

AUDIT COMMITTEE

Tuesday, 6 June 2023

6.00 pm

Committee Rooms 1-2, City Hall

Membership:	Councillors Chris Burke (Chair), Emily Wood (Vice-Chair), David Clarkson, Thomas Dyer, Gary Hewson, Clare Smalley and Calum Watt
Substitute member(s):	Councillors Natasha Chapman, Martin Christopher, Pat Vaughan and Aiden Wells
Independent Member:	Jane Nellist
Officers attending:	Sally Brooks, Jaclyn Gibson, Michelle Hoyles, Amanda Stanislawski., Democratic Services and Colleen Warren

A G E N D A

SECTION A	Page(s)
A TRAINING SESSION WILL BE HELD IMMEDIATELY PRIOR TO THE START OF THIS MEETING AT 5.00PM IN RELATION TO THE STATEMENT OF ACCOUNTS	
1. Confirmation of Minutes - 21 March 2023	3 - 12
2. Declarations of Interest	
Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.	
3. Annual Internal Audit Report	13 - 34
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6. Audit Committee Work Programme 2023/24	69 - 82
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8. Exclusion of Press and Public	89 - 90

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

9. Information Governance Update - Appendix A

[Exempt Para(s) 3]

91 - 98

Present:	Councillor Rebecca Longbottom (<i>in the Chair</i>)
Councillors:	Jackie Kirk, David Clarkson, Gary Hewson, Calum Watt and Emily Wood
Independent Member:	Jane Nellist
Apologies for Absence:	Councillor Thomas Dyer

59. Confirmation of Minutes - 31 January 2023

RESOLVED that the minutes of the meeting held on 31 January 2023 be confirmed and signed by the Chair.

Councillor Clarkson, referred to the attendance recorded on the minutes and questioned why Officers were not recorded as in attendance.

The Democratic Services Officer confirmed that this was standard practice, this would be raised with Management and a response would be provided following the meeting.

60. Declarations of Interest

No declarations of interest were received.

61. Internal Audit Progress Report (To Follow)

Amanda Stanislawski, 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 from November 2022 to February 2023, as detailed at Appendix A
- b. advised that currently 61% of the revised plan had been completed. There were eleven pieces of work in progress, one of which was at draft report stage
- c. reported that one report had been issued since the previous progress report in November. this was the Stores report which had been given a limited assurance rating
- d. explained that the Combined Assurance work had been completed and the results would be reported in the Annual Report
- e. reported that the issues had been identified with the timeliness of completing the audits and the receiving of agreed actions for the reports. Some of this could be attributed to the staffing levels in the team, but not all. Therefore, work was being undertaken on other processes that could be introduced to improve the engagement process with service areas.
- f. detailed the content of the report covering the following main areas:

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

g. updated that there was one vacancy for an Auditor within the team which would be advertised for recruitment later in the week

The full Stores report was circulated to the committee for consideration.

Daren Turner, Strategic Director of Housing and Investment addressed the Stores report and raised the following main points:

- There were issues in relation to the Stores arrangements for a period of time where it was handed over from one Store provider to another.
- Gave some context to the issue and explained that the transfer of the managed stores contract occurred during the response to the covid pandemic and also at a time where there was staff turnover.
- The audit process had highlighted that there was a potential risk to practices.
- The recommendations had been accepted and addressed.

Question: Asked if any fraud had been identified as part of these issues.

Response: Explained that there was no fraud identified as part of the issues. Assurance was given that the stores environment was not set out correctly but there had been no detriment to the Council. The recommendations would be followed up in approximately one years' time.

Question: Asked if Officers were confident that no fraud had taken place as a result of the issues.

Response: Officers were confident that no fraud had taken place. Procedures had been put in place and the stores were now running as expected.

Question: Asked for clarification on the stores contract.

Response: It was a managed stores contract, where part of Hamilton House was leased to the stores contractor and they managed and monitored the stores.

Question: Asked why the contract had been set up in this way.

Response: The managed stores contract was more efficient and saved money for the Council.

Question: Asked for clarification on "the lack of formal strategic management oversight"

Response: This related to the strategic meetings that should have taken place on a quarterly basis but had not been happening. These meetings were to discuss changes to products, procedures, or suppliers. The meetings had been arranged on a quarterly basis going forward.

RESOLVED that the report be accepted and the monitoring arrangements be continued.

62. **Internal Audit Recommendations Follow Up**

Amanda Stanislawski, Audit Manager:

- a. presented an update to Audit Committee on outstanding agreed actions.

- b. referred to Appendix A attached to her report which provided details of relevant audits, outstanding recommendations, agreed actions and the current position/explanation from the service manager
- c. explained that within the report there were currently 4 High actions and 8 Medium actions remaining to be implemented, there were no overdue actions.
- d. advised that a spot check review had commenced which would check for evidence that recommendations reported as being implemented had been implemented to ensure that the control weaknesses identified were no longer an issue. A report would be issued on a quarterly basis.
- e. invited members' questions and comments.

Question: Asked for clarification in relation to the reclaiming of VAT that had been incorrectly reported.

Response: Confirmed that this had been resolved with the HRMC. Additional checks in reconciliations had since been put in place to check that VAT was reported correctly.

Question: Referred to the Licensing Audit and asked if the recommendation regarding the review of performance measures had been implemented following the extension to the deadline.

Response: Confirmed that the action had been achieved.

RESOLVED that updates on Audit Recommendations report be noted.

63. **Draft Internal Audit Plan - 2023/24**

Amanda Stanislowski, Audit Manager:

- a. presented the draft Internal Audit Plan 2023-24 for consideration and approval, as detailed at Appendix A to her report
- b. advised that the plan had been developed using a combination of the Council's Combined Assurance Model, an assessment of risk and consultation with senior management
- c. reported that the Internal Audit Plan should focus on the key risks facing the Council, be adequate to support the Head of Audit's 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. gave an overview of the current staffing level at paragraph 4.1 of the report and advised that the impact on the current resource was being managed through the engagement of a casual auditor, although in the longer term it reduced the resilience of the team and the levels of income achievable
- e. advised that the annual planned days were 310, which represented a "good" level of audit resource for an authority of this size and allowed the Head of Internal Audit sufficient resources to comply with standards and provide and appropriate audit opinion. This included work across key financial systems,

other governance and due diligence areas as well as critical systems, ICT and counter fraud

- f. explained that the service continued to provide internal audit days through the Assurance Lincolnshire partnership for which the Council received income to help achieve the internal audit agreed net budget. During 2023/24 this had temporarily been reduced by 50% although there was scope to increase once the vacant post was recruited to. It was anticipated that this would increase back to usual levels in 2024/25
- g. invited members' questions and comments;

Question: Asked if the Audit areas which were taken out of last year's Internal Audit Plan were considered for the new plan.

Response: Confirmed that everything had been considered when formulating the new plan.

Question: Asked that given the current staffing level, was the plan achievable or would it need to be revised.

Response: The plan was achievable as we would work with Lincolnshire County Council. We also had a casual auditor working with us and we would not sell as much of our time outside of the organisation.

Question: Referred to ICT and asked why the RAG status was considered not applicable.

Response: ICT had a special, cyclical audit plan. Therefore the risk assessment was not listed here specifically.

RESOLVED that the Internal Audit Plan 2022-23 be approved.

64. **Money Laundering Policy and Procedure**

Amanda Stanislawski, Audit Manager

- a. presented the updated Anti-Money Laundering Policy and Procedures for comment and approval
- b. advised that the Council's Money Laundering policies set out the definition and legislation around money laundering and the responsibility of the Council and its employees.
- c. explained that the review was carried out on the policy's two-year anniversary. The most noticeable change was the format of the policy which included a document control page and paragraph numbering throughout. The change made to the content was to add the July 2022 legislation to paragraphs 5 and 22 which included:-
 - *Changing the requirement from all discrepancies to be reported to Companies House to Material discrepancies*
 - *Reference to cryptoasset businesses*
 - *Widening the meaning of a 'trust'*
 - *Widening information and intelligence sharing gateways*

RESOLVED that the revised Money Laundering Policy be approved.

65. Statement on Accounting Policies 2022/23

Colleen Warren, Financial Services Manager:

- a. presented for consideration the Council's accounting policies used to prepare the 2022-23 Statement of Accounts, as detailed at Appendix 1 of her report
- b. advised that each year the content of the accounting policies was reviewed to ensure it reflected the requirements of the Code and remained relevant to the Council. There were no material changes in the Code that impacted on any of the current Accounting Policies
- c. requested that members review and note the Accounting Policies to be used for the 2022/23 accounts.

Question: Asked why the musical instruments had been removed from the Statement of Accounting Policies.

Response: The main use of the musical instruments was outside of the organisation, therefore they were removed from the balance sheet

RESOLVED that the Accounting Policies to be used for the 2022/23 accounts be noted.

66. IAS19 - Assumptions used to Calculate Pension Entries in the 2022/23 Statement of Accounts

Colleen Warren, Financial Services Manager:

- a. presented a report to allow the committee to consider the assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2022/23 Statement of Accounts
- b. advised that IAS19 represented the accounting standard for pension costs, based on the simple principle that an organisation should account for retirement benefits when it was committed to give them
- c. informed members that in order to calculate the costs of earned benefits for inclusion in the statement of accounts, the scheme actuaries used assumptions to reflect expected future events which led to best estimates of future cash flows arising under the scheme liabilities
- d. advised that the council planned to use the calculated costs and the underlying assumptions, based upon the specialist advice of the actuary of the Lincolnshire County Council Pension Fund in preparing the Statement of Accounts for 2022/23
- e. detailed further financial and demographic assumptions as detailed at paragraph 3 and 4 and Appendix A of the report and relevant financial implications at paragraph 6 of the report
- f. requested that members approve the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2022/23 Statement of Accounts.

RESOLVED that the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2022/23 Statement of Accounts be approved.

67. External Audit Enquiries 2022/23 Statement of Accounts

Colleen Warren, Financial Services Manager:

- a. presented a report 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, together with some areas specific to the accounts such as related parties and estimates used in the accounts as part of their audit of the Council's Statement of Accounts for 2022/23
- b. advised that the purpose of the report was to allow members to comment on officers' responses related to 'Those Charged with Governance'
- c. drew members' attention to the proposed responses to the inquiries provided by officers and requested members' views regarding their submission.
- d. invited members' questions and comments;

Question: Referred to the Laws and Regulations [ISA 20.15] and asked if this was still covered by EU Law.

Response: This would be updated to remove the reference to EU law.

Question: Referred to the counter fraud/fraud awareness training that had previously been received by the Audit Committee and commented that this was some time ago.

Response: Counter Fraud/ Fraud Awareness Training would take place after the election. City of Lincoln Council was reliant on Lincolnshire County Council providing the training.

RESOLVED that the proposed responses to the enquiries to those charged with governance for the 2022/23 Statement of Accounts be agreed and submitted to Mazars, External Auditor.

68. External Audit: Draft Audit Strategy Memorandum

Jaclyn Gibson, Chief Finance Officer, presented a report to receive and comment upon the External Audit Draft Audit Strategy Memorandum for the year ending 31st March 2023, which described the External Auditor's (Mazars) approach and highlighted significant audit risks and areas of key judgements and provided the Audit Committee with details of the Audit Team

Mike Norman, representing Mazars, External Auditor:

- a. provided an update on the 2020/21 accounts and advised that whilst the audit opinion had been given, the issuing of the audit certificate had not yet happened, however this was a procedural issue in relation to the Whole of Government Accounts
- b. gave an update on the 2021/22 audit and advised that this should be signed off in the next week. The Auditors External report would be presented to the next Audit Committee.

- c. presented Mazar's Draft Audit Strategy Memorandum for the City of Lincoln Council for the year ending 31 March 2023
- d. highlighted that the Strategy Memorandum set out Mazar's overall adopted approach on risk associated with financial statements and the audit process
- e. reported that the document, which had been prepared following initial planning discussions with management, formed the basis for discussion of its audit approach and invited any questions or input the Council may have on its role as external auditor
- f. advised that the external audit was planned and performed to provide reasonable assurance that the financial statements were free from material error to give a true and fair view of the financial performance and position of the Council for the year
- g. added that the external auditor was also required to issue a value for money conclusion as to whether the Council had proper arrangements in place to secure economy and effectiveness in its use of resources
- h. referred to Appendix A of the report and gave an overview of the following areas:
 - Engagement and responsibilities summary
 - Your audit engagement team
 - Audit scope, approach and timeline
 - Materiality and misstatements
 - Significant risks, key audit matters and other key judgement areas
 - Value for money conclusion
 - Fees for audit and other services
 - Our commitment to independence

RESOLVED that content of the External Draft Audit Strategy Memorandum be noted.

69. Annual Governance Statement Monitoring

Jaclyn Gibson, Chief Finance Officer:

- a. presented a progress update on those areas identified as 'significant governance issues' as set out in the 2021/22 Annual Governance Statement (AGS), which Audit Committee had a role to review
- b. stated that the report provided details of the monitoring arrangements for one significant governance issue identified in the 2021/22 Annual Governance Statement presented to Audit Committee in June 2022, This particular issue was monitored throughout 2021/22 and carried forward for monitoring during 2022/23
- c. advised that on the status of the significant issue:
 - i. The IT Disaster Recovery plan in place for IT arrangements and alignment with current Business Continuity plans

- d. explained that there were no new issues identified within the 21/22 Annual Governance Statement
- e. requested that members of Audit Committee give consideration to the content of the report.

Question: Referred to cloud hosting by third parties and asked if the disaster recovery plan of the third parties providing the cloud hosting had been considered.

Response: A response from the Business Development and IT Manager would be provided following the meeting.

RESOLVED that the content of the report be noted.

70. The CIPFA Financial Management Code

Jaclyn Gibson, Chief Finance Officer:

- a. presented the Council's assessment for 2022/23 against standards contained within the CIPFA Financial Management Code and the associated actions arising to ensure compliance
- b. gave the background as detailed at paragraph 2 of the report and advised that the Financial Management Code was designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability
- c. explained that the code focussed on value for money, governance and financial management styles, financial resilience and financial sustainability
- d. advised that the Council's external auditors from 2021/22 now had regard to the Financial Management Code and would be looking to ensure that the Council was meeting the code
- e. referred to the 2021/22 self-assessment as set out at paragraph 3.7 of the report and gave an update on a range of actions that were being undertaken to move towards full compliance
- f. referred to an updated 2021/22 self-assessment contained at Appendix A of the report and highlighted the actions that had arisen from the updated assessment as attached at Appendix A of the report.
- g. explained that the assessment now included a RAG rating against each of the standards detailed at paragraph 3.8 of the report
- h. advised that the areas set out for improvement would be included in the Annual Governance Statement and progress would be monitored through the Audit Committee.
- i. invited committees questions and comments

Question: Referred to the 17 standards listed on page 169 of the report and asked for clarification.

Response: It was considered best practice that they were reported on a regular basis. As part of the CIPFA Prudential Codes the Treasury Management was

reported on a quarterly basis. We were currently reporting in line with best practice but a review would take place to ensure that this was still the case.

Question: Referred to the budget consultation that had taken place and asked if it had been successful.

Response: We received 220 responses to the online survey, it was useful when asked specific questions. The free text for suggestions was not particularly helpful. In future we would work the policy team on how better to undertake consultation, so that we gain meaningful feedback.

Comment: We would support open meetings for consultation, this would provide different feedback than online with more constructive discussions.

RESOLVED that

1. the progress of the actions arising from the 2021/22 self-assessment be noted.
2. the 2022/23 self-assessment attached at Appendix A of the report be noted.

71. Audit Committee Work Programme 2022/23

Amanda Stanislawski, Audit Manager

- a. presented a report to inform members of the Audit Committee on the work programme for 2022/23 as detailed at Appendix A of the report
- b. referred to paragraph 3 of the report which highlighted the changes to the work programme
- c. advised that the Audit Committee Terms of Reference was attached at Appendix A of the report for information

RESOLVED that the contents of the Audit Committee work programme 2022/23 be noted.

72. Exclusion of Press and Public

RESOLVED that the press and public be excluded from the meeting during consideration of the following item(s) of business because it is likely that if members of the public were present there would be a disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

73. Partnership Governance

Jaclyn Gibson, Chief Finance Officer:

- a. presented an overview of the annual assurance assessments for the Council's significant partnerships
- b. gave the background to the report as detailed at paragraph 2 of the report and explained the governance framework
- c. highlighted the Council's Partnership Guidance as detailed at paragraph 3 of the report

d. advised that each Directorate had a partnership register in place and highlighted the annual assurance assessments that had been completed

e. invited members questions and comments;

The Chair commented that she would have like to have seen some outcomes recorded in the annual report.

Jaclyn Gibson, Chief Finance Officer responded that in future she would ask for some outcomes to be included in the report.

RESOLVED that the annual assurance assessments of the Council's significant partnerships and the RAG status for each partnership be noted.

SUBJECT:	ANNUAL INTERNAL AUDIT REPORT
DIRECTORATE:	CHIEF EXECUTIVE & TOWN CLERK
REPORT AUTHOR:	AMANDA STANISLAWSKI, AUDIT MANAGER

1. Purpose of Report

- 1.1 To receive and comment upon the Annual Internal Audit Report 2022/23.

2. Executive Summary

- 2.1 The Annual internal audit report (Annex A) provides a summary of Internal Audit work undertaken during 2022/2023 timed to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment.
- 2.2 Overall our opinions remain the same as for 2021/22. There are three areas, governance, risk and internal financial control, where we have been able to provide the highest level of assurance - working well: no concerns that significantly affect the governance framework and successful delivery of the Council priorities. Internal control was assessed as performing adequately – some improvements identified over the Council's Governance, Risk and Control framework. This is due to a number of factors including there being two Limited Assurance reports this year and due to this an increase in the number of High recommendations. There was however, a significant reduction in the number of outstanding actions from prior years.
- 2.3 There have not been any restrictions on the scope of the work to be undertaken. The reduction in time available due to the Auditor and Principal leaving has been covered through the employment of consultants and removal of items from the plan.
- 2.4 Performance of the Internal Audit Service remains good with 91% of the revised plan being completed and a high level of customer satisfaction. Performance has been impacted due to capacity in some areas including audit span and the ability to chase management responses.

3. Annual Audit report

- 3.1 The Annual Internal Audit Report of the City of Lincoln Council aims to present a summary of the audit work undertaken over the past year. In particular:
- Include an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council can rely on it;
 - Informs how the plan was discharged and of overall outcomes of the work undertaken;

- Draws attention to any issues particularly relevant to the Annual Governance Statement.
- Summarises the performance of Internal Audit against its key performance measures.
- Comments on compliance with standards.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

There are no financial implications

4.2 Legal Implications including Procurement Rules

To ensure compliance with the Accounts and Audit regulations and Internal Audit standards an annual report should be produced

4.3 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.

Due to the nature of the report, no specific Equality Impact Analysis is required.

5. Recommendation

5.1 That Audit Committee note the contents of the report and appendix.

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: Amanda Stanislawski, Audit Manager
Email: amanda.stanislawski@lincoln.gov.uk

Internal Audit Annual Report 2022/23



What we do best...

Innovative assurance services
Specialists in 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

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2 - Details of Plan Changes

3 - Assurance Definitions

4 - Glossary of Terms

Amanda Stanislowski – Audit Manager

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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.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Purpose of Annual Report

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2020. In particular:-

- Include an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance;
- Draw attention to any issues particularly relevant to the Annual Governance Statement

Introduction

For the twelve months ended 31 March 2023 working practices are now more settled following the covid pandemic. However the way in which the Council works has changed from that which was in place prior to the pandemic and it will not return to exactly how they were.

Staff continue to work from home which changes some of the control measures and arrangements in place for things such as management and performance monitoring.

The energy and cost of living crises have also had an impact on services. Some resources were diverted into government schemes to make payments to support residents with the rising energy costs.

The combined assurance work revealed two common themes throughout the Council; an inability to recruit to vacant posts and financial constraints. A number of long standing staff members have left the Council and the inability to recruit generally is putting greater pressure on those staff remaining. This is having an impact on internal controls as there is pressure to ensure that services are maintained and some of the administrative areas are being delayed or not completed.

Financially, the Council is being impacted by the effects of the economic climate resulting in a number of significant variances in income and expenditure.









My opinion needs to take into account the impact of this on the Council's governance, risk and control environment. In doing this we rely on a number of sources of intelligence including the results of the Council's combined assurance work.

Whilst the work to be undertaken by ourselves is set out prior to commencement of the new year, it is reviewed and revised to reflect the risks faced by the Council as they change throughout the year and our resources. We formally reviewed and revised our audit plan following the half year point to reflect the impact of these.

The Internal Audit Team continues to experience vacancies. We have been unsuccessful in recruiting to the Auditor post and whilst the Principal post was appointed to in February, the new member of staff resigned. We continue to work with our partner and both vacancies will be readvertised.

Annual opinion

Based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control is:-

		Direction of Travel
Governance 	Performing Well – No concerns that significantly affect the Council's governance and control framework.	
Risk 	Performing Well – No concerns that significantly affect the risk management framework.	
Internal Control 	Performing Adequately – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.	
Financial Control 	Performing Well – No concerns that significantly affect the financial control framework.	

Governance



"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant governance issues that it feels should be drawn to the attention of the public – in the interests of accountability and transparency. At the time of writing this report the 2022/23 Annual Governance Statement (AGS) is being drafted.

The significant issue raised in the 2020/21 and 2021/22 Annual Governance Statement (AGS) concerned IT Disaster Recovery. Progress has been made with a draft plan being drawn up and audited, receiving a substantial audit opinion. This will now be removed as a significant issue from the AGS. There are no significant issues raised this year.

Corporate Governance was rated Green by management in the 2022 Assurance Map and early in 2022 the Council's Code of Corporate Governance was updated.

Six monthly updates on Information Governance are reported to the Audit Committee, the last one, in November 2022, did not raise any issues. E-learning refresher for all staff and councillors covering cyber security was rolled out in December 2022. There has been a good level of completion, rates are being monitored with chasing being undertaken. The Information Governance Group have met several times this year to discuss relevant matters.

An assessment of Partnership Governance for the significant partnerships has been completed with all but one of results reported to the Audit Committee in March 2023, the final

assessment will be reported in June 2023. All assessments had been given a green overall status with no specific concerns.

The Audit Committee helps to ensure that governance arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement.

We have assessed governance as performing well as overall the Council has good Governance processes in place and has renewed several key policies this year. The training on Cyber Security will help the Council to protect the data it holds and reduce the potential for successful cyber attacks. There are some areas which require review and may affect the opinion next year if not addressed these include:-

- Members – succession planning, New Code of Conduct and values training
- Administration of Freedom of Information Requests
- Updating Contract Procedure rules
- Capacity within Legal, Internal Audit and Counter fraud
- Business Continuity Planning.

Governance Assurance



Assessed as Performing Well



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This put us in a stronger position to deliver our goals and provide excellent services.

The Council's risk management arrangements were rated as Green by management in the 2022 Assurance Map, with some qualifying comments;

- The Strategy needs refreshing
- Some training is required

The strategy was last reviewed in July 2018 and states that it will be reviewed at least every three years. It has been identified as needing to be updated although it is not anticipated that there will be significant changes made.

Due to resource constraints the training on Risk Management was not completed in 2022/23. It has now been scheduled in and will be completed early in 2023/24.

Over the year, the Council has continued with existing arrangements to monitor and report the quarterly strategic risk management position to Executive with the last report being made in February 2023. Work is underway for the next report due in May 2023.

There are risk registers in other areas of Council work – major projects, IT, Information Governance, significant Partnerships and directorate service risks.

Recommendations to improve risk management were made in a 20/21 Western Growth Corridor audit and a 21/22 Town Deal audit. These have now been completed.

We have assessed risk management as performing well as there are adequate processes in place and action has been taken to implement recommendations made. Management have identified that the Strategy requires refreshing following which further training will be provided and plan to complete this during 2023/24. Any further delays in addressing these areas may have an impact on the level of assurance provided in 2023/24.

Risk Management assurance



Assessed as Performing Well



We take account of the outcome of our audit work during the 2022/23 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

Our opinion is based on several sources of intelligence including the outcome of our internal audit work and combined assurance work.

During 2022/23 there was a change to the opinions being given with two audits receiving a Limited level of assurance. See appendices 1 and 2 for full details of audits completed during the year and changes made to the plan.

The change in the level of assurance also impacted on the profile of the recommendations with the number rated High increasing from 3 to 21. A comparison with the previous year is shown in the Benchmarking section.

There are 7 medium actions from prior years remaining to be implemented. This is a significant reduction from the 19 reported last year and is a reflection of the processes which we have put in place to monitor and chase implementation of actions. There are currently 3 of these which are overdue, all of which have an explanation. One is awaiting approval of a policy, another delayed due to staff changes and a further reliant on a contractor. These continue to be monitored through CMT and the Audit Committee.

There were 59 actions agreed during 2022/23 of which 14 have been implemented. None of the remaining ones are overdue and is a result of many of the audits being completed towards the end of the year. A review of a sample of the implemented actions during 2022/23 found that all those stated as being implemented had been implemented.

Our combined assurance work found similar levels of assurance to previous years. There were 7 areas with a Red level of assurance – further information is provided on the following page. The work revealed two common themes throughout the Council; an inability to recruit to vacant posts and financial constraints. The inability to recruit is putting greater pressure on those staff remaining. This is having an impact on internal controls as there is pressure to ensure that services are maintained and some of the administrative areas are being delayed or not completed.

Whilst the impact of coronavirus is now largely 'business as usual', there are other external events which are having an impact on the capacity of the Council. The cost of living and energy crises have led to extra demand in some services and others have been diverted to administer government grant schemes. This further reduces the capacity and could potentially lead to a reduction in internal controls.

Based on the above, on balance, we have assessed internal control as performing adequately again this year.

Internal Control assurance



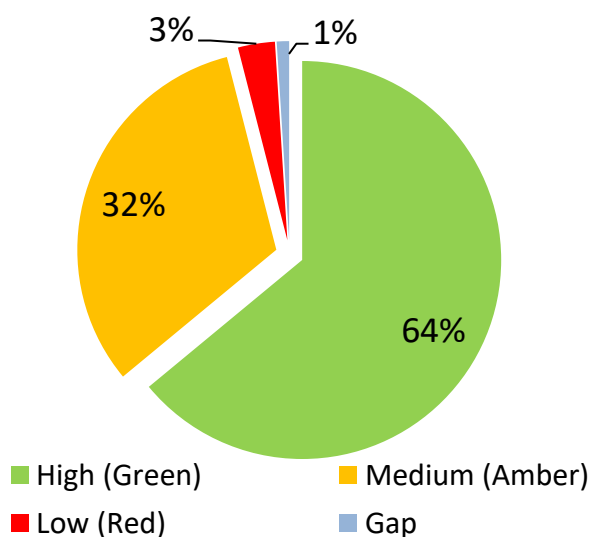
**Assessed as Performing
Adequately**



A Combined Assurance Status report is produced by the Council on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports are reviewed by the Governance & Audit Committee and provide key assurance evidence to support the Head of Internal Audit opinion.

Combined Assurance

Overall Assurance Status 22/23



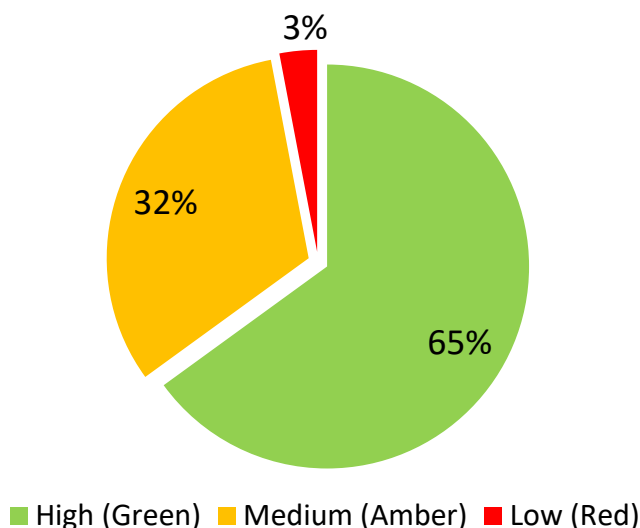
We gather the Council's assurance intelligence through an annual process across all Directorates. It provides a RAG rating assessment of the Council's Critical Activities, Key Projects and Key Risks.

Overall, there is a positive assurance picture for the Council. There continues to be a high level of assurance (64%), which is slightly lower than last year.

Critical activities identified by Management as having a low level of assurance are:-

- Legal.
- Elections and Registration
- Leisure Centre's
- Tree Management
- Housing IT platform
- Events and culture
- PCIDSS

Overall Assurance Status 21/22



Management continue to take action to reduce the risks within these areas.

Financial Control



Our audit plans include providing assurance over our key financial systems, this is done on a cyclical basis; however the level of risk will also influence frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

During the year we have undertaken work in the following financial areas:

- Housing Benefit Subsidy – High assurance
- Medium Term Financial Strategy – High assurance
- Key Control Bank – High Assurance
- Key Control General Ledger – High Assurance
- Key Control Property, Plant and Equipment – Indicative – High Assurance

We have also been advising on the Council Tax rebate payments and the energy grants.

The combined assurance work identified most of the financial systems as being Green. There are 4 rated as Amber (Revenues Fraud Prevention and Detection, Financial Resilience, Internal Audit and Counter Fraud arrangements).

Whilst financial resilience remains a risk the revised Medium Term Financial Plan shows a balanced budget for the next two years. External factors are having an impact on the financial planning but this is being monitored and the plans revised more frequently. This supports the opinion that financial controls continue to perform well.

Members have been kept informed of the impacts through the budget monitoring quarterly reports to the Executive. The last report being February 2023.

The 21/22 AGS reports an assessment against the CIPFA Financial Management Code. Some actions were identified and progress is

monitored through the Audit committee, who received the assessment findings in March 22. A revised version was completed in March 23 and will be used for the 2022/23 AGS.

The CIPFA Financial Management Code assessment 22/23 actions are:-

- Continue to support professional development – ongoing action
- Review CPR
- Undertake assessment against HIA requirements – to be completed
- Implement Finance Business Partnership approach – in progress
- Consider if other major balance sheet items can be made more visible in quarterly reporting – in progress

We have assessed financial control as performing well as despite the uncertainties no issues were identified during audit work, the Council has a Medium Term Strategy in place which has been updated to reflect the estimated impacts of external factors such as inflation and continues to be reviewed.

Financial Control



Assessed as performing well



The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

Scope of Work

Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus.

Audit Committee approved the 2022/23 audit plan of 313 days in March 2022. The Plan was revised during the year and the days reduced to 228 due to available resources – see Appendix 2 for details.

We have delivered 92% of the revised plan - details of the work completed is set out in Appendix 1.

We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.

Restriction on Scope

In carrying out our work we identified no unexpected restrictions to the scope of our work.

We have worked closely with the Council's senior management team to agree audit scopes and to ensure audit work is progressed.

I do not consider the changes to the plan to have had an adverse effect on my ability to deliver my overall opinion. The combined assurance work undertaken has helped in this regard.



Our Work



Internal Audit's role include advisory and related service activities, the nature and scope of which are agreed with CMT, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Other Significant Work

During the year we completed testing of Housing Benefit Subsidy on behalf of the External Auditors, Mazars.

We produced a Combined Assurance report which maps all assurance across the Council using the 'three lines of assurance' model. This provided the Council with insight over the assurances present on its critical activities, key risks, projects and partnerships. This was presented to the Corporate Management Team (CMT) in March 2023.

We have continued to provide advice and guidance on the processes to pay grants paid out on behalf of the Government (Energy Rebate).

We have also checked and signed off a number of grant returns for service areas.

We also:-

- Produced the six-monthly and annual fraud reports

- Reviewed the Money Laundering Policy
- Refreshed the Fraud Risk Register
- Reviewed the Whistleblowing Policy
- Administered the Whistleblowing cases
- Administered the uploading of files for the 2022 NFI exercise and continue to provide advice and assistance.





We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

Quality Assurance

Our commitment to quality begins with ensuring that we recruit, develop and assign appropriately skilled and experienced people to undertake your audits.

Our audit practice includes ongoing quality reviews for our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

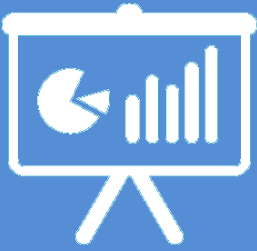
There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings.

The City of Lincoln Council conforms to the UK Public Sector Internal Audit Standards. An External Quality Assessment was undertaken in early 2022 and we were found to 'FULLY CONFORM'.

Our quality assurance framework helps us maintain a continuous improvement plan, which is refreshed periodically.

External Audit

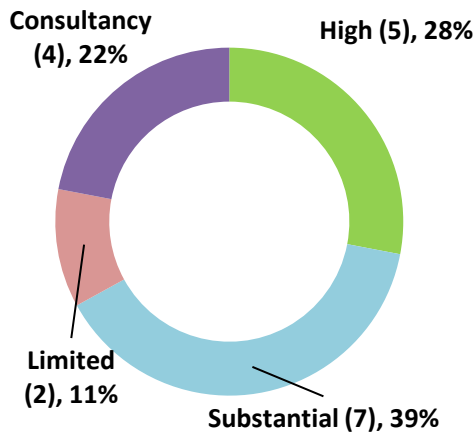
Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work where it is appropriate.



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

Assurances

There has been a move in assurance opinions this year with an increase in consultancy work which includes the audit of three grant claims and two Limited opinions issued this year. Full details are provided in Appendix 1.



Reduction in High and Substantial assurance opinions (from 43% and 57%)

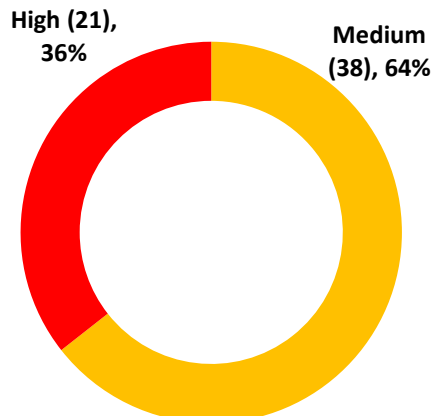


Recommendations

In line with the assurance levels the number of high priority recommendations has increased. A number of the reports were completed late in the year and therefore the recommendations are not yet due which impacts on the number implemented to date which is below target.

High priority recommendations have increased (from 14%)

Medium priority recommendations have decreased (from 86%)



Implemented recommendations have decreased to 25% (from 78%). Target 100%

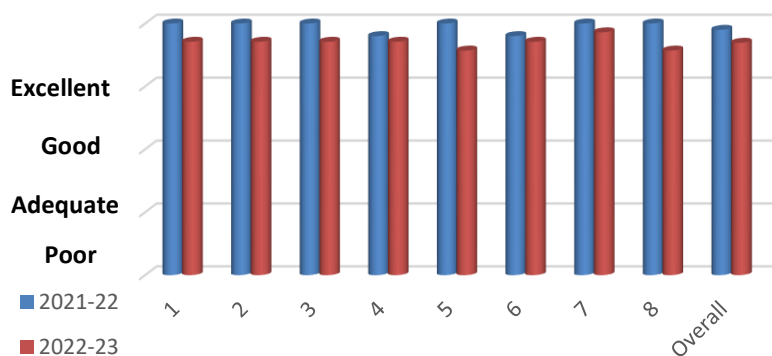


Internal Audit's performance is measured against a range of indicators. Our client feedback continues to be rated excellent.

Performance on Key Indicators

Whilst it has been a challenging year we are pleased to report that satisfaction with our services remains high and we have completed 91% of the revised plan. We recognise that the inability to recruit to the vacant posts has impacted on our ability to complete audits within time which remains below target. In addition to the support from our partner, some of the audits were completed by the Manager and a temporary member of staff who works one day a week which increased the time span. Despite these issues we are pleased that there has been an improvement this year.

Client Feedback – Post Audit Questionnaire Results



Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives

Audit Report

3. Quality of report
4. Accuracy of findings
5. Value of Report

Communication

6. Feedback during the audit
7. Helpfulness of auditor (s)
8. Prompt delivery of report

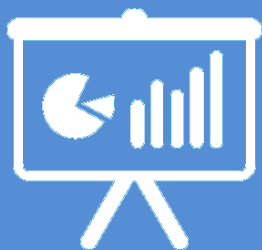
Another excellent audit!

They were both really helpful and explained their query that they needed me to look at. Really helpful.

Auditors were very helpful in assisting / communicating about the report

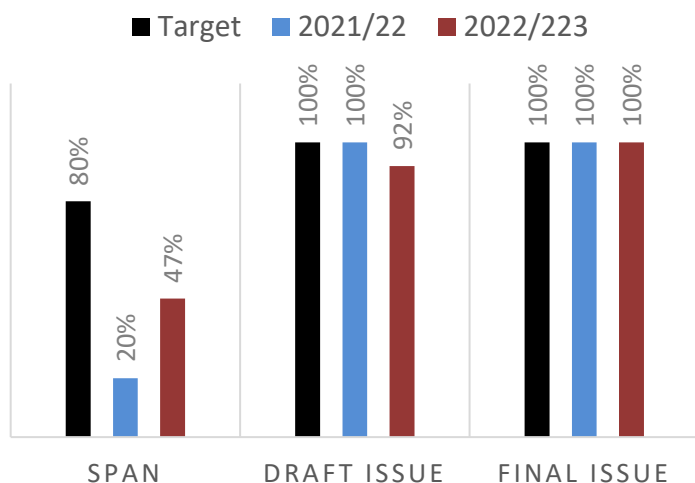


Benchmarking



We are pleased to report a good level of achievement in the delivery of the revised plan, but we recognise that improvements are required in the time taken to undertake audits (Span) and obtaining management responses.

Timeframes



91%
Of the plan
delivered

We continue to experience delays in obtaining responses to draft reports. 60% have not been received within 10 days with 40% taking two months or longer. We will be looking at ways to improve this once fully staffed including greater liaison with the individual management teams to raise the issues and a more visible documented protocol.

The impact of these delays means that our reports are not being issued in a timely manner and additional resources are taken up chasing responses.

40%
Management
Responses received
within 10 days

The following Audits have been completed during 2022/23:-

Audit	Rating	Type	High	Medium	Total	Implemented
Housing Benefit Subsidy	High Assurance	Risk Based Audit	0	1	1	1
Stores	Limited Assurance	Risk Based Audit	2	8	10	6
ICT Project and Programmes	Substantial Assurance	Risk Based Audit	0	2	2	1
Medium Term Financial Strategy	High Assurance	Risk Based Audit	0	0	0	0
Performance Management	Limited Assurance	Risk Based Audit	7	1	8	6
Organisational Development	Substantial Assurance	Risk Based Audit	0	4	4	0
Key Controls – Property, Plant and Equipment	High Assurance	Risk Based Audit	0	1	1	0
Key Controls – General Ledger	High Assurance	Risk Based Audit	0	3	3	0
Key Controls – Bank Reconciliation	High Assurance	Risk Based Audit	0	0	0	0
Staff Wellbeing	Indicative – Substantial Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
Climate change	Substantial Assurance	Risk Based Audit	0	9	9	0
De Wint Court	Substantial Assurance	Risk Based Audit	12	6	18	0
Housing Repairs	In progress	Risk Based Audit	N/A	N/A	N/A	N/A
Housing IT	Ongoing	Consultancy	N/A	N/A	N/A	N/A
IT Disaster Recovery	Substantial Assurance	Risk Based Audit	0	3	3	0
IT Asset Management	Indicative - Substantial Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
Follow-up	Indicative – High Assurance	Follow-up Review	0	0	0	0
COMF Grant	N/A	Consultancy	N/A	N/A	N/A	N/A
Test and Trace Support Payments	N/A	Consultancy	N/A	N/A	N/A	N/A
Biodiversity Net Gain Grant	N/A	Consultancy	N/A	N/A	N/A	N/A
	Total		21	38	59	14

The approved Plan for 2022/23 was 310 days, but due to staff vacancies it was reduced to 228 and a revised plan approved at the November Audit Committee.

Following this further changes were made to remove the audit of Fleet with replace it with Housing Repairs. Due to further staff vacancies the audit of Western Growth Corridor has been moved wholly into 2023/24, it was previously split over the two years.

The first review of the implementation of the Housing IT system was completed this year and the remainder will be reviewed during 2023/24

as further gateways are reached.

A further grant review was also added to the plan towards the end of the year – Biodiversity Net Gain Grant.

The annual audit plan remains flexible with a process to postpone and change audits. This means we can adapt our plan and coverage to emerging risks but maintain control and transparency on changes which must be approved by management, the S151 Officer and the Audit Committee.

High

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.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

Substantial

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.

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.

Limited

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.

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.

Low

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.

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.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

SUBJECT: ANNUAL FRAUD REPORT

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER

1. Purpose of Report

- 1.1 This report informs Committee of performance against the 2022/23 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations.
- 1.2 To provide Audit Committee members with an update on the fraud risk register.

2. Executive Summary

- 2.1 The report summarises the number of cases during 2022/23 comparing them with the previous year. Overall there has been a general reduction in cases with the exception of NFI where the 2022 exercise has resulted in a significant increase from 322 to 622 for Housing Benefit and Council Tax Reduction (HB/CTR). The 2020 NFI exercise resulted in 27 errors being identified within HB/CTR saving £39,351 with an additional £39,076 currently being recovered. There has not been a review of Single Person Discounts undertaken this year.
- 2.2 Some progress has been made against completing the actions within the Counter Fraud Action Plan and these are detailed within the report. There have been some delays due to capacity within the Teams involved. There are 3 which are still in progress and these have been added onto the 2023/24 action plan. These include the Single Person Discount Rolling review, Self Assessment against the Counter Fraud Strategy and Counter Fraud training. There are also 2 which have been removed as no-longer required.
- 2.3 Whistleblowing referrals slightly decreased this year, most of these related to Housing Benefit, Housing Tenancy and Single Person Discounts. Allegations made were mainly in respect of partners being resident or not occupying the property. There has been a change in the spread of allegations including more related to residents parking and other more unique allegations.
- 2.4 Actions continue to be put into place to reduce the risks around Cybercrime. These include rolling out e-learning refresher to staff and members, external annual assessments and participating in regional and national initiatives.
- 2.5 Other areas of fraud related activity include 15 notices to quit being issued by Housing Tenancy and an attempt to change the bank details of a member of staff.
- 2.6 As part of the Council's fraud strategy a counter fraud risk register is maintained. An interim review has been undertaken which has considered the risks on the register and the mitigating actions.

- 2.7 The Fraud Risk Register contains 24 risks, this is a reduction from 27 reported last year due to some consolidation of risks. None are Red, 12 are Amber and 12 are Green. The 2 highest rated are IT/Data/Cyber Fraud and Council Tax.

3. Organisational Impacts

3.1 Finance (including whole life costs where applicable)

There are no direct financial implications.

3.2 Legal Implications including Procurement Rules

There are no direct legal implications

3.3 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.

4 Recommendation

- 4.1 Audit Committee consider and comment on the contents of the report and appendix.

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: Amanda Stanislawski, Audit Manager
Email: amanda.stanislawski@lincoln.gov.uk

Counter Fraud

2022/23 Annual Report



Introduction

The purpose of the Annual Report is to provide assurance to the Audit Committee on the effectiveness of the Council's arrangements in countering fraud and corruption.

The report also informs the committee of performance against the 2022/23 Counter Fraud Work Plan and the Counter Fraud Strategy, the outcomes of pro-active fraud work and investigations and the current Fraud Risk Register.






The Council's Policy Statement:

The Council is opposed to any form of fraud or malpractice. The Council is committed to operating in an open and honest way in order to:-

- *Prevent, deter and detect fraud and malpractice*
- *Allow scrutiny and investigation to take place, both internally and externally*
- *Allow rigorous enforcement to take place; and*
- *Reinforce good practice and prevent reoccurrence*

Overview of Cases

During 2022/23 the Council has experienced the following number of cases:-

	Cases 2022/23	Cases 2021/22	Change
Referrals to the Single Fraud Investigation Service – DWP	5	9	
Tenancy – Notices to Quit issued (For potentially fraudulent reasons e.g. Abandonment, trespass, not main/only home)	15	19	
Whistleblowing	22	23	
NFI – HB/CTR matches:- Received Processed Fraud Errors	622 7 0 0	322 322 0 27	
Single Person Discounts Removed	0	514	

Work Completed / In Progress

The Council undertakes a number of Counter Fraud activities throughout the year, both on it's own and through the Lincolnshire Councils Fraud Partnership (LCFP). The following sets out the progress made against items included on the 2022/23 Action Plan:-

Ref	Activity	Target Date	Responsibility	Current Position
1	LCFP Single Person Discount Rolling Review	Q2 start Q4 reporting	Lincolnshire Councils Fraud Partnership (LCFP) Head of Shared Revenues and Benefits	This has been delayed mainly due to prioritising the energy rebate scheme. Work is now progressing on the Countywide scheme with the LCC legal team looking over the contract and the data protection policies etc before it can go live.
2	Covid Grants – Fraud Cases and Post Assurance	Q1 start	Head of Shared Revenues and Benefits Assistant Director – Major Developments Internal Audit Manager	Complete – All erroneous grants identified and where eligible passed to DLUHC for recovery.
3	Money Laundering Risk Assessment	Q2	Internal Audit Manager	Due to other priorities this has not been completed and has been removed from the plan due to low risk.
4	Self Assessment against the Counter Fraud Strategy	Q4	Internal Audit Manager	Due to other priorities this has not yet been completed. To be moved to the plan for 2023/24.
5	Small Business Rate Relief checks through a third party	Q1 start	Head of Shared Revenues and Benefits	Complete - Small Business Rates Relief (SBRR) continues to be reviewed through a third-party company. To decide whether to continue to sign up for the review as fewer Councils are signing up making the process less useful.
6	Housing Tenancy Fraud – Fraud strategy	N/A	Tenancy Services Manager	No longer required – covered within other policies.
7	Roll out of Counter Fraud E-learning and review of Counter Fraud Training requirements throughout the Council.	Q4	Lincolnshire Councils Fraud Partnership (LCFP) Internal Audit Manager	Information now received from the LCFP and will be progressed during 2023/24.

Work Completed / In Progress

In addition to the work on the Action plan we have also carried out the following:-

- ✓ Updated the Whistleblowing Policy
- ✓ Updated the Money Laundering Policy
- ✓ Submitted the data for the National Fraud Initiative
- ✓ Administered the whistleblowing referrals and investigations
- ✓ Completed an internal Council Tax Empty Homes review
- ✓ Rolling review of the small business rate relief through a third party
- ✓ Administered the Council Tax Energy Rebate Schemes

Further information on the cases and work completed is included in the following sections.

Work in progress in addition to that on the Action Plan:-

- The work undertaken as part of the Energy Rebate scheme has identified a number of properties which were in fact occupied and others where partners were resident but the Council had not been informed.
- Reviewing the matches from the 2022 NFI and recording results.

Summary Counter Fraud Action Plan 2023/24:-

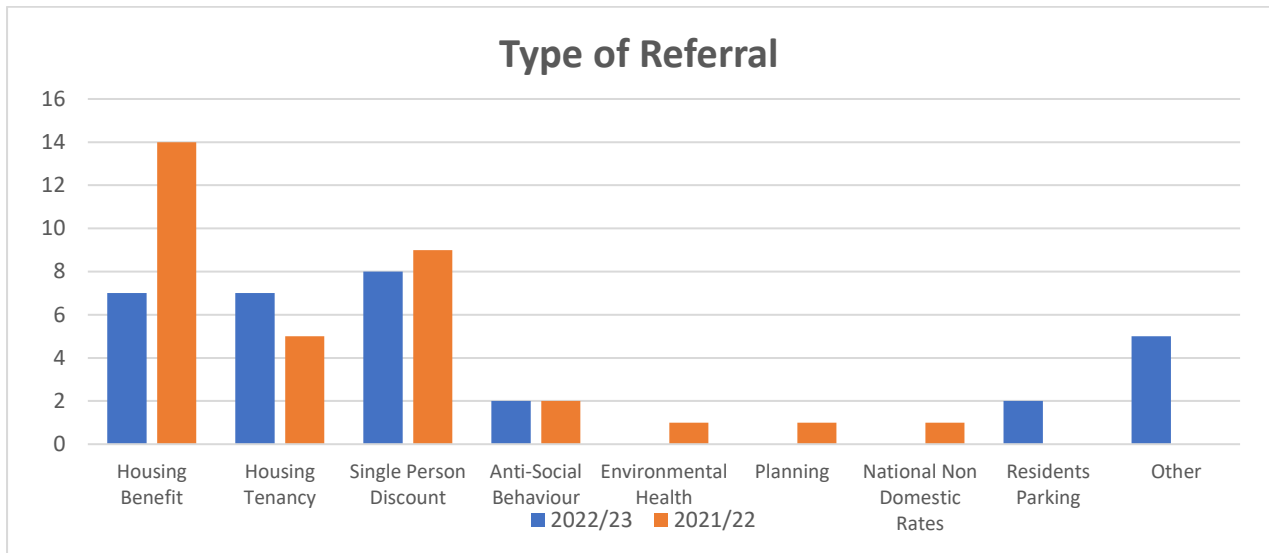
There are a number of activities which each service area will complete on a regular basis as normal business such as responding to Whistleblowing referrals, sharing intelligence, Tenancy Counter Fraud reviews and investigating potential fraud cases, these are not included on the Action Plan itself. The 2023/24 Counter Fraud Action Plan includes additional activities and projects to be completed during the year. A summary of the action plan is included as follows:-

Ref	Activity	Target Date	Responsibility
1	Self Assessment against the Counter Fraud Strategy	Q4	Internal Audit Manager
2	Refresh the Fraud Risk Register	Q4	Internal Audit Manager
3	Single Person Discount Annual Review	Q2	Revenues and Benefits Manager
4	Fraud Training for Officers and Members	Q4	Internal Audit Manager
5	Single Person Discount Rolling Review	Q4	Revenues and Benefits Manager

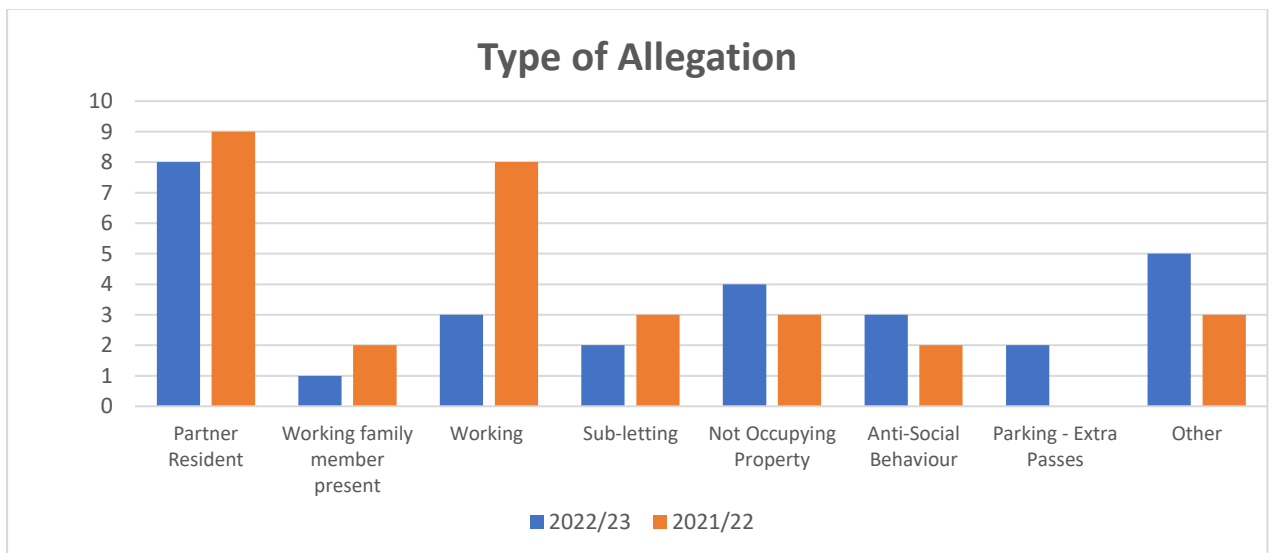
Whistleblowing

The Council has a Whistleblowing line which is operated through Lincolnshire County Council and also receives Whistleblowing referrals directly. During 2022/23, we have had 22 whistleblowing reports which is one less than 2021/22.

These are analysed below. Note that each referral can contain multiple allegations covering different types so there are more than 22 cases recorded:-

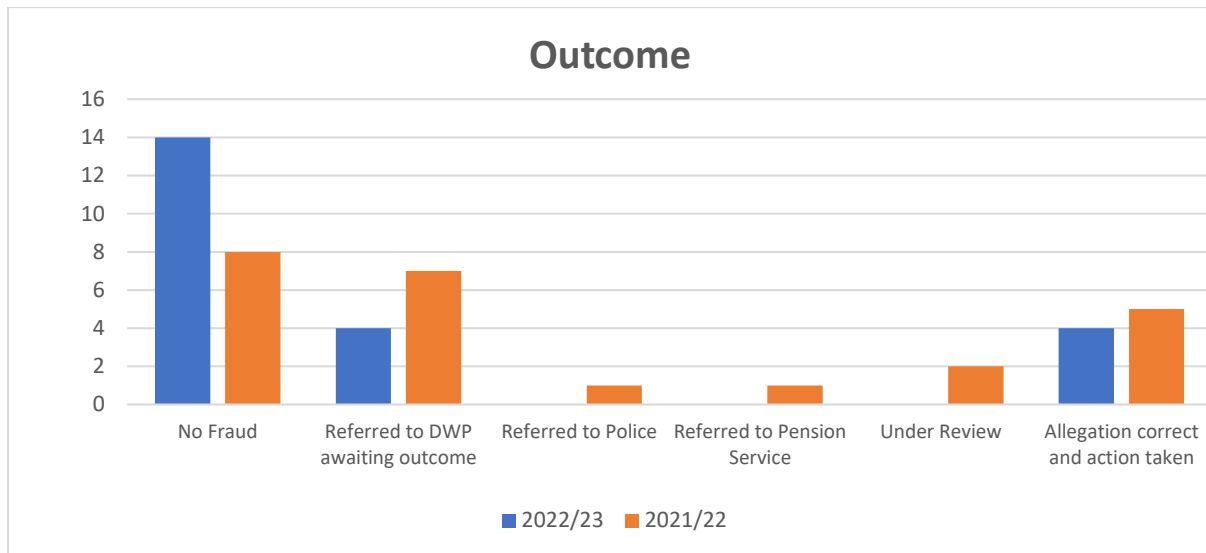


The main changes in referrals between years are the reduction in number of cases concerning Housing benefit which has reduced by 50% and the increase in residents parking other cases which are more unique/specific.



There has been a change in the type of allegations moving away from claiming and working to residents parking and other more unique allegations.

Whistleblowing



The change in the type of referral and allegation has meant that there are fewer cases referred to other bodies and more resolved in-house. Most of the cases have been reviewed and resulted in no fraud being identified. There were however four cases where corrective action was taken as follows:-

- A tenant not living at the address was formally evicted and overpaid benefit of £67.98 is being re-claimed.
- Housing Benefit claimant no longer living at the address stated had their Housing Benefit cancelled and £400.50 claimed back.
- Single person discount was removed from an account and £264.72 recovered on account.
- Took back possession of a property which had been abandoned.

Payment of Housing Benefit and Council Tax Support can be reliant on information provided from the DWP and Pensions Service. Where this is the case the Council pass over the information received through the Whistleblowing process but is unable to change the benefit paid until they receive updated information from the DWP.

National Fraud Initiative

The Council continues to be engaged with the National Fraud Initiative (NFI) which involves national data matching using a range of Council data sources including payroll, benefits, creditors, housing, and licences, insurance.

The matches for 2020/21 have now been reviewed resulting in savings of £39,351 in Housing Benefit/Council Tax Support. Recovery is currently underway for £39,076 of Housing Benefit overpayments. There was one duplicate creditor payment of £7,461 which we were looking to recover but as the company is in liquidation it is now being considered for write-off. A breakdown of the results is shown in the following tables.

Files were uploaded in October and December 2022 for the 2022/23 run with results published in early 2023. The current position for these is shown in the following tables.

NFI results for 2021/22 and 2022/23 to date:-

Matches relating to Housing Benefit/Council Tax Support:-

	Total 2020/21	To 30/04/23 2022/23
Total Matches	332	622
Investigating	0	1
Cleared	332	7
Frauds	0	0
Errors	27	0
Total Savings	£39,351	0
Housing Benefit Claims where seeking recovery	25	0
Amount of Housing Benefit to recover	£39,076	0

Other Matches:-

2021/22

Area	Number	Over-payments	Seeking recovery
Payroll	18	0	0
Housing	345	0	0
Creditors	541	£7,461	£7,461
Grants	17	0	0

2022/23

Area	Number	Investigating	Cleared	Fraud/Error	Over-payments	Seeking recovery
Payroll	20	0	8	0	0	0
Housing	505	0	0	0	0	0
Creditors	454	0	0	0	0	0
Residents Parking	4	0	4	0	0	0

Cyber Crime and Cyber Security

Online fraud, also known as cyber-crime, covers all crimes that takes place online committed using computers, or assisted by online technology. The Council continues to place high importance on cyber security and has included it as an Amber risk within the Fraud Risk Register.

IT Disaster recovery was a significant governance issue on the AGS (Annual Governance Statement) and this is being monitored through the Audit Committee. Significant progress has been made, with a draft plan now in place which has been subject to Internal Audit Review and gained Substantial Assurance. Work is underway to consider the points raised and submit a final plan to management for approval.

Whilst the Authority is continually vigilant in responding to the ongoing and increasing Cyber threat, there is a constant threat ranging from opportunists to organised crime, which look to exploit security vulnerabilities and potential fraud arising from security breaches.

The Authority has tools to guard against Cyber threats, and has also provided awareness training to staff and members on good Information Governance and Cyber Security.

The Council performs external annual assessments of vulnerabilities, reviews best practice and participates in regional and national initiatives to improve Cyber Security.

There have been no recorded events which have resulted in fraud arising from a Cyber attack. However, technology is often involved in any fraud due to the nature of the way information is stored, processed and transmitted.

Housing Benefit / Council Tax Support

For 2022/23 the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) for Lincoln was 5. There were less referrals made to SFIS (Single Fraud Investigation Service) due to the reduction in the HB caseload as well as us doing proactive work through initiatives such as NFI (National Fraud Initiative), VEP (Verifications of Earnings and Pensions), HBMS (Housing Benefit Matching Service) and HBAA (Housing Benefit Award Accuracy).

There have not been any prosecutions or administrative penalties issued this year.

Council Tax – Single Person Discount (SPD)/ Empty Properties

The final SPD bulk review came to a close in October 2022 with the final figures confirmed in December 2022. There were 514 discounts removed generating estimated revenue of £212,477. The largest removal value was £2,791 and the oldest dated back to December 2015.

We have not undertaken a single person discount review during 2022/23 as due to the energy rebate this took over the majority of resources for about 6 months and we were looking at carrying out a rolling review. The rolling review project remains in progress, currently being at the governance stage. In the interim an internal review will be undertaken in early 2023/24.

During the year an internal review of empty properties was undertaken. As many had already been identified during the administration of the energy rebate scheme there were only a few additional properties identified. A new premium is being considered for 2025/26 for properties which have been empty for over 12 months.

NNDR

The NNDR team continue with proactive checks on planning lists and utilising the Visiting Officer capacity within the team. There are regular reviews of reliefs including Small Business Rate relief, Charity relief, and other discretionary relief.

Small Business Rates Relief (SBRR) is being reviewed through a third-party company, to cross check against other authorities as to whether a business is in receipt of SBRR. SBRR regulations allow for small single businesses, not multiple. This is progressing well and has stopped giving SBRR from the outset rather than seeking clawback.

Housing Tenancy

Tenancy fraud covers several areas including unlawful sub-letting or assignment, non-occupation, key selling, application deception, right to buy fraud

For 2022-23 there were 15 notices to quits issued. For non-occupation of a council dwelling and all have been ended without recourse to legal proceedings.

The potential fraud data match exercise has been completed with the majority of cases only requiring an administrative change to the household details of the property.

Covid Grants

There were 97 covid grant invoices issued for the recovery of grants paid in 21/22 due to having been identified post assurance as not compliant with the eligibility requirements. The amount overpaid due to error was £514,936, all but four grants have now been recovered with three of these being eligible for passing to DLUHC for recovery. DLUHC have paid the Council the value of the grants passed to them for recovery. The remaining one for £4617 was due to a system error.

Payroll and Human Resources

We have had one instance this year when an attempt was made to change the bank details of a member of staff. This was picked up before it was processed, the email received contained a number of issues which were picked up by staff. Within Payroll one of the checks carried out ensures that changes to bank details for staff are validated with them prior to payments being made. The system also has a built in control whereby an automatic email is sent to both parties when the bank details are changed on the system by the employee enabling fraudulent attempts to be identified.

Elections

Photographic Voter ID was introduced by the Government for the May 2023 elections. This led to 32 people being unable to vote as they did not provide an

accepted form of photographic ID required at the polling station. 57 were initially turned away but 25 of these returned with the relevant photographic ID

Other fraud / fraud attempts

There have not been any frauds identified within remaining Amber areas within the Fraud Risk Register including procurement and creditors.

Fraud Risk Register

The Fraud Risk Register has had an interim refresh this year looking at the mitigating actions, duplicated risks and updating the assurance levels. A full refresh will be completed in 2023/24 where a detailed review of the risks will be completed alongside an audit of some of the mitigating actions to ensure they are in place.

As part of the review there has been a slight reduction in the number of risks from 27 to 24. The changes are detailed in the table below:-

Risk	Add/Remove	Reason
Grants (Housing, Economic Support, Covid)	Removed	Split up into separate risks to reflect different risk scores.
Grants Paid – Housing (DFG, L/L)	Added	Previously part of grants, separated out.
Grants third Sector	Added	Previously part of grants, separated out.
Grants Received – Accountable body for passported funds to others (UKSPF / Towns Fund)	Added	Reflects risk around passported grants.
Refund	Removed	Amalgamated into the other risks
Bribery and Corruption	Removed	Amalgamated into the other risks
Scams	Removed	Amalgamated into the other risks
Identity Fraud	Removed	Amalgamated into the other risks
Fraud	Removed	Amalgamated into the other risks

The current risks and risk levels are:-

Risk No	Title	Rating	Likelihood	Impact
1	Contract Management	Green	Hardly Ever	Minor
2	Procurement	Amber	Hardly Ever	Major
3	Creditor Payments	Amber	Hardly Ever	Major
4	Income Collection	Green	Hardly Ever	Minor
5	Debt Management	Green	Hardly Ever	Minor
6	Money Laundering	Green	Hardly Ever	Negligible
7	BACS/Cheques	Green	Hardly Ever	Minor
8	Payroll / employees	Green	Hardly Ever	Negligible
9	Treasury Management / Investment Fraud	Amber	Hardly ever	Major
10	Property, land, equipment	Amber	Hardly Ever	Major
11	Grants Received – passported funds	Amber	Possible	Minor
12	Grants Paid - Housing	Amber	Possible	Minor
13	Grants Paid – Third Sector	Green	Hardly Ever	Minor

Fraud Risk Register

Risk No	Title	Rating	Likelihood	Impact
14	False Accounting	Green	Hardly Ever	Minor
15	IT / Data / Cyber fraud	Amber	Possible	Critical
16	Insurance	Green	Hardly Ever	Minor
17	Council Tax	Amber	Probable	Minor
18	Business Rates	Green	Hardly Ever	Minor
19	Council Tax Support Scheme	Amber	Possible	Minor
20	Housing Benefit	Amber	Possible	Minor
21	Housing	Amber	Possible	Minor
22	Development Management	Green	Hardly Ever	Minor
23	Theft / Asset Misuse	Green	Possible	Negligible
24	Election Fraud	Amber	Hardly Ever	Major

There have been no changes to the risk scores since last year. Mitigations are in place for all risks. Some of the main mitigations for the two highest risks are:-

15 – IT / Data / Cyber Fraud

- Cyber security refresher training in place – Jan 2023 and future training planned in.
- Annual data protection training for all staff and Members and training on induction carried out for all staff and Members.
- IT security policy and security standard in place and on Net Consent
- Access control standard in place and on net consent
- Member usage agreement in place and on net consent,
- Information Governance Policies in place and on net consent
- Software controls including restriction on access.
- Asset registers include IT equipment
- IT Risk Register

17 – Council Tax

- Whistleblowing arrangements report cases of Single Person Discount (SPD) and other exemptions
- National Fraud Initiative includes reports on SPD
- SPD annual reviews carried out through the Lincolnshire Counter Fraud Partnership – last 2020/21
- Property inspections undertaken

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AUDIT COMMITTEE

6 JUNE 2023

SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2022/23
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	MICHELLE HOYLES – BUSINESS MANAGER CORPORATE POLICY AND TRANSFORMATION

1. Purpose of Report

- 1.1 To inform the Audit Committee that the Council has prepared this year's Annual Governance Statement (AGS), attached as '**Appendix A**' to this report. This AGS forms part of the Council's draft Statement of Accounts.

2 Executive Summary

- 2.1 The Council is statutorily required to publish an Annual Governance Statement that reviews how it applies, and complies with, its Code of Corporate Governance. The Code, which is also reviewed annually, was most recently updated and approved by the Corporate Management Team on 9th May 2023. The updated Code has undergone only minor amendments.
- 2.2 Due to the impact of a restructure within the Corporate Policy team, and recent capacity issues caused by a number of vacant posts, the Council's approach to this year's AGS mirrors that of the previous year. The process undertaken this year is explained further in paragraph 3.3 of this report.
- 2.3 This report contains two appendices:
- **Appendix A** – the proposed draft AGS 2022/23; and
 - **Appendix B** – a glossary of the terms used in the AGS
- 2.4 No new significant governance issues have been identified for inclusion in the AGS 2022/23, and as such the document concludes that governance arrangements at City of Lincoln Council remain effective.

3. The AGS Process

- 3.1 The AGS is completed annually and comprises a retrospective 'look back' at how the Council applied its Code of Corporate Governance in the previous 12 months, and a 'look forward' at how it aims to further build upon its governance arrangements in the year ahead. The AGS is also required to identify any new and emerging significant governance issues that have arisen during the previous year or are expected to arise in the coming year.
- 3.2 The AGS is required to be published as part of the draft Statement of Accounts, which has a statutory date for publication by 31st May 2023. Subsequently, the final AGS is included in the audited Statement of Accounts which are to be published by 30th September 2023.

3.3 The year's AGS is to be completed in accordance with the following process, previously presented to and endorsed by CMT in May 2022:

1. Initial collation and review of key governance information from across the Council. This review was conducted by senior officers from the Council's Internal Audit, Finance, Legal and Corporate Policy and Transformation teams. Sources of the key governance information includes the Council's annual audit report, assurance, performance data, corporate risk register and committee reports.
2. Creation of an AGS officer questionnaire, completed with support from the Chief Finance Officer, Assistant Director for Transformation and Strategic Development, Internal Audit Manager and the City Solicitor.
3. Preparation of a draft 'AGS 2022/23', based on information derived from the completed officer questionnaire.
4. Presentation of the draft AGS to the Corporate Management Team.
5. Incorporation of CMT comments/feedback into the AGS, in preparation for formal sign-off by the Chief Executive and Leader, inclusion in the Council's draft Statement of Accounts, and progression to the Audit Committee; and
6. Publication of the final AGS alongside the Council's audited Statement of Accounts.

4 Significant Issues

- 4.1 The 2021/22 AGS identified that the Council's IT Disaster Recovery Plan should remain as a significant governance issue. Substantial progress has been made on this issue during the past 12 months. This progress has been regularly reported to the Audit Committee, and as of March 2023 Internal Audit is satisfied that the issue is now fully resolved such that it is no longer a significant governance issue. Accordingly, this has been picked up by the AGS process.
- 4.2 Officers have not identified any new significant governance issues that should be included in the AGS 2022/23.
- 4.3 During this year's annual review, two governance issues were identified for further discussion to determine if they meet the 'significant' threshold. These can be briefly summarised as:
- Recruitment issues and limited capacity within frontline Council services, and equivalent issues within internal professional support services that provide the advice and oversight necessary to ensure effective governance of significant and complex projects; and
 - Ongoing need to ensure financial, legal and procurement advice is sought for projects in a timely manner
- 4.4 Both issues were assigned the RAG rating 'amber'. It is therefore proposed that, whilst neither meets the 'significant governance issue' threshold, both nonetheless will require ongoing monitoring.

5. Strategic Priorities

- 5.1 This report supports the Council to meet its statutory duties by reviewing the effectiveness of its governance arrangements. This statutory duty therefore underpins all corporate priorities within Vision 2025, and helps to ensure the Council remains capable of implementing its associated three year action plan.

6. Organisational Impacts

- 6.1 **Finance (including whole life costs where applicable)** – There are no direct financial impacts arising from this report.
- 6.2 **Legal Implications including Procurement Rules** – this report ensures the Council meets its statutory duties to publish an AGS, and that it continues to conduct itself in accordance with the law and proper standards and in an open, honest and accountable manner.
- 6.3 **Equality, Diversity & Human Rights** – The AGS assesses how the Council applies its Code of Corporate Governance to its business activities. The Code identifies the processes the Council has put in place to ensure compliance with E&D legislation and reduce risk.

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; and
- Foster good relations between different people when carrying out their activities.

7. Risk Implications

- 7.1 (i) Options Explored – there are no alternative options available; the Council has a statutory duty to publish an AGS.
- 7.2 (ii) Key risks associated with the preferred approach – not applicable.

Recommendations

- 8.1 That the Audit Committee note the 'Annual Governance Statement 2022/23' and accompanying glossary, attached as '**Appendix A**' and '**Appendix B**' to this report, are incorporated into the Council's draft 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?

Two (A, B)

List of Background Papers:

None

Lead Officer:

Michelle Hoyles – Business Manager Corporate
Policy and Transformation
Email: michelle.hoyles@lincoln.gov.uk

1 The Council's responsibility for sound governance

1.1 Scope of responsibility

City of Lincoln Council must ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way its functions are exercised.

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. In discharging this overall responsibility, we must put in place proper governance arrangements to manage our affairs. The Council must ensure that there is a sound system of governance (incorporating the system of internal control) based on the principles of CIPFA's "Delivering Good Governance in Local Government Framework 2016"

How we are meeting these defined responsibilities is detailed in the City of Lincoln's Code of Corporate Governance, which is available on our website at <https://www.lincoln.gov.uk/policies-publications/financial-policies-publications>.

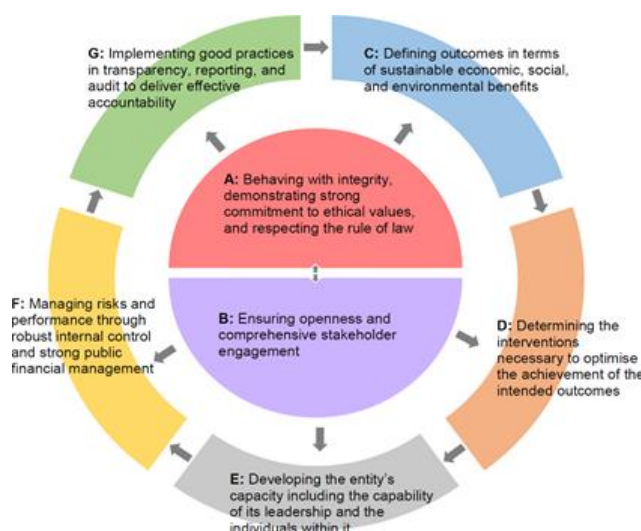
The Council's Code of Corporate Governance was comprehensively reviewed in 2021, to account for the impact of the Covid-19 pandemic. Further minor changes have since been made, with the Code most recently updated in May 2023.

This Annual Governance Statement details how the City Council has complied with its own Code of Corporate Governance over the past year. The Statement meets all relevant statutory requirements, and continues to incorporate actions taken in response to the COVID-19 pandemic.

For a glossary of terms used – see Appendix B

- 1.2** The Code of Corporate Governance sets out the documentation, systems and processes by which the authority transparently controls its activities and defines its cultures and values. It enables us to monitor achievement of our strategic objectives and to consider whether these have led to the delivery of appropriate value for money services.

The code is based on a set of seven core principles:



1.3 Responsibility rests within a range of areas – the key ones are detailed in the table below:

KEY ELEMENTS OF COUNCIL'S GOVERNANCE FRAMEWORK Key elements of the governance framework at City of Lincoln Council are summarised below:	
Council, Executive, Leader <ul style="list-style-type: none"> ❖ Provide leadership; set, develop and implement policy ❖ Ensure the Vision 2025 strategies are taken forward ❖ Develop, adopt and implement the budget framework ❖ Support the city's diverse communities and neighbourhoods to thrive 	Leadership and decision making <ul style="list-style-type: none"> ❖ All decision meetings held in public (except those identified as 'part B') ❖ Decisions recorded on the Council's public website ❖ Resources directed according to priorities as set out in Vision 2025
Scrutiny and review <ul style="list-style-type: none"> ❖ Scrutiny committees review council policy and can challenge decisions to hold Executive to account ❖ Audit and Performance committees review governance, costs vs budget, risk, internal control and delivery of agreed plans ❖ Ethics and Engagement Committee and/or Monitoring Officer deals with complaints about, or suspected breaches of member conduct ❖ Any two members can hold the Executive to account outside of scrutiny and review by requesting Call-In and reconsideration of an Executive decision 	Risk management <ul style="list-style-type: none"> ❖ Risk registers identify both operational and strategic risks ❖ Strategic risks are considered by CMT and Executive every quarter ❖ Internal audit provides independent objective assurance ❖ Council's arrangements comply with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit
Corporate Management Team (CMT) <ul style="list-style-type: none"> ❖ The CX is the Head of Paid Service and is responsible for all council staff and for leading an effective Corporate Management Team (CMT) ❖ CMT ensures there is clear accountability for the use of resources in achieving desired outcomes for service users and the community ❖ The Chief Finance Officer (CFO) is the council's Section 151 Officer and is responsible for safeguarding the council's financial position and securing value for money. The council's financial management arrangements comply with the governance requirements of the CIPFA Statement on the role of Chief Financial Officer in Local Government ❖ The City Solicitor is the council's Monitoring Officer and is responsible for ensuring legality, good governance and promoting high standards of conduct 	

1.4 In the following sections, the AGS considers whether the Code has been applied effectively and provides commentary on how the framework itself has operated over the last 12 months. The first of these sections covers how the Council has continued to maintain good governance as it adapts to longer term impacts from the COVID-19 pandemic. Some of the activities mentioned in this first section are also mentioned under the 'Core Principles' sections that follow.

1.5 Impact of COVID-19 on maintaining good governance

The COVID-19 pandemic caused major disruption to the day-to-day work of the Council, and has had a lasting impact on how we continue to deliver services to our residents and local businesses. We have now taken steps to fully embed the enhanced business continuity procedures and renewed governance arrangements initiated during the pandemic, for the benefit of our residents, businesses and visitors.

Actions taken to address the impact of the COVID-19 pandemic in 2022/23:

- Reviewed business continuity plans following the Covid-19 pandemic.
- Developed a new IT Disaster Recovery Plan, including coverage of all risks highlighted throughout the pandemic
- Undertaken an initial review of the longer-term effects of Covid-19 within the City (including health) via the Lincoln City Profile.

Proposed activity for the coming year 2023/24:

- Undertake a further review of all business continuity plans, in order that they may be aligned with the new IT Disaster Recovery Plan.

1.6 CORE PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Ethical values, standards and formal codes of conduct are defined in the Council's Constitution and form the basis for developing our policies, procedures, and the behaviour of our Members and employees. We have appropriate processes in place to ensure that Members and employees are not influenced by prejudice, bias or conflicts of interest when engaging and making decisions with stakeholders, as well as effective systems to protect the rights of employees. All Council decisions consider legal and equality implications with support from our Legal Services team.

Our Audit Committee includes an independent Member, and provides assurance on the adequacy of our internal control environment by ensuring high standards of conduct are embedded within the Council's culture. The Committee also monitors all governance issues raised, and oversees our internal and external audit arrangements.

Activity within Principle A in 2022/23:

- Undertook an annual update of the Code of Corporate Governance
- Reviewed the requirement to update our Members' Code of Conduct, which remains legally compliant
- Ensured we are compliant with the proposed Subsidy Control Bill
- Ensured we are compliant with the Electoral Integrity Bill
- Completed a successful Adults Safeguarding Audit (LAAF)
- Reviewed our Modern Slavery Charter and Statement
- Reviewed proposals contained within the new Planning Bill
- Reviewed our Money Laundering Policy
- Reviewed our Whistleblowing Policy and Guidance

Proposed activity for the coming year:

- Undertake scheduled annual update of our Code of Corporate Governance
- Continue to monitor our compliance with the Subsidy Control Act 2022 as projects commence
- Continue to review our compliance with the Elections Act 2022 as the commencement orders come into place
- Review updated CIPFA guidance for Audit Committees, including a review of the Terms of Reference of the Audit Committee to ensure they remain compliant with best practice

1.7 CORE PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

The Council makes sure our partners, in the private, public and voluntary sector as well individual citizens and service users, are engaged in and have full access to information relating to decision making. We expect reports to decision makers to be open, to provide all the necessary material to ensure informed decisions in the best interests of the city and communities, and to have engaged stakeholders and service users in arriving at proposals under consideration.

Activity within Principle B in 2022/23:

- Commenced a review of the Lincoln Citizens' Panel
- Explored more effective forms of stakeholder engagement for budget consultations
- Commenced a review of Consultation and Engagement staff guidance
- Undertook consultations with service users relating to climate change

Proposed activity for the coming year:

- Finalise the review of our Consultation and Engagement staff guidance
- Complete a review of the Citizens Panel, and recruit new Panel members in a way that reflects the current makeup of the City
- Create a 'Community Development Toolkit' for local Ward Councillors to provide additional help and support within their community
- Explore further options for engaging with stakeholders on budget consultations
- Continue to develop more permanent and usable feedback systems for services.

1.8 CORE PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Vision 2025 is the Council's vision for the five years to 2025 and forms the second phase of our Vision from 2017 to 2030. As with previous strategic plans, Vision 2025 was developed using a robust evidence base including information gained through consultation with local residents and businesses, and evidence from the Lincoln City Profile. The current priorities in Vision 2025 are:

- Let's drive inclusive economic growth
- Let's deliver quality housing
- Let's address the challenge of climate change
- Let's reduce all kinds of inequality
- Let's enhance our remarkable place

The next corporate planning cycle to develop our 'Vision 2030' will commence towards the end of the current year.

Since the Covid-19 pandemic, progress has been made towards reinstating the five current Strategic Priority Boards. Meanwhile key strategic projects, including redevelopment of Central market/City Square and commencement of Western Growth Corridor, continue to be monitored through their respective MEGA Boards. All projects are also reported into the Portfolio Holders' annual reporting process.

A full mid-term evidence based review of the Vision 2025 was completed in 2022, and continues to be implemented.

Activity within Principle C in 2022/23:

- Re-energised implementation of the place strategy for Park Ward/Sincil Bank, highlighted as a priority area for regeneration following the Covid-19 pandemic, through progression of multiple contributing regeneration projects
- Progressed several projects set out in the Vision 2025 three year action plan including Central market/City Square, delivery of new homes at Rookery Lane, progression of our Climate Action Plan, and a range of projects within the High Street Heritage Action Zone
- Undertook promotion of the next phase of the three year Vision 2025 Delivery Plan
- Commenced a feasibility study for a 30-year Housing Business Plan, which will focus on regenerating our housing estates
- Advanced a detailed analysis of 2021 Census data, that will be incorporated into future Lincoln City Profile publications and used to support robust decision making

Proposed activity for the coming year:

- Further progress implementation of Phases 1a and 1b of Western Growth Corridor
- Progress further the implementation of the place strategy for Park Ward/Sincil Bank
- Finalise our 30-year Housing Business Plan for the period 2023 – 2053

- Complete our detailed analysis of 2021 Census data to support robust, evidence-based decision making

1.9 **CORE PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

The Council clearly defines its priorities and plans to ensure delivery of their intended outcomes. Service plans were completed for 2022/23, and plans for the coming year are currently underway. Work has continued to ensure robust management of the Council's services, and projects continue to utilise the Lincoln Project Management Model (LPMM), through which we continuously assess the risks of not fully delivering plans and ensure that there are mitigating actions in place to support the achievement of intended outcomes.

The Council's financial management arrangements ensure that there is adequate resource available to deliver our plans. The Council reviews progress against delivering those outcomes through its performance management framework.

Activity within Principle D in 2022/23:

- Commenced work on delivering a five year ICT Strategy
- Prepared and audited a new IT Disaster Recovery Plan
- Procured and delivered a replacement online, self service Council Tax and NNDR system
- Progressed improving customers' experience by continuing to move them away from our Customer Contact Centre towards online forms

Proposed activity for the coming year:

- Complete delivery of a five year ICT Strategy
- Formally adopt a new IT Disaster Recovery Plan
- Undertake a further review of our business continuity plans, in order that they may be aligned with the new IT Disaster Recovery Plan.
- Establish micro-sites for key services including Building Control, Visitor services and Lincoln Central Market.
- Identify further high volume interactions with customers in our Customer Contact Centre and move them to online forms where possible to take pressure off contact centre
- Review the Council's Risk Management Strategy and provide refresher training to Members and officers

1.10 **CORE PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

The Council ensures a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve our objectives. Under our One Council approach, we have in place an organisational development pillar that aims to ensure our workforce has the necessary skills and behaviours to deliver our Vision for the city, and is effectively engaged to champion the Council's corporate priorities. Partnership working extends capacity for key projects to be delivered beyond the Council's own resources and is embedded within our Vision 2025 objectives.

Activity within Principle E in 2022/23:

- Commenced a review of the Council's building assets including City Hall, Hamilton House and community centres etc
- Supported the relocation of Citizens' Advice into City Hall, to further strengthen City Hall's identity as a public service hub
- Reviewed our One Council organisational pillar, concluding that we have adapted new ways of working in response to all known issues arising from the Covid-19 pandemic
- Provided leadership development training to all service managers and team leaders

Proposed activity for the coming year:

- Continue to build on employee retention and professional training opportunities for our employees
- Review the Council's Our People Strategy
- Continue implementing our Organisational Development Action Plan, including a needs and skills gap analysis

1.11 CORE PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

The Council recognises the need to implement an effective performance management system that will allow us to deliver services effectively and efficiently. We understand that risk management, internal control and strong financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

Activity within Principle F in 2022/23:

- Reviewed our Financial Procedure Rules
- Implemented revised reporting requirements as required by the revised Prudential Code and Treasury Management Code
- Reinstated our monthly Vision priority meetings
- Reviewed our Contaminated Land Inspection Strategy
- Reported a new agreed action plan to ensure compliance with the CIPFA Financial Management Code
- Introduced a revised process for following up actions identified in Internal Audit reports, significantly improving internal controls for monitoring actions and reducing the time taken to address them.

Proposed activity for the coming year:

- Review Contract Procedure Rules upon enactment of the Procurement Act
- Undertake a benchmarking exercise to review our treasury management strategy and prudential indicators reporting against best practice
- Introduce quarterly reporting of our treasury management activities
Fully implement all actions within our agreed action plan to ensure compliance with the CIPFA Financial Management Code
- Provide training to all officers with budget responsibility on revised Financial Procedure Rules and continue to develop a business partnering approach to financial management

1.12 CORE PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council recognises that effective accountability is concerned not only with reporting on actions completed, but also ensuring stakeholders are able to understand and respond as the

Council plans and carries out its activities in an open, transparent and proportionate manner. Performance is managed under the principles of the Performance Management Framework

Activity within Principle G in 2021/22:

- Commenced a review of the Lincoln Performance Management Framework
- Undertook an internal audit of our Performance Management function
- Reviewed a range of control measures associated with the Council's key performance indicators, including renewing control sheets and performance reporting

Proposed activity for the coming year:

- Complete a detailed review of the Lincoln Performance Management Framework and how this can best support Vision 2030
- Further develop our internal performance management system



2. Review of effectiveness of the governance framework

We undertook an assessment of the Council's governance framework during 2022/23, by reviewing our Code of Corporate Governance and the review process used to develop the AGS. Included in this review, we assessed how we identify and rate significant issues and other areas that may require monitoring. We also considered how all of the following governance information influenced the effectiveness of our overall governance framework:

- Internal and external audits
- Third party assurances and combined assurance
- Committee reports
- Risk management practices
- Performance management observations and issues
- Management of projects
- Partnership governance
- Financial management
- Feedback from our senior management team and statutory officers.

The Head of Internal Audit is required annually to provide an opinion on the overall effectiveness of the Council's governance, risk and control framework and the extent to which these can be relied upon. In 2022/23 the Council was noted as performing well across three areas (Governance, Risk and Financial Control) and performing adequately against Internal Control. The audit plan was again reduced due to a temporary shortfall in staffing resource. Two posts are currently going through the recruitment process.

Internal audits completed in 2022/23 include:

- Performance management
- Stores
- ICT Programme and Project Management
- Medium Term Financial Strategy
- Housing Benefit Subsidy
- Organisational Development
- Key Controls – General Ledger
- Key Controls – Bank
- Climate Change
- De Wint Court
- Key Controls – Property, Plant and Equipment

Of these internal audits, both Performance Management and Stores were rated as having 'limited assurance'. Significant progress has been made against the action plan introduced in response to the Performance Management audit findings, with the remaining actions listed in Core Principle G of this AGS. Actions identified from the Stores audit will be monitored on a quarterly basis, with progress reported to the Audit Committee. Of the actions applicable to the areas rated 'limited assurance' none were considered significant enough to highlight as potential AGS significant governance issues.

The following internal audits remain in progress and are at draft report stage:-

- Staff Wellbeing
- IT Disaster Recovery
- IT Asset Management
- Follow-up of audit recommendations

As at April 2023 there were no high priority audit actions which were overdue.

3. Introduction of the CIPFA Financial Management Code 2019 (FM Code)

In December 2019, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Management code (the FM Code), providing guidance for good and sustainable financial management in local authorities. The FM Code aims to assist local authorities to demonstrate their financial sustainability through a set of seventeen financial management standards.

CIPFA guidance issued in February 2021 requires Annual Governance Statements to now include an overall conclusion of the assessment of the organisation's compliance with these standards. An assessment against the FM Code was most recently undertaken and reported to the Audit Committee in March 2023, confirming an overall substantial level of compliance (65%), with six identified areas for improvement (35%).

It is not expected that there will be full compliance across all standards as continual improvement, routine revisions to policies and procedures, and assessment against best practice necessitate a need for new actions to be implemented following each annual assessment. The Council can be assured that it has achieved this level of substantial and reasonable assurance and that there are no areas of minimum compliance and no significant areas for improvement.

4. Level of assurance provided

We can provide a high level of assurance that the governance arrangements operating at City of Lincoln Council, in line with our Code of Corporate Governance are appropriate, fit for purpose and working well in practice.

5. Status of significant governance issues monitored from 2022/23

The Council has regularly monitored its 2021/22 significant governance issues through senior management and the Audit Committee during 2022/23.

- **The Disaster Recovery plan in place for IT arrangements:** Substantial progress has been made over the last twelve months to put this plan in place. The final IT Disaster Recovery Plan is complete and is expected to be adopted in early 2023/24.

This is therefore no longer considered to be a significant governance issue.

6. Significant governance issues identified from 2022/23

No new significant governance issues have been identified during 2022/23.

7. Conclusion

The Council's governance arrangements are under continual review. No significant governance issues have been identified during 2022/23, however the Council will continue to monitor the effectiveness of its governance arrangements to enable the identification of new and emerging issues throughout the coming year.

Signed



Cllr R Metcalfe, Leader:

Date:



Angela Andrews, Chief Executive:

Date:

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AGS - GLOSSARY OF TERMS USED

AGS	Annual Governance Statement
AD	Assistant Director
CPG	Capital Programme Group
CFO	Chief Finance Officer
CLT	Corporate Leadership Team
CMT	Corporate Management Team
CPR	Contract Procedure Rules
CS	City Solicitor
CX	Chief Executive
DCLG	Department for Communities and Local Government
DfT	Department for Transport
DR	Disaster Recovery
FPR	Financial Procedure Rules
GDPR	General Data Protection Regulation
GLLEP	Greater Lincolnshire Local Enterprise Partnership
H&S	Health & Safety
HB	Housing Benefit
HPS	High Performing Services
HR	Human Resources
ICT	Information, Communication Technology
PIMS	Performance & Management Information System
LGA	Local Government Authority
LPMM	Lincoln Project Management Model
MTFS	Medium Term Financial Strategy
PIR	Post Implementation Review
PVP	Protecting Vulnerable People (group)
RO	Responsible Officer
RSG	Revenue Support Grant
TFS	Towards Financial Sustainability
SM	Service Manager
VFM	Value for Money

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AUDIT COMMITTEE**6 JUNE 2023****SUBJECT: AUDIT COMMITTEE WORK PROGRAMME 2023/24****DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK****REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER****1. Purpose of Report**

- 1.1 To provide details of the Audit Committee work programme for 2023/24.

2. Background

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) identifies the purpose of an Audit Committee, in its Practical Guidance for Local Authorities and Police 2022 Edition, as providing an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 2.2 In local authorities, audit committees are necessary to satisfy the wider requirements for sound financial and internal control. Accounts and Audit (England) Regulations 2015 state 'the relevant authority must ensure that it has a sound system of internal control which; facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk'.
- 2.3 With a known work plan, and appropriate and timely learning and development for Members, the committee will be well prepared, and members will gain the knowledge and experience needed to carry out their role effectively.
- 2.4 The Audit Committee approves a work programme each year and monitors progress against it. Any changes to the work programme are reporting to the Committee.

3. 2023/24 Work Programme

- 3.1 The proposed work programme for 2023/24 based on the Committee's Terms of Reference and cyclical reporting, is attached at Appendix B. The frequency of meetings has been reviewed and is considered appropriate for 2023/24.
- 3.2 Any future changes to this work programme will be report to the Committee at each of it's meetings.
- 3.3 A copy of the Audit Committee's Terms of Reference is attached at Annex A.

4. Learning and Development

- 4.1 CIPFA identify a key characteristic of an effective Audit Committee as having a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. There is a range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No one committee member is expected to be an expert in all areas. There are however some core areas of knowledge which committee members need to acquire in addition to the need for regular briefings and training.
- 4.2 Members need to consider annually their learning and development plan to support them in delivery of their roles. During 2023/24 the following training is scheduled:
- 6th June 2023 – Local Government Financial Statements
 - 17th July 2023 – Audit Committee Effectiveness
 - 30th January 2024 – Treasury Management
 - 16th August – Risk Management (All Members)
 - TBC – Counter Fraud learning

5. Strategic Priorities

- 5.1 The Internal Audit Service and Audit Committee contributes to the Council's strategic priorities, by helping to manage risk and achieve its objectives.

6. Organisational Impacts

- 6.1 Finance – 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 arising as a result of this report.
- 6.3 Equality, Diversity and 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.

Due to the nature of the report, no specific Equality Impact Analysis is required.

7. Risk Implications

- 7.1 By identifying the key topics to be considered at the Audit Committee meetings and receiving appropriate learning and development sessions in respect of their roles

and responsibilities, Audit Committee Members can undertake their duties effectively and deliver them to a high standard, thereby adding to:

- the robustness of the risk management framework;
- the adequacy of the internal control environment and
- the integrity of the financial reporting and annual governance of the Council.

8. Recommendation

8.1 Audit Committee are asked to comment on and agree on the work programme for 2023/24.

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? Two

List of Background Papers: None

Lead Officer: Amanda Stanislawski, Internal Audit Manager
Email: amanda.stanislawski@lincoln.gov.uk

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Audit Committee terms of reference (Constitution)

9.1 Audit Committee

The Council will appoint an Audit Committee.

9.2 Composition

Audit Committee

- (a) The Audit Committee will comprise of seven Councillors and one independent member
- (b) The seven councillors of the Audit Committee should include the Chair of Performance Scrutiny Committee.
- (c) A member of the Executive may not be a member of this Committee

9.3 Statement of purpose

- (a) The Audit Committee will have the following roles and functions:
- (b) The audit committee is a key component of the City of Lincoln's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- (c) The purpose of the Audit Committee is to provide independent assurance to the Council members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City of Lincoln's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- (d) To decide upon and authorise allowances to the Committee's Independent Member.

Governance, risk and control

- (a) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (b) To engage with relevant committees to help support ethical values and reviewing arrangements to achieve those values as appropriate

- (c) To appoint Lead Member to monitor and oversee Information Governance practices within the Council along with the Information Governance Board.
- (d) To monitor the effectiveness of the Authority's risk management Arrangements (development and operation),
- (e) To monitor the Council's anti-fraud and anti-corruption arrangements (including an assessment of fraud risks);
- (f) To monitor the counter-fraud strategy, actions and resources.
- (g) To monitor progress in addressing risk-related issues reported to the committee.
- (h) To maintain an overview of the Council's constitution in respect of contract procedure rules and financial procedure rules;
- (i) To review any issue referred to it by the Chief Executive, a Strategic Director, Monitoring Officer, Chief Financial Officer or any Council body as the Chair considers appropriate within the general Terms of Reference of the Committee
- (j) To review the Authority's assurance statements, including the Annual Governance Statement prior to approval, ensuring it properly reflects the risk environment and supporting assurances (including internal audit's annual opinion on governance, risk and control)
- (k) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- (l) To review the Council's arrangements for corporate governance, including the local Code of Corporate Governance and agreeing necessary actions to ensure compliance with best practice (the good governance framework, including the ethical framework)
- (m) To review the governance and assurance arrangements for significant partnerships or collaborations.
- (n) To consider the Council's compliance with its own and other published standards and controls;
- (o) To report and make recommendations to Executive or Council on major issues and contraventions;
- (p) To have rights of access to other Committees of the Council and to strategic functions as it deems necessary.
- (q) To receive on an annual basis a report on the Treasury Management Strategy before approval by the Executive and Full Council.

- (r) To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Internal audit

- (a) Receive and consider the annual report and opinion of the Internal Audit Manager including conformance with Internal Audit Standards
- (b) Review a summary of internal audit activity including internal audit reports on the effectiveness of internal controls, seeking assurance that action has been taken where necessary on the implementation of agreed actions;
- (c) To consider summaries of specific internal audit reports as requested by the Audit committee.
- (d) To Approve (but not direct) internal audit's risk-based annual audit plan including resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those sources.
- (e) Audit Committee Chair to approve significant interim changes to the risk based internal audit plan and resource requirements followed by report to Audit Committee.
- (f) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- (g) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments
- (h) To monitor audit performance, including QAIP results and any nonconformance with PSIAS and LGAN.
- (i) To consider whether the non-conformance is significant enough that it must be included in the AGS
- (j) Consider the annual review of effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations
- (k) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years
- (l) To receive reports outlining the action taken where the Audit manager has concluded that management has accepted a level of risk that may be

unacceptable to the authority or there are concerns about progress with the implementation of agreed actions

- (m) To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.
- (n) To have the right to call any officers or Members of the Council as required to offer explanation in the management of internal controls and risks.
- (o) To approve the internal audit charter.

External audit

- (a) To consider the reports of external audit and inspection agencies, including the external auditor's annual letter, relevant reports, and the report to those charged with governance
- (b) To consider specific reports as agreed with the external auditor.
- (c) To advise and recommend on the effectiveness of relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- (d) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (e) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- (f) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- (l) To commission work from internal and external audit, as required, and as resources allow;

Financial reporting

- (a) The Audit Committee, as the Committee "Charged with Governance" should consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts
- (b) To review the annual statement of accounts. The Committee should consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- (c) The Committee will monitor management action in response to any issues raised by external audit 151

Accountability arrangements

- (a) To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

9.4 Proceedings of the Audit Committee

- (1) The Audit Committee must conduct its proceedings in accordance with Rules 6-8, 12.3 to 12.7, 14 -17 and 18-28 (but not Rule 23.1 or 26 of the Council Procedure Rules set out in Part 4 of this Constitution.

9.5 Quorum

Audit Committee

The quorum for any meeting of the Audit Committee shall be three Councillors.

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**AUDIT COMMITTEE
AUDIT WORK PROGRAMME FOR 2023/24**

Meeting dates	Audit Items – Revised Agenda	Training
6th June 2023	<ul style="list-style-type: none"> • Annual Internal Audit Report • Annual Fraud & Error Report • Information Governance Update • Annual Governance Statement (Draft) • External Audit – Progress Report • Audit Committee Work Programme 	Local Government Financial Statements
17th July 2023	<ul style="list-style-type: none"> • Statement of Accounts (Draft) • Internal Audit Progress Report • Audit Recommendations Follow Up Report • Risk Management Annual Update • External Audit – Annual Auditor’s Report 2021/22 • External Audit – Progress Report 	Audit Committee Effectiveness
12th Sept 2023	<ul style="list-style-type: none"> • Assessment of Going Concern Status • Statement of Accounts (including Annual Governance Statement) (Final) • External Audit – Audit Completion report (22/23) • Annual Governance Statement Monitoring • Annual Complaints Report • Internal Audit Revised Audit Plan 	
25th Sept 2023	To be cancelled, was scheduled pending confirmation of the date for the completion of the unaudited Statement of Accounts.	
12th Dec 2023	<ul style="list-style-type: none"> • Internal Audit progress Report 	

APPENDIX B

	<ul style="list-style-type: none"> • Audit Recommendations Follow Up Report • Six Month Fraud & Error Report • Review of Effectiveness of Internal Audit • Review of Effectiveness of Audit Committee • Audit Committee Terms of Reference • Information Governance update • Annual Governance Statement Monitoring • External audit – Annual Audit letter (22/23) • Audit Committee Work Programme 	
31 st Jan 24	<ul style="list-style-type: none"> • Internal Audit Progress Report • Treasury management Policy and Strategy • Anti Bribery Policy • Counter Fraud Policy/Strategy • External Audit – Audit Strategy Memorandum (23/24) • Audit Committee Work Programme 	Treasury Management
21 st Mar 24	<ul style="list-style-type: none"> • Internal Audit Progress Report • Audit Recommendations Follow Up Report • Internal Audit Strategy and Plan 22/23 • Statement on Accounting Policies • IAS19 – Assumptions • External Audit Inquiries • Annual Governance Statement Monitoring • Partnership Governance • CIPFA Financial Management Code • Audit Committee Work Programme 	
Date to be agreed		Counter Fraud Training

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:	INFORMATION GOVERNANCE UPDATE
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	SALLY BROOKS, DATA PROTECTION OFFICER (DPO)

1. Purpose of Report

- 1.1. To update committee on Information Governance. This includes monitoring of the council's compliance with data protection legislation including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 (DPA).

2. Background of Reporting

- 2.1. Reports are submitted on a bi-annual basis the last report being provided to committee in November 2022.

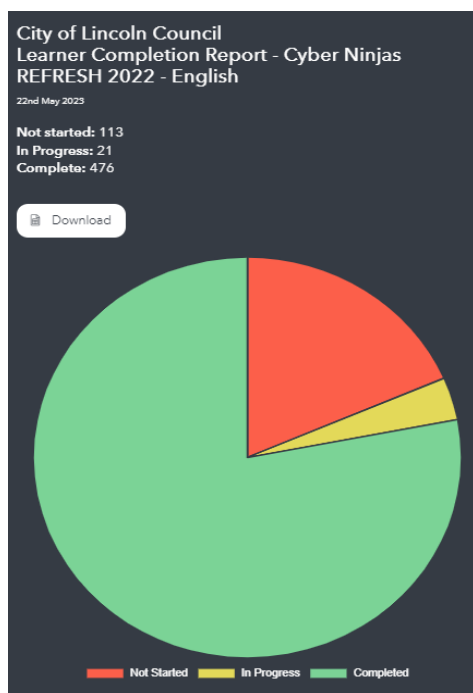
3. Information Governance Risk Register

- 3.1 Attached at Appendix A (Part B) is the updated Information Governance risk register. The following risks are highlighted for comment:

4 Data Protection Training (Risk 1)

- 4.1 Data protection training is a legal requirement. The Information Commissioner's Office (ICO UK regulator) recommends training is renewed every 2 years and preferably annually for an organisation such as the council. The council renew training annually for all staff/members and provide training for all staff/members on induction.
- 4.2 The council deploy training accredited by the National Cyber Security Centre (NCSC) which covers both data protection and cyber security training. The need for cyber security training is essential particularly given the increase in staff working remotely and cyber activity due to global events.
- 4.3 The training includes a higher-level package for Information Asset Owners (IAO's) all service managers and some team leaders) called 'Data Confident' and a bespoke training package for members, 'Cyber Ninja's for councillors' which reinforces members hold individual responsibility for data protection as 'controllers' when processing constituents' personal data.
- 4.4 As of 22 May 2023, the training completion level report indicates 85% completion by all staff and members for this year.

4.5



- 4.6 A report indicating 100% completion of training is not achievable as the staff list is constantly changing and as staff leave and new staff join the percentage rate will go down until the training is completed. There are also those unable to carry out the training as on long term leave. Out of the 'Not started' report above approximately 69 have left the authority and 12 are on long term leave. The overall completion rate is therefore higher than the report indicates. The few remaining non-completers are now being followed up through their relevant Assistant Director as requested by the council's Senior Information Risk Officer (SIRO)
- 4.7 Staff without network access who do not normally process personal data as part of their role, complete a low-risk data protection form detailing the principles of data protection.
- 4.8 Training will need to be refreshed by all staff at the end of this year and will be issued in December 2023 to be completed by the end of January 2024 as completion over this time period has worked well in previous years.
- 4.9 Members will also be offered face to face data protection training later this year by the Data Protection Officer.
- 4.10 IAO's complete an annual checklist which requires them to assess their information assets. This includes reviewing their section of the council's 'Information Asset Register' and ensuring information sharing agreements, privacy notices and contracts in their area are compliant. Also, to confirm personal data in their area is being confidentially disposed of in accordance with the council's retention and disposal schedules.

5. Data Protection Reform (Risk 3-Policies And Procedures)

- 5.1 Data Protection Reform is currently being considered again by Parliament in the Data Protection and Digital Information Bill (No.2). This is after the previous version of the Bill was removed. The Bill proposes amendments to the Data

Protection Act 2018, UK GDPR and the Privacy and Electronic Communications Act. As with the previous Bill the Government states the aim is to cut paperwork for British businesses and enable personal data to be shared more easily particularly when in the public interest. The text of the Bill can be found here at [Data Protection and Digital Information \(No. 2\) Bill - Parliamentary Bills - UK Parliament](#). The Bill is currently at committee stage and the council's relevant policies/procedures will need to be updated when this becomes Law.

6. Retention And Disposal of Personal Data/Records (Risk 5)

- 6.1 Office 365 has the potential to improve information management in terms of available tools on retention, sensitivity labelling, data leakage and access control as well as compliance and efficiency with information requests such as Freedom of Information and Data Protection Act (DPA) requests.
- 6.2 It is essential that retention and disposal of personal data is implemented from the outset in Office 365, and that existing data held in on premise electronic drives is cleansed and deleted where possible before any data is migrated. This will ensure the council does not retain personal data longer than necessary. This is a fundamental principle of data protection compliance and key to business efficiency. The council need to also ensure that retention and disposal policies are implemented from the outset 'privacy by design' on all new IT systems.
- 6.3 Suppliers were instructed to assist in migration and retention policies in Office 365 and have provided recommendations to the council. Work on piloting and implementing these recommendations in priority service areas is due to commence in August 2023 and now IT have successfully delivered the council's the new Telephony system.

7. Data Subject's Rights (Risk 8)

- 7.1 The council continue to manage data protection requests from individuals regarding their own personal data (Subject Access Requests) and from third parties for personal data, such as the Police, legal representatives, and insurance companies. These requests can be resource intensive as they often involve complex legal issues and high volumes of data. There is also a time limit for the council to respond of 1 calendar month. By way of example, for the last full quarter Jan-March 2023 the council received '24' requests.
- 7.2 This is in addition to Freedom of Information (FOI) requests which the council continues to receive in high volumes. By way of example, the council received '216' requests in the same period Jan-March 2023 in addition to the data protection requests above.

8. Annual Governance Statement (Ags)

- 8.1 The AGS status for Information Governance was downgraded from Red to Amber due to progress made in the implementation of the GDPR. IG has since been removed from the AGS although remains closely monitored with reports being submitted biannually to IG Board (CLT), and Audit Committee as well as CMT as and when required.

9. Strategic Priorities

- 9.1 This work ensures that staff are high performing in their collection and processing of customer's data. It also assists to ensure that the council is trusted to deliver the services and ensures compliance.

10. Organisational Impacts

- 10.1 Finance (including whole life costs where applicable)

There are no financial implications arising from this report, as the resources will come from existing budgets.

- 10.2 Legal Implications including Procurement Rules

There are no legal implications arising out of this report.

- 10.3 Equality, Diversity and 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 is no impact arising from this report regarding these issues.

11. Risk Implications

- 11.1 The council must comply with data protection legislation. Non-compliance may result in enforced external audits, enforcement notices, monetary fines, criminal prosecutions of individual's, compensation claims and loss of public/partner trust.

12. Recommendation

- 12.1 To note the content of the report and provide any comment.

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?

1

List of Background Papers:

None

Lead Officer:

Sally Brooks, Data Protection
Officer
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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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