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AUDIT COMMITTEE

| Monday, 2 June | 2025 | 6.00 pm | Committee Room 1, City Hall |
|---------------------|--|---------|-----------------------------|
| Membership: | Jane Nellist (Chair) | | |
| | Councillors Emily Wood (Vice-Chair), Annie Currier, Thomas Dyer, Gary Hewson, Neil Murray, Clare Smalley and Debbie Armiger | | |
| Substitute members: | Councillors Pat Vaughan and Aiden Wells | | |
| Independent Member: | Dave Carter | | |
| Officers attending: | Sally Brooks, Democratic Services, Jaclyn Gibson, Zlati Kalchev, and Amanda Stanislawski | | |

AGENDA

| SECTION A Page(s) | | |
|-------------------|--|-----------|
| 1. | Confirmation of Minutes - 25 March 2025 | |
| 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. | Information Governance Update | 9 - 14 |
| 4. | Internal Audit Progress Report | 15 - 30 |
| 5. | Risk Management - Annual Update | 31 - 48 |
| 6. | Internal Audit Annual Audit Report | 49 - 78 |
| 7. | Annual Governance Statement 2024/25 | 79 - 122 |
| 8. | Internal Audit Annual Fraud Report | 123 - 142 |
| 9. | External Audit: Audit Plan and Strategy 2024/25 | 143 - 186 |
| 10. | Learning and Development Plan for Members of the Audit Committee 2025/26 | 187 - 194 |

| 11. | Audit Committee Work Programme 2025/26 | 195 - 206 |
|-----|--|-----------|
| 12. | Exclusion of Public and Press | 207 - 208 |
| | 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'. | |
| SEC | TION B | |
| 13. | Information Governance Update - Appendix A | 209 - 216 |
| 14. | Internal Audit Progress Report - Appendix A | 217 - 218 |
| 15. | Risk Management - Annual Update - Appendix B | 219 - 234 |
| | | |

Item No. 125 March 2025Audit Committee25 March 2025Present:Councillor Calum Watt (in the Chair)Councillors:Thomas Dyer, Gary Hewson, Callum Roper and
Clare SmalleyIndependent Members:Jane Nellist and Dave CarterApologies for Absence:Councillor Emily Wood and Councillor Annie Currier

52. <u>Confirmation of Minutes - 4 February 2025</u>

RESOLVED that the minutes of the meeting held on 4 February 2025 be confirmed and signed by the Chair as a correct record.

53. <u>Declarations of Interest</u>

No declarations of interest were received.

54. Internal Audit Recommendations Follow-Up

The Committee considered a report which provided a summary of the outstanding actions and progress made from the internal audit recommendations. There was currently one High action and 40 Medium actions remaining.

It was reported that the actions from the Homelessness Reduction Act and Risk Management had now been implemented.

Members queried whether the Committee could receive explanations on the overdue actions, perhaps by inviting the relevant officers to future meetings. Most of the actions related to IT, and it was suggested that the Business Development and IT Manager be invited to the next meeting for the Committee to understand why they were still outstanding and provide support if necessary.

The longest standing and high risk recommendation, related to performance management. The Business Manager, Corporate Policy and Improvement reported that this was imminent with revised documentation and framework due to be considered by CMT at its meeting on 1 April 2025.

RESOLVED that:

- 1. The update on internal audit recommendations be considered and noted.
- 2. The Business Development and IT Manager be invited to the next meeting of the Audit Committee.

55. Internal Audit Strategy and Plan 2025/26

The new Public Sector Internal Audit Standards (effective from April 2025) required that Audit Committee have a greater involvement in consultation and engagement.

The Committee considered the first documents to be presented under the new Standards: the Internal Audit Charter, Strategy and Plan for 2025/26.

The Committee discussed the draft plan, and the following points were noted:

- The introduction of the Standards would require that the Internal Audit team spend time away from auditing, however it was confirmed this had been built into the Plan. In addition, the team currently had a full complement of staff.
- The Internal Audit team had a contract with a specialist in IT audits, who conducted the audit, and the IT staff were then responsible for implementing any actions arising from it, not the IT contractor.
- From the 171 days of staff training for the Internal Audit team during 2025/26, the majority was for the career-graded post which involved splitting time between on the job training, study time and college.
- Members were assured that issues surrounding sickness levels within the Audit team for the previous year were now resolved.

RESOLVED that:

- 1. The Charter and Strategy met the Committee's expectations of the Internal Audit Service and the revised approach be agreed.
- 2. The draft Plan be reviewed and agreed.

56. <u>Statement of Accounting Policies 2024/25</u>

The Committee was presented with the Council's Statement of Accounting Policies which would be used to prepare the 2024/25 Statement of Accounts.

Under the Accounts and Audit (England) Regulations, the Council had to comply with proper practice which was defined by the Code of Practice on Local Authority Accounting. The Code was based on International Financial Reporting Standards (IFRS) and the Council produced its financial statements on this basis.

The Statement of Accounting Policies was reviewed each year in line with CIPFA guidelines. The Statement of Accounts would be subject to external audit review.

Questions from the Committee confirmed that in relation to the new IFRS16, this was something that all local authorities were implementing. There had been sufficient preparation time for the implementation of IFRS16 and council staff had undertaken training on the isuse and had engaged with external support and with the external auditor.

RESOLVED that the Committee considered and noted the Accounting Policies to be used for the 2024/25 Statement of Accounts.

57. <u>IAS19 - Assumptions Used to Calculate Pension Entries in the 2024/25</u> <u>Statement of Accounts</u>

A report was presented which allowed the Committee to consider the assumptions proposed by the pension fund actuary to be used in preparing IAS19 figures for inclusion in the 2024/25 Statement of Accounts.

The actuary used by the Council (Barnett Waddingham) made broad assumptions about scheme members, such as death and illness, to allow the Council to calculate how much retirement benefit was being accrued. Officers had reviewed the proposed assumptions and were satisfied with them.

RESOLVED that the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2024/25 Statement of Accounts be approved.

58. External Audit Enquiries 2024/25 Statement of Accounts

Members considered a report which informed the Committee of the External Auditor's (KPMG) requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations. This was done as part of its audit of the Council's Statement of Accounts for 2024/25. In addition to providing this information, a number of enquiries were made by KPMG to Officers relating to the arrangements for identifying, responding to and managing risks around fraud from 'those charged with governance'.

It was noted that the enquiries were similar each year, as were most of the responses. The Committee considered the details of the enquiries and the proposed responses to each as drafted by Officers.

RESOLVED that the enquiries for those charged with governance for the 2024/25 Statement of Accounts be reviewed and noted.

59. Change to Order of Business

RESOLVED that the order of business be amended to allow item 8 – Partnership Governance to be considered as the last item of the agenda, as it would now be considered as a Part B Restricted Item following the Exclusion of Public and Press.

60. <u>CIPFA Financial Management Code</u>

Consideration was given to a report which set out the Council's assessment for 2024/25 against the standards contained within the CIPFA Financial Management Code and the associated actions arising from it in order to ensure compliance.

Compliance with the Code was not a legal requirement, however it was considered best practice to undertake the exercise on an annual basis and allow Audit Committee to review the results. The assessment for 2024/25 showed 76% compliance which was an increase from the previous year at 66%. There was no expectation that the Council would reach full compliance as new standards were always being introduced.

Following a question, it was confirmed that the improvements from last year's assessment related to the Value for Money Statement, Contractual Procedure Rules and Financial Resilience Assessment.

RESOLVED that:

- 1. The progress of the actions arising from the 2023/24 self-assessment be considered and noted.
- 2. The 2024/25 self-assessment and the resulting required actions be considered and noted.

61. <u>Money Laundering Policy and Procedure</u>

The Committee considered a report which provided an update on the Money Laundering Policy Statement and Procedures. The Policy was reviewed every two years and had last been looked at in February 2023.

The alterations made in the 2025 review were shown as tracked changes in the report and were mostly minor relating to use of the correct tense in reference to events that had happened previously.

RESOLVED that the updated policy and procedures be approved.

62. Local Audit Reform (Consultation)

A report was considered which provided the Committee with a summary of the recent consultation undertaken by the Ministry of Housing Communities and Local Government (MHCLG) on *Local Audit Reform – a strategy for overhauling the local audit system in England.*

It was noted the local audit system in England had faced significant challenges culminating in a backlog of nearly 1,000 unaudited accounts dating back to 2015/16 however, most of these audits had now been completed.

Along with a range of proposals, the primary function of the Local Audit Reform Strategy was the establishment of local audit offices, which Officers felt would be beneficial.

There were some recommendations for best practice for local authorities with regards to audit committees, the majority of which were already in place at City of Lincoln Council, with the exception of an independent chair.

From 18 December 2024, the Local Audit Reform had been out to consultation which had now ended. It was confirmed that Council officers had responded to the consultation.

RESOLVED that the Local Audit Reform consultation be noted.

63. Audit Committee Work Programme 2024/25

RESOLVED that the Committee note and agree the updated work programme for 2024/25.

64. Exclusion of Public and Press

RESOLVED that the press and public be excluded from the meeting during consideration of the following items of business because it was 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

65. <u>Partnership Governance</u>

The Committee considered a report which provided an overview and update on partnership governance.

RESOLVED that the recommendation, as set out in the report, be noted.

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AUDIT COMMITTEE

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 the Council's Information Governance compliance and associated risks. This includes compliance with the Data Protection Legislation including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 (DPA).
- 1.2. This report also includes monitoring of the Council's compliance with its legal obligations under the Freedom of Information Act 2000.

2. Background of Reporting

2.1. Reports are submitted biannually to Committee and in line with reports submitted to Corporate Leadership Team (IG Board). The last report provided to Committee was 10 December 2024.

3. Information Governance (IG) Risk Register

- 3.1 See Appendix A (Part B) for the Council's Information Governance Risk Register. All risks require continuous mitigation and monitoring to ensure current Assurance Levels are maintained or improved.
- 3.2 The following risks are highlighted for comment in this report:
 - Training
 - Policies, and Procedures (including legislation reform)
 - Retention and Disposal of Personal Data
 - Data Subject's Rights and Freedom of Information Requests

4 Training (Risk 1)

- 4.1 Data protection training is an organisational security measure required for compliance with the Data Protection Legislation. Training is provided on induction for new staff/members and annually. Additional training is provided to Service Managers who are Information Asset Owners (IAO's) and responsible for personal data in their service areas.
- 4.2 The current online training package 'Cyber Ninjas' is produced in association with the National Cyber Security Centre (NCSC) and covers both data protection and cyber security.
- 4.3 When the Council are required to report a data breach to the regulator the Information Commissioner's Office (ICO), they must confirm those staff/members involved have received data protection training in the last 2 years.
- 4.4 Final training completion rates for 2024 are at 92% for all staff. Those who did not complete this must complete both last year's full course and this year's refresh course.

The importance of completing this mandatory training is being reinforced through IAO's, Assistant Directors and the Council's Senior Information Risk Officer (SIRO).

- 4.5 This year's annual refresh of training was deployed on the 04 March 2025. This is a quick refresh of last year's full course which tests knowledge with a quiz, and which must be passed before completion is recorded centrally. Staff have been requested to complete this by 01 July 2025.
- 4.6 Members will be offered a face-to-face refresh of training later this year to be arranged with democratic services. This is in addition to the option for members to complete the bespoke Councillor Cyber Ninja's training online.
- 4.7 The Council have a dedicated Data Protection Hub site for staff and members and an IAO Microsoft Teams Channel. These provide regular data protection and cyber security related news posts, templates, handbook, policies and guidance. Also links to further training including the ICO's own Freedom of Information staff training videos.
- 4.8 The Council continue with their communications campaign 'Think before you click'. This includes the release of articles/video clips regarding cyber security and data protection. Also, posters displayed around the Council's offices with key messages to staff/members on how to protect personal data.

5. Policies and Procedures (Risk 3) proposed legislation reform

- 5.1 A review of Information Governance policies has been delayed to September 2025 due to the forthcoming data protection legislation reform (likely to come into force before the end of this parliamentary session in July 2025). This is the <u>Data (Use and Access) Bill</u> currently in the final stages of being considered by Parliament and a briefing note will be provided Audit Committee once amendments have been considered and the Bill receives approval.
- 5.2 There are likely to be a number of changes in the new reform legislation which will amend the existing Data Protection Legislation (including UK GDPR and the Data Protection Act 2018) which will need to be reflected in the Council's Information Governance policies and procedures. For example, the likely mandating of a complaints procedure for Data Subject Access Requests, where currently the Council inform of the right to complain to the independent regulator the Information Commissioner's Office (ICO).
- 5.3 Microsoft 'Copilot' is available to staff as an application in their web browser. This is not currently approved for use by staff/members. An acceptable usage Artificial Intelligence (AI) policy has been drafted and will be considered for approval shortly.
- 5.4 Al has potential benefits for the Council such as improvements in productivity, efficiency and outcomes for customers. However, risks of Al must be considered and mitigated from the outset. This is a fast-developing area which requires strategic planning by the Council. Currently access to all other forms of Al via the Council's network have been removed whilst this is considered.
- 5.5 Internal Audit will be carrying out an Audit of Information Governance processes and procedures as part of their Audit Plan for 2025-26. Audit and self-assessment are an essential aspect of demonstrating the Council's Information Governance compliance.

6. Retention and Disposal of Personal Data (Risk 5)

- 6.1 An analysis of the electronic data held by the Council is currently ongoing as part of the IT migration project. This has begun with an analysis of data held over 6 years and which is being provided to IAO's to review for deletion before data is migrated.
- 6.2 Retention policies must be automated from the outset on data migrated and on existing data already held in the Cloud such as in Office 365, SharePoint and Microsoft Teams as soon as possible.
- 6.3 A retention period of 6 months has been agreed to be implemented on Microsoft Teams 1-1 Chat. This was with a 3 month lead up to implementation to allow staff/members time to review any data to be retained. Communications have been deployed to inform all staff/members of this, and automated deletion will commence on 01 July 2025.

7. Data Subject's Rights (Risk 8)

7.1 Completion rates for Data Protection Act requests are detailed below by quarter since last reported. These include Data Subject Access Requests (DSARs) from individuals regarding their own personal data and requests for personal data from third parties such as the Police, NHS and Home Office.

| Oct-Dec 2024 | |
|----------------------------|-----|
| Total requests received | 41 |
| Requests completed in time | 88% |
| | |
| July-Sept 2024 | |
| Total requests received | 34 |
| Requests completed in time | 97% |
| | |

7.2 By way of comparison, requests received, and completion rates previously reported:

| Time periods | Requests received | Percentage completed in time: |
|-----------------|-------------------|-------------------------------|
| April-June 2024 | 35 | 91% |
| Jan-March 2024 | 23 | 82% |
| Oct-Dec 2023 | 18 | 94% |
| July-Sept 2023 | 28 | 91% |
| April-June 2023 | 32 | 91% |
| Jan-March 2023 | 20 | 80% |
| Oct- Dec 2022 | 25 | 84% |
| July -Sept 2022 | 26 | 77% |
| | | |

- 7.3 The number of requests received by the Council continues to increase. The highest number ever recorded by the Council between October and December 2024 although these high numbers are not unusual and have been steadily increasing. In addition, requests are becoming increasing complex and resource intensive often relating to complaints, legal proceedings and HR matters.
- 7.4 DPA requests can be submitted by requesters through multiple channels such as eform, email, letter, social media or even verbally. The Council can only encourage use of the online e-form. Current processes are largely manual, and the e-form system has its limitations. Therefore, the Council continues to explore options for improvements to existing processes.

8 Freedom of Information Requests

8.1 Response rates for requests under the Freedom of Information Act 2000 (FOI) are detailed below by quarter since last reported.

| Jan-March 2025 | |
|-----------------------------|-----|
| Total requests received: | 207 |
| Requests completed in time: | 86% |
| | |
| Oct-Dec 2024 | |
| Total requests received: | 178 |
| Requests completed in time: | 87% |
| | |
| July-Sept 2024 | |
| Total requests received | 115 |
| Requests completed in time | 83% |
| | |

8.2 By way of comparison, FOI requests received and completion in time percentage rates previously reported:

| Time periods | Requests received | Percentage completed in time: |
|-----------------|-------------------|-------------------------------|
| April-June 2024 | 181 | 86% |
| Jan-March 2024 | 179 | 85% |
| Oct-Dec 2023 | 206 | 87% |
| July-Sept 2023 | 200 | 89% |
| April-June 2023 | 174 | 86% |
| Jan-March 2023 | 205 | 89% |
| Oct- Dec 2022 | 95 | 61% |
| July -Sept 2022 | 75 | 54% |
| | | |

- 8.3 The number of FOI requests remains high. The highest number ever recorded by the Council between January and March 2025.
- 8.4 FOI rates have improved significantly in the last 3 years (due to improvements in internal processes). However, rates have plateaued in the last 2 years and are yet to reach 95% to be considered good by the Information Commissioner's Office (ICO). The Council are currently carrying out a detailed analysis of FOI requests received to establish if response rates can be improved, and numbers of requests reduced for example by proactively publishing more information.
- 8.5 FOI rates are published on the Council's website see link <u>key FOI statistics</u>. The aim is to provide more detail in the line with ICO's guidance. This will be possible when automated reporting capabilities are available through improvements to existing processes which will also be considered as part of the current FOI analysis.
- 8.6 Internal Audit will be carrying out an Audit of FOI processes and procedures as part of Workplan Scheduling for 2025-26.

9. Annual Governance Statement (AGS)

9.1 Information Governance was removed from the AGS but remains closely monitored with reports biannually to IG Board (Corporate Leadership Team), and Audit Committee.

This is also monitored by an internal working group incorporating the Senior Information Risk Officer, Data Protection Officer, Audit, Legal, IT Managers and Comms Officer.

10. Strategic Priorities

10.1 This work ensures that staff and members are high performing in their collection and processing of customer and staff personal data. It also assists to ensure that the Council is 'trusted to deliver' services and compliant with the Data Protection Legislation.

11. Organisational Impacts

11.1 Finance (including whole life costs where applicable)

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

11.2 Legal Implications including Procurement Rules

There are no legal implications arising out of this report.

11.3 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.

12. Risk Implications

12.1 The Council must comply with the 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. Non-compliance with the Freedom of Information Act 2000 may result in loss of public trust and enforcement action.

13. Recommendation

13.1 To note the content of the report including the IG register (Appendix A) 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? | One |
| List of Background Papers: | None |
| Lead Officer: | Sally Brooks, Data Protection Officer Email: sally.brooks@lincoln.gov.uk |

| SUBJECT: | INTERNAL AUDIT PROGRESS REPORT |
|----------------|-----------------------------------|
| DIRECTORATE: | CHIEF EXECUTIVE AND TOWN CLERK |
| REPORT AUTHOR: | AMANDA STANISLAWSKI AUDIT MANAGER |

1. Purpose of Report

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

2. Background

- 2.1 The Internal Audit progress report attached (Appendix A) covers the summary of Audit work completed since February 2025.
- 2.2 The report highlights progress against the audit plan up to April 2025.

3. **Progress Report**

- 3.1 This revised progress report includes the summaries of reports issued since February 2025 and a brief update on the progress of the plan. Further information on the Limited reports is provided in Part B only. It does not include the full performance information as this is included within the Annual report which is being presented at the same meeting.
- 3.2 Seven reports have been issued since the previous Progress Report in February. One of the reports related to consultancy work undertaken on LinCare. There are two reports, Fleet and Debtors/Recovery, which have been given Limited assurance, both of which have been reported in full to Corporate Management Team prior to the final report being issued. The remaining four were all given a substantial assurance opinion and include Housing Benefit and Council Tax Support, Contract Management Follow-up, Housing Assistance and Towns Fund.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

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

4.2 Legal Implications including Procurement Rules

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

4.3 Equality, Diversity 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 are no direct E and D implications arising as a result of this report.

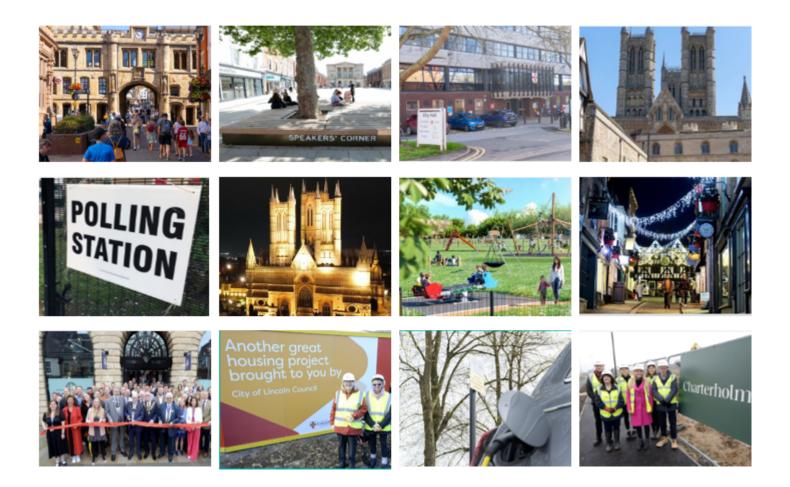
5. Recommendation

5.1 The Audit Committee is asked to review and comment on the content of the latest Internal Audit Progress Report.

| Is this a key decision? | No |
|---|--|
| Do the exempt information categories apply? | No |
| Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? | No |
| How many appendices does the report contain? | One (with 2 pages included within Part B) |
| List of Background Papers: | None |
| Lead Officer: | Amanda Stanislawski, Audit Manager Email: <u>amanda.stanislawski@lincoln.gov.uk</u> |



Internal Audit Progress Report



June 2025



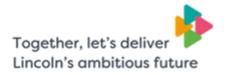


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Role of Internal Audit

The requirement for an internal audit function in local governance is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.'

The Global Internal Audit Standards 2024 state the purpose of Internal Audit as:-

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board* and management with independent, risk based, and objective assurance, advice, insight and foresight.

Internal auditing enhances the organisation's:-

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:-

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest
- The internal audit function is independently positioned with direct accountability to the board*.
- Internal auditors are free from undue influence and committed to making objective assessments.

*Board – Highest level body charged with governance i.e. The Audit Committee.



The Purpose of the Report

In accordance with the Internal Audit Standards and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and Members summarising:

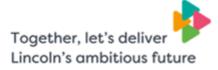
- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.

This report does not contain all of the information previously contained in other progress reports to avoid duplication with the Annual report. The focus of this report is to provide further information on the reports issued since the previous progress report.

Assurance opinions are categorised as follows:

| 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 |





Update on Internal Audit Activity

Since the last progress report, seven audits have been finalised, Housing Benefit & Council Tax Support, Contract Management, Housing Assistance and Towns Fund were all given Substantial Assurance. There were two audits which were given Limited Assurance, Debtors and Fleet and one audit which was a consultancy, LinCare. Summaries of these are provided in the following sections of the report. We have also completed the third quarterly follow-up spot check and found that the actions were implemented as reported although there had been an issue with one of them which will be followed up during the audit of that area in 2025/26, Homelessness. Progress made on the work within the 2024/25 plan is included within the Annual report.

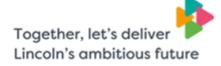
Other work has also been completed with the administration of the whistleblowing referrals, completion of the review of the HAZ grant claim, completion of the Annual fraud report, completion of the Annual Audit report, production of the Internal Audit Plan and scheduling and work on compliance with the Internal Audit Standards.

Analysis of Audit Reviews

| Audit | Start Planned date | Start Actual date | End Actual date | Current Status | Assurance Rating |
|----------------------------------|--------------------------|-------------------------|-----------------------|-------------------|---------------------|
| 2023/24 – VAT/Tax | N/A | Nov-23 | Apr- 24 | Complete | High |
| 2023/24 – Council Tax | N/A | Jan-24 | Dec- 24 | Complete | Substantial |
| 2023/24 – Governance Healthcheck | N/A | Feb-24 | May- 24 | Complete | Substantial |
| 2023/24 – Access Control | Feb-24 | Sept-24 | N/A | Fieldwork | N/A |
| Housing Benefit Subsidy | Q1-Q2 | May-24 | Jul-24 | Complete | Substantial |
| Follow-ups | Q1-Q4 | Aug-24 | N/A | Q3 Complete | N/A |
| 2023/24 – UK Shared Prosperity | Q2 | Dec-24 | N/A | Fieldwork | N/A |
| Business Continuity | Q2 | Sept-24 | Dec- 24 | Complete | Substantial |

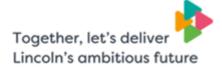
The schedule includes those transferred from the 2023/24 plan as well as those within the 2024/25 plan. The following shows the position as at April 2025:-





| Audit | Start Planned date | Start Actual date | End Actual date | Current Status | Assurance Rating |
|--|--------------------------|-------------------------|-----------------------|--|---------------------|
| Risk Management | Q2 | Jul-24 | Oct- 24 | Complete | Substantial |
| Fleet | Q2 | Aug-24 | Apr - 25 | Complete | Limited |
| Housing Assistance | Q2 | Sept-24 | Apr - 25 | Complete | Substantial |
| Western Growth Corridor – 2&3 | Q2 | N/A | N/A | Not started – Postponed to Q4 | N/A |
| ICT Support and Helpdesk service | Q2 | N/A | N/A | Planning | N/A |
| Debtors | Q3 | Dec-24 | Apr- 25 | Complete | Limited |
| Housing Benefit and Council Tax Support | Q3 | Dec-24 | Apr- 25 | Complete | Substantial |
| Corporate Planning – Vision 2030 | Q3 | N/A | N/A | Postponed to 2025/26 | N/A |
| Housing Strategy | Q3 | N/A | N/A | Removed | N/A |
| Market Operations | Q3 | Nov-24 / Jan-25 | N/A | Fieldwork | N/A |
| Homelessness | Q3 | N/A | N/A | Postponed to 2025/26 | N/A |
| Parking Services | Q3 | N/A | N/A | Postponed to 2025/26 | N/A |
| Protection of vulnerable people | Q3 | N/A | N/A | Postponed to 2025/26 | N/A |
| Towns Fund | Q3 | Feb-25 | Mar- 25 | Completed | Substantial |
| IT Strategy and Infrastructure | Q3 | May-25 | N/A | Fieldwork | N/A |
| Haz Grant | N/A | Dec-24 | Feb- 25 | Completed | Signed off |
| Project Management | Q4 | N/A | N/A | Postponed to 2025/26 | N/A |
| Contract Management Follow-up | Q4 | Jan-25 | Mar- 25 | Completed | Substantial |





| Audit | Start Planned date | Start Actual date | End Actual date | Current Status | Assurance Rating |
|-------------------------------------|--------------------------|-------------------------|-----------------------|-------------------|---------------------|
| Planned Maintenance | Q4 | N/A | N/A | Removed | N/A |
| GSW26 | Q4 | Apr-25 | N/A | Fieldwork | N/A |
| LinCare | Q4 | Jan-25 | Mar- 25 | Completed | Consultancy |
| Budget Management | Q4 | Apr-25 | N/A | Fieldwork | N/A |
| Housing Safety and Quality Standard | Q4 | May-25 | N/A | Fieldwork | N/A |



Executive Summaries of 'Limited' or 'No' Assurance Opinions

The table below provides a summary of the limited or no assurance reports published since the last progress report. It also contains any management updates and progress made since the report was issued.

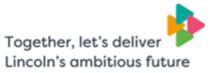
| Audit Review Title: Debtors/Recovery | | | | |
|--------------------------------------|--------------------------------|--------------------|--------|--------------|
| Audit | Assurance | Management Actions | | |
| Sponsor/Director | Opinion | | | |
| Assistant | Limited | High | Medium | Low/Advisory |
| Director | | | | |
| Revenues and | | 5 | 2 | 4 |
| Benefits/Chief | | | | |
| Finance Officer / | | | | |
| Chief Executive | | | | |
| 0 | Commence of Koss Observations: | | | |

Summary of Key Observations:-

The audit found that, while processes are in place for the day-to-day running of the debtors service the processes for recovery are not effective, with the Council not taking prompt action to recover debts and potentially losing out on bad debt relief.

Further information is available in Part B of the Committee report.





| Audit Review Title: Fleet | | | | |
|-------------------------------|-----------|------|-----------------|--------------|
| Audit | Assurance | M | anagement Actio | ons |
| Sponsor/Director | Opinion | | | |
| Assistant Director | Limited | High | Medium | Low/Advisory |
| - Asset | | | | |
| Management / | | 4 | 6 | 4 |
| Director of | | | | |
| Housing and | | | | |
| Investment | | | | |
| Summary of Key Observations:- | | | | |

Summary of Key Observations:-

The review highlighted a number of areas which require addressing promptly to reduce the risk to the Council. These concern the contracts for the repairs and maintenance of fleet vehicles, use of vehicles and training records.

Further information is available in Part B of the Committee report.



Executive Summaries of 'High' or 'Substantial' Assurance Opinions

The table below provides a summary of the high or substantial assurance reports published since the last progress report. It also contains any management updates and progress made since the report was issued.

| Audit Review Title: Housing Benefit and Council Tax Support – Key control | | | | |
|---|-------------|--------------------|--------|--------------|
| Audit | Assurance | Management Actions | | |
| Sponsor/Director | Opinion | | | |
| Assistant Director | Substantial | High | Medium | Low/Advisory |
| Revenues and | | Ō | 4 | 6 |
| Benefits / Chief | | | | |
| Executive | | | | |

Summary of Key Observations:-

The audit found that there were effective key controls in place regarding housing benefits and council tax support.

The main identified areas of improvement were around the accuracy of the overpayment recovery rates including the guidance, rates used and supporting documents, and transparency of publishing the Council tax support scheme.

We made lower priority recommendations to ensure regular reviews and updates of procedures and guidance notes, as well as including write-off authorisation limits within the write-off procedure.

The review also examined the implementation of the agreed actions from the audit of Housing Benefit Subsidy Testing 2023-24. We were provided with evidence that all agreed actions had been implemented.

| Audit Review Title: Contract Management – Follow-up | | | | |
|---|-------------|------|---------------|--------------|
| Audit | Assurance | Ma | anagement Act | ions |
| Sponsor/Director | Opinion | | | |
| Procurement | Substantial | High | Medium | Low/Advisory |
| Manager / City | | 1 | 1 | 0 |
| Solicitor / Chief | | | | |
| Executive | | | | |

Summary of Key Observations:-

The review found sufficient evidence that previously agreed actions have been implemented as planned and there is a positive direction of travel.

There were two actions which had not been fully completed which were:-

 Contracts clearly set out requirements in respect of contract management and performance, and that these requirements are effectively monitored.



• That contracts are appropriately added to the Contracts Register.

Action had been undertaken but the review found that there were still contracts which were not on the register or did not contain details of the management arrangements and performance measures. Further action has been agreed.

| Audit Review Title: Housing Assistance | | | | |
|--|-------------|--------------------|--------|--------------|
| Audit | Assurance | Management Actions | | |
| Sponsor/Director | Opinion | | - | |
| Chief Finance | Substantial | High | Medium | Low/Advisory |
| Officer / Chief | | 0 | 4 | 5 |
| Executive | | | | |
| Summary of Kay Observations: | | | | |

Summary of Key Observations:-

The review found that sufficient evidence was provided that supports the Council has robust and established operational processes and controls in place throughout all aspects of Disabled Facilities Grant delivery and these are being operated consistently and effectively.

Whilst no high-risk areas or other significant areas of concern have been identified, four medium-risk findings have been made in respect of the following areas for improvement:-

- Formal review, update and approval of the Private Housing Health Assistance Policy is required to ensure key information available to stakeholders remains accurate for all areas.
- Beyond headline information level, opportunities for strengthening the audit trails of underlying grant case management records (in particular, those held outside of CIVICA APP) should be explored to aid central accessibility by appropriate Private Sector Housing officers.
- The delegated approval rights, financial limits and key approval processes for grant award should be confirmed as set out formally in writing, for clarity and transparency on the processes being followed.
- The DFG Checklist is completed for all grant cases in the manner intended by management, so it remains fit-for-purpose as a key control (case progression) record completed by administering officers and to enable easy oversight by senior officers.

Actions have been agreed for all of the recommendations made.



| Audit Review Title: Towns Fund | | | | |
|--------------------------------|-------------|------|--------------|--------------|
| Audit | Assurance | | Management A | ctions |
| Sponsor/Director | Opinion | | | |
| Chief Finance | Substantial | High | Medium | Low/Advisory |
| Officer / Chief | | 0 | 2 | 3 |
| Executive | | | | |

Summary of Key Observations:-

The review found effective governance, performance and financial management arrangements are in place for the Town Deal Programme.

A fully documented and clearly defined governance structure exists. Town Deal Board meetings however need to be held more regularly. Minor improvements to the Town Deal Board website are also suggested to improve transparency.

Reporting lines and mechanisms, together with delegated authority, are clear and formally documented. Complete and timely information in respect of the programme overall and individual projects is provided regularly to the Investment Sub-Committee and Town Deal Board to enable informed decision making.

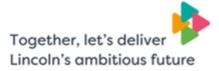
Detailed project Performance Monitoring Reports, Output Forms and Claim Forms submitted by Project Leads quarterly, are subject to comprehensive review by the Senior Project Officer and Finance, with final 'sign off' by the Chief Finance Officer. Regular update, monitoring and evaluation of the programme and project progress, performance, finances and risks are evident.

Effective financial management and reconciliation of the Town Deal Fund and Town Deal projects is undertaken. Comprehensive analysis and scrutiny of claim forms ensures expenditure is eligible and can be fully supported. Funding is only released when queries have been resolved and claims approved by the Chief Finance Officer.

Performance Monitoring Returns, required by Government six monthly, are appropriately signed and submitted within required timescales. Our review and sample testing of the November 2024 return confirmed it accurately reflects verified information/data submitted by projects. Returns however do need to be shared with Town Deal Board Members prior to submission, for overview and comments.

Risks in respect of the Programme and its projects have been identified and formally documented. Updates on key risks, together with mitigating controls are provided by Project Leads, as part of the quarterly monitoring report. These risks together with the key risks facing the Programme are included as part of the performance monitoring submissions to Government.





Other Matters of Interest

The following includes a summary of matters that will be of particular interest to Audit Committee members.

GOV.UK Local Audit Reform: Government response to the consultation to overhaul local audit in England

The MHCLG has responded on their recent consultation on local audit arrangements in England. The response sets out plans for a Local Audit Office and other arrangements, including plans to make audit committees mandatory with at least one independent member.

Local audit reform: Government response to the consultation to overhaul local audit in England - GOV.UK (www.gov.uk)

CIPFA Audit Committee Update 42 (Mar 2025) – Governance of Internal Audit

This briefing explains the new Code of Practice for the Governance of Internal Audit in UK Local Government. The Code is applicable from 1 April 2025 and addresses the responsibilities of the Audit Committee and Senior management towards the Internal Audit Service.

Audit Committee update issue 42 Governance of Internal Audit | CIPFA

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| SUBJECT: | RISK MANAGEMENT – ANNUAL UPDATE |
|---------------|--------------------------------------|
| REPORT BY: | CHIEF EXECUTIVE AND TOWN CLERK |
| LEAD OFFICER: | JACLYN GIBSON, CHIEF FINANCE OFFICER |

1. Purpose of Report

1.1 This report details the risk management framework adopted by the Council and the risk management activity during the last 12 months.

2. Background

- 2.1 Risk management is about controlling, transferring and living with risks so the focus is on becoming risk aware, not risk averse. This puts the Council in an informed position to make the right decisions and enable us to manage risk.
- 2.2 Specific elements of Risk Management are outsourced to Lincolnshire County Council's (LCC) Assurance Lincolnshire service in order to provide the level of expertise that we require. This includes support in the development of risk management strategies and approaches along with access to the County Council's resources i.e. training, provision of documentation, toolkits. The development and monitoring of the Council's strategic, operational and project risk registers however remains a role that is undertaken by the Council through the Corporate Management Team and Directorate Management Teams.
- 2.3 As part of the reporting protocol within the current Risk Management Strategy both the Executive Committee and Performance Scrutiny Committee receive reports on the Strategic Risk Register to consider the status and movement of all strategic risks at that particular point in time.

3. Risk Management Strategy

- 3.1 The Council's Risk Management Strategy has recently been reviewed, with the latest version attached at Appendix A. There were no significant amendments made to the Strategy, there were a number of minor updates to ensure it reflected Vision 2030 and best practice guidance and clarification of roles and responsibilities. The changes made to the Strategy are as shown in the appendix.
- 3.2 The Strategy seeks to achieve a number of objectives included setting the "tone from the top" in terms of the Council's "Risk appetite", this can be defined as the amount of risk that an organisation is willing to take on in pursuit of value, or the total impact of risk an organisation is prepared to accept in its pursuit of its strategic objectives. Defining the Council's risk appetite provides the strategic guidance necessary for decision making. As part of the review of the Risk Management Strategy, the Council's risk appetite was also considered to ensure it remained relevant to the environment in which the Council now operates. This latest review concluded that the Council's risk appetite remains as "creative and aware", with the following statement:

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

3.3 Members, senior officers and officers with risk management roles and responsibilities have been provided with training and guidance on the 'risk appetite' approach. For officers this is supplemented by a Risk Management Toolkit which sits alongside the Strategy as a practical guide for officers undertaking their risk management responsibilities.

4. Formulation of the Strategic Risk Register

- 4.1 The Council's Strategic Risk Register is developed under the risk appetite methodology.
- 4.2 The Strategic Risk Register for 2024/25 was initially formulated by the Corporate Leadership Team and presented to the Executive and Performance Scrutiny Committee. This initial Register contained fifteen risks, which remained constant throughout 2024/25, as follows:
 - 1) Failure to engage & influence effectively the Council's strategic partners, council staff and all stakeholders to deliver against the Council's new Vision 2030.
 - 2) Failure to deliver a sustainable Medium-Term Financial Strategy that supports delivery of the Council's Vision (specifically in relation to the General Fund).
 - 3) Failure to deliver the Towards Financial Sustainability Programme.
 - 4) Failure to ensure compliance with existing and new statutory duties/functions.
 - 5) Failure to protect the local authority's long term vision due to changing structures and relationships in local government and impact on size, scale and scope of the Council.
 - 6) Unable to meet the emerging changes required in the Council's culture, behaviour and skills to support the delivery of the council's vision, transformational journey to one Council approach and service delivery.
 - 7) Insufficient levels of resilience, capability and capacity exist in order to deliver key strategic projects & services within the Council.
 - 8) Decline in the economic prosperity within the City Centre.
 - 9) Failure to deliver key strategic projects.
 - 10)Failure of the Council's key contractors and partners to remain sustainable and continue to deliver value for money to the Council.

- 11)Failure to protect the vulnerable in relation to the Council's PREVENT and compliance with safeguarding and domestic abuse duties.
- 12)Failure to mitigate against the risk of a successful cyber-attack against the council
- 13)Impacts of the uncertainty of Government's and other public sector organisations policies on migration policy, asylum dispersal, early prison release etc on the Council's service delivery, capacity and MTFS as well as the impacts on housing, communities and the economic vitality of the City Centre.
- 14)Failure to deliver critical services in an emergency situation.
- 15)Failure of service delivery leading to reputational impacts on the Council and adverse financial implications.

A copy of the latest Strategic Risk Register is attached at Appendix B (Part B item only).

4.3 Each risk is scored based on likelihood and impact to allow prioritisation of the risks as High (Red), Medium (Amber), or Low (Green) with their ownership.

| Risk No. | Risk Rating | Likelihood | Impact |
|----------|-------------|----------------|----------|
| 1. | Medium | Probable | Major |
| 2. | High | Almost Certain | Critical |
| 3. | Medium | Almost Certain | Major |
| 4. | Medium | Probable | Major |
| 5. | High | Almost Certain | Critical |
| 6. | Medium | Possible | Major |
| 7. | High | Almost Certain | Critical |
| 8. | High | Almost Certain | Critical |
| 9. | Medium | Probable | Major |
| 10. | High | Almost Certain | Major |
| 11. | Medium | Possible | Critical |
| 12. | High | Probable | Critical |
| 13. | Medium | Probable | Major |
| 14. | Medium | Probable | Major |
| 15. | High | Almost Certain | Critical |

4.4 The status of the fifteen strategic risks currently identified is as follows:

- 4.5 The application of risk appetite to each of the risks has also been undertaken, this determines the level and nature of controls that are either in place or need to be implemented. This ensures that the controls in place are proportionate to the risk itself and the Council's appetite for risk within that area. As at quarter 4, there had been a reduction in the level of risk in one risk identified following mitigations that had been put in place, but for 3 risks had increased in terms of their likelihood and impact as a result of external factors i.e. local government reorganisation.
- 4.6 As the Strategic Risk Register is a live document it is subject to continuous review and any risks identified i.e. from Directorates may receive consideration for inclusion

accordingly. There were no new strategic risks identified for inclusion in the Strategic Risk Register during 2024/25.

5. Formulation of the Directorate (Operational) Risk Registers

- 5.1 Each Directorate identify the key risks within their service areas resulting in the formulation of a Directorate Risk Register. These registers contain those risks that are mainly of an operational nature and may only concern one particular directorate or department.
- 5.2 Regular review of the Register and respective mitigation/action plans are then undertaken at the Directorate Management Team meetings. Any major risks identified by Directorates can also be elevated for consideration to be added to the Strategic Risk Register as required.
- 5.3 Assurance has been given by Directorates that the Risk Registers and mitigation/actions plans have been reviewed at their Directorate Management Team meetings and are up to date.
- 5.4 In addition to the Directorate Risk Registers individual projects and new policies, either of a service or strategic nature are required to develop and monitor a project risk register. These registers are overseen by the relevant operational boards, e.g. Charterholme, new Ground, Street Cleansing & Waste contracts etc.

6. Training

6.1 Risk Management training is made available to the City of Lincoln Council via Lincolnshire County Council. Training was provided in June 2023 for the Services Managers Team, this focussed on key elements of the Risk Management Toolkit and the development and monitoring of risk registers. Training was also provided to the Corporate Leadership Team in June 2023, focussing on the Strategic Risk Register and controls/mitigations. An all-Member training session was also provided in August 2023.

7. East Midlands Risk Management Groups

7.1 The Principal Risk Officer from Lincolnshire County Council (LCC) and an officer from the City Council represent the Council at the East Midlands Risk Management Group and provide updates back to the Council of the activity undertaken. Reflecting the reduction of dedicated risk management resources with the local authorities and a move to joint support through LCC and embedment of working practices in the day to day work of all officers, meetings occur on 'as and when' basis. The purpose of such a meeting being to share best practice, co-ordinate approaches and maximise the use of resources.

8. Internal Audit

- 8.1 The latest internal audit of the Council's risk management arrangements was undertaken in 2024/25, with an overall assurance level opinion of substantial. The scope of the audit included:
 - To ensure there is a risk management strategy in place which is up to date and embedded and;

- that Risk Registers are complete, reviewed and contain appropriate mitigating actions.
- 8.2 There were four recommendations made, two of which were medium (amber) and two were low (green). The recommendations made were primarily in relation to operational (directorate) risk registers with improvement required to ensure they were fully completed and independently reviewed on a quarterly basis.
- 8.3 Of the four recommendations made, three have now been implemented with the fourth (green) recommendation not agreed for implementation due to the impact on resources.

9. Work Programme for 2025/26

- 9.1 The work programme for risk management activity for 2025/26 includes the following actions:
 - Refresh and update of E-learning on the Hub.
 - Quarterly monitoring and review of Strategic Risk Register, Directorate Risk Registers, and Project Risk Registers.
 - Engagement and participation with EMRMG, including potential for a benchmarking exercise (although this is currently only being undertake at a county level).

Monitoring and reporting into Performance Scrutiny and Executive committee will continue to be undertaken quarterly and annually to Audit Committee.

10. Strategic Priorities

10.1 Sound risk management is one way in which the Council ensures that it discharges its functions in accordance with its expressed priorities, as set out in the Strategic Plan/Vision 2030, and that it does so in accordance with statutory requirements.

11. Organisational Impacts

- 11.1 Finance There are no direct financial implications arising as a result of this report. The Council's Strategic Risk Register contains two specific risks in relation to the Medium Term Financial Strategy and the Towards Financial Sustainability Programme.
- 11.2 Legal Implications including Procurement Rules The Council is required under the Accounts and Audit Regulations 2011 to have a sound system of Internal Control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and considerations about risk, such as provided in this report, is part of the way in which the Council fulfils this duty.
- 11.3 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.

12. **Risk Implications**

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

13. Recommendation

13.1 Members consider and comment upon the Risk Management Framework adopted by the Council and also the Risk Management activity undertaken during the year.

| Key Decision | No |
|--|--|
| Do the Exempt Information Categories Apply? | No |
| Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? | No |
| How many appendices does the report contain? | Two Appendix B Part B only |
| List of Background Papers: | N/A |
| Lead Officer: | Jaclyn Gibson, Chief Finance Officer Email: <u>Jaclyn.gibson@lincoln.gov.uk</u> |



RISK MANAGEMENT STRATEGY 2025



Document Control

| Organisation | City of Lincoln Council |
|-------------------|--------------------------------------|
| Title | Risk Management Strategy |
| Author | Jaclyn Gibson, Chief Finance Officer |
| Owner/Responsible | Jaclyn Gibson, Chief Finance Officer |
| Officer | |
| Consultation | Portfolio Holder/Audit Committee |
| Version | 1.03 |
| Next Review Date | April 2028 |

Review Arrangements: Every three years

Document Amendment History

| Revision | Originator | Date | Description |
|----------|------------------|------------|---|
| 1.01 | Lara Wells | July 2018 | New format for Strategy |
| 1.02 | Lara Wells | June 2023 | Minor update for references to Vision 2025 |
| 1.03 | Jaclyn Gibson | April 2025 | Minor update for references to Vision 2030 and current challenges |
| | | | |
| | | | |
| | | | |

1.Introduction

The Risk Management Strategy recognises that the next few years will continue to present challenges for the Council in delivering its services and its Vision 2030 priorities, with the need to identify and manage risks being even more crucial. As the funding outlook for local authorities remains uncertain, the cost of service delivery and service demands continues to escalate and the potential implications arising from Local Government Reorganisation, the Council will continue to be forced to have more of an appetite for risk. Effective management of risk is therefore essential in ensuring that the Council is prepared for the challenges ahead and taking a 'well measured' risk approach.

Effective risk management is also a key element of corporate governance and is recognised as such in the Accounts and Audit Regulations 2015 (through the Annual Governance Statement).

2. Aim

The aim of this strategy is to provide a framework and process that enables the Council to manage uncertainty in a systematic, effective, consistent and efficient way. This supports informed decision making thereby enabling opportunities to be exploited or action to be taken to mitigate or manage, to an acceptable level, the key risks facing services and the successful delivery of Vision 2030.

It supports the Council's Vision 2030 of 'Together, let's deliver Lincoln's ambitious future and the strategic priorities of:

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

It seeks to encourage well measured risk taking where it is likely to support the Council in delivering transformed services required within the dynamically changing environment of local government.

3. Objectives

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

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

4. Policy Framework

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

- Risk management will be embedded into business critical processes ensuring that risks are considered as part of the formulation of Council plans (service/strategic/financial), projects, policies and performance.
- A simple risk management process will be in place which;
 - identifies, understands, and manages key risks affecting the Council, at both corporate/strategic and operational levels
 - o sets risk ownership and accountabilities
 - o considers risks for likelihood and impact
 - identifies mitigating controls with clear allocation of responsibility - thinking about the level of risk, appetite for risk, reward, impact and cost of control measures (responding in a balanced way).
 - includes risks relating to strategic partnerships
 - o ensures that processes include risk monitoring
 - provides regular review and reporting of risks, ensures there is an escalation process in place
- Key responsibilities, for officers, members, and committee including reporting structures will be clearly set out.
- A senior officer (Jaclyn Gibson, Chief Finance Officer) and member champion (Portfolio Holder for Customer Experience, Review and Resources) have been identified who will take overall responsibility for risk management.
- Processes are cascaded effectively to officers and members, using adequate mentoring facilitation and training.
- Processes will be in place to consider and disseminate risk management best practice.

5. Strategy

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

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

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

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

The Council's approach to risk management is proportionate to the decision being made or the impact of changes to service delivery/strategies. Risk management arrangements enable the Council to manage uncertainty in a systematic way at all levels of the Council's business – as shown below:

Strategic

Future direction of the business

Change

Turning strategy into action including Programme, Project and Management of Change

Operational

Day-to-day operations including people, customers, processes, information security, finance, business continuity etc.

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

- Strategic Risks
- Significant Directorate Operational Risks
- Key projects and programmes determined by the Vision 2030 and Project Management guidance.

 New service strategies that have a greater impact on people, finance and the Council.

All key decisions presented to the Executive must clearly show the key risks associated with the decision (recommendations), the potential impact and how these will be managed. This helps promote informed decision making, particularly in an environment of uncertainty and change.

Officer and Member awareness is a key component of successfully embedding risk management arrangements; specific training is provided to officers with risk management responsibilities and members, with general awareness training provided for other officers, as required.. Specific Risk Management Guidance which sets out the Council's requirements and processes and gives people the tools to help them identify and manage risks effectively is also available for officers.



6. Roles and Responsibilities

The Roles and Responsibilities for risk management are as follows:

Leadership

The Executive and Corporate Leadership Team (CLT), ,

- has the ultimate accountability for the risk and related control environment
- is responsible for approving and reviewing risk policies
- sets the level of risk the council is prepared to accept the 'risk appetite'.

Escalation

The Audit Committee is responsible for:

- overseeing the effectiveness of the Council's risk management arrangements,
- escalating issues to the Corporate Management Team (CMT)/Executive.

The Performance Scrutiny Committee is responsible for

• ensuring that the Council's Strategic Risks are effectively managed, escalating issues to the Executive.

Oversight and Co-ordination

The Assistant Directors Group and the Service Managers Group are responsible for the facilitation and co-ordination of risk management activity across the Council.

Ownership

Directorates and services (all employees) are the 'risk takers' and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions and activities which feed into project, directorate and strategic risks.

Assurance

Elected members, , management, third parties and Internal Audit as part of the Council's combined assurance model give assurance on the

management of risks and the operation and performance of controls.

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

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

7. Review

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

Revised: April 2025 (no significant amendments)



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

1. Purpose of Report

1.1 To receive and comment upon the Annual Internal Audit Report 2024/25.

2. Background

- 2.1 The Public Sector Internal Audit Standards require that the Internal Audit Manager must deliver an annual opinion and report that can be used by the Council to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. As this report covers 2024/25 it still falls under the 2017 Internal Audit Standards, future reports will reflect the requirements of the 2024 Internal Audit Standards.
- 2.2 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 it's key performance measures.
 - Comments on compliance with standards.

3. Annual Audit Report

- 3.1 The Annual internal audit report (Appendix A) provides a summary of Internal Audit work undertaken during 2024/2025 timed to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment.
- 3.2 Overall our opinions remain the same as for 2023/24. 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 and resource capacity which can have an impact on the internal control environment.

- 3.3 There have not been any restrictions on the scope of the work to be undertaken. The reduction in time available due to vacancies within the team throughout the year has been covered through the employment of consultants and removal of items from the plan.
- 3.4 Performance of the Internal Audit Service remains good with 84% 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.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

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

4.2 Legal Implications including Procurement Rules

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

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

5. Recommendation

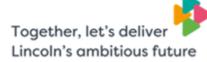
5.1 The Audit Committee consider and comment on the contents of the report and appendix.

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

Lead Officer:

Amanda Stanislawski, Audit Manager Email: <u>amanda.stanislawski@lincoln.gov.uk</u> This page is intentionally blank.





Internal Audit Annual Report 2024/25

City of Lincoln Council June 2025



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Amanda Stanislawski – Audit Manager

Amanda.Stanislawski@lincoln.gov.uk

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 bought 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) 2017 and the Accounts and Audit Regulations. 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 2025 the Council has set out it's future vision as well as encountering a number of challenges.

The new Vision 2030 document sets out the future path of the council for the next five years. In recognition of the new Leader of the Council and the recent announcement of Local Government reorganisation, the activities within the action plan have been prioritised and an 18 month long action plan has been agreed for 2025/26.

The external factors such as the cost of living and inflation have continued to have an impact on the Council both in terms of the cost of provision and the demand for services.

There have also been a number of unexpected challenges experienced this year with the crematorium, failure of the company which ran the leisure centres for the Council and also the closure of a privately owned block of flats. The sudden announcement of Local Government reorganisation was an added challenge. Each of these has tested the response and capability of the leadership team and staff to deal with unexpected issues, promptly putting in place teams and reporting structures to manage the issues.

Our combined assurance work found a slight decline in the levels of green assurance to previous years. There has been no change within the Governance, Risk and Financial control elements. The common theme throughout the Council remained as capacity due to both people and financial constraints. There continues to be loss of experienced staff at middle management level with the majority retiring rather than moving elsewhere. The recruitment challenges have improved in some areas but remains in place for others continuing to put pressure on those staff remaining.

Financially, the Council continues to be impacted by the effects of the economic climate resulting in a number of significant variances in income and expenditure. However the Council is reporting underspends on both the General Fund and HRA for 2024/25. External audit raised no concerns following their review of the accounts and there are robust processes in place for budget setting and control. The short term financial settlements is however making planning more difficult.

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 has been fully staffed since July 2024 and has been working on shaping the future of the service including compliance with the new Internal Audit Standards.

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:-

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

Direction of Travel

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.

Governance Assurance



Assessed as Performing Well

We have assessed governance as performing well as overall the Council has good Governance processes in place.

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. There were again no significant governance issues raised within the 2024/25 Annual Governance Statement (AGS). There were five areas to watch, three relating to the management of projects including the governance arrangements, seeking timely advice from internal professional services and capacity to support complex projects, and two relating to the Limited assurance Internal Audit reports, Debtors/recovery and Fleet.

Corporate Governance was rated Green by management in the 2024 Assurance Map. The

Council's Code of Corporate Governance was approved in February 2018 and has been reviewed annually until 2025 (excluding 2020). Minor changes have been made but nothing significant requiring approval.

Six monthly updates on Information Governance are reported to the Audit Committee, the last one, in December 2024, did not raise any issues. There is one risk which continues to have an assurance rating of Limited and a declining direction of travel – retention and disposal of personal data. Work is continuing to address this. E-learning refresher for all staff and Members covering cyber security was rolled out in March 2025. 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 the results reported to the Audit Committee in March 2025. All but one assessment had been given a green overall status with no specific concerns.

There are a number of IT Security related policies in place which were approved in February 2022. these were due for review in March 2024 but this is still in progress. 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.

Progress continues against the actions following the review of effectiveness against CIPFA best practice. There are two actions remaining:-

- Schedule in separate meeting with External Audit and Internal Audit - not undertaken due to change of Chair and availability of previous Chair due to accident
- Risk Management training, further session will be considered for 2025/26 to include any changes to the members.

A health check audit was completed by Internal Audit in 2023/24. This carried out an assessment against the Centre for Governance and Scrutiny (CfGS) 'Governance Risk and Resilience Framework' which presents 7 Characteristics of Good Governance. This resulted in an indicative substantial assurance rating and actions are remaining for implementation linked to the Ethics and Engagement Committee.

The combined assurance work has identified a number of areas with red or amber assurance which could have an impact on the governance of the Council. Most of these have not changed levels since last year although there has been some improvement including the procurement rules have now been re-written and approved and the vacancies within the Internal Audit Team have now all been filled. Progress has been made with the administration of Freedom of Information requests but there remains issues with turnaround times. The 2025/26 Audit plan includes an audit of this area. There are still however capacity issues in Legal which remains as the only red.

The draft Annual report of the External Auditors did not raise any significant governance issues. The minor points raised have been reflected within the financial control assessment.

The assurance review of the Towns Fund also provided a positive result.

Risk



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.

Risk Management assurance



Assessed as Performing Well

We have assessed risk management as performing well as there are adequate processes in place.

An audit of Risk Management was undertaken which resulted in a Substantial audit opinion. Three recommendations were made to improve the completion of the operational risk registers, date of review and evidencing the independent review. All of these have been completed. A further low risk recommendation was made to hold risk clinics but this was not agreed due to capacity.

The Risk Management strategy was reviewed in June 2024 and presented to the Audit Committee in July along with the Annual update. As part of the annual update six actions were identified:-

- Refresh and update of E-learning on the Hub
- Engagement on the Hub providing communication updates on progress on risk management activity.
- Quarterly monitoring and review of Strategic Risk Register, Directorate Risk Registers, and Project Risk Registers.

- Engagement and participation with Greater Lincolnshire Risk Management Group and East Midlands Risk Management Group, including potential for a benchmarking exercise.
- Implementation of any actions arising from the scheduled internal audit of risk management arrangements.
- Review of Risk Management Strategy in light of development of Vision 2030.

The Council's risk management arrangements were rated as Green by management in the 2024 Assurance Map.

Training on Risk Management was completed in 2023/24 for both Members and Managers. Whilst attendance for Managers was good, only 30% of all Members attended. Three members of the Audit Committee attended including the Independent Member. Consideration of further training for Members is included as an action from the review of the Audit Committee Effectiveness.

Over the year, the Council has continued with existing arrangements to monitor and report the quarterly strategic risk management position to the Performance Scrutiny Committee and Executive with the last report being made in February 2025. The Strategic Risk Register was updated in May 2025 and is due to be reported to the next Performance Scrutiny Committee and Executive. There are currently fifteen Strategic Risks on the register of which seven are red and eight amber. All but four have a substantial assurance status. The four with limited assurance status relate to protecting the Councils long term vision, resilience / capacity to deliver key projects and services, uncertainty around external policies on migration, early prison release and asylum dispersal and service delivery.

The risk registers reflect the risks which could happen to the Council and the recent failure of a key contractor is an example where risks do sometimes materialise despite actions taken by the council. The existence of a risk register does not prevent the risks from materialising, it provides management with an oversight of what could happen and the controls which are in place to prevent it from happening as far as possible. Not all risks can be feasibly completely mitigated. The potential failure of key contractors is included within the risk register and is an example of a risk which cannot feasibly be completely mitigated. The identification of the risk did however mean that mitigating actions were put in place but when these proved to be insufficient action was taken promptly.

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

Internal Control



We take account of the outcome of our audit work during the 2024/25 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.

Internal Control assurance



Assessed as Performing Adequately

Our opinion is based on several sources of intelligence including the outcome of our internal audit work and combined assurance work. The level of assurance has overall remained the same as previous years although there are some areas which have declined.

During 2024/25 there were again two Limited assurance opinions given. See appendices 1 and 2 for full details of audits completed during the year and changes made to the plan. There is also a third audit with an indicative assurance level of Limited.

The number of High Risk recommendations made has increased this year despite the number of issued Limited assurance reports remaining the same. This is an indication of the number of control weaknesses to be addressed. The remaining audit which is to be completed will also result in further high risk recommendations.

The implementation rate remains the same as last year which is positive as there was an increase in the number of actions. A change to the process means that we are now tracking the low risk actions. There were 48 High and 62 Medium actions for 2023/24 compared to 105 this year. However some of these relate to reports which were at draft stage at the end of 2023/24. In total there were 135 actions agreed in 2024/25 of which 70 have been implemented. There are 11 which are overdue relating to Governance Health check (1), IT Asset Management (8) and Online services (2).

There is also 1 High (Performance) and 6 medium (Cyber Security) actions from prior years remaining to be implemented. There are currently 5 of these which are overdue, all of which have an explanation. The one high action is waiting for approval and the remaining are being progressed. These continue to be monitored through CMT and the Audit Committee. Officers have been asked to attend the Committee meetings to provide explanations and updates for the overdue actions.

The quarterly sample checks found that there remains good compliance with implementing actions as told.

The most common recommendations made this year relate to the need to document processes, ensuring that these are kept up to date, they do not contain information which could change more frequently (e.g. staff names, annual documents) and contain the appropriate version control and approval table. The impact of not having these in place is now higher as lower staffing levels reduce the cover available.

There have continued to be a number of changes to staff at the service management level 9

although this has slowed down compared to 2023/24.

During the year the Council reported an incident to the police in respect of the crematorium. Internal Audit were involved in some of the preliminary reconciliation work with staff which highlighted a number of weaknesses within the processes at the crematorium. Specialists were also brought in to review the processes in place and provide advice on compliance with crematoria related regulations. Internal Audit have been requested to carry out an audit of the area in 2025/26 to provide assurance that the revised processes are embedded. Following on from this the corporate management team looked into the assurance framework for the Council as a whole and have strengthened the processes in place demonstrating that management adopt a learning and improving stance.

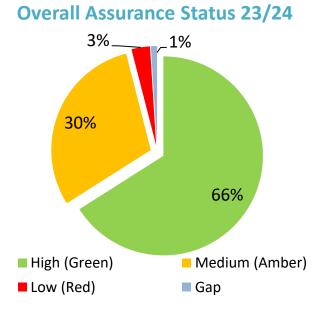
The combined assurance work found that there had not been a significant change in the levels of assurance with only a slight change of 6% from Green to Amber.

Internal Control

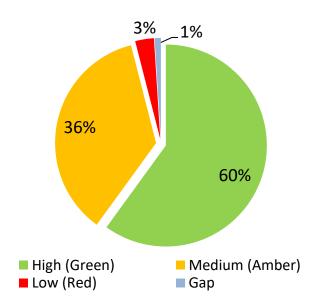


An assurance mapping exercise is completed by the Council on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. This exercise provides key assurance evidence to support the Head of Internal Audit opinion.

Combined Assurance



Overall Assurance Status 24/25



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 continues to be a positive assurance picture for the Council as there has been a sight change to the overall levels this year. There continues to be a high level of assurance (60%) a decrease of 6% from last year.

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

- Building control
- Legal services
- Leisure centres
- IT Platform
- Market Operations

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.

Financial Control



Assessed as performing well

We have assessed financial control as performing well as despite the lower level of assurance provided for internal work there are other aspects of internal control covering the broader aspects which are performing well. The MTFS sets out the predicted position for the next five years and the savings targets required. This supports the opinion that financial controls continue to perform well.

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

- Housing Benefit Subsidy Substantial assurance
- Debtors/recovery Limited assurance
- Key Control Council Tax Support & housing Benefits – Substantial Assurance
- Budgetary Control Indicative Substantial Assurance
- HAZ grant signed off

The levels of assurance provided this year have declined slightly with there being no High assurance opinions however, it remains relatively positive. In respect of the debtors/recovery limited report the majority of the weaknesses were within a single area.

The External Audit Draft Audit Annual report raised no significant matters arising and issued 65

an unqualified opinion.

The combined assurance work identified most of the financial systems as being Green. There are several rated as Amber (Financial Resilience, Accountancy close down, Treasury Management, Housing Rents, Internal Audit and Counter Fraud and Council Tax). Many of these have remained the same and are linked to staff capacity and external factors.

There is a process in place for reviewing the financial position of the Council including quarterly reports to the Executive. The last one being February 2025 which was showing a predicted underspend for the year. Budgetary control training also took place this year for budget managers.

Assessments are carried out against the CIPFA Financial Management Code, identifying any actions required with progress being monitored through the Audit Committee. There were a number of actions which were not fully implemented from the 2023/24 action plan, these have been incorporated into the 2024/25 action plan:-

The 2024/25 actions are:-

- To continue to support professional development
- To recruit to remaining finance roles
- Further implementation of the business partnering model
- Options for an independent financial resilience assessment
- To revise the Communication and consultation strategies

Our Work



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 2024/25 audit plan of 310 days in March 2024. The Plan was revised during the year and the days reduced to 239 due to available resources and delays in being able to complete the audits. There were also 23 days carried forward from the 2023/24 plan – see Appendix 2 for details.

We have delivered 84% of the revised plan details of the work completed is set out in Appendix 1.

overall opinion. The combined assurance work undertaken has helped in this regard.

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

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, KPMG.

We completed the Combined Assurance work 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.

We have continued to provide advice and guidance to services as required.

We also:-

- Produced the six-monthly and annual fraud reports
- Carried out an assessment against the Fighting Fraud and corruption Locally checklist.
- Refreshed the Fraud Risk Register
- Administered the Whistleblowing cases
- Administered the 2024 NFI exercise.
- Completed an assessment against the revised

Internal Audit Standards.

- Carried out training for Members on the changes to the Internal Audit Standards
- Assisted in the work carried out at the crematorium
- Completed a review of the HAZ grant and signed the certificate.
- Carried out reviews of the IT Strategy, Housing standards and LinCare offering advice.



Our Work



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 2017 UK Public Sector Internal Audit Standards and has carried out an assessment against the new Internal Audit standards 2024. 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. A revised quality and assurance improvement plan has been produced and is attached as Appendix 3. This incorporates the actions required to comply with the new Internal Audit Standards as well as other improvement measures.

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.

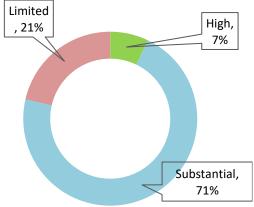
Benchmarking



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

The following shows the assurance opinions for reports issued during 2024/25 excluding those previously reported as indicative in 2023/24. There has not been a substantial change other than two pieces of consultancy work compared to none during 2023/24. Full details are provided in Appendix 1.

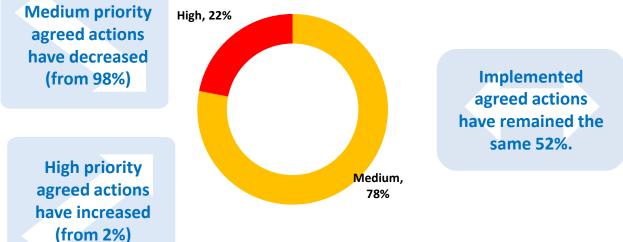


Decrease in High and Substantial assurance opinions overall (from 86% to 78% - 1 report).



Actions

The following shows all agreed actions from reports issued during the year. There has been a substantial change in the number of agreed actions given a high risk rating. However there were a number of reports last year where the reports had not been finalised and the actions were not included so have been included this year.



Benchmarking



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

Performance on Key Indicators

Progress has been made to improve performance against the performance indicators set at the beginning of the year. Whilst the targets are not yet being achieved, most of the indicators are showing an improvement on 2023/24. The vacancies and additional training time have impacted on the performance of the team and whilst it is now fully staffed it is anticipated that performance will continue to be impacted by the additional training time. Satisfaction with our services remains high although has declined slightly in some areas, we received 8 responses this year compared to 3 for 2023/24. We have completed 84% of the revised plan.



Client Feedback – Post Audit Questionnaire Results

Comments highlighting areas for improvement

Audit Planning1. Consultation on audit coverage2. Fulfilment of scope and objectivesAudit Report3. Quality of report4. Accuracy of findings5. Value of ReportCommunication6. Feedback during the audit7. Helpfulness of auditor (s)8. Prompt delivery of report

Circulation of the report to auditee first before Manager.

Slight delay in issuing the final report for reasons unknown.

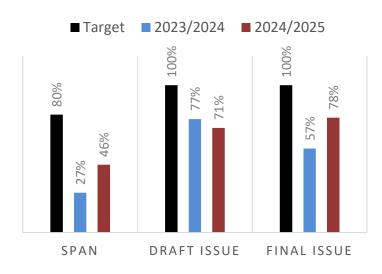
Further discussion needed before final report could be issued.

Benchmarking



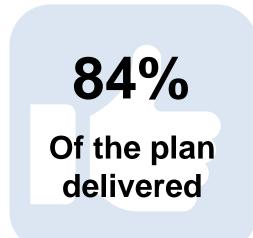
We are pleased to report a good level of achievement in the delivery of the revised plan, but we recognise that improvements are required in the time taken to undertake audits (Span) and obtaining management responses.

Timeframes



There has been some improvement in the span of the audits although the target has not been achieved. There are a number of reasons including the time taken for the trainee to complete the audit and the support required. For the Manager there are other competing demands between audit and other work.

Progress is being made on obtaining responses from management since the process was revised. The process was revised part way through the year. We will continue to raise the profile of this to increase the numbers for 2025/26. 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.



56%

Management Responses received within 10 days The following Audits have been completed during 2024/25:-

| | | Туре | Agreed Actions | | | | | | |
|-------------------------------------|----------------------|------------------|----------------|-----|----------|-------|----------------|----|--|
| Audit Details | Rating | | Agreed | | | | Imple entee | | |
| | | | Н | М | L | Total | | | |
| 2022/23 IT Asset Management | Limited Assurance | Risk Based Audit | 0 | 11 | 0 | 11 | | 3 | |
| 2023/24 VAT/Tax | High | Risk Based Audit | 0 | 1 | 0 | 1 | | 0 | |
| 2023/24 Council Tax | Substantial | Risk Based Audit | 0 | 5 | 1 | 6 | | 4 | |
| 2023/24 Treasury Management | Substantial | Risk Based Audit | 0 | 2 | 0 | 2 | | 2 | |
| 2023/24 Contract Management | Limited Assurance | Risk Based Audit | 2 | 19 | 0 | 21 | | 21 | |
| 2023/24 Governance Health Check | Substantial | Health Check | 0 | 5 | 0 | 5 | | 1 | |
| 2023/24 UK Shared Prosperity | In progress | Risk Based Audit | N/A | N/A | N/A | N/A | N/A | | |
| 2023/24 Digital | Substantial | Risk Based Audit | 0 | 3 | 0 | 3 | | 1 | |
| | Indicative - | | | | | | | | |
| 2023/24 Access Control | Substantial | Risk Based Audit | N/A | N/A | N/A | N/A | N/A | | |
| 2023/24 Follow-ups | High | N/A | 0 | 0 | 0 | 0 | | 0 | |
| HB Subsidy | Substantial | N/A | 0 | 1 | 0 | 1 | | 1 | |
| Budget Management | Indicative - | | | | | | | | |
| Budget Management | Substantial | Risk Based Audit | N/A | N/A | N/A | N/A | N/A | | |
| Debtors | Limited Assurance | Risk Based Audit | 7 | 3 | 5 | 15 | | 1 | |
| Housing Benefits and Council Tax | | | | | | | | | |
| Support – Key control | Substantial | Risk Based Audit | 0 | 4 | 6 | 10 | | 1 | |
| Business Continuity | Substantial | Risk Based Audit | 0 | 5 | 2 | 7 | | 4 | |
| Risk Management | Substantial | Risk Based Audit | 0 | 2 | 1 | 3 | | 3 | |
| Contract Management F/U | Substantial | Risk Based Audit | 2 | 1 | 0 | 3 | | 3 | |
| Market Operations | Indicative - Limited | Risk Based Audit | N/A | N/A | N/A | N/A | N/A | | |
| Fleet | Limited Assurance | Risk Based Audit | 9 | 9 | 6 | 24 | | 20 | |
| Housing Assistance (DFGs etc) | Substantial | Risk Based Audit | 0 | | <u> </u> | 11 | | 1 | |
| Western Growth Corridor | Not started | N/A | N/A | | N/A | | N/A | | |
| GSW26 | In progress | Risk Based Audit | , N/A | | , N/A | | , N/A | | |
| Towns Fund | Substantial | Risk Based Audit | , 0 | , 3 | | , 6 | | 2 | |
| Strategy and Infrastructure | In progress | Consultancy | N/A | | N/A | | N/A | | |
| ICT Support and helpdesk service | Not started | Risk Based Audit | , N/A | | , N/A | | , N/A | | |
| LinCare (New) | N/A | Consultancy | 3 | | | 6 | | 2 | |
| HAZ Grant (New) | N/A | Consultancy | 0 | | | | | 0 | |
| | | consultancy | 0 | 0 | 0 | 0 | | 0 | |
| Housing Safety and Quality Standard | In progress | Consultancy | | N/A | N/A | N/A | N/A | | |
| | in progress | · · · | | | | | | 70 | |
| | | TOTAL | 23 | 82 | 30 | 135 | | 70 | |

The approved Plan for 2024/25 was 310 days. The revised plan approved at the September Audit Committee made a number of changes including the incorporation of the remaining plan days from 2023/24 resulting in a total revised plan of 314.5 days. The audits of Project Management, Housing Strategy and Western Growth Corridor -2, were removed.

Following this further changes were made to remove the following audits:-

- Corporate Planning Vision 2030 postponed due to capacity within the service area.
- Planned Maintenance this was removed and replaced, at the request of management, with an audit of the Housing Safety and Quality Standard which covers some elements of planned maintenance so would be duplication.
- Homelessness- postponed due to capacity within the service area and the appointment of a new manager.
- Parking Services –postponed due to capacity within the service area.
- Protection of vulnerable people postponed due to capacity within the service area.
- Crematorium review additional request from management to support the initial investigation work.
- HAZ grant additional request from

management to review the supporting information and sign the grant form.

The postponed audits have not all been replaced due to the timing of the postponement and capacity within the team. The team has spent a greater number of days in supporting the Auditor and implementing the new standards than anticipated.

Additional time was spent on the limited assurance audits to obtain further evidence and discuss the findings in more depth.

This resulted in a plan of 262 days for 2024/25. Whilst this is considerably lower than the plan, it is considered that there is enough coverage to provide an opinion in conjunction with the combined assurance work and sight of the external reviews carried out.

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.

Appendix 3

Quality Assurance and Improvement Plan

| No. | Action | Responsibility | Completio |
|---------|---|------------------------------|-----------|
| | | | n Date |
| - | ve 1 - Provide Members and Management with independent, risk-base | ed and objective as | ssurance, |
| | and foresight | | - |
| 1.1 | Revise practice notes to form an Audit manual incorporating all of | Audit Manager | Aug 2025 |
| | the changes required by the standards and changes to the working | | |
| | practices. Including:- | | |
| | Protection of information and reviews of access to | | |
| | information. | | |
| | Production and review of the strategy | | |
| | Quality reviews | | |
| | Reference to the standard addressing | | |
| | Version control / control of updates Process for changes to the plan | | |
| | Risk assessment process | | |
| | Stakeholder relationships | | |
| | Errors and/or omissions within the final report | | |
| | Communicate to Internal Audit staff and schedule training. | | |
| 1.2 | Review assurance mapping process to clarify and document the | Audit Manager | Sept 2025 |
| | other assurance and advisory roles and responsibilities and | l | 000000000 |
| | reliance on their work. | | |
| 1.3 | Review ways in which to raise the profile of Internal Audit and | Audit Manager | Mar 2026 |
| | communicate with stakeholders. Consider links and postings on | / Principal | |
| | the Hub, presentations, attendance at meetings. | | |
| 1.4 | Consider improvements to the process for completion of the plan | Audit Manager | Mar 2026 |
| | for ensuring adequate coverage, audits completed on time and | / Principal | |
| | engagement with auditees. | | |
| Objecti | ve 2 - Comply with the Standards and other regulations relating to the | Internal Audit Serv | /ICE |
| 2.1 | Revise the Post Audit Questionnaire to include the following:- | Audit Manager | May 2025 |
| | Honesty and professional courage | | |
| | Objectivity of auditors | | |
| | Due professional care | | |
| 2.2 | Review processes to show that the ethics related objectives, risks and control processes have been considered. | Audit Manager / Principal | June 2025 |
| 2.3 | Revise the Annual report to ensure compliance with the standards. Include:- | Audit Manager | June 2026 |
| | how the service complies with the revised standards and | | |
| | areas where it cannot comply due to legislation etc. | | |
| | reference to management inclusion in discussions of the | | |
| | objectives and performance. | | |
| | themes and root cause | | |

Appendix 3

Quality Assurance and Improvement Plan - cont

| No. | Action | Responsibility | Completion Date |
|-------|---|--|----------------------|
| 2.4 | Formally discuss the new requirements of Domain III with CMT. | Audit Manager | July 2025 |
| 2.5 | Carry out quarterly quality reviews of compliance with the audit manual and standards. | Audit Manager | July 2025 |
| - | tive 3 - Maintain an Internal Audit Team which demonstrates integenaves in an ethical and professional manner | grity, honesty and p | professional courage |
| 3.1 | Revise the Annual audit report to include a comment from management on the honesty and courage of internal auditors. | Audit Manager | Jun 2026 |
| 3.2 | All staff to attend education and training on ethics. | Audit Manager / Principal / Auditor | July 2025 |
| 3.3 | All staff to attend training on objectivity | Audit Manager / Principal / Auditor | Sept 2025 |
| 3.4 | Devise a process for communicating ethical related issues including illegal and unprofessional behaviour to Line management and where applicable to the Audit Committee, CMT and External Audit in accordance with policies, legislation etc. Include the process within the Audit Manual. | Audit Manager | July 2025 |
| 3.5 | Revise the audit checklist to include ethics, due professional care, objectivity and understanding of DP and information management related issues. | Audit Manager | Jun 2025 |
| Objec | tive 4 - Ensure processes, skills and knowledge are kept up to da | te supporting conti | inuous improvement |
| 4.1 | Annual skills assessment and training plans including CPD and ethics to be drawn up for all members of the team including self- assessments. | Audit Manager / Principal | Jun 2025 |
| | b) Once in place training plans to be monitored through the 1-2-1's and appraisal processes. | | Jul 2025 |
| 4.2 | CPD to be completed and records maintained including completion of the Training sheet with all training undertaken and evidence of attendance attached. | Audit Manager / Principal / Auditor | May 2025 |
| 4.3 | Complete and document training on the Council's governance, risk management and control processes. | Audit Manager / Principal / Auditor | Dec 2025 |
| 4.4 | Continue to review the PAQ process and look at ways to improve completion of the questionnaires and linking the comments back to improvements. | Audit Manager / Principal | Mar 2024 |
| | | 1 | |

Last Update: April 2025 Last Reported to Audit Committee: June 2025

Appendix 4 Assurance Definitions

| 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. 76 |

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). This page is intentionally blank.

AUDIT COMMITTEE

| SUBJECT: | ANNUAL GOVERNANCE STATEMENT 2024/25 |
|----------------|---|
| DIRECTORATE: | CHIEF EXECUTIVE AND TOWN CLERK |
| REPORT AUTHOR: | LARA WELLS – BUSINESS MANAGER CORPORATE POLICY AND SERVICE IMPROVEMENT |

1. Purpose of Report

- 1.1 To inform the Corporate Management team that the Council has prepared this year's Annual Governance Statement; and
- 1.2 To request that CMT reviews the draft Annual Governance Statement (AGS), attached as **'Appendix A'** to this report, and provides feedback and comments in order that a final AGS can be presented for formal Leadership sign off and progression to the Audit Committee.

2 Background

- 2.1 The Council is required to publish an Annual Governance Statement that reviews how it applies, and complies with, its Code of Corporate Governance. The Code is reviewed annually, and was most recently updated and approved by the Corporate Management Team on 18 February 2025. This updated Code has undergone minor amendments, and a copy is attached as '**Appendix B**' to this report.
- 2.2 The approach to this year's AGS mirrors that of the previous year, and is explained in section 3 of this report.
- 2.3 This report contains three appendices:
 - **Appendix A** the proposed draft AGS 2024/25, upon which CMT is asked to consider and offer feedback;
 - **Appendix B** a copy of the Code of Corporate Governance 2025/26, approved by CMT on 18 February 2025;
 - **Appendix C** a copy of the senior officers' questionnaire, completed in April and May 2025.
- 2.4 The questionnaire (**'Appendix C'**) has not identified any new significant governance issues for in the AGS 2024/25.

Two new governance issues have been identified for monitoring that do not meet the 'significant governance issue' threshold, and these are set out both in the draft AGS ('**Appendix A**') and in section 4 of this report.

2.5 Overall, this year's AGS concludes that the Council's governance arrangements remain effective.

3. This year's AGS Process

- 3.1 The AGS is completed annually and comprises two elements:
 - A review of 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/emerging significant governance issues that have arisen during the previous year or are expected to arise in the coming year.

- 3.2 As required by statute, the AGS will be appended to the Council's Statement of Accounts.
- 3.3 This year's AGS will be completed in accordance with the following established process:
 - a) 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 Service Improvement teams. Sources of this key governance information include the Council's annual audit report, assurance, performance data, strategic risk register and committee reports.
 - b) Creation of an AGS questionnaire ('Appendix C'), completed with support from the Chief Finance Officer, Assistant Director for Transformation and Strategic Development, Internal Audit Manager and City Solicitor.
 - c) Preparation of a draft 'AGS 2024/25', based on information derived from the completed questionnaire.
 - d) Circulation and consultation on draft AGS with all assistant directors, and with the service managers whose service areas are impacted by key findings.
 - e) Presentation of the AGS and appendices to CMT. The resulting proposed AGS is attached as **'Appendix A'** to this report.
 - f) Incorporation of CMT comments/feedback into the AGS, in preparation for formal sign-off by the Chief Executive and Leader, and progression to the Audit Committee prior to inclusion in the Council's draft Statement of Accounts; and
 - g) Publication of the final AGS alongside the Council's Statement of Accounts.
- 3.4 The AGS format is in line with CIPFA current best practice and is in three parts:
 - Part 1 provides summarises the overall effectiveness of the Council's governance framework;
 - Part 2 reviews how the Council has met the requirements of its 'Code of Corporate Governance' as it was applied in the last 12 months, what's working well, what steps are needed to further improve governance, and provides a RAG rating for each of the seven CIPFA core principles; and
 - Part 3 is an action plan

4 Significant Governance Issues

- 4.1 There were no significant governance issues identified in the 2023/24 AGS, and therefore none have been monitored in the last 12 months.
- 4.2 The senior officers' questionnaire (**'Appendix C**') has identified no new "significant" governance issues for inclusion in the AGS 2024/25.
- 4.3 The questionnaire and discussions around new identified governance issues for 2025/26 identifies two governance issues which, whilst not meeting the threshold to be 'significant', require monitoring over the coming year in order that they can be addressed. These are listed in Part 1 of the AGS ('**Appendix A**'), and relate to the following areas:
 - Internal Audit have issued limited assurance report for Housing Fleet. Monitoring of the completion of actions and follow-up audits to be completed during 2025/26.
 - Internal Audit have issued limited assurance report for Debtors/recovery. Monitoring of the completion of actions and follow-up audits to be completed during 2025/26.
- 4.4 Three below require further monitoring over the next 12 months:
 - There is an ongoing need for all directorates to ensure financial, procurement and legal advice is sought for projects in a timely manner. This will continue to be monitored by the Chief Finance Officer and Monitoring Officer.
 - There remains limited additional capacity within internal professional support services to provide the advice and oversight necessary to ensure effective governance of significant and complex projects. Frontline services are also continuing to encounter capacity and recruitment challenges.
 - LPMM is included as an are an of development, but should still be noted as an area of concern.
- 4.5 CMT have reviewed the AGS as part of the consultation and have added the additional governance issue to also be monitored over the next 12 months:
 - The consequences and impacts on services (projects and day to day service delivery) working directly or relying heavily on those professional support services with limited capacity.

This governance issue links in with those governance issues being monitored as detailed above in para 4.4.

- 4.6 The RAG rating for the seven CIPFA core principles in Part 2 are:
 - Green core principles A, B, C, F and G
 - Amber core principles D and E

The core principles rated 'amber' are, for consistency, those directly linked to the governance issues proposed for monitoring. There are no core principles with a 'red' RAG rating.

- 4.7 The action plan in Part 3 of the AGS proposes one action, relating to:
 - LPMM review to be concluded to ensure project management compliance

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.

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.

8. Recommendations

8.1 That the CMT reviews the draft 'Annual Governance Statement 2024/25' attached as '**Appendix A**' to this report, and the accompanying appendices '**B**' and '**C**', prior to formal Leadership sign off and inclusion in 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? | Three |
| List of Background Papers: | None |

Lead Officer:

Lara Wells, Business Manager Corporate Policy and Service Improvement Email: <u>lara.wells@lincoln.gov.uk</u> This page is intentionally blank.



Annual Governance Statement



2024/25



We want to make Lincoln the best place to live, raise a family, work and do business.

Our vision to deliver Lincoln's ambitious future is underpinned by five strategic priorities \rightarrow

Delivering these priorities requires good governance, for all our residents, businesses, visitors, employees and Councillors. 'Good governance' is about how we ensure we are doing the right things, in the right way, for the right people, and that we do this in a timely,



inclusive, open, honest and accountable manner. It means that we conduct ourselves in accordance with the law and proper standards, and that we safeguard public money by using it economically, efficiently and effectively.

We must, to ensure we provide good governance, put in place proper governance arrangements to manage our affairs. We must ensure there is a sound system of governance, including effective internal controls, and that this is based on the principles of CIPFA's "Delivering Good Governance in Local Government Framework 2016". We also have a duty, under the Local Government Act 1999, to secure continuous improvement in the way we carry out our functions.

The last few years have been very challenging, both for the Council and for the city, and we are extremely proud of all the Council has achieved during this time. Like most councils we continue to face substantial funding pressures, with cost-of-living and inflationary challenges alongside new and increasing demands on council services dominating the past couple of years. As we move towards the end of Vision 2025 and prepare to deliver Vision 2030, we remain committed to being financially sustainable and delivering our One Council approach, transforming and protecting access to our services by investing in technology, and making them as efficient and effective as they can be.

This Annual Governance Statement looks honestly, and transparently, at how effective our governance has been during 2024/25 and sets out the ways we can further improve. By ensuring good governance, we can continue to evolve and innovate and deliver Lincoln's ambitious future.

This AGS comprises three Parts. Part 1 summarises the overall effectiveness of our governance framework in 2024/25, and Part 2 reviews how we have met the requirements of our 'Code of Corporate Governance' as it was applied in the last 12 months, what's working well, and what we can do to further improve our governance. Part 3 is an action plan for the steps we take over the next 12 months to further enhance our governance.



The Council's governance arrangements are under continual review, and we are pleased to confirm our opinion that these arrangements in 2024/25 were sound and provided an effective means of achieving our priorities. 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.



Cllr Naomi Tweddle, Leader:



Angela Andrews, Chief Executive:

Date:

Date:



How we meet our governance responsibilities is defined in our Code of Corporate Governance. Our Code is updated annually and is based on the principles of CIPFA's "Delivering Good Governance in Local Government Framework 2016".

Our Code sets out the strategies, policies, systems and processes we use to control how we operate and defines our cultures and values. It enables us to effectively monitor achievement of our strategic objectives, and to measure how we deliver value for money in our services.

Our Code is based on seven core principles:



Responsibility for governance rests with a range of bodies and structures, summarised below:

Council

Council consists of all 33 councillors who decide our strategic plan (Vision 2030), our Constitution and our overall policy and budget framework. It appoints the Leader, Executive, and membership of our scrutiny committees. The Ethics and Engagement Committee are also appointed by Council, and ensures all members receive advice and training on our Code of Conduct. Each member of the council represents the best interests of both their own wards and the city as a whole and are directly accountable to their constituents.

Leader and Executive

Executive comprises the Leader plus 5 further members, and is responsible for making most significant council decisions. Each Executive member has a portfolio; five of these align closely with our Vision 2030 Priorities, plus an additional portfolio; Customer Experience, Review and Resources

Corporate Management Team and statutory officers

The Chief Executive (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 compliance with the law, good governance and promoting high standards of conduct

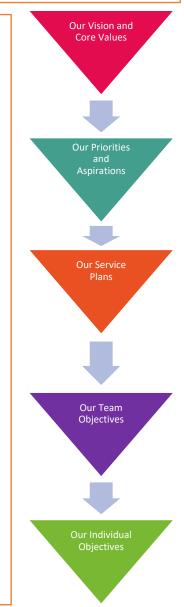
Scrutiny and audit committees

Our scrutiny committees consist of non-Executive councillors, and their role is to scrutinise and, where appropriate, challenge the decisions and performance of the Executive. Our scrutiny committees also scrutinise the decisions and performance of partnerships and other public bodies. We have four scrutiny committees:

- Performance Scrutiny Committee (including Housing Scrutiny Sub-Committee)
- Policy Scrutiny Committee
- Community Leadership
 Scrutiny Committee
- Select Scrutiny Committee

Any two members can hold the Executive to account outside of scrutiny and review by requesting Call-In and reconsideration of an Executive decision

Our Audit Committee is responsible for providing independent assurance to Council of the adequacy of our governance, financial management, risk management framework and internal control environment.



Our Constitution updated regularly and is available here.

Internal and External Assurance

Head of Internal Audit

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 2024/25 the Council was provided with the following levels of assurance:-

| Performing Well | Performing Adequately |
|-------------------|-----------------------|
| Governance | Internal Control |
| Risk | |
| Financial Control | |

There were no significant governance issues raised within the audits completed. There were two limited reports issued

Internal Control has been given a slightly lower level of assurance due to the results of the audits undertaken and the results of the combined assurance work. There has been no change from the opinions given in 2023/24.

The internal audit team has now been fully staffed since July 2024 and continues to be supplemented with specialist IT auditors through a contract arrangement. During 2024/25 an external provider was also used to provide additional support to cover the time lost through the vacancy at the beginning of the year.

Internal audits completed in 2024/25 include:

- IT Asset Management
- Debtors/Recovery
- VAT/Tax
- Treasury Management
- Council Tax
- Contract Management
- Governance Health Check
- Digital
- HB Subsidy
- Business Continuity
- Risk Management
- 2023/24 Follow-ups
- Housing Benefit and Council Tax Support Key controls
- Contract Management Follow-up
- Fleet
- Housing Assistance
- Towns Fund
- LinCare

The findings from these audits have been reported to the Audit Committee during the year. Progress on implementing the actions arising from the reports are also reported to the Audit Committee throughout the year.

External Audit Annual Opinion

Our most recent External Audit Annual Opinion was published in February 2025, and relates to the financial year 2023/24.

A copy of this Annual Opinion encompasses our Statement of Accounts for 2023/24, our Value for Money arrangements and our wider reporting responsibilities. The Annual Opinion states that:

- The Council's Statement of Accounts was legally compliant;
- No indicators were identified of any significant weaknesses in the Council's Value for Money arrangements; and
- No indicators were identified of any significant weaknesses in the Council's Governance arrangements

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 2025, confirming an overall substantial level of compliance (76%) with the underlying principles of the FM Code, this is an increase from the 2023/24 assessment which was a 65% compliance rate. There are areas of improvement in 4 (24%) of the standards, the actions of which are set out in the table below.

| Ref | Standard/Description | RAG | Action Required/By When |
|-----|---|--|--|
| В | The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government. | | To continue to support professional development – ongoing. |
| | | To recruit to rem Finance role to ensur resourced – Apr 25 | |
| E | The financial management style of the authority supports financial sustainability. | | Further implementation of business partnering approach – as capacity allows |
| F | The authority has carried out a credible and transparent financial resilience assessment. | | Consider options for independent financial resilience assessment – Mar 26 |
| L | The authority has engaged where appropriate with key stakeholders in | | To revise the Communication and |

| developing strategy, med annual budge | dium | 0 | | Consultation Mar 26 | Strategies | - |
|---|------|---|--|------------------------|------------|---|
| annual buuge | 51. | | | | | |

No areas were identified as having minimum compliance.

It is not expected that there will be full compliance across all standards in the FM Code 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.

Our full assessment against the FM Code is available here

Significant governance issues monitored in 2024/25

There were no ongoing significant governance issues to monitor during 2024/25.

New significant governance issues identified in this AGS

Significant governance issues are those that present high financial, reputational or political risks to the Council. There are no significant governance issues identified in the AGS.

New governance issues that require monitoring, but do not meet the 'significant' governance issue' threshold

We have identified the following issues for monitoring over the next 12 months:

- Internal Audit have issued limited assurance reports for Housing Fleet. Monitoring of the completion of actions and follow-up audits to be completed during 2025/26.
- Internal Audit have issued limited assurance report for Debtors/Recovery. Monitoring of the completion of actions and follow-up audits to be completed during 2025/26.
- There is an ongoing need for all directorates to ensure financial, procurement and legal advice is sought for projects in a timely manner. This will continue to be monitored by the Chief Finance Officer and Monitoring Officer.
- There remains limited additional capacity within internal professional support services to provide the advice and oversight necessary to ensure effective governance of significant and complex projects. Frontline services are also continuing to encounter capacity and recruitment challenges.
- The consequences and impacts on services (projects and day to day service delivery) working directly or relying heavily on those professional support services with limited capacity (This links to those identified above)
- LPMM is included above as an area of development, but should still be noted as an area of concern.

Conclusion

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.

There were no significant governance issues identified in 2024/25. The Council will continue to monitor the effectiveness of its governance arrangements throughout the coming year, to enable the identification of new and emerging issues.

A detailed assessment of how we applied our Code in 2024/25 is provided in Part 2 of this document.

Part 2: Assessment of our Core Principles

What our definitions mean:

| Assurance rating | Interpretation |
|---|---|
| Acceptable | There are sound policies and processes in place that are working effectively across services, which provide for good governance arrangements and support both compliance with requirements of the CIPFA principle and the achievement of the council's aims and objectives. There may be minor areas for continuous improvement, but these do not represent a significant or material risk to the council's overall governance framework. |
| Some development or areas for improvement | Whilst there are policies and processes in place, there are some areas that remain a challenge for the council or require further improvement which may impact the effectiveness of elements of the council's governance arrangements, compliance with the CIPFA principle and the achievement of the council's aims and objectives. The council has an action plan in place to address these matters. |
| Key development or many areas for improvement | Significant challenges have been identified which may impact the effectiveness of elements of the our governance arrangements, compliance with the CIPFA principle and achievement of our aims and objectives. We have implemented plans for corrective actions to manage these risks. |

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall assessment |
|--|--|--|-----------------------|
| We undertook a scheduled annual update of our Code of Corporate Governance | Ethical values, standards and formal codes of conduct are defined in our Constitution and form the basis for developing our policies, procedures, and the behaviour of our Members | Roll out and deliver training on the revised Equality Impact Assessment internal guidance and EIA template and | \A ; |
| • We continued to monitor our compliance with the Subsidy Control Act 2022 as projects | 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 | monitor impact Continuation of embedding those actions | idi |
| we continued to review our compliance with the Elections Act 2022 as the | 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. | arising from contract management internal audit and subsequent secondary audit undertaken | |
| commencement orderscame into placeProvided training to | Our Constitution is regularly updated to ensure it remains fit for purpose and meets the needs of the city and its residents Our Audit Committee includes two independent Members, | Continue to revise processes, procedures and documents to ensure that the revised Internal Audit Standards | |
| Provided training to members of the Audit Committee on the new internal audit standards and specifically changes to the requirements for them. | 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. We have, after | are complied with. | |
| Successful recruitment to key corporate support functions such as legal, finance <u>and internal</u> audit.Updated Procurement | a protracted period of recruitment difficulties, successfully appointed to the remaining audit post that supports the Audit Manager in their role. Additional capacity was sourced via external consultants, to ensure we were able to meet our internal audit demands and monitor combined assurance. | | |
| guidance and processes with training to relevant officers now the Procurement Act now in | We have a robust approach to information governance. Our Data Protection Officer is highly visible within the Council, and ICO guidance is shared with all service areas to ensure staff at all levels receive appropriate training and feedback if data breaches occur. | | |
| force. Reviewed Equality Impact Assessment internal guidance and EIA template. | Counter Fraud Policy/Procedures in place Fraud awareness training provided for Elected Members, CLT and Service Managers Audit Committee strengthened with the inclusion of a second Independent Member | | |

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall assessment |
|---|--|--|-----------------------|
| Consultation and Engagement staff guidance and ways of engaging through community workshops on Vision 2030 and Budget consultation have been trialled. Engagement at a local level within communities and neighbourhoods have been included as key actions within the first 12 months of Vision 2030. Continue to review of the Citizens Panel, and recruit new Panel members in a way that reflects the current makeup of the City Continued to develop more permanent and usable feedback systems for services. | 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 are made that are in the best interests of the city and communities, and to have engaged stakeholders and service users in arriving at proposals under consideration. We have improved our Citizens' Panel processes to include feedback loops so respondents can find out how their feedback has influenced/changed how we operate. Consultation and Engagement staff guidance - alternative engagement activities have been piloted in preparation for this work were completed during 2024/25 for both Vision 2030 and budget consultation. Different engagement methods have been trialled, recognising_that some customers find it difficult to complete paper/online surveys and how this is influenced by digital exclusion in some parts of the city. Bespoke face to face engagement sessions with members of the community have taken place. Improved approach to stakeholder consultation – Citizens' Panel surveys now include a feedback loop so respondents can find out how their feedback has been used Community Development Toolkit' for local Ward Councillors to provide additional help and support within their community Increased focus on improving knowledge of how demographic profiles for consultations compares with the city's makeup. | Further enhancements can still be made to demonstrate greater incorporation of LCP feedback, such as incorporating survey results into reports to Scrutiny/Executive. This can be further supported by our renewed efforts to collect E&D data from survey respondents, so decision takers can compare the diversity/demographics of respondents against the city's makeup (source – Lincoln City Profile). A focus on the feedback loop and 'you said, we did' from all sources of feedback, from surveys to complaints. | |

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall assessment |
|-----------------------------|-------------------------------|----------------------|-----------------------|
| | | | |

Core Principle C: Defining outcomes in terms of their sustainable economic, social and environmental benefits

Vision 2025 is the Council's vision for the five years to 2025 and through to Vision 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 reduce all kinds of inequality
- Let's enhance our remarkable place
- Let's address the challenge of climate
 - change

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall |
|---|---|--|------------|
| Further progressed implementation of Phases 1a and development of 1b of Western Growth Corridor Progressed further the implementation of the place strategy for Park Ward/Sincil Bank Finalised our 30-year Housing Revenue Account Business Plan for the period 2023 – 2053 Lincoln City Profile - information from the Lincoln City Profile supported the development of Vision 2030. Development and approval of Vision 2030 | We have good internal controls for implementing programmes/projects, monitoring progress against major developments, and competing for funding streams in a way that best benefits the city including Western Growth Corridor, regeneration of Lincoln Central Market, new council homes on Hermit Street, UKSPF projects and preparatory stages of the redevelopment of Greyfriars. We have good controls relating to large contracts such as waste which provides a good case study of resource allocation and the amount of time/effort now required to let large and embed large contracts. Our 'Vision Boards' regularly review progress of objectives derived from our strategic priorities, ensuring our corporate Vision stays relevant and on track. All Executive Members provide an annual report to Performance Scrutiny Committee and Council on progress against their portfolios Our annual Lincoln City Profile helps us to demonstrate we understand our city's demographics Town Deal Board and associated programmes/projects demonstrate how the | There are tools and methodologies that can be investigated to better understand and demonstrate social value which will be reviewed in 2025/26 and this action has been included in the Vision 2030 action plan. | assessment |

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall assessment |
|-----------------------------|--|----------------------|-----------------------|
| | council's approach to regeneration and major development is strategic and outcome focused, identifying how projects will benefit communities and closely aligned with its corporate priorities. Analysis of 2021 Census data/Lincoln City Profile continues Agreed the Housing Revenue Account 30-year Housing Business Plan for the period 2023 – 2053 Lincoln City Profile enables us to understand the city's demography Significant progress implementation of Phases 1a and 1b of Western Growth Corridor | | |

Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall assessment |
|--|---|---|-----------------------|
| Two business continuity desktop exercises were undertaken during 2024/25 Provided risk management refresher training to Members and officers Updated our Business Continuity Policy and Strategy Refreshed our Business Continuity Plans for critical services. An ICT Strategy is currently in draft. Work has taken place to identify opportunities for service transformation across directorates. The Council's Productivity Plan was completed in 2024. Website improvements are continuing to progress to ensure the council's website contains accurate information and development of microsites has progressed. * the approach to applications and new technologies is being considered in light of Local Government Reorganisation as this has implications on a longer term strategy. | The Council clearly defines its priorities and plans to ensure delivery of their intended outcomes. Service plans are now in development to cover the period ending March 2026. Work has continued to ensure robust management of the Council's services, and most 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 As the only urban conurbation in a predominantly rural county, Lincoln is disproportionally affected by homelessness compared to its district neighbours. The Council's financial plans are significantly impacted by arranging temporary accommodation for those to whom we owe a legal duty, and shortages of temporary accommodation in the city mean that our costs exceed the local housing allowance we receive from government. We have been, and are continuing to explore all options to manage this strategic issue, both to make the most effective use of our finite resources and to ensure the best outcomes for our most vulnerable people. Brought together key roles responsible for business intelligence, business analysis, online services, and policy and performance management into a new Corporate Policy and Transformation Team. Business Continuity Policy & Strategy updated. Testing of business continuity systems through desktop exercises have been undertaken in 2024. Internal audit undertaken which provided substantial assurance | Progress an Emergency Plan Review Review the application of the updated LPMM documentation to ensure compliance in project delivery Complete ICT Strategy | |

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall assessment |
|-----------------------------|---|----------------------|-----------------------|
| | Risk Management refresher training to Members and officers undertaken, with strategy for renewal in 2025 (in light of Vision 2030) A comprehensive review, in partnership with key stakeholders has taken place during 2024/25 to understand the complexities of poverty in Lincoln. A series of topics have been heard at Community Leadership Scrutiny Committee to support the antipoverty work Vision 2030 and a supporting action plan for the first 12-18 months has been developed and approved The Lincoln Project Management Model has been thoroughly reviewed with rollout in June 2025 | | |

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall |
|--|---|--------------------------|------------|
| The workforce skills audit has been completed and an action plan drawn up. Continued to build on employee retention and professional training opportunities for our employees Reviewed the Council's Our People Strategy Continued implementing our Organisational Development Action Plan, including a needs and skills gap analysis | 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 2025/2030 objectives. Local government continues to be a very competitive labour market, and we are exploring a range of avenues to improve recruitment, retention and succession planning, and skills. Scheduling of work activities/new projects as part of Vision 2030 | considered alongside LGR | assessment |

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall assessment |
|--|--|--|-----------------------|
| Review of our Contract Procedure Rules upon enactment of the Procurement Act completed. Productivity Plan published and Value for Money Statement refreshed. Training to all officers with budget responsibility on revised Financial Procedure Rules and continue to develop a business partnering approach to financial management Skills and knowledge assessment of Audit Committee elected and independent members undertaken with training plan developed in response. Implemented the majority of actions within our agreed action plan to ensure compliance with the CIPFA Financial Management Code Updated the Lincoln Performance Management Framework, to reflect current LGA best practice Progress to make greater use of PIMS to manage both performance measures and progress updates for service plan actions. Al Policy in draft to enhance performance management corporate wide | 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. Robust and thorough performance management system in place, which is high profile among Members and officers. Both annual performance target setting and quarterly performance reporting are well scrutinised, and officers across the council are actively engaged in the performance process. Performance data is used to identify opportunities for service improvements. Recent restructuring of performance management functions has helped deliver consistency of approach when reporting performance. This will continue to be strengthened over the coming year. Recent inclusion of DMD performance measures in quarterly performance reporting, to assess delivery of growth objectives and track progress of major developments/regeneration. Internal controls are in place to ensure all corporate strategies, policies and other key documents are reviewed regularly Quarterly reporting of our treasury management activities Robust and thorough performance target setting and quarterly performance reporting are well scrutinised, and officers. Both annual performance target setting and quarterly performance reporting are well scrutinised, and officers. Both annual performance target setting and quarterly performance process. Performance data is used to identify opportunities for service improvements. Restructuring of performance management system in place, which is high profile among Members and officers. Both annual performance target setting and quarterly performance reporting are well scrutinised, and officers. Both annual performance target setting and quarterly performance reporting of performance target setting and puarterly perform | Assurance over internal controls Internal Audit Plan for 2025/26 has been reviewed to include different audit types to expand breadth of areas covered. Risk Management Strategy to be refreshed in 2025, to reflect Vision 2030 Terms of Reference for Audit Committee to provide for an Independent Chair to supplement the knowledge and skills of Elected Members and help achieve a non-political focus on the Council's arrangements for audit, risk management, governance and control. Bi-annual review of effectiveness of Audit Committee | |

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall assessment |
|-----------------------------|---|----------------------|-----------------------|
| | The strategic risk register is updated, scrutinised and reported quarterly, and directorate risk registers are regularly reviewed and updated to reflect changing conditions. Accounts have been externally audited, providing external assurance of the council's financial position and confirmation that internal controls are effective Internal controls are in place to ensure all corporate strategies, policies and other key documents are reviewed regularly 'Towards Financial Sustainability' programme in place, to ensure the council's ongoing resilience. This is closely monitored, and reported quarterly to Members through financial performance reporting and via the strategic risk register. Regular monitoring of Internal audit agreed actions to ensure implemented and a sample checked to ensure the control environment has been strengthened. Results reported to the Audit Committee. Updated LPMF in line with LGA best practice including data quality. Productivity Plan completed and VFM Statement refreshed. Skills and knowledge assessments undertaken for Audit Committee members the results of which have fed into the training plan. This process will be repeated periodically ensuring that the training needs are addressed. | | |

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

| What we achieved in 2024/25 | What's currently working well | Where we can improve | Overall assessment |
|--|--|--|-----------------------|
| Completed a review of the Lincoln Performance management Framework | • We recognise that effective accountability is concerned not only with reporting on actions completed, but also ensuring stakeholders are able to understand and | We now have LPMF in place and LPMM however need to include tools that support | |
| Continue to develop performance management to via the Council's PIMS syste including monitoring of servi plans. | Performance is managed under the principles of our Performance Management Framework (LPMF) Actions arising from the AGS are monitored by the Audit | • | idr |
| Audit Committee Terms of Reference updated in light o latest CIPFA Guidance, with inclusion of a second Independent Member | the Audit Committee, are published well in advance and routinely updated. This includes regular reporting on both internal and external audit activity | Public Sector Internal Audit Standards and other actions included within the QAIP to ensure full compliance and quality audit service. | |
| Internal Audit Charter and Internal Audit Strategy updat ahead of 2025/26 to reflect r Public Sector Internal Audit Standards. | | | |
| | strong Member engagement in the process. This includes quarterly scrutiny of financial and treasury management. Robust approach to assurance mapping, led by the Head of Internal Audit Regular reporting of corporate complaints data | | |



This section lists the actions required to address the governance issues highlighted in Part 1 of this AGS, where no actions currently exist within the Council's governance framework to address them.

There are no significant governance issues identified in this AGS. One of the five governance issues are to be monitored over the coming year already have actions associated with them either through the internal audit and review process, or within existing plans and strategies.

The action plan for this AGS therefore contains only one action:

| Ref. | Action | By Whom | By When | Core Principle |
|-----------|--|---------|-----------|----------------|
| AGS/25/01 | Complete a review of the Lincoln Project Management Model (LPMM) to ensure corporate oversight and project compliance. | | June 2025 | D |



City of Lincoln Council Code of Corporate Governance

To March 2026

Document Control

| Organisation | City of Lincoln Council |
|------------------|--|
| Title | Code of Corporate Governance |
| Author | Lara Wells |
| Owner | Business Manager - Corporate Policy and Transformation |
| Version | V1.7 |
| Next Review Date | March 2026 |

Introduction

City of Lincoln Council must ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, and used in accordance with our duty under the Local Government Act 1999 to secure continuous improvement in the way our functions are exercised, having regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, we must put in place proper governance arrangements for our affairs. This document is our code of corporate governance. It is consistent with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of our Code is on our website at www.lincoln.gov.uk

The purpose of this Code

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.

This Code of Corporate Governance sets out the documentation, systems, and processes by which the authority transparently controls its activities. It enables us to monitor the achievement of our strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The code is based on the set of seven core principles of Delivering Good Governance in Local Government Framework (CIPFA/Solace 2016):

- Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Core Principle B: Ensuring openness and comprehensive stakeholder engagement
- Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes
- Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Core Principle F: Managing risks and performance through robust internal control and strong public financial management
- Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Each principle is considered and in the following section documentation, systems and processes are identified under four categories; Regulatory, Finance, Human Resources and Corporate, demonstrating good governance in practice.

The Council undertook a significant review of the Code in 2021, with minor changes made in subsequent annual reviews.

Corporate Governance Framework – Documents and processes

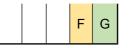
| Principle A | Principle B | Principle C | Principle D | Principle E | Principle F | Principle G |
|---------------------------------|---|----------------------------------|----------------------------------|--|---|---|
| Behaving with integrity | Openness | Defining outcomes | Determine interventions | Develop the entity's capacity | Manage risk | Good practice in transparency |
| Demonstrating strong commitment | Engaging comprehensively with | Sustainable economic, social and | Plan interventions | The capability of the entity's | Manage performance | Good practice in reporting |
| to ethical values | institutional stakeholders | environmental impacts | Optimise achievement of intended | leadership and individuals are | Robust internal control | Assurance and effective |
| Respecting the rule of law | Engaging with individual citizens | | outcomes | developed | Manage data | accountability |
| | and service users effectively | | | | Strong public financial | |
| | | | | | management | |
| | | | | | , in the second s | |

| | Regulatory | | | | | | | | |
|-----|--|---|---|---|---|---|---|---|---|
| | Appointment of statutory officers – Chief Executive (Head of Paid Service), Section 151 Officer (Chief Finance Officer) and Monitoring Officer (City Solicitor) | Α | | | | E | F | G | - |
| | Audit Committee | А | | С | | Е | F | G | ſ |
| | Committee Report Template | | В | С | D | | F | | |
| | Constitution (including contract procedure rules) and regular review | А | В | С | D | Е | F | G | |
| | Ethics & Engagement Committee | А | | | | Е | | G | F |
| | Executive Committee | А | | | | | | G | |
| 110 | Executive work Programme | А | В | С | | | | | |
| U | Freedom of Information Policy | А | В | С | D | Е | F | G | |
| | Member training programme & records | А | В | С | D | Е | | | |
| | Pre-meets with Committee Chairs | | В | | | | | | |
| | Procedures for Part 'B' (Confidential) reports | | В | | | | | | ſ |
| | Publication scheme | | | | | Е | | | |
| | Scrutiny Committees | А | | С | | | | G | |
| | Annual Vision priority reports to Scrutiny & Executive | | В | С | | Е | | | |
| | Regular liaison meetings between statutory officers and external audit | А | | | | | F | | |
| | Fortnightly Councillor Briefing | А | В | | | | | G | Ē |

| Finance | | | | | | | |
|--|---|---|---|---|---|---|---|
| Annual Audit Plan | | | | | | F | |
| Annual budget cycle | | | | | | F | G |
| Annual Governance Statement | | | | | | F | G |
| Annual Statement of Accounts | | | | | | F | G |
| Counter Fraud and Anti-Corruption Policy Statement and Strategy, Tenancy Fraud Strategy and Fraud Response Plan | Α | | | | | F | |
| Budget Holder Manual | | | С | | | | |
| Business Support Grant Service | | | С | | | | |
| External Audit Value for Money conclusion | | | | | | F | |
| Financial Code self-assessment | | | | | | | G |
| Financial management arrangements conform to CIPFA Statement on Role of Chief Financial Officer in Local Government (2010) | | | С | | | | G |
| Housing Revenue Account 30 Year Business Plan | | | | D | Е | | |
| Medium Term Financial Strategy | | | С | D | | | |
| Monthly financial monitoring with budget holders | А | | С | | | F | |
| Procurement through dedicated experienced internal resource | Α | | С | D | Е | | |
| Revenues and Benefits Shared Service | | | | | Е | | |
| Delegation Agreement | | | | | | | |
| Quarterly performance & finance reporting | | В | С | D | E | | G |
| Transformation programme | | | | D | | | |
| Treasury Management Strategy | | | С | | | | |
| Value for Money statement | | | | | | F | |
| Compliance with the CIPFA Financial Management Code | | | | | | F | G |
| Internal Audit External Quality Assessment | | | | | | F | G |
| Internal Audit Manager compliance with CIPFA Head of Internal Audit Requirements 2019 | | | | | | F | G |

| HR | | | | | | | | |
|--|---|---|---|--|---|---|---|--|
| Health and Safety Policy | А | | | | | | | |
| HR Policy Handbook - terms and conditions | А | В | С | | Е | F | G | |
| HR Health & well-being champion | | | | | Е | | | |
| Job descriptions | | | | | Е | | | |
| Joint Consultative Committee (with unions) | | | | | Е | | | |
| Online staff training programmes | | | | | Е | | | |
| People Strategy | А | В | | | Е | | G | |
| Programme of management development | | | | | Е | | | |
| Recruitment & selection procedures & processes | А | В | | | Е | | | |
| Regular staff briefings | | | | | Е | | G | |
| Staff appraisal system and one to ones | А | В | | | Е | | | |
| Staff induction process | | | | | Е | | | |
| Risk management training | | | | | | F | | |
| | | | | | | | | |

Compliance with CIPFA Prudential Code for Capital Finance



| Principle A • Behaving with integrity • Demonstrating strong commitment to ethical values • Respecting the rule of law | Principle B • Openness • Engaging comprehensively with institutional stakeholders • Engaging with individual citizens and service users effectively | Principle C • Defining outcomes • Sustainable economic, social and environmental impacts | Principle D • Determine interventions • Plan interventions • Optimise achievement of intended outcomes | Principle E • Develop the entity's capacity • The capability of the entity's leadership and individuals are developed | Principle F • Manage risk • Manage performance • Robust internal control • Manage data • Strong public financial management | | • (• A | Good p | Pri practice practice nce an tability | in rep | nspare orting | - |
|--|--|---|--|---|---|---|------------|--------|---|--------|------------------|---|
| | | | Corporate | | | | | | | | | |
| | Vis | ion 2030 (Strategic Plan) - setting or | ut vision, priorities & core values | | | А | В | С | D | Е | F | G |
| Vision 2030 Review Document | | | | | | | | | D | | F | G |
| | V | ision 2030 Priority Theme Groups w | | | | Α | В | С | D | Е | | G |
| | | One Council Pro | | | | Α | В | С | D | | | |
| | | Asset Managem | | | | | | С | | | | |
| | | Consultation & Engage | | | | | В | С | D | | | |
| | | IT Security F | , | | | A | | | | | F | |
| | Modern | Slavery Act Transparency Stateme | | У | | A | | | | | | |
| | | Safeguarding & Domest | | | | | В | | | | | |
| Risk Management Strategy, Corporate Risk Management Toolkit and Strategic (& departmental) risk register | | | | | | | | С | D | | F | |
| Customer Experience Strategy | | | | | | | | С | | | _ | |
| Data Protection Policy, Data processing agreements and Data Sharing Protocols | | | | | | | | | | _ | F | |
| NET Consent - ensuring key documents are read and updated (quarterly review of Strategy and Policy register) | | | | | | | | | | E | | |
| Data transparency monitoring | | | | | | | В | | | | F | G |
| Retention & Disposal Guidelines | | | | | | | | 0 | | - | F | |
| Central Lincolnshire Joint Strategic Planning Committee & Local Plan | | | | | | | | C C | | E | | |
| City Centre Master Plan | | | | | | | | C C | | | | |
| City Centre Recovery Group | | | | | | | В | C | | | | |
| Growth Conference (* when appropriate) Local Performance Management Framework | | | | | | | B | С | | | F | |
| | | Performance & Information Mana | - | | | | D | U | D | | F | |
| | B | | | | | | | С | | E | F | |
| Benchmarking (e.g. CIPFA & LG Inform) through Lincoln City Profile Compliance with National Single Data List | | | | | | | | C | | | • | |
| Data Quality Policy | | | | | | | | • | | | F | |
| Partnership Policy and Guidance | | | | | | | В | | D | E | | G |
| | | Partnership & Service L | | | | A | | | | _ | | G |
| | CX meetings with | leadership & opposition leader and | • | er meetinas | | А | В | С | D | E | F | G |
| Corporate Management Te | am (CX & Directors - CMT), Corpor | | - | - | orum & Team Meetings | A | В | С | D | E | F | G |
| Monthly summary of emerging government policy & guidance considered by CLT/CMT | | | | | | А | | | | | | |
| Service planning | | | | | | | | С | D | | | |
| LGA Peer Review, service area external peer assessment and internal review | | | | | | А | | | | Е | | G |
| | | Neighbourhood Working | j in defined areas | | | | | С | D | | | |
| | | Equality and Dive | rsity Policy | | | А | В | С | D | | | |
| | Equality objectives, | action plan and annual journal monit | tored through Equality & Diversity A | dvisory Panel | | А | В | С | D | | | |
| | | Equality Ana | alysis | | | А | В | С | D | | F | |
| | | Intranet/H | UB | | | А | В | С | | Е | | |

| Website (e.g. Councillor co | omplaints, code of conduct and register of interests, data transparency) |
|--------------------------------|--|
| Public Consultation (e.g. thro | ough Citizens Panel, On-line, 'Home' tenants magazine and social media) |

| А | В | С | D | Е | F | |
|---|---|---|---|---|---|--|
| | В | С | D | Е | | |

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council is responsible for using public resources to provide services for our citizens. We are accountable for how much we spend and for the way we use the resources with which we have been entrusted. In addition, we have an overarching mission to serve the public interest, by adhering to the requirements of legislation and government policies.

Ethical values and standards are defined in the Council's Constitution and should form the basis for all our policies, procedures and actions as well as the behaviour of our Members and staff.

Council officers are often involved with interpreting laws and this demands a high standard of conduct to prevent the council being brought into disrepute. We must demonstrate a strong commitment to the rule of law as well as compliance with all relevant laws.

It is therefore essential that we can demonstrate the integrity of all our actions and that we have mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels.

- 1. The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.
- 2. We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adhering to the constitution.
- 3. We have adopted formal codes of conduct setting out standards of personal behaviour for Members and Officers.
- 4. We have an Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture.
- 5. We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest when engaging and making decisions with different stakeholders. Appropriate processes are in place to ensure that these arrangements are workable, including declaration of interests and anti-corruption policies.
- 6. We ensure that systems and processes for financial administration and control, together with protection of the Council's resources and assets, comply with ethical standards and are subject to monitoring of their effectiveness.
- 7. We will ensure availability of professional advice on matters that have legal or financial implications, and this is recorded in advance of decision making if appropriate.
- 8. Officers will actively recognise the limits of lawful activity placed on them but at the same time work to utilise their powers to the full benefit of their communities.
- 9. Officers must observe all specific legislative requirements placed upon the Council, including any temporary or longer-term requirements brought in as a result of the

COVID-19 pandemic, the requirements of general law, and in particular integrate the key principles of administrative law into procedures and decision making.

- 10.We have put in place effective systems to protect the rights of staff. We ensure that policies for whistleblowing and in place and are accessible to staff and those contracting with the Council, as well as arrangements for the support of whistleblowers.
- 11.We will publish an Annual Governance Statement, signed by the Chief Executive and the Leader of Council to confirm that we are satisfied that we have effective governance arrangements in place.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

The Council operates for the public good, and we make sure 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 decisions made. We therefore expect reports to decision makers to be open, provide all the necessary material to ensure informed decisions in the best interests of everyone in the city, and to have engaged stakeholders and service users in arriving at proposals under consideration. We must demonstrate that we always act in the public interest to maintain public trust and confidence. We will demonstrate clear reasoning for decision making and ensure that this is formally recorded for retrospective public scrutiny.

- 1. Vision 2030, which includes the Council's vision, strategic direction, priorities, core values and action plan, has been through a robust development process, as well as consultation with key stakeholders, and is widely promoted. We will ensure that the Council's vision, strategic plans, priorities and aims are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.
- 2. We will maintain a culture of accountability so that Members and Officers understand to whom they are accountable and for what.
- 3. We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.
- 4. We will publish reports providing progress on Vision 2030 during the period of the plan.
- 5. An annual summary of financial statements, performance and the Annual Governance Statement will be published.
- 6. We will deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.
- 7. We will ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "Part A" unless there is the need to preserve confidentiality where it is proper and appropriate to do so, when we will make use of "Part B".

Core Principle C: Defining outcome in terms of sustainable economic, social, and environmental benefits

Vision 2030 is a five year strategy and delivery plan, developed following wide consultation, and has an inclusive vision to deliver Lincoln's ambitious future. Progress towards achieving the vision, aligned with the key priorities, will be reported to and monitored by senior management and elected members. Service areas within directorates, and under the guidance of assistant directors, will be responsible for delivering individual projects to agreed timescales and budgets, with consideration for economic, social and environmental benefits which collectively will achieve our priorities.

We also have in place the One Council approach, which is a programme of projects being undertaken to transform the way the council works ensuring we have the right tools, the right people and the right ways of working in place.

In addition, the council produces a Medium Term Financial Plan which is a financial representation of the Council's Vision and supports the priorities and a People Strategy which demonstrates how we will develop the capability and capacity to deliver the priorities. These will be reviewed on a regular basis to ensure they continue to reflect the vision of the Council and any emergent strategic issues.

- 1. We have made a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
- 2. We will publish a report each time we update the Vision to communicate the Council's activities and achievements, its financial position and performance.
- 3. We will ensure that those making decisions are provided with financial and nonfinancial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
- 4. We will identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services.
- 5. We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.
- 6. We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.

Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council clearly defines its priorities and plans which are aimed at delivering the outcomes that the Council intends. These will focus on delivering effective and efficient services for the residents. We assess the risks of not achieving those outcomes 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 those outcomes. The Council reviews

progress against delivering those outcomes through its performance management arrangements.

- 1. We have made a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
- 2. We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.
- 3. We have a local performance management framework in place which provides effective arrangements to monitor service delivery.
- 4. We will put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.
- 5. We have prepared contingency arrangements including a disaster recovery plan, business continuity plans and arrangements for delivering services during specific emergency situations.
- 6. We provide senior managers and Members with timely financial and performance information.
- 7. We ensure that budget calculations are robust and reserves are adequate.
- 8. The Lincoln Project Management Model provides a framework for effective management of all projects.

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council has a programme of review, linked to its financial sustainability programme aiming to ensure continual improvement. It also benchmarks, both at strategic and service level to ensure services operate efficiently and effectively.

As part of the One Council work – the Organisational Development Pillar will ensure the workforce have the necessary skills and behaviours to deliver the vision for the city and are effectively engaged to champion the council's priorities.

The Council will develop and retain a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the Council objectives. We will provide training and support to enable staff to develop their skills so they can achieve their full potential.

- 1. Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and individual Members.
- 2. We have set out a clear statement of the respective roles and responsibilities of all other committees and senior officers.
- 3. We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.
- 4. We have developed protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.
- 5. We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.

- 6. We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.
- 7. We will ensure that effective management arrangements are in place at the top of the organisation.
- 8. The Chief Executive is responsible and accountable to the Council for all aspects of operational management.
- 9. The Chief Finance Officer is the Section 151 Officer and is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- 10. The Chief Finance Officer will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds, together with professional accountability for finance staff throughout the Council
- 11. The City Solicitor is the council's Monitoring Officer and responsible to the Council for ensuring that the constitution is adhered to.
- 12.We will assess the skills required by Members including the understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.
- 13.We will assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.
- 14.We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
- 15.We will ensure that the statutory officers have the skills, resources and support necessary to effectively perform in their roles and that these roles are properly understood throughout the Council.
- 16. We will ensure policies are kept up to date and refresher training is provided and taken up by staff where appropriate.
- 17. We ensure compliance with the CIPFA code for Financial Management

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.

- 1. We will maintain an effective Audit Committee which is independent of the executive and scrutiny functions.
- 2. We will enable the Chief Finance Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.
- 3. We will ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job. The Council has a risk management strategy, a Strategic Risk Register, directorate risk registers in place and all managers have received risk management training.

- 4. Internal control in the form of anti-fraud and whistle blowing policies as well as robust ICT security measures are in place. The council also has data management and data sharing policies and ensures compliance with the Local Government Transparency Code.
- 5. Performance is managed in accordance with the Local Performance Management Framework which has a 'golden thread' linking through from strategic to individual performance.
- 6. The Council has an effective scrutiny function with three scrutiny committees (Performance, Community Leadership and Policy) and an overarching coordinating group, in addition to a separate Audit Committee. Members scrutinise both internal decisions and external matters of concern in the community.
- 7. We will ensure our arrangements for financial and internal control and management of risk are formally addressed within the annual governance reports.
- 8. We will ensure effective internal control arrangements exist for sound financial management systems and processes.
- 9. We ensure compliance with the CIPFA code for Financial Management

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 ensuring stakeholders are able to understand and respond as the Council plans and carries out its activities in an open, transparent and proportionate manner.

- 1. We comply with the local government transparency code and publish all required information in a timely manner.
- 2. We have established a medium-term business and financial planning process in order to deliver a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process, all of which are subject to regular review.
- 3. We have put in place effective transparent and accessible arrangements for dealing with complaints.
- 4. We will maintain an effective, scrutiny function which encourages constructive challenge and enhances the Council's performance overall.
- 5. We will maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.
- 6. We will ensure an effective internal audit function is resourced and maintained.
- 7. We will maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
- 8. We will attempt to publish all committee agenda items under "part A" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.
- 9. We will put in place arrangements for whistleblowing to which staff and all those contracting with the Council have access.
- 10.We will produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.

11.We will maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.

Annual Review of Corporate Governance

At the end of each financial year, the Council formally reviews the governance arrangements in place and produces an Annual Governance Statement.

The statement addresses any actions arising from the previous years' Annual Governance Statement and highlights any actions arising from the year under review. It also assesses the effectiveness and application of the Local Code of Governance and identifies any necessary changes and makes any relevant recommendations to the Council.

The review of effectiveness is a comprehensive piece of work and is informed by a range of sources of information including:

- Internal and External Audit Reports
- Council's performance in managing risk
- The council's overall performance management
- Assurances from third parties such as inspections
- The views of the Head of Internal Audit
- Individual views of senior management including CFO and CS
- Complaints received
- Ethics and standards issues

Appendix 1 and 2 below illustrate the full range of information sources that are utilised in that review. Appendix 2 also incorporates the quality assurance process the Annual Governance Statement passes through prior to adoption.

As part of the Audit Committee's governance role, the formal annual review will be undertaken by the Audit Committee on behalf of the Council.

The Annual Governance Statement is signed by the Leader of Council and the Chief Executive and is published with the Council's annual Statement of Accounts.

Further information on the operation of this code is available from: Chief Finance Officer Chief Executive's Dept. City Hall, Beaumont Fee Lincoln, LN1 1DD Tel: 01522 873258

Email: Jaclyn.gibson@lincoln.gov.uk

Local Code of corporate governance process

Appendix 1

1. Establish principal obligations and organisational obligations and organisational objectives

Mechanism established to identify statutory obligations and establish organisational objectives. Corporate governance arrangements are embedded within the authority. Performance management arrangements are in place.

2. Identify principle risks to achievement of objectives

Authority has robust systems and processes in place for identification and management of strategic and operational risk

These are the seven principles as set out in this Local Code of Corporate Governance.

3. Identify and evaluate key controls to manage principle risks

Authority has robust system of internal control including systems and procedures to mitigate principle risks.

4. Obtain assurance on effectiveness of key controls

Authority has identified appropriate sources of assurance and appropriate Assurance statements are received from designated internal and external assurance providers.

5. Evaluate assurances and identify gaps in control/assurances

Authority has made adequate arrangements to evaluate reports from defined internal and external assurance providers to identify areas of weakness in controls

6. Action plan to address weakness and assure continuous improvements of the system of corporate governance

A robust mechanism exists to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored

7. Annual Governance Statement

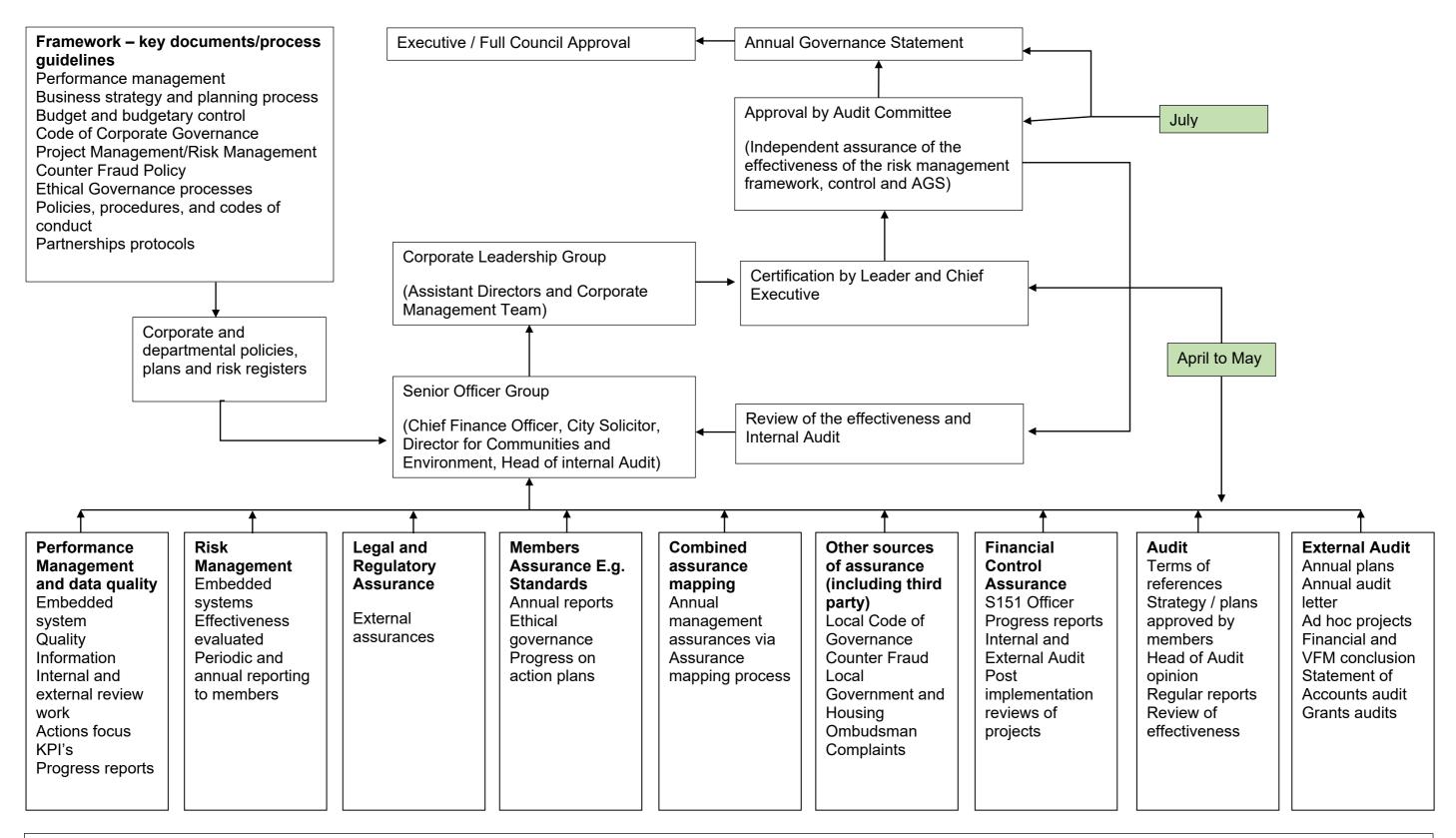
An annual governance statement has been drafted in accordance with statutory requirements and timetable set and is in accordance with CIPFA guidance

8. Report to Audit and Executive Committee

Annual report on the Annual Governance Statement is presented in accordance with the CIPFA pro-forma

Annual Governance Statement (AGS) Framework Flowchart

Appendix 2



Ongoing assurance on adequacy and effectiveness of control over key risks

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AUDIT COMMITTEE

| SUBJECT: | INTERNAL AUDIT ANNUAL FRAUD REPORT |
|----------------|------------------------------------|
| DIRECTORATE: | CHIEF EXECUTIVE AND TOWN CLERK |
| REPORT AUTHOR: | AMANDA STANISLAWSKI AUDIT MANAGER |

1. Purpose of Report

- 1.1 This report informs the Audit Committee of performance against the 2024/25 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations.
- 1.2 To provide the Audit Committee members with an update on the fraud risk register.

2. Background

- 2.1 The Council is opposed to any form of fraud and malpractice and is committed to operating in an open and honest way. There is a Counter Fraud and Anti-corruption Policy in place which sets out the Councils Strategy and the action it takes to reduce fraud.
- 2.2 A report is presented every six months to the Corporate Management Team and the Audit Committee setting out the action taken by the Council, incidences of fraud and, on an annual basis, the results of the review of it's fraud risks.

3. Annual Fraud Report

- 3.1 The report summarises the number of cases during 2024/25 comparing them with the previous year. A summary of the cases is as follows:-
 - Referrals to the DWP have decreased slightly from 8 to 7.
 - The review of Single Person Discounts undertaken in 2024/25 resulted in 1,039 discounts being removed due to customers not responding to the reminder letters.
 - There have been 6 cases of potential fraudulent payments being made through the online payment system for Council Tax.
 - The number of notices to quit issued to tenants has also increased again from 25 to 30, freeing up currently unoccupied properties for others.
 - There have been 7 unsuccessful attempts made to set up direct debits on the Council's bank accounts.
 - There has been no fraud reported for Elections, IT, Payroll, Human Resources or any other service areas.
- 3.2 The latest National Fraud Initiative (NFI) commenced in October 2024 with the reports being issued between December 2024 and April 2025. The current total number of matches is 1,656 and so far 20% have been processed.

- 3.3 Progress has been made against completing the actions within the Counter Fraud Action Plan and these are detailed within the report. There are 2 actions which are still in progress and these have been added onto the 2025/26 action plan. These include raising awareness of fraud scams within the Council and within the community. A revised action plan has been produced for 2025/26 which incorporates the results of the assessment against the Fighting Fraud and Corruption Locally checklist of best practice as well as other actions.
- 3.4 Whilst referred to as 'Whistleblowing' most referrals which the Council receives do not meet the Public Interest Disclosure Act (PIDA) definition of whistleblowing and are in fact confidential referrals. The Council did not receive any whistleblowing referrals during 2024/25 but it did receive 16 confidential reports which was an increase of 4 from 2023/24. The focus has changed in the type of reports with an increase in tenancy related reports for both Council and private rented properties and in NNDR in respect of artificially splitting up businesses. So far 4 allegations have proven to be correct and appropriate action has been taken.
- 3.5 As part of the Council's fraud strategy a counter fraud risk register is maintained. A review has been undertaken which has considered the risks on the register and the mitigating actions.
- 3.6 The Fraud Risk Register contains 24 risks. None are Red, 12 are Amber and 12 are Green. The 2 highest rated are IT/Data/Cyber Fraud and Council Tax.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

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

4.2 Legal Implications including Procurement Rules

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

4.3 Equality, Diversity 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 are no direct E and D implications arising as a result of this report.

5. Recommendation

5.1 The Audit Committee consider and comment on the contents of the report and appendix.

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

Lead Officer:

Amanda Stanislawski, Audit Manager Email: <u>amanda.stanislawski@lincoln.gov.uk</u> This page is intentionally blank.





Internal Audit 2024/25 Annual Fraud Report

City of Lincoln Council





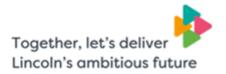


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3. Fraud Risk Register15



1. Introduction

- 1.1 The City Council has a number of Fraud related policies in place including the Counter Fraud and Anti-Corruption Policy Statement and Strategy.
- 1.2 The City Council takes a zero-tolerance stance to all forms of fraud, corruption and theft, both from within the Authority and from external sources.

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
- 1.3 The Internal Audit Team are responsible for supporting and facilitating the Council's Counter Fraud processes including the development of policies and procedures. Advice and support is provided through an agreement with Lincolnshire County Council.
- 1.4 The aim of the Team is to promote fraud awareness and assist management to identify and mitigate fraud related risks. This is done through the promotion of fraud cases and scams on the Internal Hub, facilitation of the fraud risk register, provision of training and general advice. The Team also cover fraud as part of audit assignments and undertake investigative work when required.
- 1.5 Individual service areas are responsible for ensuring that they have adequate arrangements in place for the prevention, detection and investigation of fraud with any incidences being reported to Internal Audit. There is a fraud strategy in place which covers the response required where a potential fraud is identified.
- 1.6 All fraud related activity is reported through to the Corporate Management Team and the Audit Committee at least twice a year.

2. Fraud Response

- 2.1 The actions which the City Council undertakes in the prevention of fraud are set out within the Counter Fraud and Anti-Corruption Policy Statement and Strategy. There is an action plan in place which sets out the other activities which the City Council is aiming to achieve this year. This is included within Appendix 1.
- 2.2 Progress has been made on implementing the actions within the action plan. The self assessment against the fighting fraud and corruption locally checklist and



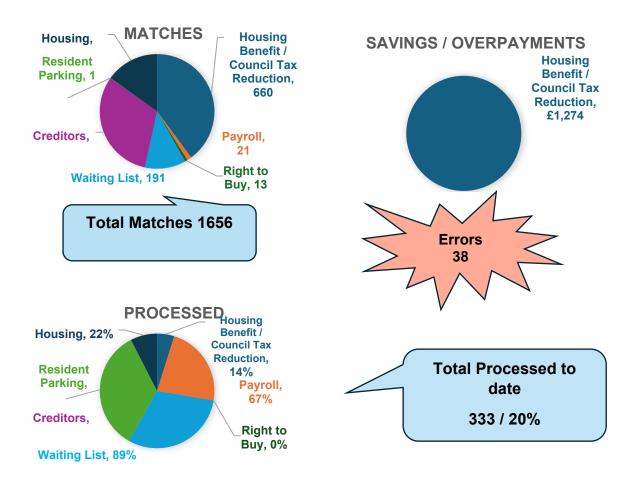
strategy has been completed and the fraud risk registers have been refreshed. Fraud training has been provided to Members and a review of the processes in place for the NFI have been reviewed. The annual single person discount review has taken place and discussions were held concerning the potential for a rolling review. The tenancy fraud policy has been written and is currently going through the final stages of the approval process before it can be fully implemented and distributed. Appendix 1 sets out the full details of progress against the Action plan.

- 2.3 A new Action plan has been drawn up for 2025/26 which includes actions which are outstanding from the 2024/25 Action plan, cyclical items and also other actions which have been identified as necessary to improve the fraud related work. This is included within Appendix 2.
- 2.4 A self assessment against the fighting fraud and corruption locally checklist has been completed. Overall conformance was achieved for 19 areas, partial conformance with 10 areas and there were 5 areas of non- conformance. Actions have been included within the Action Plan for 2025/26 in response to the areas which require further work. Checks on conformance with the strategy are planned for 2025/26.
- 2.5 As required the Fraud Transparency data for 2024/25 has been collected and included on the Council's website. This provides the number of cases and the costs associated with preventing and investigating fraud within the Council.
- 2.6 Within the agreement with Lincolnshire County Council there is provision for training sessions/workshops to be carried out. This year training has been provided to the Assistant Directors in the form of fraud awareness, with a focus on fraud risks and effective mitigation controls. Training on the fraud risk registers was also provided to the Service Managers followed by an opportunity to review and update the registers in groups.
- 2.7 The fraud risk register has been updated and reviewed and the highest amber rated fraud risks identified for the Council are IT / Data / Cyber fraud with possible likelihood and critical impact and Council Tax being probable likelihood and minor impact. Appendix 3 provides a full list of the fraud risks.
- 2.8 An assessment of the risks associated with fraud was undertaken by the Chief Finance Officer, as the responsible officer, to determine the adequacy of resources for the prevention and detection of fraud. It was concluded that the resources in place are currently adequate.



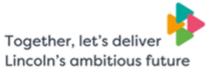
3. NFI

- 3.1 The Council continues to be engaged with the National Fraud Initiative (NFI) which is a mandatory biannual exercise involving national data matching using a range of Council data sources including payroll, benefits, creditors, electoral role, housing and licences.
- 3.2 The Internal Audit Manager acts as the main point of contact between the Cabinet Office and the Council in matters relating to the National Fraud Initiative.
- 3.3 The last exercise commenced in October 2024 with the match reports being issued between December and April. Progress is reported through the Departmental Management Team meetings and the six monthly fraud reports. The following outline the results to date, the numbers reflect that the matches have only fairly recently been released with all of the Creditors reports not being issued until late January:-



- 3.4 The overpayments are those calculated once the errors have been rectified, most of these are recoverable.
- 3.5 Training on the system and reviewing of matches was provided by the Cabinet Office and those responsible for reviewing the matches at the Council were





invited to attend. Within the Council matches are reviewed by the individual services areas, with the Policy and Service Improvement Team reviewing the matches for Housing.

4. Update on Activity Undertaken

4.1 Housing Benefit / Council Tax Support

For 2024/25, the total number of referrals to Single Fraud Investigation Service –DWP (SFIS) for Lincoln was 7. There continues to be a low number of referrals made to SFIS due to the reduction in the HB caseload as well as the Council undertaking proactive work. The following cases have been reviewed through the other initiatives:-

- National Fraud Initiative (NFI), 93
- Housing Benefit Matching Service, 50
- Housing Benefit Award Accuracy, 557

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

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

An SPD review took place between August and October 2024 with 2890 letters being sent out in total for review. 1527 reminders were then sent out resulting in a total of 1851 responses. 1039 did not respond so have had their discounts removed from 31 March 2024.

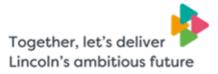
Planning is currently underway on how the bulk review will be completed next year. Discussions around using an external company for the reviews so far have not found any added value. When individual cases arise these are checked as thoroughly as possible using visits, Experian searches, Land Registry and any other information which the Council is able to access.

4.3 **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 is reviewed once every two years, with the next review starting in the summer of 2025/26. Application forms request details of all properties that the applicant occupies and use the internet, websites and contacts at other Local authorities to ensure that Small Business Rates Relief is not awarded where there is no entitlement.





4.4 Housing Tenancy

Tenancy services have not taken any fraud action or legal action for sub-letting during the current financial year to date. The tenant census audit has covered 1131 properties this year and has not found anything to indicate possible fraud or sub-letting. There were however, 30 notices to quit issued this year for non-occupation. The Tenancy Fraud Policy has been completed and is going through the approval process which is expected to be completed by the end of June.

There has also not been any fraud suspected, identified or investigated for Right to Buy during the current financial year to date. There are a number of processes in place to detect fraud including checking signatures, checking Council Tax and the Electoral register for residency, ensuring applicants aren't registered as being bankrupt and also checking the discount period. Evidence of tenancy and eligibility is requested from other landlords where sufficient evidence hasn't been to prove tenancy periods that have not been with the Council, if required. The property valuer and Housing Officer also flag anything of concern when they visit the property.

4.5 **Payroll and Human Resources**

There have not been any frauds identified within payroll and Human Resources so far this year. Checks on changes to bank details for staff continue to be validated with them prior to payments being made (where requests are made outside of the HR/Payroll System). The system itself 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.

Right to work Checks are undertaken with all new starters. In addition Departmental Admin teams undertake checks of employees driving licences when the employee is using their own car for business use.

4.6 Finance

There has been no fraudulent activity identified within the sales or purchase ledgers this year. The Council continues to be made aware of any issues reported elsewhere.

There have been 6 cases of potentially fraudulent payments being made through the online payment system for the payment of Council Tax. The card holders disputed the payments with their provider and the money has been returned to them through the payment system.

There have been 7 attempts made to set up direct debits on the Councils bank accounts. Direct debit indemnities were immediately raised with the bank for these and all payments were subsequently returned to us.



4.7 Elections

There were no frauds reported involving the elections. The team continue to implement the processes laid down by the Electoral Commission.

4.8 Information Technology

There have been no recorded events which have resulted in fraud arising from a Cyber attack. Whilst there have not been any incidences of fraud, the Council has a number of measures in place to ensure that it continues to prevent fraud and cyber security remains visible:-

- There is an ICT disaster recovery policy in place which includes action cards for known incidents such as ransomware, phishing, and malware.
- 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 Information Governance Group considers cyber security within its programme of work.
- The Council performs external annual assessments of vulnerabilities, reviews best practice and participates in regional and national initiatives to improve Cyber Security.

4.9 **Other fraud / fraud attempts**

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

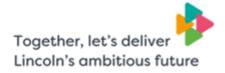
5. Whistleblowing / Confidential Reporting

5.1 The Public Interest Disclosure Act 1998 (PIDA) defines a whistleblower as;

"An identifiable person who works in or for an organisation disclosing an honest and reasonable concern relating to one or more of the below:

- commission of a criminal offence
- failure to comply with a legal obligation
- a miscarriage of justice
- danger to the health and safety of any individual
- damage to the environment
- the deliberate concealment of information falling within any of these categories."

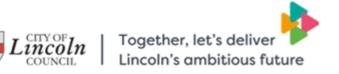


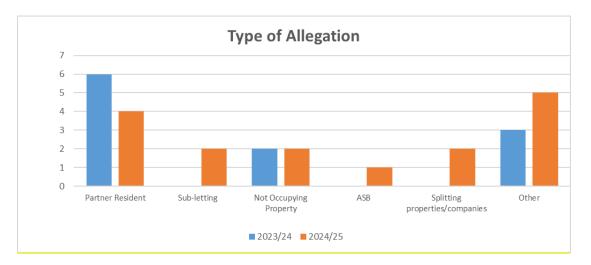


- 5.2 In addition to whistleblowing referrals we also receive other confidential referrals through the Lincolnshire County Council Whistleblowing line and directly which do not meet the PIDA criteria but still require investigation. These were previously included within the whistleblowing referrals figures but they will now be reported separately.
- 5.3 During the year no Whistleblowing referrals and 16 confidential reports have been received. The number of referrals compared to this time in 2023/24 has increased slightly from 12 to 16, the largest difference being an increase in tenancy related reports for both Council tenancies and Private landlords. New concerns have been raised for NNDR reporting that businesses are being split between different units and companies to reduce the NNDR paid. Reports for single person discounts have reduced by nearly 43%. These are analysed below against the figures for 2023/24:-

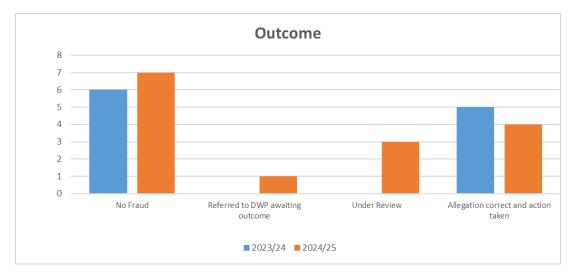


5.4 Include details of allegations and changes. The split between allegation type is shown below:-





- 5.5 Every allegation is investigated by the appropriate team and the outcomes from these investigations are shown below. There are 3 cases which are still being investigated. For 2024/25 there have been 4 allegations made which were correct and action has been taken:-
 - One Council Tax account had the Single Person Discount removed and the occupants were both made liable.
 - Council Tax reduction was removed for two accounts resulting in an in-year saving of £444.17.
 - Abandoned property process instigated for one property which was reported as being abandoned.



6. Policies and Strategies Updated

- 6.1 There are a number of fraud related policies and strategies in place which are reviewed on a periodic basis by the owner.
- 6.2 During 2024/25 the Money Laundering policy and NFI policy were updated and the new Tenancy Fraud policy is currently going through the final approval process.



7. Other Matters of Interest

- 7.1 The following includes a summary of matters that will be of particular interest to Audit Committee members.
- 7.2 GOV.UK Independent review into Disclosure and Fraud Offences.

There had not been an independent review of fraud since 1986 and since that time the nature and scale of fraud has evolved significantly. On-line fraud has increased as has the challenges facing investigators and prosecutors. The review was scoped to *'explore barriers to the investigation, pursuit, and prosecution of fraud offences in England, Wales and Northern Ireland. The Review will evaluate the nature of current penalties contained within the act and explore the role of civil powers to tackle fraud'. The report covering Part 1 – Disclosure regime, was published in March 2025, Part 2 is due for completion in 2025/26. <u>Disclosure in the Digital Age: Independent Review of Disclosure and Fraud Offences (publishing.service.gov.uk)</u>*

8

7.3 Home Office Economic Crime and Corporate Transparency Act

This Act creates the new offence of 'Failure to prevent fraud' which makes organisations criminally liable where an employee, agent, subsidiary or other 'associated person', commits fraud intending to benefit the organisation, unless they have reasonable procedures in place to prevent fraud. The Act comes into force on 1 September 2025 and applies to large organisations in the UK. Whilst the offence only applies to large organisations the principles surrounding the fraud prevention measures represent good practice for all organisations. Guidance to organisations on the offence of failure to prevent fraud (publishing.service.gov.uk)

7.2.

Staff paid after they left Devon County Council

Auditors found a number of issues at the Council concerning payments to staff including staff still being paid after they had left. They also found that expenses were being paid without receipts to prove it had actually been made and travel costs were being claimed without staff saying what the trip was for.

7.3 Lincolnshire

Notice for a better future Quarterly Fraud Reports

Toner cartridge/Impersonation fraud – fraudulent invoices being sent for toner cartridges which have not been ordered. A box of toner cartridges is sent with



no delivery note and then an invoice is sent via e-mail demanding payment. They make use of company names similar to those which have been dissolved.

7.4 ISLINGTON CITIZEN Council claimed £300,00 from tenancy fraudsters

Islington Council has clawed back £300,000 after recovering 75 properties from their tenancies following the discovery of fraud. <u>Council has claimed £300,000 from</u> tenancy fraudsters since last year - Islington Citizen



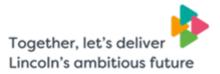
Appendix 1

Action Plan 2024/25

The following sets out the progress made against items included on the Action Plan:-

| Ref | Activity | Target Date | Responsibility | Current Position |
|-----|---|----------------|--|--|
| 1 | Self Assessment against the Counter Fraud Strategy | Q4 | Internal Audit Manager | Complete – self assessment complete and actions to be added to the 2025/26 action plan. |
| 2 | Refresh the Fraud Risk Register | Q4 | Internal Audit Manager | Complete – revised risk register completed and circulated. |
| 3 | Single Person Discount Annual Review | Q3 | Revenues and Benefits Manager | Review completed. |
| 4 | Fraud Training for Members | Q2 | Internal Audit Manager/ Lincolnshire County Council | Complete - E-learning completed and made available to Officers and Members. Face-to-face training provided for Members in Oct 2024. |
| 5 | Single Person Discount Rolling Review | Q2 | Revenues and Benefits Manager | Complete - Discussions held over the potential to engage an external company. A quote has been obtained and is in the process of being agreed with LCC. |
| 6 | Raising awareness of scams and counter fraud with staff and Members | Q4 | Internal Audit Manager | Details of scams posted to the Fraud Teams channel. Further work required in 2025/26 to raise awareness. |
| 7 | Raising awareness of scams and counter fraud with the community | Q4 | Assistant Directors | Further work required in 2025/26 to raise awareness. |
| 8 | Review the process for NFI including training, reviewing reports, results and responsibilities. | Q3 | Internal Audit Manager and Corporate Leadership Team. | Complete - Training arranged by the Cabinet Office and staff were booked on. NFI Policy has been amended to include responsibilities. Posts included on the Fraud Teams channel. |
| 9 | Revise/update the tenancy fraud policy, strategy and action plan. | Q4 | Assistant Director - Housing | This has been revised and is currently going through the approval process. |





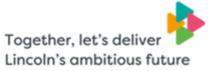
Appendix 2

Action Plan 2025/26

The following sets out the Action Plan for 2025/26 including the cyclical work as well as other actions to be undertaken:-

| Ref | Activity | Target Date | Responsibility | Current Position |
|-----|---|----------------|--|------------------|
| 1 | Complete self assessment against the Councils Counter Fraud Strategy | Q3 | Internal Audit Manager | |
| 2 | Refresh the Fraud Risk Register including documentation of research undertaken and consider where it is filed. | Q4 | Internal Audit Manager | |
| 3 | Complete Single Person Discount Annual Review | Q3 | Revenues and Benefits Manager | |
| 4 | Fraud Training for Staff and Members – refresh e-learning and arrange specific training sessions | Q4 | Internal Audit Manager/ Lincolnshire County Council | |
| 5 | Raising awareness of scams and counter fraud with staff and Members – draw up plan of action for year and implement | Q4 | Internal Audit Manager | |
| 6 | Raising awareness of scams and counter fraud with the community – draw up plan of action and implement | Q4 | Assistant Directors | |
| 7 | Review monitoring arrangements for compliance with fraud related aspects of the standards of conduct (Gifts, Interests, Behaviour/ awareness etc). Carry out a review of compliance. | Q3 | Internal Audit | |
| 8 | Establish a publication policy for proven fraud/corruption | Q3 | Assistant Directors / Internal Audit | |
| 9 | Carry out a review of how contractors and third parties are made aware of the whistleblowing policy. | Q2 | Assistant Directors / Internal Audit | |
| 10 | Progress against the review of matches is monitored with results being shared within the DMT quarterly reports and the Fraud reports to CMT and Audit Committee. | Q4 | Internal Audit / Assistant Directors | |
| 11 | Carry out an assessment of skills and knowledge of those undertaking fraud activity to ensure that they are sufficiently trained and whether any | Q4 | Assistant Directors | |





| | specific fraud training or qualification is required. | | | |
|----|---|----|----------------|--|
| 12 | Review Anti-Bribery Policy | Q4 | Internal Audit | |
| | | | Manager | |



Appendix 3

Fraud Risk Register (Summary)

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 |
| 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 |

AUDIT COMMITTEE

| SUBJECT: | EXTERNAL AUDIT: AUDIT PLAN AND STRATEGY 2024/25 |
|----------------|---|
| DIRECTORATE: | CHIEF EXECUTIVE AND TOWN CLERK |
| REPORT AUTHOR: | JACLYN GIBSON, CHIEF FINANCE OFFICER |

1. Purpose of Report

1.1 To present the External Audit: Audit Plan and Strategy, for the year ending 31st March 2025, to Audit Committee.

2. Background

2.1 The External Auditor provides an Audit Plan and Strategy ahead of each external audit along with periodic update reports to the Audit Committee. KPMG are currently appointed as the Council's External Auditor.

3. External Audit Plan and Strategy 2024/25

- 3.1 The External Audit: Audit Plan and Strategy for 2024/25 (Appendix A) summarises the planned audit approach, highlights significant audit risks, sets out the approach to forming the value for money conclusion and provides the Audit Committee with details of the audit team.
- 3.2 External Audit will be in attendance at the meeting to present the progress report.

4. Strategic Priorities

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

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

The Audit fee for 2024/25 is £154,202, set in accordance with the scale fees set by the PSAA. The fee includes work on the VFM conclusion and the audit of the financial statements and assumes no significant risks are identified as part of the VFM risk assessment. Additional fees in relation to these areas will be subject to the fee variation process as outlined by the PSAA.

5.2 Legal Implications including Procurement Rules

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

5.3 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 are no specific equality, diversity and human rights issues arising as result of this report.

6. Risk Implications

6.1 There are no specific risk implications arising as a direct result of this report. The Audit Plan and Strategy sets out the key risks including Value for Money, as identified by the External Auditor, relevant to the audit of the financial statements and VFM conclusion.

7. Recommendation

7.1 Audit Committee are asked to note the content of the Audit Plan and Strategy.

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

Jaclyn Gibson, Chief Finance Officer Email: <u>Jaclyn.gibson@lincoln.gov.uk</u>



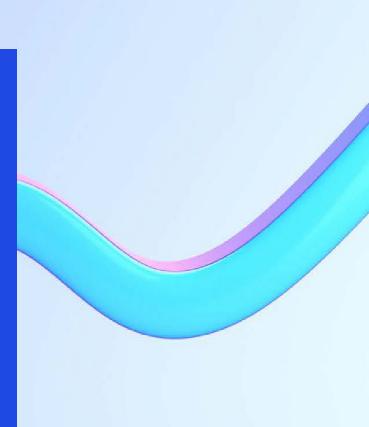
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City of Lincoln Council

DRAFT - Report to the Audit Committee

External Audit Plan & Strategy for the year ended 31 March 2025

June 2025



Introduction

To the Audit Committee of City of Lincoln Council

We are pleased to have the opportunity to meet with you on 3rd June to discuss our audit of the financial statements of City of Lincoln Council for the year ended 31 March 2025.

This report provides the Audit Committee with an opportunity to review our planned audit approach and scope for the 2024/25 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO's 2024/25 Code of Audit Practice, auditing standards and other professional requirements.

This report outlines our risk assessment and planned audit approach.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

| Contents | Page |
|--|------|
| Overview of planned scope including materiality | 3 |
| Significant risks and Other audit risks | 5 |
| Audit Risks and our audit approach including Going concern | 6 |
| Mandatory communications | 13 |
| Appendix | 15 |

The engagement team

Rashpal Khangura is the engagement director on the audit. He has over 20 years experience in public sector audit.

Rashpal Khangura shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include engagement manager John Blewett and in- [•] charge Dominic Kular with 8 years and 4 years of experience respectively.

Yours sincerely,

Rashpal Khangura Director - KPMG LLP June 2025 Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but

How we deliver audit quality

how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

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

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

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

We aim to complete all audit work no later than 2 days before audit signing

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Rashpal Khangura (<u>Rashpal.Khangura@KPMG.co.uk</u>) the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler (<u>tim.culter@kpmg.co.uk</u>). After this, if you are still dissatisfied with how your complaint has been handled you can raise your complaint as per the following process <u>Complaints</u>

KPMG

Overview of planned scope including materiality

Our materiality levels

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

We considered qualitative factors such as stability of legislation and lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £1.5m / 75% of materiality driven by our expectations of normal level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons.

We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £0.1m.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.

Entity Materiality





Overview of planned scope including materiality (cont.)

Timing of our audit and communications

- We will maintain communication led by the engagement director and manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in March 2025 where we discuss our draft audit plan outlining our audit approach and discuss management's progress in key areas;
- Audit Committee meeting in June 2025 where we present our final audit plan;
- Status meetings with management during July to September 2025 where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in September 2025 where we discuss the auditor's report and any outstanding deliverables;
- Audit Committee meeting in September 2025 where we communicate
 audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

Using the work of others and areas requiring specialised skill

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

| Others | Extent of planned involvement or use of work |
|---------------------------------------|--|
| KPMG Pensions Centre of Excellence | The pensions audit team will perform all planning, risk assessment and substantive procedures over the LGPS account balances. KPMG actuary will review and assess the underlying assumptions within the entity's year-end actuarial report. |
| Internal Audit | We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work. |



Significant risks and Other audit risks

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

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

| Sig | nificant risks | High 🔺 |
|-----|---|--|
| 1. | Valuation of land and buildings | |
| 2. | Valuation of investment property | |
| 3. | Management override of controls | ø |
| 4. | Valuation of post retirement benefit obligations | atement |
| | | Potential impact on financial statements |
| Otł | ner audit risks | act o |
| 5. | Adoption of IFRS 16 | ential imp |
| | | Pote |

Value for money

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







Valuation of land and buildings

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

Change vs prior year



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle, with land and buildings outside the full revaluation subject to a desktop review. The Authority engages the District Valuer for all Housing property and employs an in-house valuer for all other land and buildings.

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

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the Council's valuer and the District Valuer.

As at March 2024, the net book value of Land and Buildings was £83,738k and Council Dwellings was £331,830k.



Planned response .

- We will perform the following procedures designed to specifically address the significant risk associated with the valuation:
- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists (as required) to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.





Valuation of investment property

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





The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at March 2024, the value of investment properties was £38.3m.

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



Planned response

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

We will critically assess the independence, objectivity and expertise of the valuer used in developing the valuation of the Council's investment property at 31 March 2025;

We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.

We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;

We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;

We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;

We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;

We will utilise our own valuation specialists (as required) to review the valuation report prepared by the Council's valuer to confirm the appropriateness of the methodology utilised; and

Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.





Management override of controls(a)

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





Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

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



Planned response

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

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



8



Valuation of post retirement benefit obligations

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





Significant audit risk

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the [Council]'s pension liability could have a significant effect on the financial position of the Council.

- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Planned response

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



Audit risks and our audit approach

Expenditure – rebuttal of Significant Risk

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

Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.

Specifically, the financial position of the Council, (whilst under pressure) is not indicative of a position that would provide an incentive to manipulate expenditure recognition and the nature of expenditure has not identified any specific risk factors.



Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

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

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



Audit risks and our audit approach

5

Adoption of IFRS 16

An inappropriate amount is estimated and recorded for lease liabilities and right of use assets

0

Planned

response

Change vs prior year



The Council has adopted IFRS 16 as per CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (2024/25) with an implementation date of 1 April 2024.

[Other audit risk] We anticipate the following impact in the first year of implementation.

- Completeness of lease listing used in transition computations.
- Inadequate lease disclosures as per IFRS 16.
- Inaccurate computation of lease liabilities and right of use assets.
- Training needs for new/existing staff

We will perform the following procedures in order to respond to the other audit risk identified:

- Obtain the full listings of leases and reconcile to the general ledger.
- Review a sample of the lease agreements to determine the terms of the leases and confirm correct classification.
- Review the appropriateness of the discount rate used in the lease computations.
- · Review the transition adjustments passed by the Council
- Review the disclosures made on the financial statements against requirements of IFRS16.



Mandatory communications

| Туре | Statements |
|---|--|
| Management's responsibilities (and, where appropriate, those | Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error. |
| charged with governance) | Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity. |
| Auditor's responsibilities | Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. |
| Auditor's responsibilities – Fraud | This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit. |
| Auditor's responsibilities – Other information | Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information. |
| Independence | Our independence confirmation at page 30 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement director and audit staff. |



Mandatory communications - additional reporting

Going concern

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

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

Additional reporting

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

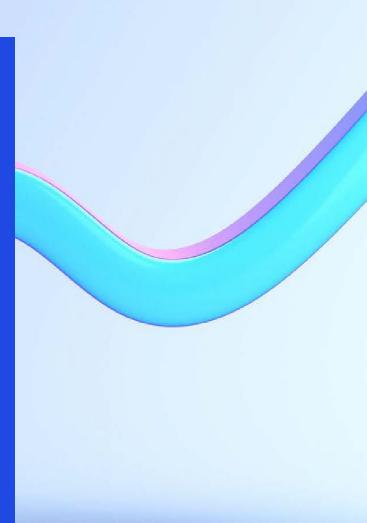
| Work is completed throughout our audit and | We have identified issues that we may | Work is completed at a later stage of our |
|--|---------------------------------------|---|
| we can confirm the matters are progressing | need to report | audit so we have nothing to report |
| satisfactorily | $\bigcirc \bigcirc$ | $\bigcirc \bigcirc$ |

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

| Туре | Status | Response |
|--|------------|---|
| Our declaration of independence | | No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence. |
| Issue a report in the public interest | \bigcirc | We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date. |
| Provide a statement to the NAO on your consolidation schedule | \bigcirc | This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC. |
| Provide a summary of risks of significant weakness in arrangements to provide value for money | 00 | We are required to report significant weaknesses in arrangements. Work to be completed at a later stage. |
| Certify the audit as complete | 00 | We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. |



Value for money risk assessment



Value for money

Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

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

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

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

Risk assessment processes

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

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

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

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- · A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.
- The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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



Value for money

| | Approach we take to completing our v Understanding the Council's arrangements | Evaluation of Co value for more arrangement | uncil's Valu ney → con | le for money clusion and reporting |
|---------|---|--|---|---|
| Process | Financial Internal Mgmt. statements e.g. IA Inquiries | Targeted follow identified value for significant ris | money s | lusion whether significant knesses exist |
| | External Assessme Annual reports, e.g. Int of key regulators processes | Continual update | | |
| | Risk assessment to Audit Cor Our risk assessment will provide summary of the procedures under and our findings against each of three value for money domains. conclude on whether we have ide | a ertaken the This will | Value for money ass We will report by except whether we have identift significant weaknesses arrangements. | tion as to fied any |
| Outputs | any significant risks that the Cou not have appropriate arrangemen place to achieve VFM. | ncil does nts in Our d will be Comm | Public commentary raft public commentary e prepared for the Audit nittee alongside our al report on the accounts. | Public commentary The commentary is required to be published alongside the annual report. |



Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

| Domain | Significant risk identified? |
|---|---------------------------------|
| Financial sustainability | No significant risks identified |
| Governance | No significant risks identified |
| Improving economy, efficiency and effectiveness | No significant risks identified |

We have not identified any significant risks that there are not appropriate arrangements in place as part of the procedures we have undertaken. We have provided a summary of the procedures performed and our key findings from these on pages 19 to 26.

We have not raised any recommendations as a result of our work.

We have not raised any performance improvement observations as a result of our work.



Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

Budget setting

- The budget setting process is a rolling process as part of the Medium Term Financial Strategy, this usually starts in the autumn of the previous year. For 2024-25, the preparation of the budget began in October 2023 with budgets approved March 2024. A detailed timetable is agreed by Executive and Council to ensure appropriate scrutiny and challenge can occur throughout the process. Budgets are initially prepared at a service level with budget managers producing initial expectations of requirements using their knowledge of the directorate through ongoing budget planning meetings. Discussions with finance teams in both these services identified that detailed analysis on both demographic pressures and inflationary pressures (specifically with regard to external providers) are considered during the initial budget preparation stage. It is during this initial preparation at the service level that potential savings programmes are also identified and reviewed.
- Service budgets are directorate driven and an iterative process of budget proposals considered by each of the Assistant Directors for their services. This is then presented to the Directorate Management Team (DMT) for challenge by the Director. Agreed Directorate proposals are then presented to Corporate Management Team (CMT) for challenge and agreement or not for inclusion in the budget. The Finance Team are involved in all of these stages and also provide independent challenge to the Directorates. CMT consider, and challenge, the CFO's proposals for underlying assumptions and resources assumptions. Budget Scrutiny Review Group provide cross party challenge of the budget and MTFS proposals. Communications take place prior to setting the budgets to allow review and challenge of any assumptions.

Budget monitoring

 Budget monitoring is performed quarterly, with reports provided to Directorate Management Teams, Corporate Management Teams and Executive, and these reports set out the current situation relative to budget and movements since the previous reports. They also cover the forecast for the remainder of the year. The Finance Team meet with budget holders to agree forecast outturn positions these are then agreed with ADs. These are detailed through quarterly monitoring reports which are completed by the DMTs. The overall position is then presented to CMT for agreement prior to reporting to Members.



Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Outturn

- For 2024-25, the Council set a balanced budget, with a small planned surplus of £146k in General Fund. At quarter three, the Council forecasted an underspend of £285k which was a further improvement on £138k underspend against the original budget. The key drivers of these positive movements in the forecast were increased car park income (£334k), reduced borrowing costs (£332k) and release of the inflation volatility reserve (£184k). These were offset by some cost increases in areas such as non-recoverable accommodation and housing costs (£388k) and decrease in net crematorium income (£387k). Overall the Council is expecting closing General Fund reserves of £2.53m, which is above the Council's stated prudent minimum range of c.£1.5-£2m.
- For the Housing Revenue account the Council had budgeted for a small deficit of £101k in Housing Revenue Account. At quarter three, that position had improved and the Council forecasted an underspend of £613k, driven by improved rental and investment income, in addition to an overall forecast surplus on the Housing Repairs Service.
- The below table shows the actual reserves position as at March 2024 (excl. Insurance reserves) compared to the Q3 forecast reserves position at March 2025 (excl. Insurance reserves):

| Reserve | Forecast 2024/25 (£m) | 2023/24 (£m) |
|----------------------------|-----------------------|--------------|
| General Fund | 2.5 | 2.2 |
| General Fund Earmarked | 7.0 | 8.3 |
| Total General Fund Balance | 9.5 | 10.5 |
| HRA | 1.7 | 1.1 |
| HRA Earmarked | 4.8 | 4.6 |
| Total HRA Balances | 6.5 | 5.7 |

We note that forecast closing reserves for GF and HRA remain above the expected minimum.



Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Savings

As part of the Council's Toward Financial Sustainability Programme (TFS), the 2024-25 plan included the requirement to deliver savings of £125k. Savings plans are developed as part of the overall budget setting process and therefore encounter the same levels of challenge, scrutiny and approval as detailed above. Performance against the TFS target is monitored by CMT and reported quarterly to Performance Scrutiny as part of the monitoring process. Actions identified where projects fall behind plan are done through CMT as well as by individuals through project management. At quarter three, the Council was reporting secured savings total £89k for the General Fund, resulting in an under-achievement of £36k in year.

Links to risk management

The Council's Risk Management Policy details a clear process and reporting structure in how the entity is to respond and manage risks. The Council maintains a Strategic Risk Register (SRR) to identify and assess risks – including those relating to financial sustainability. The Audit Committee has overall responsibility for oversight of the register and is discussed at the Committee meetings regularly. The SRR is reported and monitored quarterly at the Performance Scrutiny Committee. At Q3 delivery of the MTFS remains red rated risk in the SRR whilst failure to deliver TFS is rated amber. Long and short-term mitigating actions are included and there is clear evidence of regular review and update within Performance Scrutiny Committee.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with financial sustainability.



Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Risk Management

- Risks are identified in line with the Council's Risk Management Strategy. This includes quarterly reviews of Strategic and Directorate registers where new risks are considered and escalated where necessary.
 Assessing the impact and likelihood of each risk is done as through a matrix which uses a likelihood/impact model to calculate a risk score. The score is assigned as per the strategy guidance. Challenge comes through a range of officer involvement through project boards. Support is also brought in from the County Council Risk Management Service as required to provide further support and challenge.
- The Strategic risk register is presented to Performance Scrutiny and Executive on a Quarterly Basis. During the Q3 monitoring there were 15 risks contained within the strategic risk register; 7 were rated high (almost certain/critical) and 8 were rated medium (probable/major). The development of actions is completed using the Risk management strategy Toolkit. Actions use the avoid/modify/transfer/retain matrix to evaluate responses to the risk depending on the severity and likelihood. Monitoring is undertaken through either project management teams or boards. Performance Scrutiny are asked to consider the register and report any comments/issues to the Executive who also receive the register. Committee reports for all key decisions are required to set out the key risk associated with the proposed decision. This is a mandatory requirement.

Counter Fraud

• The Council undertake a number of measures to prevent and detect fraud. There is a Counter Fraud policy strategy which complies with the requirements of the code, this sets out key actions for the Council to ensure compliance. This was reviewed and updated in April 2024. The Council also receives assurance through the work of internal audit, and all staff are required to complete the e-learning on fraud which is held centrally. An annual fraud report is presented to the Audit Committee including the counter fraud action plan and fraud risk register. Overall cases in 23/24 had increased slightly on 22/23 but the areas of fraud remained broadly similar, with the majority being in relation to Housing Benefit and Council Tax. We will review the level of cases in 24/25 as the audit continues. The Council has ongoing actions in these areas. The Council is also part of the Lincolnshire Counter Fraud Partnership which shares good practice and provides advice.



Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Councilensures decisions receive appropriate scrutiny.

Risks related to finance

- The 2024-25 financial plan, as part of the MTFS, went through several levels of review prior to approval by the Council in March 2024. The MTFS includes a risk assessment of the key financial risks that the Council faces over the 5-year period. These risks are modelled to include inflation, council tax base, business rates base, pay inflation, interest rates etc. The MTFS also includes a section on Financial Resilience/Scenario Planning and Reserves.
- Financial performance is monitored against budget regularly as outlined on page 19. As part of reporting to
 Performance and Scrutiny Committee, variances against budget are clearly identified and explained. Any
 mitigating actions are also identified. During 24/25 the Council has been able to manage increases in costs
 with increased income and continues to report an underspend for the year.

Compliance with Laws and Regs

The City Solicitor, in the role of Monitoring Officer, is responsible for monitoring compliance with all
relevant/applicable legal requirements. All Executive reports are subject to mandatory consultation with
Legal Services and Financial Services, with those more contentious decisions seeking sign off by the
Section 151 officer and Monitoring Officer. Where required Executive Reports are supported by Equality
Impact Assessments. Management inquiries have confirmed there have been no breaches of legislation or
regulatory standards that has led to an investigation by any legal or regulatory body during the year.

Code of Conduct

 The Council's Code of Conduct communicates values and expected behaviours of staff, this is covered through the Code of Conduct, Disciplinary Policy, Dignity and Work Policy and Probation Policy. This is communicated to staff as part of the recruitment process and is available on the staff intranet. This also covers requirements with regard to gifts and hospitality and the register of interests. There are a number of other policies available to view on the Council's website as well as the Constitution.



Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

Decision making

- Our risk assessment procedures and management inquiries confirm the Council has appropriate arrangements in place to ensure scrutiny, challenge and transparency of decision making. Key decision making is subject to discussion and scrutiny at executive team level and relevant sub-committees such as Performance and Scrutiny. The majority of decision-making takes place at Executive while decisions taken by full Council are mainly around the MTFS and overall policy/strategic plan and constitutional matters. All key decision records are available to view on the Council's website.
- There have been a number of key decisions made by the Council in year, which demonstrate the Council's key decisions are made following the appropriate process these include:
- Western Growth Corridor project (now Charterholme as of December 2024),
- changes to the Leisure Services contract, investment in IT hardware,
- the transfer into the Council of the maintenance of telecare services from North Kesteven District Council;
- and the preparations for introduction of statutory food waste collection service in 25/26.
- The Western Growth Corridor/Charterholme project has had some significant developments in 24/25. The Council approved the commencement of work on the eastern access road in July 2024 and confirmed the conditions under which this would be subsequently adopted by Lincolnshire County Council. The delivery of the bridge has also been confirmed and work is progressing in line with plan, with completion date estimated for March 2026. The Council then entered into an agreement with Lindum Developments Ltd in July 2024 for the delivery of the first 52 homes following executive approval.
- This is a large project for the Council to manage and deliver and presents a significant risks. There are project management arrangements in place, including agreements with key partners and contractors, which help to mitigate these risks. At each stage of the project there are opportunities for review and scrutiny of progress, and appropriate approvals within the Councils management and committee structure. The agreements with contractors also contain break clauses which allow the Council to mitigate the risk. We will continue to monitor the arrangements in place as the project progresses.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with governance.



Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

Performance information and performance management

- We have found appropriate arrangements and processes in place to support the Council in using information about costs and performance to improve the way services are managed and delivered, with a focus on the level of value for money being achieved. This is reported quarterly through Performance and Scrutiny Committee and Executive.
- The Council's performance framework includes regular service monitoring of detailed performance trends covering Performance measures, Volumetric measures and Customer satisfaction. The most recent performance reports is that of the Q3 Monitoring reports. At the end of Q3 of the 87 performance measures 54 were either acceptable of meeting/exceeding the target. 12 were red rated as below target and 25 were volumetric. There were action plans in place for all metrics below target. For example, for performance measure *AH 1 Number of affordable homes delivered*, work has now been completed on the Hermit Mews Housing development, a redevelopment project funded by the Council and Homes England.
- Performance Scrutiny Committee reviews service and financial performance (against cost, performance, and satisfaction) on a quarterly basis and periodically reviews key (off target) services. Quarterly reports are also presented to the Executive. The performance framework also includes regular monitoring of Portfolios with annual reports from Portfolio Holders with a key focus on performance, these are presented to the Performance Scrutiny Committee. The Council reviews its corporate performance measures annually through a target setting process. The process is coordinated by the Corporate Policy and Transformation team, with input from all directorates. Target setting incorporates benchmarking, assessment of local conditions, and national indicators/reporting requirements. Key examples of this are found in financial performance monitoring where management use regional and national data to give context to the Council's current position.

(Continued)



Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Benchmarking

- The Council participates in benchmarking activities through LG Futures which includes service unit costs, actuals and budgets, fees & charges and local taxation. Service unit costs are further analysed and used as a tool to support the development of future transformation and savings programme development.
- Per the benchmarking report to CMT in October 2024, it was noted that the Council's spend per resident is greater than many comparable authorities, with net expenditure per resident budgeted to be 35.5% higher than the nearest neighbour average. It was ranked 3rd highest out of the 16 authorities in the group. The report does explain that after the data is adjusted for some distortions the council's performance improves slightly to 5th highest out of the 16 authorities in the group.

Partnership working

The Council works closely with other organisations locally to support delivering economy, efficiency and effectiveness, for example the Council shares its Revenue and Benefits operations team with other councils in Lincolnshire under service level agreements. One of the Council's key partnership is with Lindum Western Growth Community Ltd for the Western Growth Corridor/Charteholme and this is managed through a Delivery Agreement and joint Board, as detailed on page 23. We have also seen evidence of how the Council worked with other partners on issues which could impact on the City, including emerging issues.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with improving economy, efficiency and effectiveness.

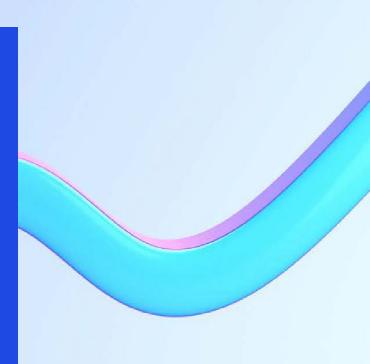




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Appendix

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| | Audit cycle & timetable Fees Confirmation of independence KPMG's Audit quality framework ISA (UK) 315 Revised: Overview ISA (UK) 240 Revised: Summary of key changes |



Audit team and rotation

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

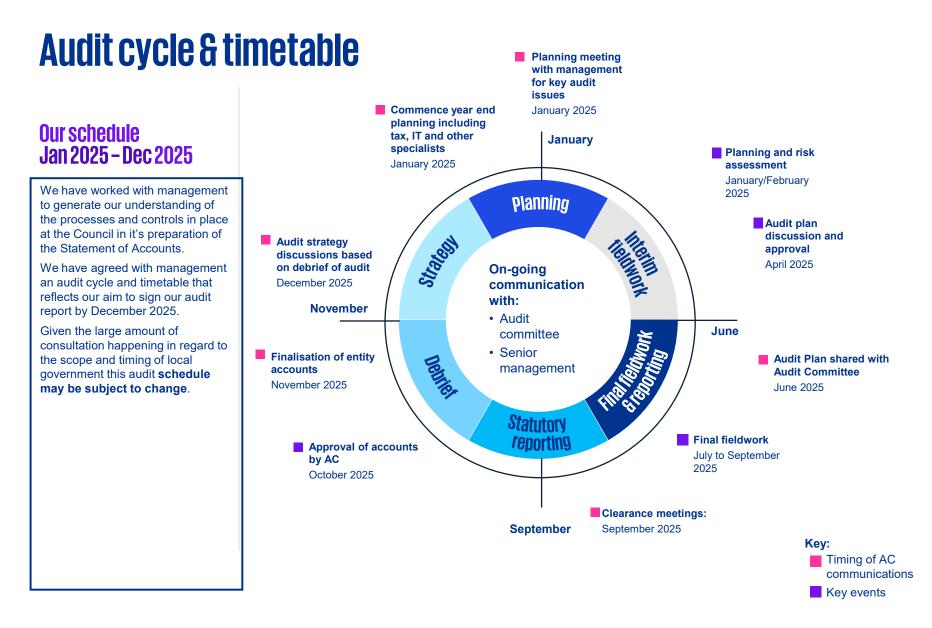
| Rashpal Khangura is the director responsible for our audit. They will lead our audit work, attend the Audit Committee and be responsible for the opinions that we issue. | John Blewett is the manager responsible for our audit. They will co-ordinate our audit work, attend the Audit Committee and ensure we are co- ordinated across our accounts and use of funds work. | Dominic Kular is the in-charge responsible for our audit for the second year. They will be responsible for our on-site fieldwork. He will complete work on more complex section of the audit. |
|--|--|---|
|--|--|---|

To comply with professional standard we need to ensure that you appropriately rotate your external audit director. There are no other members of your team which we will need to consider this requirement for:



This will be director's second year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.







Fees

Audit fee

Our fees for the year ended 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

| Entity | 2024/25 (£'000) | 2023/24 (£'000) |
|-----------------|-----------------|-----------------|
| Statutory audit | 154 | 140 |
| ISA315r | 0 | 10 |
| Fee variations | | TBC* |
| Total | 154 | 150 |

*Fee variations for £3k from 23/24 have been agreed with management and submitted to PSAA for approval.

The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

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

Basis of fee information

Our fees are subject to the following assumptions:

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

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

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

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



Confirmation of Independence

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

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of [entity name]

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

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

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

General procedures to safeguard independence and objectivity

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

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

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

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

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.



Appendix four Confirmation of Independence

| Disclosur e | Description of scope of services | Principal threats to Independence | Safeguards Applied | Basis of fee | Value of Services Delivered in the year ended 31 March 2025 £000's | Value of Services Committed but not yet delivered £000's |
|----------------|---|--|--|-----------------|--|---|
| 1 | Housing benefit grant certification | Management Self review Self interest | Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. | Fixed | TBC | TBC |
| 2 | Pooling of Local Authority Housing Receipts audit | Management Self review Self interest | Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. | Fixed | TBC | TBC |



Confirmation of Independence (cont.)

Summary of fees

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

Fee ratio

The ratio of non-audit fees to audit fees for the year is to be confirmed however based on the 23/24 fees of £56k we do not anticipate that the ratio would exceed 0.4:1. We therefore do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

| | 2024/25 |
|--------------------------|---------|
| | £'000 |
| Statutory audit | 153 |
| Other Assurance Services | TBC |
| Total Fees | 153 |

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

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

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

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

Yours faithfully

KPMG LLP



KPMG's Audit quality framework

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

Contin

Performan

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

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

Commitment to continuous improvement

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

Performance of effective & efficient audits

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

Commitment to technical excellence & quality service delivery

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

Association with the right entities

Clean

Audit approach

Commitment to technical excellence & quality service delivery

Association with the right entities

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

Clear standards & robust audit tools

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

Recruitment, development & assignment of appropriately qualified personnel

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



Statement on the Effectiveness of our system of quality management

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023. the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Our full Statement on the effectiveness of the System of Quality Management of KPMG UK LLP as at 30 September 2023 can be found <u>here</u>. The extract below is the Statement on the Effectiveness of our system of quality management taken from our Transparency Report:

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM1), the Financial Reporting Council (FRC)'s International Standard on Quality Management (UK) 1 (ISQM (UK) 1), and KPMG International Limited Policy, KPMG UK LLP (the "Firm" and/or "KPMG UK") has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm.

The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

- a) The Firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- b) Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

KPMG UK outlines how its System of Quality Management supports the consistent performance of quality engagements in the 2023 Transparency Report.

Integrated quality monitoring and compliance programmes enable KPMG UK to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Management. If deficiencies are identified when KPMG UK performs its annual evaluation of the System of Quality Management, KPMG UK evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Management, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.





Understanding of IT

Summary

The release of ISA 315 (UK) revised brought an increased focus on Understanding of IT in the audit, and it continues to be an area of focus.

Stakeholders now expect auditors to not only understand IT in detail, but also to consider the impact of the findings from their risk assessment procedures on their planned audit approach.

Why is Understanding of IT so important?

Businesses continue to embrace increasingly complex and sophisticated IT systems and place more and more reliance on automated IT processing not simply for a competitive advantage, but also for "business as usual" operations.

This increased reliance means that to effectively audit accounts, balances and transactions, auditors are required to understand and challenge more around how those IT system and process work.

Therefore, Understanding of IT is a crucial building block of our audit strategy and influences our planned audit approach at every stage.

This is true regardless of whether controls reliance is planned or the audit is expected to be fully substantive in nature.

What kind of things might we identify?

As part of our risk assessment procedures, we perform:

- An assessment of the formality, or otherwise, of certain financially relevant IT processes
- An evaluation of the design and implementation of related general IT controls
- An evaluation of the design and implementation of automated process level controls

As a result of these procedures, we may identify IT control deficiencies or IT process informalities that may have an impact on our planned audit approach.

Additionally, we may identify findings related to the wider control environment or threats to the accuracy or completeness of the information used by both entity management and auditors alike.

What does this mean for our audits?

Effect on audit effort

Auditors are being asked to consider the findings from their risk assessment procedures over IT in relation to the planned audit approach.

The findings may impact any area of the audit, however there are three main areas of focus where we anticipate that most impact as a result of identifying IT deficiencies or IT process informality;

- Increased risk to data integrity
- Additional fraud risk factors
- Additional high-risk criteria to be used in journals analysis

It is important to understand that these findings may have an impact regardless of planned reliance on automated controls and general IT controls.

ISA (UK) 600 Revised: Summary of changes

| 0 | Area | Summary of changes and impact | Effect on audit effort |
|--|---|--|------------------------|
| Summary ISA (UK) 600 (Revised): Special Considerations— Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023. The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation. | Risk-based approach | The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquires of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors. | |
| | Group auditor responsibilities | Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required. | |
| | Flexibility in defining components | You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor's planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components. | |
| | Quality management | Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit. | |
| | Robust communication | If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this. | |
| | Application of materiality and aggregation risk | Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor's work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors. | |
| | Revised independence principles | This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components. | |



DRAFT

High

Low

FRC's areas of focus

The FRC released their Annual Review of Corporate Reporting 2023/24 ('the Review') in September 2024 having already issued three thematic reviews during the year.

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The Review and thematics identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.

Key expectations for 2024/25 annual reports

DRAFT

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and company-specific.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust selfreview process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continue to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the company's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.



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Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.



FRC's areas of focus (cont.)

Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent company investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in it's current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the 'Offsetting in the financial statements' thematic

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that noncash transactions are excluded but reported elsewhere if material. **Climate**

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any noncompliance and the steps and timeframe for remedving that noncompliance. Where a company is also applying the Companies Act 2006 Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and company specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements

Financial instruments

The number of gueries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for nonfinancial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Companies should ensure sufficient explanation is provided of material financial instruments. including company-specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met

Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the company. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant iudgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

KPMG

FRC's areas of focus (cont.)

Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover company-specific material accounting policy information.

A thorough review should be performed for common noncompliance areas of IAS 1.

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

Strategic report and Companies Act

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the company.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts –Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- · whether it omits immaterial information, or

• whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

Industrial metals and mining

Retail

- Construction and materials Gas, water and multiutilities
- Food producers
- Financial Services



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Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

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| SUBJECT: | LEARNING AND DEVELOPMENT PLAN FOR MEMBERS OF THE AUDIT COMMITTEE 2025/26 |
|---------------|--|
| REPORT BY: | CHIEF EXECUTIVE & TOWN CLERK |
| LEAD OFFICER: | JACLYN GIBSON, CHIEF FINANCE OFFICER |

1. Purpose of Report

1.1 To present the proposed learning and development plan for members of the Audit Committee, to ensure committee members are adequately trained and prepared to effectively undertake their role.

2. Background

- 2.1 The Audit Committee plays a vital role in providing review and scrutiny of the Council's control and governance arrangements and is a key element of it's overall governance framework. It is therefore essential that members of the Audit Committee have the necessary skills and training to support them in their role to provide effective scrutiny and oversight of Council controls and governance arrangements.
- 2.2 It is recommended practice, by the Chartered Institute of Public Finance and Accountancy (CIPFA), for audit committees to review and assess themselves on a regular basis. The latest review of the Audit Committee was undertaken in January 2024 and resulted in the development of an action plan. One of key areas within the action plan was ensuring that members of the committee had the necessary skills and training to effectively carry out their role on the committee. A number of actions were made to address the issues identified including:
 - Providing the Group Leaders with more information on the skills required for Members of the committee;
 - Completion of an individual skills and knowledge assessment to inform a new committee training plan;
 - Transparency of attendance and inclusion of substitutes on the training to be improved to ensure that all Members of the Audit Committee are fully trained.
- 2.3 Responding to these actions members of the committee completed a selfassessment (using a CIPFA template) against the core areas of knowledge for audit committee members in July 2024. The outcomes of which were used to inform the development of the 2024/25 training programme and have also been used as the basis for the 2025/26 programme. The self-assessment has now been sent to members that are new to the committee in 2025/26.

3. Audit Committee Learning and Development Plan 2024/25

- 3.1 As set out in a report to the Audit Committee in September 2024, the learning and development programme for the committee would be provided through a range of different learning tools, some being self-service and others being directly delivered.
- 3.2 In terms of directly delivered training, during 2024/25 4 sessions were provided by Officers, these covered:
 - Financial Statements.
 - Fraud Awareness
 - Treasury Management
 - Audit Committee Effectiveness and new Public Sector Internal Audit Standards

As per the agreed action from the review of Audit Committee effectiveness, Appendix A provides details of each committee members attendance at these training sessions.

4. Audit Committee Learning and Development Plan 2025/26

- 4.1 For 2025/26 it is proposed that a similar approach, to support Audit Committee members to effectively undertake their role, is taken. The proposed plan below provides a range of different tools, intended to offer flexibility in the style and range of training provided to suit different learning styles and preferences in terms of delivery model. There are self-service options that can be undertaken by individuals at a time that suits them, alongside more specific dedicated training that will be provided to support decision making at key points during the year. This should ensure that training is provided at a time where the information is most relevant to the work of the committee.
- 4.2 The plan set out below is intended to complement existing Councillor training that is available but is targeted at the specific needs of this committee.

| Learning Tool | Details | Delivery | Timing |
|-------------------|--|----------------|-----------|
| Local Government | All Councillors and | Self Service | Available |
| Association (LGA) | independent members have | via the LGA | anytime |
| E-Learning | access to the LGA e-learning | <u>website</u> | online |
| | modules. It is recommended | | |
| | that Audit Committee | Details will | |
| | Members undertake the | be re- | |
| | following modules as a | circulated to | |
| | minimum: | all | |
| | Audit Committees (an | members. | |
| | Introduction) | | |
| | Local Government | | |
| | Finance | | |
| | Performance | | |
| | Management | | |
| | Councillor Code of | | |
| | Conduct | | |
| | | | |

| Local Government Association (LGA) Publications | All Councillors and independent members have access to the LGA Publications library. It is recommended that Audit Committees Members access the following publications as a minimum: Ten questions for audit committees Must know guide: Working with auditors Must know guide: The Statement of Accounts A councillor workbook on local government finance (NEW) Must know guide: Risk Management (NEW) | Self Service via the LGA website | Available anytime online |
|---|--|---|--------------------------------|
| Local Government Association (LGA) Finance Unpacked Videos (NEW) | All Councillors and independent members have access to the LGA series of animated explainer videos which aim to provide an understanding of some of the key concepts within local government finance and audit. It is recommended that Audit Committees Members access the following publications as a minimum: • The legal framework for financial governance • Value of Money • Internal and External Audit • Audit Committees | Self Service via the LGA <u>website</u> Details will be circulated to members | Available anytime online |
| Audit Committee Effectiveness | An overview of the purpose and role of Audit Committees, how it gains maximum assurance and how to ensure the Committee can be effective. Along with an update on the New Public Sector Internal Audit Standards | Face to face briefing | To be determined. |

| Statement of Accounts | A summary guide on the key elements of the statutory Statement of Accounts and the importance and role of the document | Face to face briefing | Briefing ahead of Committee considering SOA (Annual) |
|---|--|--|---|
| Treasury Management Training | An overview of Treasury Management and the Council's responsibilities regarding the management of cash, borrowing and investments. An overview of the Council's Strategy and Policies for the year ahead. | Face to face briefing (provided by the Council's Treasury Consultants) | Briefing ahead of Committee considering the Strategy (Annual) |
| Risk Management | An overview, available to all Members to refresh and reinforce the understanding of risk management at the Council, and to provide the right type of challenge to provide assurance that risks are managed effectively. | Face to face briefing provided by LCC | Bi-annual training, will be scheduled Autumn 2025. |
| Pre-Committee Training Sessions | Dedicated training sessions can be run before the start of a committee session where the Committee feels additional training is required on a specific subject. | Face to face briefing | As required |
| Local Government Association (LGA) Leadership Essentials | Audit Committee: Leadership Essentials - Specifically aimed at Audit Committee Chairs, the programme will discuss how Audit Committees can be most effective and contribute to ensuring a Council is well governed. | Face to face, two- day training delivered by the LGA | Various dates from Oct 25 – Dec 25. |
| CIPFA Better Governance Forum | Audit Committee update briefing aimed at supporting Audit Committee members in their role by helping to keep them up to date on topical issues. | Self- reading. | Published by CIPFA at regular intervals, will be circulated to Committee Members. |

- 4.3 The committee is invited to suggest any other topics where it is felt that dedicated training sessions are required. This may be needed if new risks arise where the committee feel they do not have sufficient background knowledge of the subject matter to appropriately scrutinise management arrangements and response to the risk, or when new legislative requirements relating to the Council's governance and control functions are introduced. These can be arranged on request to address specific needs.
- 4.4 The above plan will remain in place throughout the municipal year and will be reviewed alongside the regular review of committee terms of reference to ensure it remains relevant and useful.

5. Strategic Priorities

- 5.1 Internal control, governance and risk management arrangements are in place to help ensure the Council makes appropriate use of its resources and powers. The Audit Committee is a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams and elected representatives and help the Council to achieve the priorities set out in the Vision 2030.
- 5.2 Providing a range of learning and development tools to Members of the Committee enables them to undertake their role effectively, improving scrutiny and challenge of Council governance and control arrangements and thereby reducing the risk of loss or harm to the Council, the City or its residents.

6. Organisational Impacts

- 6.1 Finance There are no financial implications arising directly from this report. All training will be delivered within existing resources.
- 6.2 Legal 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 this report there are no direct equality, diversity or human rights implications.

7. Risk Implications

7.1 Having a sound and effective system of internal control helps protect the Council's financial position through appropriate use of resources and minimising the risk of loss through fraud.

8. Recommendation

8.1 Audit Committee are asked to note the proposals and provide comments as to whether there are any other areas of training and development they would wish to be included in the 2025/26 programme.

| Is this a key decision? | No |
|---|--|
| Do the exempt information categories apply? | No |
| Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? | No |
| How many appendices does the report contain? | One |
| List of Background Papers: | None |
| Lead Officer: | Jaclyn Gibson, Chief Finance Officer Email: <u>Jaclyn.gibson@lincoln.gov.uk</u> |

Audit Committee Training Log - 2024/25

| | | Training | | | |
|---------------------------------|--------------------|--|----------------------------|------------------------------------|---|
| Member | Role | Statement of Accounts Training 15/07/24 | Fraud Training 23/10/24 | Treasury Management 04/02/25 | Effectiveness and Standards 06/03/25 |
| Councillor Emily Wood | Chair | Y | N | N | N/A |
| Councillor Callum Roper | Member | Y | N | N | Ν |
| Councillor Thomas Dyer | Member | Y | N | Y | Y |
| Councillor Gary Hewson | Member | Ν | Y | Y | Y |
| Councillor Clare Smalley | Member | Y | N | N | Y |
| Councillor Annie Currier | Member | Y | Y | N | Ν |
| Councillor Calum Watt | Vice-Chair | Y | N | Y | Ν |
| Councillor Pat Vaughan | Substitute | Y | Y | Y | Ν |
| Councillor Aiden Wells | Substitute | N | N | N/A | N/A |
| Jane Nellist | Independent Member | Y | N | Y | Y |
| Dave Carter (Sept 2024 onwards) | Independent Member | N/A | Y | Y | Ν |
| Total | | 8 | 4 | 6 | 4 |

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AUDIT COMMITTEE

| SUBJECT: | AUDIT COMMITTEE WORK PROGRAMME 2025/26 |
|----------------|--|
| DIRECTORATE: | CHIEF EXECUTIVE AND TOWN CLERK |
| REPORT AUTHOR: | JACLYN GIBSON, CHIEF FINANCE OFFICER |

1. Purpose of Report

1.1 To provide details of the Audit Committee work programme for 2025/26.

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 reported to the Committee.

2.5 A copy of the Audit Committee's Terms of Reference is attached at Appendix A, these were last approved by Full Council on 13th May 2025 to reflect the introduction of an Independent Chair of the Committee.

3. 2025/26 Work Programme

- 3.1 The proposed work programme for 2025/26 based on the Committee's Terms of Reference and cyclical reporting, is attached at Appendix B.
- 3.2 Any future changes to this work programme will be report to the Committee at each of its meetings.

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 A separate report on the 2025/26 training and development programme for Audit Committee members is presented elsewhere on this agenda.

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

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

5.2 Legal Implications including Procurement Rules

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

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

6 Risk Implications

- 6.1 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.

7. Recommendation

7.1 Audit Committee are asked to comment on and agree the work programme for 2025/26.

| 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 |
| List of Background Papers: | None |

Lead Officer:

Jaclyn Gibson, Chief Finance Officer Email: jaclyn.gibson@lincoln.gov.uk This page is intentionally blank.

Audit Committee Terms of Reference (Section 9 Constitution)

1 Audit Committee

- 1.1 The Audit Committee is directly accountable to Full Council. It is independent of both the executive and the scrutiny functions and is a key advisory Committee providing independent oversight, recommendations, opinions and influence on the matters for which it is responsible. To assist the Audit Committee in fulfilling its role, it has a right of access to and is expected to engage constructively with other committees and functions, and has the right to request reports and seek assurances from relevant officers.
- 1.2 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 the Constitution.
- 1.3 The Council will appoint an Audit Committee as follows:
 - a. Seven Members in accordance with the political proportionality rules, who may be represented by designated substitutes in their absence, provided they have met the training requirements.
 - b. None of the Members should be Executive Portfolio Holders or the Mayor.
 - c. The committee membership will also comprise of at least one suitably (maximum of two) experienced or knowledgeable independent member(s), appointed by Council.
 - d. An independent member will also fulfil the role of Chair of the Committee. The independent member(s) will be required to sign a Declaration of Interest and have regard to the Council's Code of Conduct, have a tenure of 2 years, extendable up to a maximum of 8 years, and will not participate in voting. In the event of a tied vote, the independent member serving as Chair will not have the right to a casting vote.
 - e. The Council will also appoint a Vice Chair from the committee's membership. In the absence of the independent Chair, the Vice Chair will act in the Chair for the duration of the meeting. In such circumstances, the Vice Chair in the Chair will retain their voting rights by virtue of being a Councillor.
 - f. The quorum for a meeting of the Committee will be three Councillors.
 - g. The number of ordinary meetings per year will be at least four.

2 Statement of purpose

- 2.1 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.
- 2.2 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.
- 2.3 To decide upon and authorise allowances to the Committee's Independent Member. The special responsibility allowance of the Chair of the Committee is determined by Council.

3 Governance, risk and control

- 3.1 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).
- 3.2 To monitor the effectiveness of the Authority's risk management arrangements (development and operation).
- 3.3 To monitor progress in addressing risk-related issues reported to the Committee.
- 3.4 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 3.5 To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- 3.6 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 3.7 To monitor the Council's anti-fraud and anti-corruption arrangements (including an assessment of fraud risks and potential harm from fraud and corruption).
- 3.8 To monitor the counter-fraud strategy, actions and resources.
- 3.9 To review the governance and assurance arrangements for significant partnerships or collaborations.

- 3.10 To consider reports on customer complaints against service provision and monitor the effectiveness of the arrangements for managing these complaints.
- 3.11 To monitor and oversee Information Governance practices within the Council.
- 3.12 To maintain an overview of the Council's constitution in respect of contract procedure rules and financial procedure rules.
- 3.13 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.
- 3.14 To consider the Council's compliance with its own and other published standards and controls.
- 3.15 To report and make recommendations to Executive or Council on major issues and contraventions.
- 3.16 To support ethical values and reviewing arrangements to achieve those values as appropriate.

4 Financial Reporting

Governance Reporting

- 4.1 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).
- 4.2 To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- 4.3 To consider whether any non-conformance is significant enough that it must be included in the AGS.

Financial Reporting

- 4.3 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 4.4 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.
- 4.4 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.

- 4.5 To receive on an annual basis a report on the Treasury Management Strategy before approval by the Executive and Full Council.
- 4.6 To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

5 Arrangements for audit and assurance

5.1 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

External Audit

- 5.2 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 (Public Sector Audit Appointments) or the authority's auditor panel as appropriate.
- 5.3 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.
- 5.4 To consider specific reports as agreed with the external auditor.
- 5.5 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 5.6 To commission work from internal and external audit, as required, and as resources allow.
- 5.7 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.
- 5.8 To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the Committee.
- 5.9 Monitor management action in response to any issues raised by external audit.

Internal Audit

- 5.10 To approve the Internal Audit Charter.
- 5.11 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

- 5.12 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.
- 5.13 To approve significant interim changes to the risk based internal audit plan and resource requirements.
- 5.14 To make appropriate enquiries of both management and the Head of internal audit (Audit Manager) to determine if there are any inappropriate scope or resource limitations.
- 5.15 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.
- 5.16 Consider reports from the Head of internal audit concerning internal audit activity including internal audit reports on the effectiveness of internal controls (key findings and issues of concern) and seeking assurance that action has been taken where necessary on the implementation of agreed actions.
- 5.17 To monitor audit performance, including QAIP (Quality Assurance and Improvement Program) results and any non-conformance with PSIAS (Public Sector Internal Audit Standards) and LGAN (Local Government Application Notes).
- 5.18 Receive and consider the annual report and opinion of the Head of internal audit including conformance with PSIAS.
- 5.19 To consider summaries of specific internal audit reports as requested by the Audit Committee.
- 5.20 To receive reports outlining the action taken where the Head of internal audit 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.
- 5.21 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.
- 5.22 Consider the regular review of effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.

- 5.23 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.
- 5.24 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.

6 Accountability arrangements

- 6.1 To report to Full Council on an annual basis the Committee's performance in relation to meeting their Terms of reference and the effectiveness of meeting their purpose. The report to include findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal audit functions.
- 6.2 To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA position Statement.

AUDIT COMMITTEE AUDIT WORK PROGRAMME FOR 2025/26

| Meeting dates | Audit Items – Revised Agenda | Training |
|----------------------------|--|---|
| 2 nd June 2025 | Internal Audit Progress Report Annual Internal Audit Report Annual Fraud & Error Report Information Governance Update Annual Governance Statement (Draft) Audit Committee Training Programme External Audit – Progress Report Risk Management Annual Update Audit Committee Work Programme | Local Government Financial Statements |
| 14 th July 2025 | Audit Recommendations Follow Up Report Statement of Accounts 2024/25 (Draft) External Audit – Progress Report Audit Committee Work Programme | |
| 22 nd Sept 2025 | Internal Audit Progress Report Internal Audit Revised Audit Plan Review of Effectiveness Committee Progress Report External Audit – Progress Report Annual Complaints Report Audit Committee Work Programme | Risk Management TBC (potentially to be held on a separate date) |
| 9 th Dec 2025 | External Audit – Annual Auditor's Report 2024/25 External Audit – Audit Completion Report (IAS260) 2024/25 Statement of Accounts 2024/25 (Final) Audit Recommendations Follow Up Report Six Month Fraud & Error Report | |

| | Information Governance update Annual Governance Statement – Progress Report Financial Procedure Rules Review of Effectiveness of Internal Audit Review of Effectiveness of Audit Committee Audit Committee Work Programme | |
|-------------------------|--|---|
| 3 rd Feb 26 | Treasury management Policy and Strategy Internal Audit progress Report Anti-Bribery Policy Audit Committee Work Programme | Treasury Management |
| 24 th Mar 26 | Internal Audit Charter Audit Recommendations Follow Up Report Internal Audit Strategy and Plan 26/27 External Audit – Audit Strategy Memorandum 25/26 Statement on Accounting Policies IAS19 – Assumptions External Audit Inquiries Partnership Governance CIPFA Financial Management Code Audit Committee Work Programme | |
| ТВС | | Audit Committee Effectiveness and Public Sector Internal Audit Standards |

A private meeting between the Audit Committee and internal and external audit managers can be arranged outside of the meeting agenda times.

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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Item No. 15

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