Dec 19</p>	<ul style="list-style-type: none"> • Audit recommendations report • Internal Audit progress report • Six Month Fraud and Error report • Annual Governance Statement - monitoring • Audit Committee Work Programme • Counter fraud policies + fraud risk register • Information Governance Update • Review of the effectiveness of Internal Audit and Audit Committee • Audit Committee terms of reference review 	<ul style="list-style-type: none"> • Counter Fraud <p>(Via e-learning)</p>	
<p>6th Feb 19</p>	<ul style="list-style-type: none"> • Internal Audit Progress report • Audit Recommendations report • Treasury management policy and strategy (consultation prior to approval by Council) • Audit Committee Work Programme • External Audit annual report on grants and returns • External Audit plan • Draft Internal Audit plan 19-20 • Information Governance Update 	<ul style="list-style-type: none"> • Treasury Management 	

<p>24 Mar 19</p>	<ul style="list-style-type: none"> • Internal Audit Progress report • Audit recommendations report • Combined Assurance report • Annual Governance Statement –update report • Final Internal Audit Strategy and Plan 19-20 (if required) • 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 • 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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SUBJECT: EXTERNAL AUDIT – CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To receive and comment upon the External Audit Certification of Claims and Returns Annual Report for 2017/18.

2. Executive Summary

- 2.1 External Audit are required to report annually the results of the grant certification work. The report for 2017/18 is in a different format to that of previous years due to the appointment of a new External Auditor.

3. Report Summary

3.1 Appointment of Auditors 2017/18

Historically the Certification of Claims and Returns Annual Report has covered both the Housing Benefit Claim and the Housing Pooling Return. The Housing Benefit Claim was completed under the Public Sector Audit Appointment (PSAA) certification arrangements, however the Housing Pooling Return does not form part of this arrangements and is subject to a separate engagement process. As the certification of both claims has previously been carried out by the Council's appointed External Auditor the Housing Pooling Return has been included in the Certification of Claims and Returns Annual report for completeness, but there is no requirement to do so under the PSAA arrangements.

- 3.2 As the Housing Benefit Claim was under the PSAA certification arrangements for 2017/18 the claim has been audited by the Council's External Audit for that financial year, KPMG LLP. However as the Housing Pooling Return was outside the scope of the PSAA certification arrangements the Council appointed its new External Auditor, Mazars LLP to undertake this work. As there is no requirement to report the outcomes of this certification process there is no separate report for the Audit Committee to consider, however Mazars LLP will be in attendance at the Audit Committee and can provide verbal feedback if required.

3.3 Housing Benefit Claim 2017/18

Adjustments were necessary to the Council's Housing Benefit Claim, totalling £607. The claim, as in previous years, was subject to a qualification letter. The claim had a value of £31.9 million.

The fee for certifying the Council's 2017/18 Housing Benefit Claim is £10,570. The actual fee was the same as the indicative fee. The 2016/17 fee was £10,549.

The qualification letter will be sent to the DWP and further adjustments may arise following a review of the claim.

There were also no recommendations to improve the claim completion process.

3.4 Appointment of Auditors 2018/19

For 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that have been established by the DWP. For 2018/19 the Council has appointed Mazars LLP to undertake this work. The Council has yet to appoint an auditor for the Housing Pooling Return for 2018/19.

4. **Organisational Impacts**

4.1 There are no direct financial impacts arising from this report.

4.2 There are no direct legal impacts arising from this report.

5. **Recommendation**

5.1 That Audit Committee should note and comment on the attached audit report.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	One
List of Background Papers:	None

Lead Officer:

Jaclyn Gibson, Chief Finance Officer
Telephone (01522) 873258

SUBJECT:	EXCLUSION OF THE PRESS & PUBLIC
DIRECTORATE:	CHIEF EXECUTIVE & TOWN CLERK
REPORT AUTHOR:	CAROLYN WHEATER, MONITORING OFFICER

1. Purpose of Report

- 1.1 To advise members that any agenda items following this report are considered to contain exempt or confidential information for the reasons specified on the front page of the agenda for this meeting.

2. Recommendation

- 2.1 It is recommended that the press and public be excluded from the meeting at this point as it is likely that if members of the press or public were present there would be disclosure to them of exempt or confidential information.

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