

Guildhall Gainsborough
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AGENDA

This meeting will be recorded and the video archive published on our website

Governance and Audit Committee
Tuesday, 12th March, 2019 at 2.00 pm
Council Chamber - The Guildhall

Members: Councillor Giles McNeill (Chairman)
Councillor Mrs Jackie Brockway (Vice-Chairman)
Councillor Mrs Sheila Bibb
Councillor David Bond
Councillor John McNeill
Councillor Mrs Angela White
Alison Adams
Andrew Morriss
Peter Walton

1. **Apologies for Absence**
2. **Public Participation Period**
Up to 15 minutes are allowed for public participation.
Participants are restricted to 3 minutes each.
3. **Minutes of Previous Meeting** (PAGES 3 - 9)
Held on 15 January 2019.
4. **Members Declarations of Interest**
Members may make any declarations of interest at this point but
may also make them at any point during the meeting.
5. **Matters Arising Schedule** (PAGES 10 - 11)
Matters Arising schedule setting out current position of
previously agreed actions as at 4 March 2019.
6. **Public Reports for Consideration**
 - i) Prevention of Financial Crime Policy, Anti-Fraud and
Corruption Policy and Anti-Bribery Policy 2019 (PAGES 12 - 39)

Agendas, Reports and Minutes will be provided upon request in the following formats:

Large Clear Print: Braille: Audio: Native Language

- ii) Internal Audit Charter (PAGES 40 - 55)
 - iii) Combined Assurance Report 2018/19 (PAGES 56 - 77)
 - iv) Accounts Closedown 2018/19- Accounting Matters (PAGES 78 - 136)
7. **Workplan** (PAGES 137 - 138)

Mark Sturgess
Head of Paid Service
The Guildhall
Gainsborough

Monday, 4 March 2019

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in The Council Chamber - The Guildhall on 15 January 2019 commencing at 2.00 pm.

Present:

Councillor Giles McNeill (Chairman)
Councillor Mrs Jackie Brockway (Vice-Chairman)

Councillor Mrs Sheila Bibb
Councillor David Bond (up to and including item 50)
Councillor John McNeill
Councillor Mrs Angela White
Alison Adams
Andrew Morriss

In Attendance:

Ian Knowles	Executive Director of Resources and S151 Officer
Alan Robinson	Strategic Lead Governance and People/Monitoring Officer
Tracey Bircumshaw	Strategic Finance and Business Support Manager
Caroline Capon	Corporate Finance Team Leader
James O'Shaughnessy	Corporate Policy Manager & Deputy Monitoring Officer
Megan Rose	Internal Audit
John Sketchley	Internal Audit
James Welbourn	Democratic and Civic Officer

Also in attendance: Councillor Paul Howitt-Cowan was also in attendance

42 PUBLIC PARTICIPATION PERIOD

There was no public participation.

43 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 6 November 2018 were approved as a correct record and signed by the Chairman.

44 MEMBERS DECLARATIONS OF INTEREST

Councillors Bond and White declared an interest in item 50 as they were Members of the Challenge and Improvement Committee. However, they were informed that this wasn't an interest and they wouldn't be precluded from taking part or voting on this item.

45 MATTERS ARISING SCHEDULE

The matters arising schedule was noted.

46 CERTIFICATION OF GRANTS AND CLAIMS ANNUAL REPORT

Members considered a report on the Annual Claims and Returns report from the KPMG, the previous external auditors.

The Finance and Business Support Manager outlined that the only grant and return was the housing benefit subsidy claim totalling £22 million – this was certified in December and there were no significant issues identified. The report detailed a good outcome for West Lindsey District Council (WLDC), as a relatively small number of Councils achieve unqualified subsidy audits.

RESOLVED to accept the contents of the report.

47 DRAFT TREASURY MANAGEMENT STRATEGY AND MINIMUM REVENUE PROVISION (MRP) POLICY

Members considered a report on the Treasury Management Strategy, prudential indicators, the Minimum Revenue Provision Policy (MRP) and the capital investment strategy.

The strategy incorporated the latest guidance from the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Ministry of Housing Communities and Local Government (MCHLG). Included in the Treasury Management Strategy were the borrowing strategy, the annual investment strategy, the MRP policy, and the capital investment strategy.

Draft prudential indicators were calculated in November 2018 and would therefore be updated for the final version of this strategy.

Attention was drawn to the non-treasury investments, including the policy in relation to investment in commercial property.

Following this introduction, Members of the committee highlighted the following points:

- There were no significant changes to the report that was presented at the same time last year. Whilst legislation and MCHLG guidance changed in February 2018, this was pre-empted by the Finance department and a strategy was formulated;
- In 2019/20 the following schemes were anticipated to have an impact on the capital expenditure:
 - Dry leisure facility at Market Rasen;
 - Development partnership;
 - Gainsborough Crematorium.

RESOLVED to:

- (1) Recommend the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision Policy 2019/20 to Full Council;
- (2) Note the Capital Investment Strategy in conjunction with the Treasury Management Strategy.

48 INTERNAL AUDIT DRAFT ANNUAL PLAN REPORT 2019/20

Members considered a report on the draft annual internal audit plan, which was based on assurance mapping and risk assessments across the Council's critical services.

It had been decided not to change the daily rate that was charged to the Council – based on the 190 days of work, the total came to just over £53,000.

The Audit Team Leader then highlighted specific areas within the report:

- Four 'themed' areas of work were identified by the Audit team and senior management at West Lindsey District Council (WLDC), namely:
 - Delivery of the Corporate Plan;
 - Project Management;
 - Vulnerable Communities;
 - IT

The total number of days allocated for this themed work was 90.

- Within the report at Appendix A were areas or activities identified as having a risk level of 'amber' or 'red', which were not in the proposed plan. They required noting, but were not currently being covered by the Audit team this year;

Following this introduction, further comment was provided by Members and officers:

- There had been two audits over the previous year; the 'economic growth area' and 'Customer First'. Both had been given a 'substantial' rating;
- Avoiding complacency as officers and as a committee would lead to larger areas of work being covered – this was an approach that the audit team had agreed with;
- Homeless Prevention was listed in Appendix A as a holding plan audit due to the new IT system that they had implemented; it was important to the delivery of the homeless prevention programme. The new IT system had only been installed over the summer of 2018, but was working well currently;
- Street cleaning was a small service run within Operational Services, and it was not of value for it to be audited at this time;
- There was significant activity ongoing with local markets, and it would not be appropriate to have the existing approach audited;
- The action on Health and Wellbeing was specifically related to the Lincolnshire County Council (LCC) contract, which had been running for approximately one year. This action was likely to retain an amber level; however there were no concerns raised regarding this;
- Planning enforcement had had significant scrutiny over the previous 18 months; the

new structure was being given time to acclimatise.

Food safety was similar to Planning Enforcement as it had the same manager and a relatively new structure. These two topics would be revisited following their ongoing audit;

- Concerns over Planning Enforcement were picked up as part of the Progress and Delivery report that was seen at Challenge and Improvement, Prosperous Communities and Corporate Policy and Resources Committees.

RESOLVED to note and agree the contents of the report. The committee were assured that the plan provided robust coverage of the Council's critical areas and services.

49 INTERNAL AUDIT QUARTER 3 MONITORING

Members considered a report on the progress from Internal Audit from quarter 3 of 2018/19.

The Audit Team Leader informed committee that four audits had been completed during this period. Two of these were final assurance reports (Growth Programmes and the Sales and Invoicing Follow Up), with the other two audits being consultancy work (Leisure Consultancy Review and the Good Governance Review).

There were a number of audits in progress; the Customer First audit was currently at a draft stage.

There were no outstanding audit actions.

Members were positive about the 'substantial' assurance given to the Growth Programmes. They were also given assurance that the work done as part of the leisure contract was robust; however it was noted that they wanted to read the full consultancy report on this subject to see if there were any lessons to be learnt.

RESOLVED to note the report.

50 SCRUTINY REVIEW

Members considered a report on the future direction of the Challenge and Improvement Committee.

The Chairman introduced the item, reminding Members that a review of the committee had been in the workplan and the Annual Governance Statement Action Plan 2017/18, culminating in the recommendations before the committee.

The following points were highlighted as a result of discussions between Members and officers:

- Some Councillors were 'dual-hatters', i.e. a member of a policy committee and the Challenge and Improvement Committee. The removal of these 'dual-hatters' could be beneficial as it would be difficult to scrutinise a decision made at a policy committee if

a Member also sat on the Challenge and Improvement Committee;

- Option 2 in the report, to have a limited review of the terms of reference, would allow the most scope to refresh the way in which the committee functioned;
- The scrutiny function was useful and helped the Council by making decision making much more robust;
- Members expressed concern on cover for the committee if certain restrictions were placed on its membership;
- The number of Vice-Chairmen for the committee was not something that was within the scope of the report;
- Governance and Audit committee utilised independent Members; it would be useful to research whether this was something for the Challenge and Improvement Committee to consider for their own membership;
- There was support for removing the requirement in the Constitution for 8 meetings per year, as well as changing the name to Overview and Scrutiny Committee;
- The issue of the committee having ‘teeth’ was raised, and would be something for a future scrutiny committee to consider following the election May 2019. If the scrutiny committee required clarifications on information within reports going to the policy committees, then they could make recommendations in their direction;

In summing up, both the Chairman of Governance and Audit Committee and the Chairman of the Challenge and Improvement Committee (who was in attendance) indicated support for option 2 in the report, recommending limited change to the terms of reference. The following issues were singled out as being particularly favourable:

- Meeting dates should have the option of being more flexible;
- The name change would be something that was simple but effective;
- A change in the criteria for membership, which could in turn lead to a smaller committee;

The Chairman also highlighted two Association for Public Service Excellence (APSE) reports on scrutiny produced in the previous year which were very useful for reference.

RESOLVED to make limited changes to the functions and rules of procedure for the Challenge and Improvement Committee and review the terms of reference, and include a change in criteria for membership.

Note: Following the conclusion of this item, Councillor David Bond left the Chamber and did not return.

51 PERIODIC REVIEW OF THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2017/18

Members considered a report reviewing progress against the Annual Governance Statement Action Plan for 2017/18.

At this stage of the year, no issues were anticipated; the main detail was within Appendix 1 of the report.

The Corporate Plan was in development, and it was hoped it would be ready for Full Council in March. The remaining work on outstanding actions was in progress and would move forward once different audits across the organisation had taken place. The Payment Card Industry Security Standards Council (PCIDSS) audit was highlighted for Members.

Due to decision taken earlier on in the committee on the review of scrutiny, the information on this topic in the appendix would now change.

RESOLVED to be assured that the current position of the Annual Governance Statement Action Plan for 2017/18 would result in the completion of all relevant actions by July 2019.

52 REVIEW OF STRATEGIC RISKS (JANUARY 2019)

Members considered a report on the strategic risks facing the Council as of January 2019; strategic risks were deemed to be those that relate to the Council's ability to deliver the Corporate Plan objectives.

The risk scoring risk matrix at part 4 of the report and again at Appendix 1 provided an overview of the risks to the Council. Anything rated as 'green' in the risk matrix would be dealt with under 'business as usual'.

The Management Team within WLDC consisting of senior managers regularly review strategic risks, and there had been recent activity across a number of risks with further strengthened mitigations against these risks. These would not normally be added to this report as it made the risk table long in length; however it did illustrate the amount of work that goes into mitigating risks.

The new Corporate Plan was in development; once adopted, work would commence to update the Council's risk strategy. Member and staff training was to be held; for Members, it would form part of the induction training, assisted by Assurance Lincolnshire.

There was a review of the format of the risk register. The current format harked back to a previous time when further assurance was needed. Work with one of the Independent Members would take place to design a format which provided similar levels of assurance.

The following points were highlighted by the committee and officers:

- The Corporate Policy Manager was thanked for his work on the report;
- It was recognised that the risks were being regularly reviewed, and now included items such as devolution;
- The items in the risk register were changeable, partly due to the risks within the

Council being maintained and looked at differently from two years ago. Despite the changes, there were many items in the register that would be reflected next time.

RESOLVED to:

- (1) Be assured that current controls and proposed actions were sufficiently robust;
- (2) Support and endorse the planned work in relation to risk management.

53 WORKPLAN

The workplan for the next 12 months was noted.

The meeting concluded at 3.31 pm.

Chairman

Governance & Audit Committee Matters Arising Schedule

Purpose:

To consider progress on the matters arising from previous Governance & Audit Committee meetings.

Recommendation: That members note progress on the matters arising and request corrective action if necessary.

Matters arising Schedule

Status	Title	Action Required	Comments	Due Date	Allocated To
Amber					
	Benchmarking of consultants	During the committee meeting on 6 November, the Finance Manager agreed to look at some formal benchmarking on salary costs compared with other Councils. This is to be emailed round to all Governance and Audit committee members.		12/03/19	Tracey Bircumshaw
Black					
	Capital Expenditure Classes	During the G and A meeting in January, a Member raised the 'classes' of capital expenditure. It was requested that they be defined in future related reports.		12/03/19	Tracey Bircumshaw

	Internal Auditors Daily Rate	At the January meeting of G and A the Chairman requested that the daily rate charged by Assurance Lincolnshire be brought back as a matter arising so as not to lose sight of the issue.	JW to highlight this at the next Chair's Briefing	12/03/19	James Welbourn
	Leisure Contract Consultancy	At the G and A meeting in January, it was agreed to send the report from Assurance Lincolnshire out in full to all Members of the G and A committee.		12/03/19	Ian Knowles
Green					
	Constitution Annual Review	Questions/Motions at Annual Council, and Planning site visits are to be added into this work.		16/04/19	Alan Robinson
	Planning enforcement	The Chairman of the G and A committee requested that PE be looked at as part of internal audit work.	There was currently no contingency built in to deal with this work, but Assurance Lincs and IK to work together to fit this into the overall plan.	16/04/19	Ian Knowles

Agenda Item 6a



Governance and Audit

Tuesday 12 March 2019

Prevention of Financial Crime Policy, Anti-Fraud and Corruption Policy and Anti-Bribery Policy 2019

Report by:

Executive Director of Resources

Contact Officer:

Tracey Bircumshaw
Strategic Finance and Business Support Manager
tracey.bircumshaw@west-lindsey.gov.uk

Purpose / Summary:

To consider and approve the policies relating to Financial Crime, Anti-Fraud and Corruption and Anti-Bribery.

RECOMMENDATION(S):

- 1. To approve the Prevention of Financial Crime Policy, the Anti-Fraud and Corruption Policy, and the Anti-Bribery Policy 2019.**

IMPLICATIONS

Legal:

These policies are in accordance with the Fraud Act 2006, the Bribery Act 2010 and the Proceeds of Crime Act 2002, (as amended by the Serious Crime Act 2015), the Terrorism Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds (information on the payer) Regulations 2017.

Financial : FIN/218/19/TJB

None from this report.

However there is a cost of fraud and these policies aim to mitigate the occurrence and impact of fraud.

Staffing : Mandatory training is undertaken by all staff

Equality and Diversity including Human Rights :

None from this report

Risk Assessment :

A Fraud risk register is maintained and reviewed regularly.

Climate Related Risks and Opportunities : None from this report

Title and Location of any Background Papers used in the preparation of this report:

<https://www.west-lindsey.gov.uk/my-council/have-your-say/whistleblowing/>

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

n/a

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

x

Executive Summary

1. The Anti-Fraud, Corruption and Bribery Policy has been revised and is part of a suite of Policies and procedures for the prevention of Financial Crime.

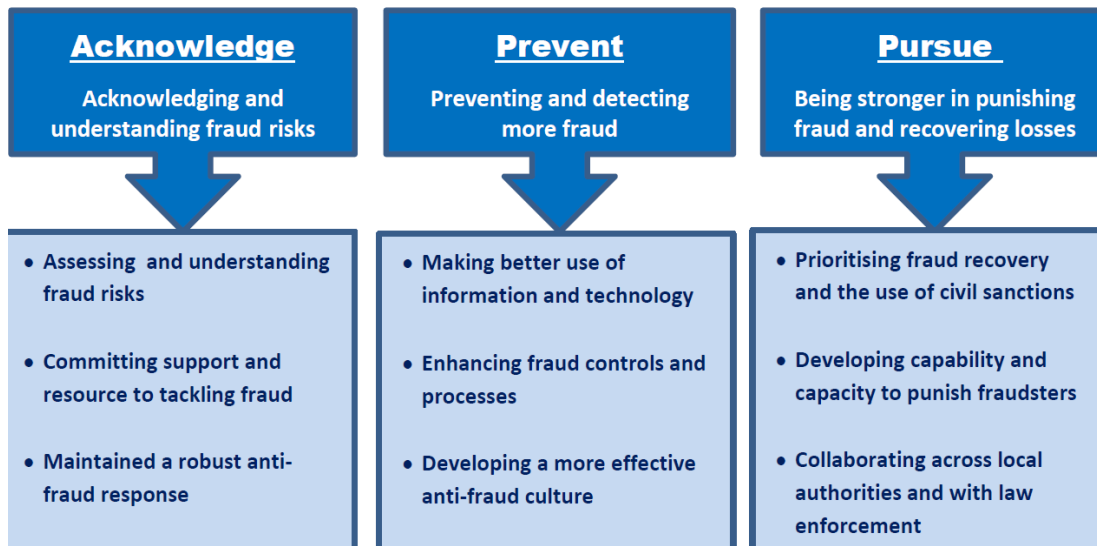
These policies provide measures to:

- Monitor, detect and prevent financial crime within the Council
 - Help put in place systems and controls which mitigate financial crime risk effectively
 - Enable the reporting of any suspicion of financial crime or related issues (using the Councils' Whistleblowing procedure or in accordance with the Anti-Money Laundering Policy).
 - Determines the actions to be taken when a fraud is identified
2. These Policies adhere to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014 (the Code). The Code requires leaders of public sector organisations to have a responsibility to embed effective standards for countering fraud and corruption in their organisations in order to support good governance and demonstrate effective financial stewardship and strong public financial management.

The 5 key elements of the CIPFA Code are to:

Acknowledge the responsibility of the governing body – in the Council's case Elected Members and the Corporate Management Team – for countering fraud and corruption	ACKNOWLEDGE
Identify the fraud and corruption risks	
Develop an appropriate anti-fraud and corruption strategy	PREVENT
Provide resources to implement the strategy	
Take action in response to fraud and corruption	PURSUE

The five elements link the key themes of Acknowledge, Prevent and Pursue, contained within the Local Government Fraud Strategy – Fighting Fraud Locally



3. Supporting documents

Due to the variety of activities that can take place under the heading of financial crime the Council have produced a number of policies in support of mitigating financial crime.

The Anti-Fraud and Corruption Policy and Anti-Bribery Policy are attached at Appendix A for approval.

Prevention of Financial Crime – roles and responsibilities (Appendix B)

Other previously approved and related Policies and procedures include

- Anti-Money Laundering Policy
- Whistleblowing Policy (reporting suspicions)
- Disciplinary Policy
- Covert Surveillance Policy
- Codes of Conduct for Members and Officers
- Risk Management Policy and Strategy
- Gifts and Hospitality
- Standing Orders
- Information Security Policy
- Housing Benefit/Council Tax Support Counter Fraud Policy

4. These policies take into account the following Seven Principles of Public Life as formulated by The Nolan Committee (The Committee on Standards in Public Life)

Selflessness	Holders of public office should act solely in terms of public interest
Integrity	Holders of public office must avoid placing themselves under any obligation to people or

	organisations that might try inappropriately to influence them in their work
Objectivity	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
Openness	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.
Honesty	Holders of public office should be truthful
Leadership	Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour where it occurs

Appendix A

PREVENTION OF FINANCIAL CRIME POLICY ANTI-FRAUD AND CORRUPTION POLICY ANTI-BRIBERY POLICY 2019



Contents

1. Prevention of Financial Crime Policy

1. Introduction
2. Areas of Financial Crime
3. How we aim to prevent financial crime

2. Anti-Fraud and Corruption Policy

1. Introduction
2. What is classed as fraud
3. Culture of prevention and detection
4. Detection, reporting suspicion and investigation
5. Action taken on fraud
6. Working with others

3. Anti-Bribery Policy

1. Introduction
2. Purpose
3. What is classed a bribery
4. The Bribery Act 2010
5. Our responsibilities
6. Consequences of non-compliance
7. Reporting bribery

4. Financial Crime Response Plan

1. Introduction
2. Purpose
3. Reporting Suspicions
4. Investigation
5. Establishing and Securing Evidence
6. Police Referral Procedure
7. Prevention of Further Losses
8. Recovery of Losses
9. Publicity and dealing with the Media

1. PREVENTION OF FINANCIAL CRIME POLICY

1. INTRODUCTION

Financial Crime, in the Proceeds of Crime Act 2002, (as amended by the Serious Crime Act 2015) covers any kind of criminal conduct relating to money or to financial services or markets, including any offence involving:

- (a) fraud or dishonesty; or
- (b) misconduct in, or misuse of information relating to, a financial market; or
- (c) handling the proceeds of crime; or
- (d) the financing of terrorism

This was originally aimed at professionals in the financial and investment sectors. However, it was subsequently recognised that those involved in criminal conduct were able to 'clean' the proceeds of crime through a wider range of business and professional activities – including council activities.

This policy provides measures to acknowledge, prevent and pursue financial crime within the Council and to help put in place systems and controls which mitigate financial crime risk effectively.

To report any suspicion you have of any financial crime or related issues you can follow the Councils' whistleblowing procedure.

2. AREAS OF FINANCIAL CRIME

The areas where we particularly look for risks of financial crime are in relation to fraud, corruption, theft, bribery, and money laundering which are defined below;

Fraud – 'the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation (misuse) of assets or otherwise for gain'.

Corruption – 'the offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately'.

Theft – 'appropriating property belonging to another with the intention of permanently depriving the other of it'.

Bribery – 'is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage'.

Money laundering – 'an activity which falls within the Proceeds of Crime Act 2002, (as amended by the Serious Crime Act 2015) whereby criminally obtained money or other assets are exchanged for clean money or assets with no link to their origins'.

Whistleblowing – 'when a person reports suspected wrongdoing at work. Officially this is called 'making a disclosure in the public interest''

3. HOW WE AIM TO PREVENT FINANCIAL CRIME

3.1 Culture

The Council firmly endorse a culture of integrity and honesty and take a robust approach to any signs of financial crime.

The Council's approach is to proactively and effectively manage the risk of financial crime and to minimise losses incurred by:

- Maintaining fully integrated **policies**;
- Promoting a **culture** of honesty and propriety;
- **Deterring** the risk of occurrence of financial crime ;
- **Preventing** risks that cannot be deterred;
- **Detecting** risks that cannot be prevented;
- Professionally **investigating** financial crime detected;
- Applying **sanctions** against people who commit financial crime;
- Seeking **redress** for assets defrauded;
- **Communicating** with members, contractors, the public and partners making them aware of the policies and how to raise concerns;
- Providing **training and guidance** to all employees and members.

Appropriate policies and procedures are maintained to ensure that internal controls are built into the Council's systems and processes to prevent or detect financial crime.

There is an expectation and requirement that all contractors, suppliers, individuals and organisations associated in whatever way with the Councils will act with integrity and that Council staff and Members will lead by example.

Members and officers should demonstrate the highest standards of openness, propriety and integrity and lead by example by adhering to legally sound and honest procedures and practices.

The prevention and detection of fraud or corruption, and the protection of the public purse, are everyone's responsibility, both internal and external to the organisation.

The Councils have established a Standards Sub-Committee (a sub-committee of the Governance and Audit Committee) which is responsible for promoting and maintaining high standards of conduct by Members and co-opted Members.

3.2 Communication

The Council's Communications Team will optimise the publicity opportunities associated with financial crime activity within the Council and will try to ensure that the results of any action taken, including prosecutions, are reported in the press.

Where the Council has suffered a financial loss as a result of financial crime, in all cases the Council will seek to recover the loss and advertise this fact, whether involving an officer or a Member.

All financial crime activities, including this Policy, will be made publicly available to make all staff and the public aware of the Council's commitment to taking action against financial crime, should it occur.

3.3 Working with others

The Council will continue to encourage the exchange of information with other organisations, in compliance with the *Data Protection Act 2018*, in respect of financial crime activities. These bodies can include:

- The Police;
- National Audit Office and National Fraud Initiative (NFI)
- External Auditors;
- Chartered Institute of Public Finance and Accountancy (CIPFA);
- Financial Conduct Authority (FCA);
- Department of Works and Pensions (DWP);
- National Anti-Fraud Network;
- Society of District Council Treasurers;
- Lincolnshire Finance Officers Group
- Lincolnshire Fraud Partnership
- Other Local Authorities.

This collaboration provides a base for combating potential criminal activity of a fraudulent nature against this and other public sector organisations.

With regard to the NFI exercise and data matching techniques generally, the Council has adopted the Audit Commission's Code of Data Matching Practice. All staff on the Council's payroll have been advised of data matching exercises and their rights under Data Protection legislation. In addition, data matching 'warnings' are included on such stationery as Benefit Claim forms, etc.

2. ANTI-FRAUD & CORRUPTION POLICY

1. INTRODUCTION

This policy forms part of each Council's approach to the Prevention of Financial Crime and should be read in conjunction with the whole Policy and supporting material.

This policy is designed to cover risks associated with fraud, theft and corruption.

2. WHAT IS CLASSED AS FRAUD

1.1 These terms are defined below:

Fraud – 'the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation (misuse) of assets or otherwise for gain'.

Theft – 'appropriating property belonging to another with the intention of permanently depriving the other of it'.

Corruption – 'the offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately'.

Bribery – 'the offering of money or other incentives to persuade somebody to do something dishonest or illegal' is also Fraud but is covered in more detail in our **Anti-Bribery Policy**

3. CULTURE OF DETERRENCE AND PREVENTION

The Council recognises that the success of the Anti-Fraud and Corruption Policy and its general credibility will depend largely on the effectiveness of training and awareness, and the responsiveness of staff and Members.

3.1 Deterrence

As stated above the best deterrent is a clear framework of procedures and responsibilities, which make fraud and corruption hard to perpetrate and will be likely to disclose fraud and corruption at the earliest opportunity.

All successful prosecutions of fraud and corruption will be publicised, which should give a strong warning to any person contemplating acting dishonestly against the best interests of the Council.

All anti-fraud and corruption activities, including this Policy, will be made publicly available to make staff, Members and the public aware of both Councils' commitment to taking action on fraud and corruption, should it occur

3.2 Prevention

The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. In this regard, temporary and contract staff should be treated in the same manner as permanent staff.

The recruitment of employees should be in accordance with the Council's procedures and in particular the requirement to obtain written references regarding, amongst other things, the known honesty and integrity of potential staff before employment offers are confirmed.

Staff are expected to abide by any Code of Conduct issued by their professional institute or organisation and also the Council's Code of Conduct.

The Council supports the provision of appropriate induction and refresher training for staff and Members and in particular, those involved in internal systems to ensure that their responsibilities and duties in the prevention, detection and investigation of fraud and corruption are regularly highlighted and reinforced.

Members are encouraged to attend training on issues arising from this policy as appropriate.

Ongoing support, advice and guidance, for example on best practice development in preventing fraud and corruption, is provided by the Lincolnshire Fraud Partnership.

The Council will undertake and support campaigns against fraud and corruption and issue appropriate publicity in this respect.

The Executive Director of Resources as the responsible finance officer has a statutory responsibility under Regulation 4 of the Accounts and Audit Regulations 2015 and Section 151 of the Local Government Act 1972 to ensure the proper arrangements of the Council's financial affairs. Procedure notes have been developed which outline the system, procedures and responsibilities of staff in relation to the Councils' financial activities. There is also a requirement to maintain an adequate and effective system of Internal Audit.

The Council has developed and will continue to operate and update systems and procedures, which incorporate efficient and effective internal controls. This includes adequate separation of duties to ensure that error or impropriety is prevented. Managers are required to ensure that such controls, including those relating to IT systems are properly maintained and documented. The existence and appropriateness of the internal controls is independently monitored by the Internal Audit Team and by External Audit.

Employees who fail to comply with this policy and or wilfully or negligently ignore such training and guidance will face disciplinary action.

4. DETECTION, REPORTING SUSPICION AND INVESTIGATION

4.1 Detection

It is the responsibility of the Senior Leadership Team (SLT) to promote the prevention and detection of fraud and corruption. However, it is often the alertness of other staff and the public that enables detection and appropriate action when there is evidence that fraud or corruption may have been committed, or is in progress.

The array of preventative systems, particularly internal control systems within the Council, has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

Despite the best efforts of managers and auditors, some frauds are discovered by chance or 'tip off' and the Council has arrangements in place to enable such information to be dealt with properly.

4.2 Reporting suspicions

Staff are required by the Council's Financial Regulations and this Policy to report all suspected irregularities through the channels referred to within the **Whistleblowing Policy**.

Members of the public are encouraged to report genuine concerns through the formal complaints procedures or they can go to the Local Government Ombudsman or the Standards Board for England.

Benefit fraud should be reported via the National Benefit Fraud Hotline
Tel: 0800 854 440

4.3 Investigation

Investigations will be undertaken in accordance with the **Financial Crime Response Plan** as detailed at part 4 below.

Depending on the nature and anticipated extent of the allegation, the Internal Audit Team will work closely with management and other agencies such as the Police to ensure that all allegations are properly investigated and reported upon.

The External Auditor also has powers to independently investigate fraud and corruption and the Council may use their services for this purpose.

5. ACTION TAKEN ON FRAUD

5.1 Prosecution

The Council will treat any malpractice very seriously and will deal swiftly and firmly with those who are involved in fraudulent or corrupt acts.

Where it is found that irregularity has occurred, or is occurring, the appropriate senior officer will decide on the course of action to be taken. The Council's presumption is that, in normal circumstances, the Police will be involved. The Crown Prosecution Service determines whether a prosecution will be pursued.

The Council has adopted the principle of considering prosecution in all appropriate circumstances and this encompasses the public, elected Members and staff. It is designed to clarify and ensure consistency in the Council's action in specific cases and to deter others from committing offences against the Council.

5.2 Disciplinary Action

The disciplinary procedures clearly set out the action that will be taken against staff who are involved in fraud and/or corruption. These disciplinary procedures will be used where the outcome of any investigation indicates improper behaviour whether or not it has been referred to the Police.

Members will face appropriate action under this Policy if they are found to have been involved in theft, fraud or corruption against the Council. If the matter is a breach of the Members' Code of Conduct then it will also be referred to the National Standards Board. The relevant Group Leader will also be informed.

In all cases, disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each individual case. Disciplinary action, whether involving a member of staff or a Member, will be conducted in line with the Council's disciplinary policy maintained by the Human Resources service.

5.3 Sanctions & Redress

Wherever possible the following actions will be taken where investigation supports suspicions of fraudulent or corrupt activity:

- Appropriate disciplinary action will be taken in accordance with the Disciplinary Policy;
- Criminal proceedings will be brought if appropriate;
- Civil proceedings will be brought to recover lost assets whenever appropriate.

Other forms of redress to cover losses, such as making a claim against insurance cover, or preventing further fraudulent activity by the perpetrator, such as notifying their professional body, will also be used wherever appropriate.

Sanctions applied in relation to cases of Housing and Council Tax Benefit fraud will be applied in accordance with agreed procedures. Options include formal cautions, administrative penalties and prosecution.

Any systems failures found as a result of a fraud investigation will be reported to the appropriate manager and action agreed to prevent reoccurrence.

6. WORKING WITH OTHERS

Arrangements are in place and continue to develop to encourage the exchange of information with other local authorities and agencies on national and local fraud and corruption activity. Those involved in such arrangements include:

- Police;
- Lincolnshire Fraud Partnership;
- National Audit Office (NFI exercise);
- Professional bodies – including the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Institute of Revenues Rating & Valuation (IRRV);
- Central government including the Department of Work and Pensions and HM Revenues and Customs;
- Ombudsman Office;
- Home Office;
- National Anti-Fraud Network;
- National Fraud Authority;
- External Audit.

These arrangements provide a valuable means of combating potential fraud. On a national scale such collaboration has been successful in identifying and reducing the risk of external fraud, particularly in the area of Housing Benefits through computer data matching techniques.

2. ANTI-BRIBERY POLICY

This policy forms part of the Council's approach to the Prevention of Financial Crime and should be read in conjunction with the whole Policy and supporting material.

1. INTRODUCTION

Bribery is a criminal offence. We do not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we, or will we, accept bribes or improper inducements.

To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

We are committed to the prevention, deterrence and detection of bribery. We aim to maintain anti-bribery compliance "business as usual", rather than as a one-off exercise.

2. PURPOSE

The purpose of this policy is to ensure that all staff and Members are aware of:

- What bribery is;
- The legislative changes;
- Their responsibilities;
- The consequences of non-compliance with this policy.

3. WHAT IS CLASSED AS BRIBERY

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

4. THE BRIBERY ACT 2010

There are four key offences under the Act:

- Bribery of another person;
- Accepting a bribe;
- Bribing a foreign official;
- Failing to prevent bribery

The Bribery Act 2010 makes it an offence to offer, promise or give a bribe. It also makes it an offence to request, agree to receive, or accept a bribe. There is also a separate offence of bribing a foreign official with the intention of obtaining or retaining business or an advantage in the conduct of business.

The Act also states that it is a corporate offence to fail to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of

business. This is what is known as a 'strict liability' offence. This means that there is no need to prove negligence or management complicity. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

5. OUR RESPONSIBILITIES

All staff, Members and associated persons must:

- ensure that they read, understand and comply with this policy;
- raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

5.1 Bribery is not tolerated

It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure;
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them;
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return;
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy;
- engage in activity in breach of this policy.

5.2 Facilitation payments

Facilitation payments (minor amounts paid to public officials to expedite routine business activities) are not tolerated and are illegal.

5.3 Gifts and hospitality

The Council's policy regarding the requirements for gifts and hospitality is set out within the Code of Conduct Policy for Members and Employees. Hospitality is not prohibited by the Act.

5.4 Public contracts and failure to prevent bribery

Under the Public Contracts Regulations 2015 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. Local Authority have the discretion to exclude organisations convicted of this offence.

6. CONSEQUENCES OF NON-COMPLIANCE

An individual guilty of a bribery offence may be liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000 or to both.
- On conviction in a crown court, to imprisonment for a maximum term of 10 years, or to an unlimited fine, or both.

The Council, if convicted, could be liable to the same level of fines and, if guilty, is liable to an unlimited fine.

7. REPORTING BRIBERY

Please report any suspicions of bribery through the Council's **Whistleblowing Policy** see link below;

<https://www.west-lindsey.gov.uk/my-council/have-your-say/whistleblowing/>

We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

If you have any questions about these procedures, please contact Tracey Bircumshaw (Strategic Finance and Business Support Manager, Email: tracey.bircumshaw@west-lindsey.gov.uk Tel: 01427 676560).

4. FINANCIAL CRIME RESPONSE PLAN (Investigating suspicions)

This plan forms part of the Council's approach to the Prevention of Financial Crime and should be read in conjunction with the whole Policy and supporting material.

1. INTRODUCTION

The Council is committed to protecting the public funds with which we have been entrusted. Minimising the losses to Financial Crime is an essential part of ensuring that all of the Councils' resources are used for the purpose for which they are intended, namely the provision of high quality services to the citizens of West Lindsey District Council.

This plan shows how the Councils will respond following the reporting of a suspected financial crime and follows on from the Whistleblowing Policy.

2. PURPOSE

This response plan is applicable to any suspected act of financial impropriety. This includes any act that puts the Council's resources at risk.

The Financial Crime Response Plan aims to:

- Prevent losses of funds or other assets where Financial Crime has occurred and to maximise recovery of losses;
- Identify the perpetrator and maximise the success of any disciplinary or legal action taken;
- Reduce adverse impacts on the business of the Council;
- Minimise the occurrence of Financial Crime by taking prompt action at the first sign of a problem;
- Minimise any adverse publicity for the organisation suffered as a result of Financial Crime; and
- Identify any lessons which can be acted upon in managing Financial Crime in the future.

3. REPORTING SUSPICIONS (see the Whistleblowing Policy)

Should Financial Crime be suspected then the matter should be reported without delay. The procedure outlined in the Whistleblowing Policy should be followed.

If in doubt, Public Concern At Work (www.pcaw.co.uk) will give free and independent advice on how to proceed. Contact whistle@pcaw.org.uk or telephone 020 7404 6609.

If it is found that the allegation has been made frivolously, in bad faith, maliciously, or for personal gain, then disciplinary action may be taken against the person who made the allegation.

4. INVESTIGATION

4.1 Managers & Supervisors:

As soon as an officer reports fraud or corruption, the manager or supervisor should, in all instances, seek advice from The Strategic Finance and Business Support Manager.

The Manager should:

- Obtain a written record of the concerns from the person making the allegations, or in cases where they have discovered the potential fraud, prepare a written report themselves. This should include:
 - Background details and the nature of the suspicions (including relevant dates, names and locations).
 - Details of the job and areas of responsibility of the individuals implicated.
 - Why the person raising the matter is concerned.
 - Action taken to date.
 - A description of the systems, controls and procedures that should be operating within the area subject to abuse.
- Contact the Strategic Finance and Business Support Manager as soon as possible to discuss the seriousness and factual basis of the allegations and the next steps to be taken.
- Take care at this stage to ensure that the suspect/s are not alerted to the potential investigation and the confidentiality of informants is not compromised.
- Under no circumstances take any action to investigate the allegations themselves, or allow employees to do so, without sanction or guidance from Internal Audit. This includes interviewing, or observation, of suspects in connection with the suspected act. This is to ensure that evidence is collected in a way that complies with relevant legislation and does not compromise the investigation and / or subsequent disciplinary procedures / prosecutions.

4.2 Internal Audit:

Once an allegation has been made and an investigation deemed necessary it is likely that Internal Audit will either conduct the investigation or be involved in some way.

Internal Audit will take appropriate advice from HR and, where relevant, the Police, during the course of the investigation.

The purpose of the audit investigation is to establish the facts in an equitable and objective manner. The process will involve the use of authority or delegated powers to:

- Screen allegations, or information, to gauge their credibility;
- Secure all evidence;
- Interview suspects;
- Take statements;
- Liaise with departments, or other agencies (including the Police).

Internal Audit will maintain detailed and accurate records of all investigative actions taken.

Where evidence of offences or irregularities is found, the Council will take suitable further action. The investigating officer will compile a report of their findings for submission to the department concerned detailing their recommendations regarding disciplinary action or referring to the Police.

Where an irregularity results in a loss exceeding £10,000 a declaration must be made to the External Auditor. This will be done by the Strategic Manager Finance and Business Support.

5. ESTABLISHING AND SECURING EVIDENCE

In order to initiate disciplinary/criminal proceedings against a suspect of financial misconduct it is essential that evidence be secured in a legally admissible form, without alerting suspects at the outset of the investigation.

As such, managers and staff should not attempt to collect any form of evidence (e.g. records, statements or surveillance) without sanction from Internal Audit, who will be responsible for co-ordinating the collection of evidence as part of any internal investigations. Any IT equipment that may hold evidence should be secured without being accessed by anyone.

Staff collecting evidence (whether audit staff or otherwise) should ensure it is stored securely at all times and it is not tampered with, that no marks are made on original documents and a record is kept of anyone handling evidence. The Data Protection Act should be complied with at all times.

Staff responsible for interviewing suspect/s should be trained in the requirements of the Police and Criminal Evidence Act 1984. Failure to comply with PACE requirements in interviews will mean that nothing said by the suspect will be admissible in a court of law.

Staff responsible for commissioning and carrying out surveillance of suspects should do so in accordance with the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA). Failure to comply with RIPA will make all surveillance evidence inadmissible in court and may leave the Council liable to court action. The Councils' Monitoring Officer can provide advice on the requirements of RIPA.

6. POLICE REFERRAL PROCEDURE

The decision to refer a matter to the Police will only be taken by the Strategic Finance and Business Support Manager following consultation with senior

management. In such cases the Strategic Finance and Business Support Manager will instigate contact with the Police.

The Strategic Finance and Business Support Manager will handle all requests from the Police for additional evidence, statements or any other form of assistance.

7. PREVENTION OF FURTHER LOSSES

When suspected fraud is reported, the Strategic Finance and Business Support Manager will liaise with the Executive Directors and HR to determine the most appropriate course of action to prevent any further losses to the Authority being incurred.

This may require the suspension of the suspected individual/s concerned. The normal circumstances for suspension would be:

- If the continued employment of the individual/s could lead to further losses.
- If the continued employment of the individual/s could jeopardise the investigation (where individuals could remove or destroy evidence).
- If the Police have charged the officer with a criminal offence relating to the Council.

All suspensions will be carried out in line with the Standards of Conduct and Disciplinary Procedure. Suspension does not constitute disciplinary action. Any security passes and keys to Council property must be obtained from the suspect/s along with any other Council items such as laptops, and returned to the appropriate officer or kept securely pending investigation. The appropriate Systems Administrators should be contacted to disable access to all relevant IT systems.

To prevent further losses and where it will not prejudice any subsequent investigation, management should liaise with Internal Audit to remedy any identified control weaknesses that have permitted the act of financial impropriety to be undertaken.

8. RECOVERY OF LOSSES

Managers should seek to recover any losses incurred through acts of financial impropriety from the offenders concerned. Management should consult the Legal Service to establish options available to recover losses.

Where substantial potential losses have been identified at the outset of an investigation, management should seek legal advice immediately regarding the need to freeze the suspect's assets through the Court, pending conclusion of the investigation.

The Council will also take civil action (as appropriate) to recover the loss.

Where an employee is a member of the Pension scheme and is convicted of fraud, the Council may be able to recover the loss from the capital value of the individual's accrued benefits in the scheme, which are then reduced as advised by the actuary.

9. PUBLICITY AND DEALING WITH THE MEDIA (in Connection with Suspected or Proven Fraud)

Any public statements regarding pending, current or completed investigations or allegations of financial impropriety should only be made through the Communications Team.

Staff, Members and third parties of the Council must not make any public statement regarding suspected financial impropriety in order to avoid making libellous statements, or statements that may prejudice investigations, or any subsequent disciplinary/legal action. All such statements will be coordinated by the Communications Team. If contacted by the public or press, staff (including Members and third parties) should refer those making the enquiry to the Communications Team.

The Communications Team should optimise the publicity opportunities available to make the public aware of each Council's commitment to taking action on acts of financial impropriety. As such any action taken relating to acts of financial impropriety should be reported in the press, as a deterrent to other potential offenders.

APPENDIX B

PREVENTION OF FINANCIAL CRIME - ROLES & RESPONSIBILITIES

Specific Responsibilities to promote a Prevention of Financial Crime Culture

The Council recognises that a sound anti-financial crime culture is essential if a strong control framework is to be adhered to. A number of people and bodies play a part in developing an effective culture and these are listed here for clarification;

Role / Body	Responsibility
Council Members and Executive Directors	To support and promote an anti-fraud culture. Collectively the Council, with the Executive Directors, are ultimately accountable for the effectiveness of the Councils' arrangements for preventing, detecting and investigating fraud and corruption.
Members	<p>As elected representatives, all Members of the Council have a duty to protect public money from any acts of fraud or corruption.</p> <p>This is achieved through Members operating within:</p> <ul style="list-style-type: none"> • The Council's Constitution; • the Council's Standing Orders; • The Code of Conduct for Members; • Local Authorities (Members Interests) Regulations 1992; • the National Code of Local Government Conduct and any future legislation or codes of conduct; • The requirement to complete an annual Declaration of Related Party Transactions. • the Prevention of Financial Crime Policy; <p>The Constitution makes specific reference to some of these elements and also includes the declaration and registration of Members' interests in accordance with approved Council policy. Circumstances surrounding conflicts of interest, whether personal or financial, are also addressed.</p>

	<p>Members are required to disclose to the Monitoring Officer details of any outside interests that they or their relatives have which may result in a conflict of interest and should remove themselves from involvement in matters in which they have a prejudicial interest (except to the extent that may be permitted by the Code of Conduct).</p> <p>Accounting Codes of Practice require Members and Senior Management to formally disclose payments from the Council(s) received by “related parties”. These declarations form part of the Statement of Accounts and are subject to external audit each year.</p> <p>Members must register the receipt of gifts and hospitality valued at £25 or more in the Register of Gifts and Hospitality.</p> <p>The Council’s Governance and Audit Committee is responsible for promoting and maintaining high standards of conduct by members and co-opted members.</p>
Executive Directors	<p>To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to one of the officers named in the Whistleblowing Policy.</p> <p>Responsible for the communication and implementation of this Policy within their service area. They are responsible for ensuring that their employees are aware of the Council’s Human Resources policies and procedures, the Council’s Financial Regulations and Codes of Conduct and that the requirements of each are being met in their everyday service activities. In addition, Management must make their staff aware of the requirements of the National Code of Conduct for Local Government Employees through the induction process.</p> <p>Managers are expected to create an environment in which staff feel able to approach them with any concerns they may have about suspected irregularities.</p>

	<p>Where they are unsure of the procedures they should refer to the Council's documented Whistleblowing Policy.</p> <p>A key preventative measure in tackling fraud and corruption is for Management to take effective steps during recruitment to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff.</p> <p>The Councils' formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history, however it is also appropriate to request that a Disclosure and Barring Service (DBS) check is undertaken for all employees especially those working with, or who may have contact with, children or vulnerable adults, or financial systems.</p> <p>To ensure that there are mechanisms in place within their service areas to assess risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.</p>
Section 151 Officer	<p>The Executive Director Resources is delegated as having the statutory responsibility under section 151 of the Local Government Act 1972 to "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs". Proper administration is interpreted as encompassing all aspects of local authority financial management. Under these statutory responsibilities the Strategic Finance and Business Support Manager contributes to the anti-financial crime framework of the Council.</p>

Monitoring Officer	<p>To advise Members and Officers on ethical issues, probity and standards to ensure that the council operates within the law and statutory codes of conduct.</p> <p>Maintains the Register of Members' Interests and advises Members of new legislative or procedural requirements</p>
Strategic Finance and Business Support Manager	<p>To advise on financial standards to be adopted by the Council. To ensure that financial systems incorporate strong measures to reduce the risk of fraud / identify possible irregularities.</p> <p>To be responsible for developing and implementing the Prevention of Financial Crime Policy and investigating any issues reported under this Policy.</p> <p>To ensure that all suspected or reported irregularities are dealt with professionally and that action is identified to improve controls and reduce the risk of reoccurrence.</p> <p>To provide assurance that financial crime risks are being managed and to provide advice on managing fraud risk and design of controls.</p>
All employees	<p>At all times to comply with Council policies and procedures.</p> <p>To be aware of the possibility of all aspects of Financial Crime including fraud, corruption and theft, and to report any genuine concerns to management and Internal Audit. If for any reason, they feel unable to speak to their manager they must refer the matter to one of those named under the Whistleblowing section of this Policy.</p> <p>The Code of Conduct for Employees requires that officers are aware of their statutory requirements under section 117 of the <i>Local Government Act 1972</i> regarding declaration of pecuniary and non-pecuniary interests. Declarations can be made to the Monitoring Officer.</p>

	<p>Disclose to their line manager any outside interests they or their relatives have which may result as a conflict of interest in respect of transactions and dealings with the councils, and these will be recorded in the appropriate registers.</p> <p>Ensure that they avoid situations where there is a potential for a conflict of interest and they must ensure that there is an effective role separation for decisions made so that they are seen as being based upon impartial and objective advice.</p> <p>Gifts and hospitality should only be accepted in accordance with the Council's guidelines within the Code of Conduct for employees and Members.</p> <p>Be made aware of and be expected to adhere to any internal control system designed to prevent and detect fraud and corruption. All employees are required to bring any concerns they have on the adequacy of control measures to the attention of their line manager and the Corporate Manager for Internal Audit.</p>
<p>Money Laundering Reporting Officer (Executive Director of Resources)</p>	<p>To be responsible for anti-money laundering measures within the organisation, assessment of any suspected cases of money laundering, and if appropriate, reporting of such cases to the National Crime Agency (NCA).</p>
<p>Internal Audit</p>	<p>Plays a vital preventative role in working to ensure that adequate key controls are implemented to prevent and detect financial crime, fraud and corruption. The service recommends changes in key controls and procedures with the aim of reducing the risk of losses to the Councils, and works with management in ensuring that these are implemented. The service will investigate all cases of suspected financial irregularity, fraud or corruption, except benefit fraud investigations, which is dealt by the Single Fraud and Investigation Services (operated by the DWP).</p>

	Internal Audit staff have rights of access to all of the Council's records, information and assets which it considers necessary to fulfil its responsibilities.
The public, partners, suppliers, contractors and consultants	This Policy, although primarily aimed at Members and staff of the Council, enables any genuine concerns / suspicions raised by any party of the possibility of fraud and corruption against the Council to be investigated, as appropriate, by the relevant parties in a proper manner. Contracts and Grant/Loan agreements contain relevant clauses to mitigate fraud, corruption, bribery and money laundering.
Governance and Audit Committee	To monitor compliance with the Council's policies and consider the effectiveness of the Council's anti-fraud arrangements. Promoting and maintaining high standards of conduct by Members in accordance
External Audit	Independent external audit is an essential safeguard of the stewardship of public money, carried out by the external auditors through specific reviews designed to test (amongst other things) the adequacy of the Councils' financial systems and arrangements for preventing and detecting financial crime, fraud and corruption and designed to limit the opportunity for corrupt practices. It is not the External Auditors' role to prevent fraud and irregularities, but they will act without undue delay if grounds for suspicion of fraud and irregularity come to their notice. Investigations carried out by the External Auditors will be in accordance with their own established procedures.

Agenda Item 6b



Governance and Audit

12 March 2019

Subject: Internal Audit Charter

Report by:

Lucy Pledge (Head of Audit – Assurance
Lincolnshire – Lincolnshire County Council)

Contact Officer:

Ian Knowles, Executive Director of Resources
ian.knowles@west-lindsey.gov.uk

Purpose / Summary:

One of the key roles of the Governance and Audit Committee is to ensure that the Council has effective audit arrangements in place and the Internal Audit Charter is a key policy document in support of the audit arrangements.

RECOMMENDATION(S):

That the Committee:

- 1 Approves the Internal Audit Charter.
- 2 Has assurance in the quality and effectiveness of the Council's Internal Audit Service provider – Assurance Lincolnshire.

IMPLICATIONS

Legal:

None arising from this report

Financial :

None arising from this report

Staffing :

None arising from this report

Equality and Diversity including Human Rights :

None arising from this report

Risk Assessment :

- Non-compliance with legislation / mandatory professional standards
- Failure to deliver an effective Internal Audit Service will prevent an independent, objective assurance opinion being provided to those charged with governance and the Senior Management Team.

Climate Related Risks and Opportunities :

None arising from this report

Title and Location of any Background Papers used in the preparation of this report:

None arising from this report



West Lindsey District Council Internal Audit Charter



January 2019

What we do best...

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

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

Internal Audit Charter



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Internal Audit Charter

Introduction

West Lindsey District Council's internal audit function is provided by Assurance Lincolnshire¹. Our collaborative approach enables us to deploy resources where required and provide additional or specialist auditing services when needed.

There is a statutory requirement for the Council to have an internal audit of its governance, risk and control processes. The [Accounts and Audit Regulations 2015](#), more specifically require that the audit takes into account the [Public Sector Internal Audit Standards](#) (PSIAS) or guidance.

These Standards set the basic principles for carrying out internal audit in the public sector and provide criteria against which quality and performance can be evaluated. The Chartered Institute of Public Finance² (CIPFA) have also developed an [application note](#) for the Standards – which sets out the proper practice for Internal Audit in local government.

This Charter sets out how we conduct our work in accordance with this proper practice. Policies and practice guidance have been put in place to ensure all internal audit staff understand and comply with these Standards.

This Charter should also be read in conjunction with the Council's Financial Regulations.

Purpose of Internal Audit

As our primary purpose is to provide independent and objective assurance on critical activities and key risks - we play a key part in the Council's overall assurance arrangements which are designed to ensure that its governance, risk and control frameworks are working. A professional, independent and objective internal audit service is one of the key elements of good governance.

The assurance arrangements for the Council are shown in **Figure 1 – Three Lines of Assurance**.

Definition of internal auditing – an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our mission

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight to our clients

The Council expects the internal audit service to achieve the mission statement through its overall delivery arrangements – this Charter sets out how this is done.

Figure 1 – Three Lines of Assurance



¹ Collaboration between Lincolnshire County Council, City of Lincoln, East Lindsey District Council and Nottinghamshire County Council audit teams.

² Responsible for setting standards for proper practice for local government internal audit in England.

Internal Audit Charter

Scope of Internal Audit



The scope of internal audit work will cover the Council's entire operations³ – this extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take.

The Head of Internal Audit - in consultation with all relevant stakeholders and taking into account audit risk assessment processes - will determine what work will be carried out by the internal audit service.

Our aim is to align our work with other assurance functions. We may seek to place reliance on, or use the work of others where we have confidence in the work carried out. This helps us maximise the best use of the internal audit resource and other assurance functions in the Council.

Internal audit has unrestricted right of access to all Council activities and staff, which includes all records and information (in whatever form), resources and assets - seeking explanations necessary for the purpose of our work.

Right of access to other bodies funded by the Council or where contractual arrangements exist are set out in conditions of funding and / or contract.

Independence and Objectivity



The Head of Internal Audit has direct access to all levels of management, all employees and to all elected members and particularly to those charged with governance i.e. the Chairman of the Governance and Audit Committee, Executive Director of Operations (Head of Paid Service), the Executive Director of Resources (Section 151 Officer) the Executive Director of Economic Growth and Commercial and the Strategic Lead Governance and People (Monitoring Officer).

Auditors will be free from operational systems involvement or influence and will remain sufficiently independent of the activities audited to enable them to provide an objective professional judgement.

Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.

All staff members in internal audit are required to make a declaration of interest so that any potential conflicts of interest are appropriately managed.

Internal audit staff complies with the policies of Lincolnshire County Council including the staff code of conduct which requires all staff to act with honesty, integrity, impartiality and objectivity and in an environment where all its employees are treated with dignity and respect. Our code of ethics sets out our expectations around:-

- | | |
|-----------------------|--|
| Integrity | Trust and the basis for reliance on our judgement. |
| Objectivity | Not to be unduly influenced by own or others in forming judgements. |
| Confidentially | Do not disclose information without authority unless there is a legal or professional obligation to do so. |
| Competence | Have the knowledge, skills and experience needed to perform the internal audit service. |

³ Both financial and operational service objectives and systems. Internal Audit work is not limited to the review of financial controls only.

Internal Audit Charter



Internal Audit Responsibilities and Objectives

The Head of Internal Audit is responsible for the provision of a complete internal audit service to the Council. This includes:

Service Area	Specific Responsibilities
<p>Audit</p>	<p>Providing an annual report to the Council's Governance and Audit Committee and the Executive Director of Resources (Section 151 Officer). The report will include:</p> <ul style="list-style-type: none"> ▪ an opinion on the effectiveness of the Council's governance, risk and control framework (including reasons why this opinion was reached) ▪ any particular control weaknesses judged to be relevant to the development of the Annual Governance Statement ▪ a summary and evaluation of the results of internal audit work and information obtained through the combined assurance model and the impact on the control environment ▪ an overall summary of internal audit performance and the results of the quality assurance framework ▪ a statement on conformance with the PSIAS <p>To help achieve this we will:</p> <ul style="list-style-type: none"> ▪ adopt an overall strategy showing how the internal audit service will be delivered - focusing on the critical activities and key risks facing the Council. ▪ prepare an annual risk-based plan which is designed to implement the charter, the audit strategy and the PSIAS. This will be in consultation with senior management and taking into account the adequacy and outcomes of the Council's combined assurance framework. This plan is approved by the Executive Director of Resources (Section 151 Officer) and the Governance and Audit Committee. The audit plan will be regarded as flexible rather than as an absolute expression of audit policy/coverage. This will enable the audit plan to be able to reflect changing risks and priorities. ▪ agree the terms of reference for an audit assignment in consultation with management. This helps to confirm the objectives of the activity and agree the scope and focus of the audit assurance being given. ▪ review the Council's financial control arrangements to ensure proper accounting controls, systems and procedures are in place and operate effectively. ▪ support management in their responsibilities in maintaining effective systems of governance, risk and control and, where necessary, making recommendations for improvement. ▪ ensure that appropriate links are developed and maintained with the Council's risk management function – evaluating and contributing to the improvement of risk management in the Council.

Internal Audit Charter

Internal Audit Responsibilities and Objectives



Service Area	Specific Responsibilities
Audit (continued)	<ul style="list-style-type: none"> provide resources required to deliver the audit strategy and annual plan. A workforce strategy exists, which reflects the required roles, qualifications, competencies, skills experience and personal attributes necessary to deliver the service. This strategy includes the flexibility to engage external consultants to support the delivery of the annual audit plan thereby accessing expertise for specialist audit areas and addressing any capacity issues that may arise.
Counter Fraud	<p>Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors should, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that a fraud or corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Managing the risk of fraud and corruption is the responsibility of management.</p> <p>The Council should actively seek to deter and prevent fraud, corruption and theft to ensure that all possible risks in these areas are minimised.</p> <p>Where fraud, corruption or theft is suspected or detected it will be thoroughly investigated and any proven fraud dealt with in a consistent and proportionate manner.</p>
Good Governance	<p>Our internal audit activity is designed to improve the governance, risk and control processes of the Council. The outcome of our work is reported in regular progress reports and an annual report to Senior Management and the Governance and Audit Committee – these all help inform the Council's Annual Governance statement.</p> <p>As part of our risk based internal audit Plan we periodically review the Council's governance framework – benchmarking it against good practice guidance.</p>
External Audit	<p>The internal audit section work in conjunction with the Council's External Auditors. The External Auditor refers to the work of internal audit where this is relevant to their work, particularly when appraising the controls operated by management over financial systems. This arrangement makes the best use of the combined audit resources and helps reduce any unnecessary overlap of audit effort.</p>



Internal Audit Charter

Internal Audit Responsibilities and Objectives

Service Area	Specific Responsibilities
Best Practice Advice	Internal audit will also respond to requests for support, advice and guidance on implementing and/or improving best practice control procedures for current and new systems.
New Developments	<p>Internal audit may also provide other assurance services, such as providing advice on new systems and emerging risks – any significant assurance work not already included in the annual internal audit plan that may affect the level of assurance work undertaken will be reported to the Governance and Audit Committee.</p> <p>Our terms of reference makes it clear that no assurance opinion will be provided but the outcome of this work will be reported to the Governance and Audit Committee - in so far as it impacts on the Council's governance, risk and control environment.</p> <p>To maintain independence, any internal audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.</p>
Consultancy work	<p>Internal audit can also, where resources and skills exist, provide additional services beyond their assurance work. The scope of this type of work is agreed with management and should assist management in meeting the objectives of the organisation without undermining the key principles of independence and objectivity. Work may include:</p> <ul style="list-style-type: none"> ▪ facilitation ▪ training ▪ advice on governance, risk and control

Internal Audit Charter

Management can assist the process of Internal Audit by:



Commenting on and inputting to, the audit plan and activities. Agree **(but not direct)** the Terms of Reference for each audit assignment to ensure attention is focused on areas of greatest risk or concern to enable the most effective audit coverage and minimise duplication.

Audit work, especially its timing, should be planned in conjunction with management to minimise abortive work and time unless, for example this jeopardises the 'challenge' aspect of internal audit work or where an unannounced visit is deemed necessary

Giving information and explanations that are sought in the course of audit work – promptly when requested.

Providing access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

Early notification of plans for change, including new operational systems and processes

Considering and responding promptly to recommendations in audit reports.

Ensuring that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion

Notifying the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources.

Pending investigation and reporting - Management should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

Internal Audit Charter

Responsibilities of the Governance and Audit Committee

The Governance and Audit Committee is a key component of the Council's governance framework. Their role is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. For the purposes of the UK Public Sector Internal Audit Standards the Audit and Accounts Committee performs the role of the 'Board'.

The Governance and Audit Committee is responsible for the following aspects of the internal audit function:

- formally approving (but not directing) the overall strategy to ensure that it meets the Council's overall strategic direction.
- approving the annual internal audit plan (paying particular attention to whether there is sufficient and appropriate coverage)
- monitoring progress against plan
- supporting the effectiveness of the internal audit process through regular oversight of performance and delivery
- periodically undertake an assessment as to whether adequate skills and resources are available to provide an effective audit function meeting the requirements set out in Accounts and Audit Regulations 2015 and the UK Public Sector Internal Audit Standards. This includes oversight of the Quality Assurance Framework and any improvement plans.
- Oversee Internal Audit's independence, objectivity and professionalism.
- Ensure that effective relationships exist between external audit and internal audit and that the value of the audit process is actively promoted

- The Head of Internal Audit also has the opportunity to meet in private with the Governance and Audit Committee if the need arises.

Audit Reporting Framework

All audit activity is intended to assist management to fulfil their objectives of delivering services and contributing to the overall objectives of the Council. Outputs from Audit work can range from informal advice to formal written reports.

The reporting structure is designed to ensure that final versions are agreed with and by managers and are both accurate and practicable. After agreement any report or guidance will be issued to senior management of the area reviewed. Copies of audit reports are also made available to the Council's External Auditors. The circulation of audit reports will be agreed at the outset of an audit assignment and will have due regard to confidentiality and legal requirements. Any information gained in the course of audit work remains confidential without limiting or preventing internal audit from meeting its reporting responsibilities to the wider organisation

Recommendations made within assurance and compliance audits are ranked high or medium priority – depending upon the relative importance of the audit finding. The level of risk exposure associated with audit finding and the number and level of recommendations will influence the assurance opinion which will be either:

- High
- Substantial
- Limited
- Low

Appendix 1 - provides more guidance on the rationale we apply when forming our audit opinions

Internal Audit Charter

Audit Reporting Framework continued...

The UK Public Sector Internal Audit Standards requires the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The audit and risk strategy, internal audit plan and internal audit charter are presented to Directors and the Governance Corporate Leadership Team. Both are approved by the Governance and Audit Committee.
- The Head of Internal Audit will meet informally in private with members of the Governance and Audit Committee or the Committee as a whole as required.
- Performance and delivery against the internal audit plan and any significant risks and control issues arising from internal audit work are reported independently to the Governance Corporate Leadership Team and the Governance and Audit Committee on a regular basis
- Results of the review on the effectiveness of internal audit (including outcomes of its Quality Assurance and Improvement programme) will be reported to both the Governance Corporate Leadership Team and the Governance and Audit Committee.
- The Head of Internal Audit will draw to the attention of the Director of Resources and the Governance and Audit Committee any resourcing issues that potentially impact on the effectiveness of the internal audit function.



Internal Audit Charter

Quality of Service and Due Professional Care

The internal audit section operates in accordance with standards of best practice applicable to internal audit (in particular the UK Public Sector Internal Audit Standards and Standards in Public Life's **Seven Principles of Public Life**).

We have a Quality Assurance Framework that covers all areas of internal audit activity. This consists of:

- A practice manual that outlines the key responsibilities of auditors and defines an audit process which:
 - Promotes conformance with the Standards - helping us meet the ten Core Principles in the PSIAS
 - encourages consistency and quality
 - results in assignment conclusions that can be supported by sufficient, relevant and reliable fieldwork
- Supervision and review of work standards. This incorporates review of all audit documentation and reports prior to release to the relevant Senior Manager
- Annual appraisal of the Head of Internal Audit. This includes reference to CIPFA's 'comply or explain' statement on the 'Role of the Head of Internal Audit'
- Regular liaison meetings are also undertaken with Senior Management to discuss work performed and planned.
- Opinions are regularly canvassed from management responsible for activities under review.

- A suite of performance indicators and targets have been developed to monitor the quality of the service provided. Performance reports are submitted on a quarterly basis to the Governance and Audit Committee via a progress and delivery report
- Annual assessment of the service and its compliance with the UK Public Sector internal audit Standards – with this assessment being undertaken through an external assessment at least every five years by a suitably qualified, independent assessor
- A programme of Continuous Professional Development for all internal audit staff to ensure they maintain and enhance their knowledge, skills and audit competencies.

Core Principles

The core principles, taken as a whole, must be present and operating effectively for our internal audit service to be considered effective – they are:-

- demonstrates integrity
- demonstrates competence and due professional care
- is objective and free from undue influence (independent)
- aligns with the strategies, objectives and risks of the organisation
- is appropriately positioned and adequately resourced
- demonstrates quality and continuous improvement
- communicates effectively
- provides risk based assurance
- is insightful, proactive and future focused
- promotes organisational improvement



Internal Audit Charter

Location



Assurance Lincolnshire
Lincolnshire County Council
County Offices
Newland
Lincoln
LN1 1YG

West Lindsey District Council
Marshall's Yard
Gainsborough
Lincolnshire.
DN21 2NA

Advice and Support



Key contacts:

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<http://microsites.lincolnshire.gov.uk/AuditLincolnshire>

General contact:

Email CorporateAudit@lincolnshire.gov.uk
Telephone: 01522 5536836

Whistleblowing:

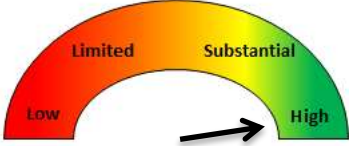
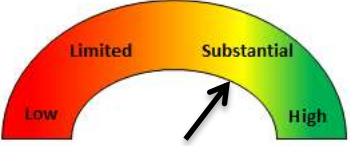
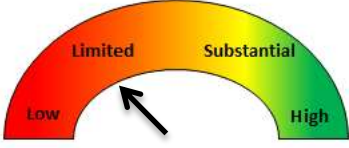
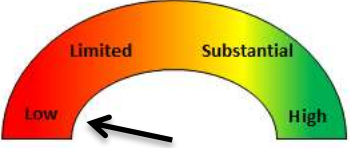
Telephone: 0800 0853716
Email whistleblowing@Lincolnshire.gov.uk

Address:

Lincolnshire Local Authorities
PO Box 640
Lincoln
LN1 1WF

Appendix 1 – Assurance Definitions

Our assurance definitions are the criterion against which to draw our conclusions. They act as a guide to help consistency but the rating may be different if the area being reviewed has more impact on the Council. In drawing our conclusions we consider our findings in the context of what was expected, what was found and how significant (material) and important (impact) our findings are. The definitions are listed below, noting that points of good practice or actions not in place do not affect the overall opinion.

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

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

Agenda Item 6c



**Governance & Audit
Committee**

12 March 2019

Subject: Combined Assurance Report 2018/19

Report by:

Executive Director of Resources

Contact Officer:

Corporate Policy Manager & Deputy Monitoring
Officer

01427 676537

Purpose / Summary:

To present the Council's Combined Assurance
Report for 2018/19.

RECOMMENDATION(S): The Committee are asked to approve the report and be assured that the findings illustrate that the Council's governance framework is operating effectively.

IMPLICATIONS

Legal: None

Financial: FIN 211-19

Staffing: None

Equality and Diversity including Human Rights: None

Risk Assessment: None

Climate Related Risks and Opportunities: None

Title and Location of any Background Papers used in the preparation of this report:
None.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No n/a

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No x

1 Introduction

- 1.1 The purpose of the Combined Assurance Report is to produce a record of assurances against our critical activities and risks. It provides an overview of assurance across the Council making it possible to identify where assurances are present, their source and where there are potential assurance 'unknowns or gaps'. It offers a tri-angulated view of assurance with separate opinion provided by management; corporate and/or third party assurance and Internal Audit. The Combined Assurance Report is produced annually and this report covers the year ending 31st March 2019.

2 Combined Assurance Report

- 2.1 This is the sixth Combined Assurance Report undertaken at West Lindsey District Council. It provides a view on assurance systems and services for the year ending March 2019. The report is available as Appendix 1.
- 2.2 The report details the methodology that was used and the levels of assurance that we currently have. The assurance assessment, as explained in the report, is based on the 'three levels of assurance' model.
- 2.3 By conducting this work, we are in a position to be able to identify where we need to obtain further assurance and at what levels. The findings will be used to focus on areas for improvement and potentially form the issues to be addressed within the Council's Annual Governance Statement for 2018/19.

3 Findings

- 3.1 The report, as presented, represents a realistic, yet positive picture of the levels of assurance in place across the Council and illustrates that our assurance framework is working well.
- 3.2 The findings shows that across the critical activities and emerging risks which were within the report's scope; 65% were assessed as performing well (green); 33% required some attention (amber) and 2% were in need of urgent attention (red). Last year's findings; using the same methodology, were green (71%) and amber (29%).
- 3.3 The 'field-work' identified a number of potential emerging risks which were discussed with the Management Team. Following deliberations a significant proportion of these were considered as operational in nature and deemed to be manageable at that level.
- 3.4 Those transactional, front-facing activities, categorised as 'red' or 'amber' in nature in this year's report are set out below with the reasons for their respective ratings. In all cases the issues identified were known to the Council and oversight/actions were already in situ:

Area	Reason for Rating
Gainsborough Market	Look for effective solution to long-term decline in markets.
Environmental Protection	Team is meeting its obligations but work needed to develop systems and performance.
External Health & Safety	Requires greater resilience and planned training to be implemented.
Street Cleaning	Recent drop in demand means review required to consider overall service offer.
Health & Wellbeing	A 10 year contract with resource, contract management, commercial and reputational risks all involved.
Homeless Prevention	Inability to obtain detailed level of management information from systems.
Planning Enforcement	High demand on service and best means of handling demand to be identified.
Food Safety	Resource issues and need to internally review the service.
Community Safety/ASB	Loss of experienced staff and effectiveness of service to be evaluated.
Strategic Property & Estate Management	Resource issues and links with Growth could be compromised due to high workloads across both teams.
Community Rights	Resource issues and no grant/income support available.

3.5 The content of the report and the thoughts of the Council's senior management have identified a number of key areas of focus for the year ahead. These are:

- Undertake a review of Strategic Risks and develop a means of ensuring that project related risks are consistently recorded and managed.
- Prepare for and hold a Peer Review to set improvement targets and seek third party accreditation against a nationally recognised framework.
- Work on the findings of the Governance Review undertaken by Internal Audit, to ensure the Council's culture and values are consistently understood and exhibited.
- Induct new and returning Councillors and implement the Member Development Training Plan.

3.6 Operating in an environment of constant change and uncertainty, service areas assess and monitor any emerging risks that may affect the delivery of their service. These have been captured within the report and all have been classified as medium (amber) in nature. These classifications have been fed into the overall green/amber/red ratings contained within the report.

- 3.7 The identification and management of risk are regarded as key disciplines. We are pleased that an appreciation and awareness of risk management was evident and captured during the collation of the report.

4 Next Steps

- 4.1 The report will be used as a basis for learning, improvements and service planning, focusing on the areas detailed at 3.5 above to enable the Council achieve key objectives for the 2019/20 period.
- 4.2 The findings of the report have also been used to inform Internal Audit's work plan for 2019/20 and the Council's Annual Governance Statement for 2018/19.

Combined Assurance Status Report

Page 61



What we do best...

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

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



Combined Assurance Status Report

Introduction	3
Key Messages	5
Critical Systems	7
Key Projects	13
Key Partnerships	14
Key Risks	16

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Introduction

This is the sixth combined assurance report for West Lindsey District Council.

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

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

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

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

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

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

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

Scope

We gathered information on our:

- **Critical systems** – those areas identified by senior management as having a significant impact on the successful delivery of our priorities or whose failure could result in significant damage to our reputation, financial loss or impact on people.
- **Due diligence activities** – those that support the running of the Council and ensure compliance with policies.
- **Key risks** – found on our strategic risk register, operational risk registers or associated with major new business strategy/change.
- **Key projects** – supporting corporate priorities/activities.
- **Key partnerships** – partnerships that play a key role in successful delivery of services



Combined Assurance Status Report

Methodology

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



Our approach includes a critical review or assessment on the level of confidence the Board can have on its service delivery arrangements, management of risks, operation of controls and performance.

We did this by:

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

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

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



Combined Assurance Status Report

Key Messages

We welcome the production of this year's Combined Assurance Report and thank Assurance Lincolnshire for producing it and also our own officers for contributing to its content. The findings represent a comprehensive and accurate view of our assurance position across our services, critical systems, governance processes, ICT arrangements, key projects and risk analysis.

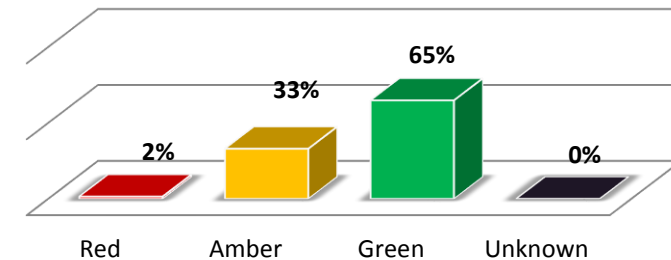
The findings show that across the Council, a high degree of assurance is present and also that officers and Management are aware of a number of areas that need to be addressed. Attention is being paid to these to ensure that the known issues are resolved and they do not have a negative impact.

During 2018/19, a significant range of activity across the Council was undertaken. This included the implementation of a new Leisure Services contract, the securing of a development partner, the introduction of a paid green waste service, introduction of the health and wellbeing service and key progress in acquiring commercial property investments. Additionally, officers and Members have also worked to develop a new Corporate Plan for the Council, to take effect from March 2019.

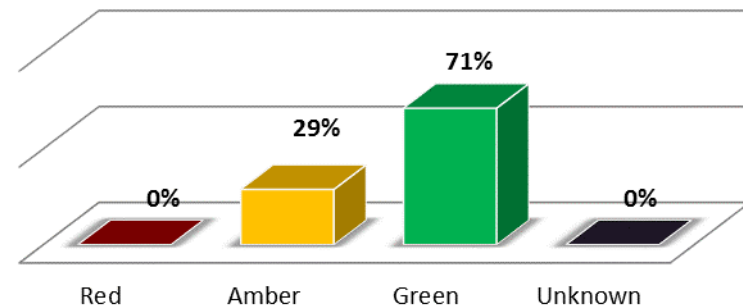
Day to day services have also been delivered to a high standard. The levels of Council Tax and Business Rates collection have remained amongst the highest in the country,

and the waste collection service continues to be highly regarded. Performance has improved in housing and planning enforcement and the Trinity Arts Centre has witnessed a significant increase in audience figures, improved programming and an increase in community events.

Overall Assurance Status 2018/19



Overall Assurance Status 2017/18





Combined Assurance Status Report

Suggested next steps.....

Risk Management – Assess the Council’s overall ‘risk appetite’ and subsequently undertake a review of Strategic Risks and develop a means of ensuring that project related risks are consistently recorded and managed.

Peer Review - Prepare for and hold a Peer Review to set improvement targets and seek third party accreditation against a nationally recognised framework.

Governance Review - Work on the findings of the recent Governance Review conducted by Internal Audit, to ensure the Council’s culture and values are consistently understood and exhibited.

Member Induction & Training - Induct new and returning Councillors and implement the Member Development Training Plan.

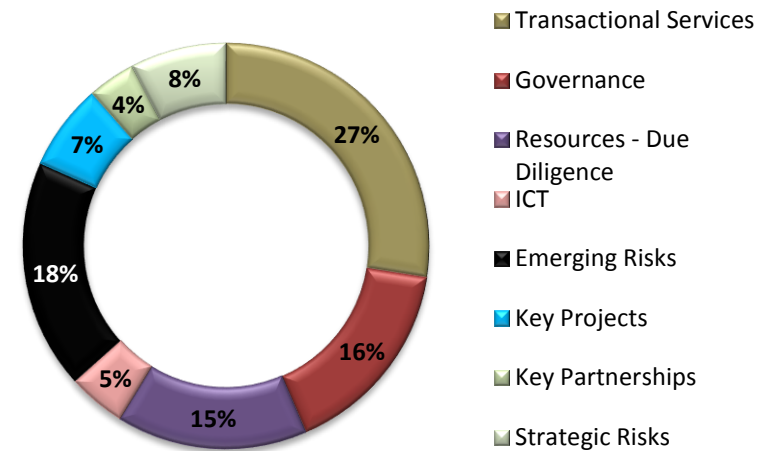


Critical Systems

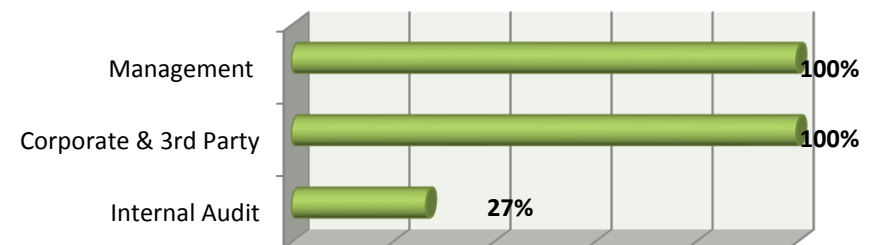
Across our critical systems we are in agreement with the reported levels of assurance and the methodology adopted to assess them. We believe we are a mature enough organisation to act objectively and where issues are identified, have the confidence to request assistance and/or further investigation in the form of commissioning audits and/or external reviews to investigate the perceived problems.

From the analysis of who provides our assurance, it is pleasing to see that the Three Lines of Assurance Model is working effectively. Management (as the first line of assurance) demonstrate effective accountability for delivery and understand the overall effectiveness of their service area and the risks facing it.

A key focus during 2018/19 was to strengthen performance management. Additional capacity has been put in place to support service areas in this regard and to drive improvement. In Q3 of 2018/19, 78% of the Council's key performance indicators were recorded as having met or exceeded target. Similarly, to build on previous refinements to the Council's board structures and programme management procedures, additional capacity has also been provided to support project managers and Sponsors. This ensures that programmes are managed effectively and are delivered and use of the Council's project methodology is upheld.

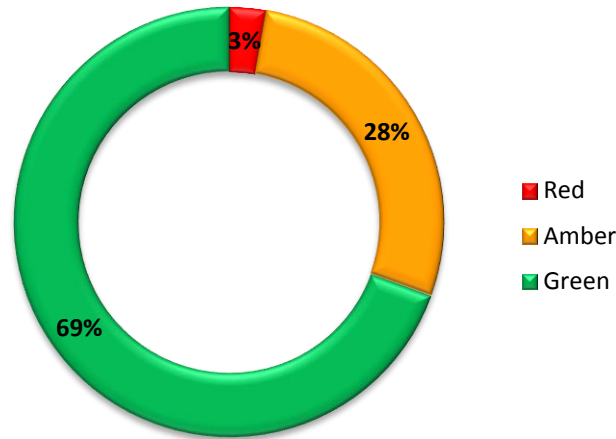


Who Provides Your Assurance





Transactional Services



Transactional services refer to the agreed set of services and functions run by the Council. Each service area should have clarity of its purpose, an understanding of their stakeholders and clear processes for delivery and managing performance.

Our transactional services are in the main 'front-facing' and the delivery of excellent performance and high levels of customer satisfaction are key pre-requisites. These two components contribute in a large part to the reputation of the Council amongst residents and Members.

Analysis of the report's findings in respect of transactional services has established that our overall assessment remains almost the same as in 2017/18, with 69% of our transactional services assessed as performing highly. Within the context of

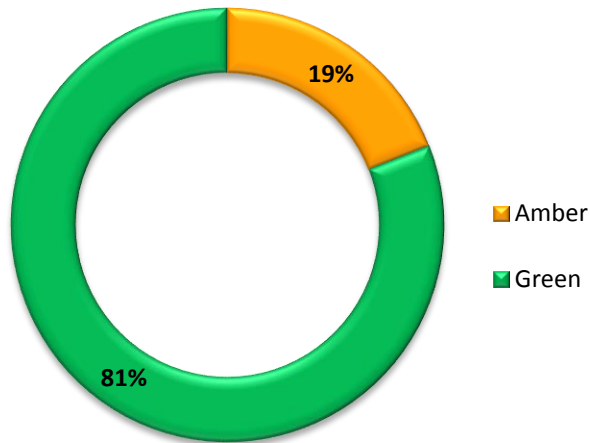
reduced budgets, matched with raised expectations on the part of customers, this is a positive position.

One area categorised as 'red' in nature is the Gainsborough Market. Many markets across the country are in decline. The Council must identify a sustainable way forward for the market. A number of areas have been assessed as 'amber'. Enforcement and public safety related services fall into this category. High levels of demand coupled with a recently formed team mean that management are watchful of this area to ensure performance and capacity levels are monitored. Homelessness Prevention has also received an amber rating due to issues in obtaining the level of data required to effectively analyse performance. Community Rights is a statutory service and has been assessed as amber due to resourcing issues. A review of staffing requirements across the whole of this service area is underway. The Health and Wellbeing Service has also received an amber rating. This is a newly established service and although it is performing well, it is being monitored to ensure its effectiveness is as desired and it develops in line with expectations.

To ensure that services are delivered effectively, each service area produces an annual service and three year business improvement plan. Each service area also has its own balanced scorecard of performance measures which it reports quarterly to senior management and Members and records and manages its service related risks.



Governance



This section includes areas such as corporate governance, risk management, partnerships, information governance, procurement and contract management, Human Resources, project management and Member and Democratic Services.

The findings of the report show that the vast majority of our governance elements are deemed to be operating effectively. As the new Corporate Plan is in development, an amber rating was deemed appropriate. This is to ensure that its aims are effectively communicated across the Council and that these link to and inform service plans and individual work objectives. As the Corporate Plan sets out the strategic aims of the Council, the make-up of the Council’s strategic risk register will be reviewed. A strong focus will be placed on this to ensure it accurately reflects the key risks facing the Council.

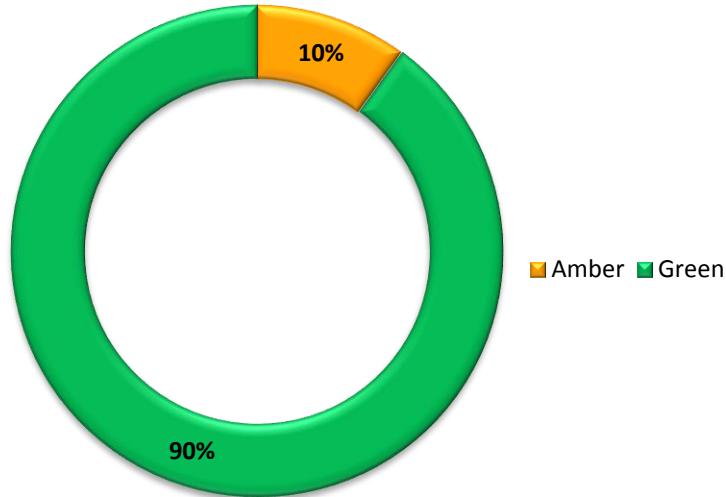
During 2018/19 we were pleased to receive from Internal Audit a ‘green’ rating opinion on our governance arrangements. This maintained our improvements over recent years. We aim to ensure that in a time of significant change, our governance processes and structures remain robust, yet proportionate and facilitate effective decision making.

The implementation of the General Data Protection Regulation (GDPR) in May 2018 saw the most significant change to data privacy regulations in over 20 years. The Council worked hard to ensure it was well prepared and an on-going programme of work has been devised to ensure protocols remain robust. A large-scale review of the Council’s partnerships was also undertaken. This resulted in a more focused approach to partnership working with emphasis placed on the key strategic partnerships that support the Council in achieving its desired outcomes. A further key area of work has been Value for Money (VfM), with the production of a VfM Strategy. Work will now progress with service areas to ensure that they are able to assess whether VfM is evident in their area and to identify steps to achieve such a position. Additionally, in preparation for the elections in May 2019, work is well advanced on a comprehensive Members’ induction training programme.

Also in 2018/19, Internal Audit conducted a governance review focusing on the inherent culture and values of the Council. This produced a welcome outcome and provided some aspects for the Council to act upon.



Resources - Due Diligence



This aspect relates to the functions that support the running of the Council and ensure compliance with policies and financial probity.

The findings across this section of the report are extremely welcome. Our arrangements overseeing Council Tax, Housing Benefits, financial management controls and the governance of grants are all performing well. The findings were ascertained after due consideration had been given to a range of indicators against which individual areas could be assessed. These indicators included performance, costs of delivery, the quality and breadth of project and risk management within the area, levels of compliance with statutory obligations and conclusions from any recent audits.

A number of these areas are subject to annual audits due to statutory requirements.

National Non-Domestic Rates (NNDR) was flagged as a concern. While collection rates remained high, there were a number of instances of poor communication between the service provider and the Council. These have led to a lack of awareness of some NNDR initiatives outside of normal performance reporting activities. The CCTV service was also assessed as amber. This service has expanded its coverage over recent times, but the appropriate level of resource to support it has yet to be fully established. Consequently, this potentially hinders the prospects of any further growth.

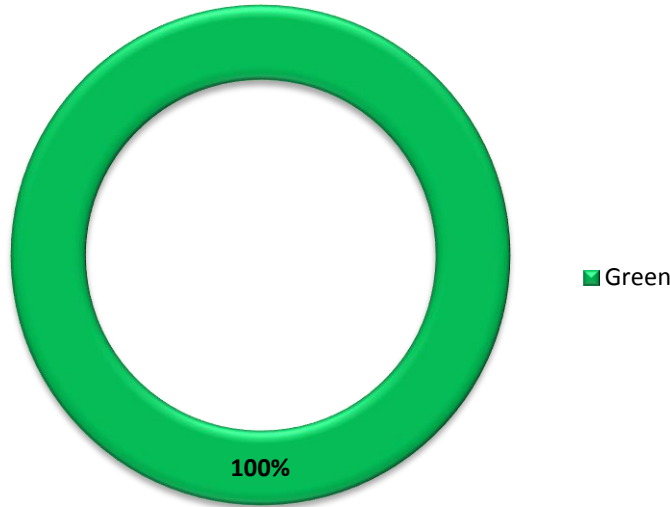
A key success in this category was the receipt of an unqualified audit finding in respect of the Council's Housing Benefit subsidy claim. Only around one in five Council's receive this rating.

To further illustrate the Council's strong position, audits conducted during 2018/19 into budget management, sales and invoicing, key controls, financial strategy and budget preparation, all reported substantial assurance.



Combined Assurance Status Report

ICT



The ICT aspect of the report focuses on governance arrangements within the service, the infrastructure, day to day operations, projects, compliance and applications and systems. All aspects are deemed to be performing well.

During 2018/19 the Council completed its ICT and Digital Strategy. This now provides the Council with a blueprint for the future direction of ICT. Developing on from this, work commenced in 2018/19 to specify the requirements for a system(s) that would facilitate the collation and analysis of customer and performance related data and also support the automation of straightforward service requests. The need for

such a system has been identified as a key enabler for the Council's Customer First programme.

The shared ICT partnership with North Kesteven District Council continues to operate well. It has overseen the production of a 10 year infrastructure development plan, which has been costed and identifies opportunities for rationalisation and efficiencies across the partnership.

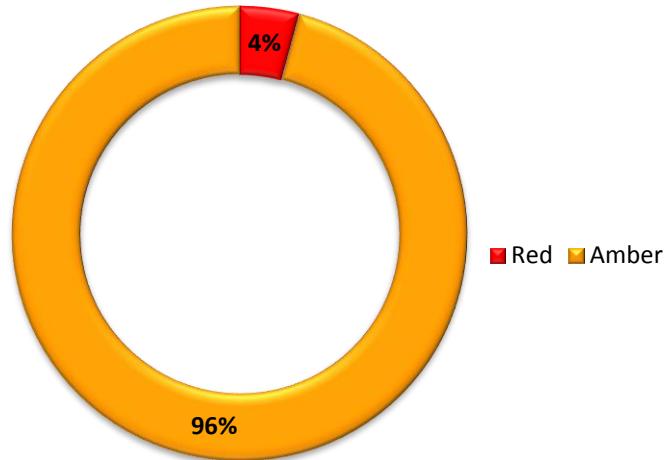
Work has progressed during 2018/19 on the refresh of ICT devices for both staff and Members. Solutions have been identified based on the specified requirements and a number of engagement sessions with relevant parties have been held. Roll-out of new devices is expected in early Spring for staff and for new and returning Councillors following the elections in May.

ICT security remains a key priority. During 2018/19 no major security breaches or successful attacks on ICT systems were reported. The need for vigilance and staff awareness is an on-going message.

An audit into the capacity and capability of the ICT service is underway and is expected to report shortly. The findings are anticipated and will be used to address any issues that are found.



Emerging Risks



We are pleased that emerging risks, as identified by Team Managers have been included within the report. Significant work has been undertaken over the recent past to ensure that risk awareness and management becomes a widely followed discipline. This demonstrates the Council’s appreciation, across all service areas, of potential future issues that may arise if not adequately mitigated, or planned for at an early stage. During periods of uncertainty or significant change, it is imperative that due consideration is paid to the risks associated with planned or potential events.

All service areas maintain their own risk registers to record and manage their risks. Oversight is provided at Senior

Leadership Team meetings and on-going training and awareness sessions are provided for staff.

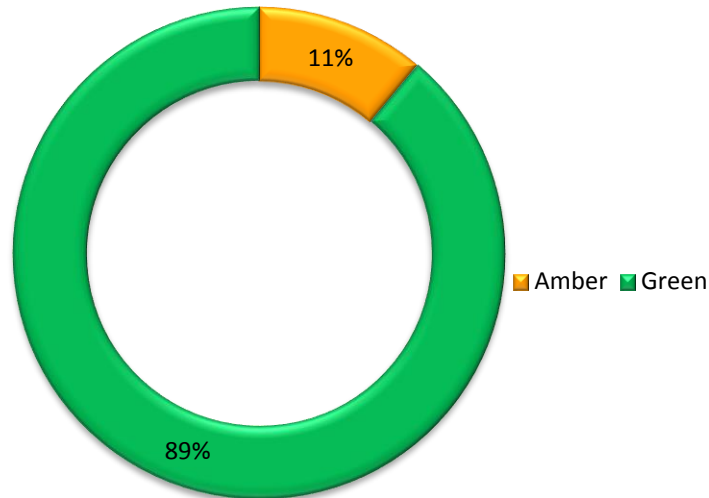
A number of emerging risks were identified as part of this exercise. These are as a result of either recently implemented or forthcoming legislative change, high demand on services, capacity/capability issues within service areas or the need for a review of strategic direction. Discussions between Team Managers and the Management Team and effective use of service planning are key to ensuring risks are mitigated as far as possible and performance data for example, is used to monitor any adverse impact on service delivery.

Over the last 12 months or so, risks associated with reduced staffing resources in certain service areas have been addressed. The Council is now much more consistent in its use of temporary or time-fixed appointments to address times of peak demand, or to support key projects.

The Council’s strategic risks are reviewed and managed by the Management Team. They are presented on a bi-annual basis to the Governance & Audit Committee for review and comment.



Key Projects



Support Officer. This role has helped to provide additional expertise to support project managers in developing projects. It also ensures the consistent use of the Council’s project management methodology and helps to critically analyse the rate of progress and whether any issues need to be brought to the attention of the Programme Board.

The Council continues to use its policy of buying-in additional capacity and expert technical knowledge to support programme delivery when required. This provides greater flexibility and does not draw internal resources away from other areas of work.

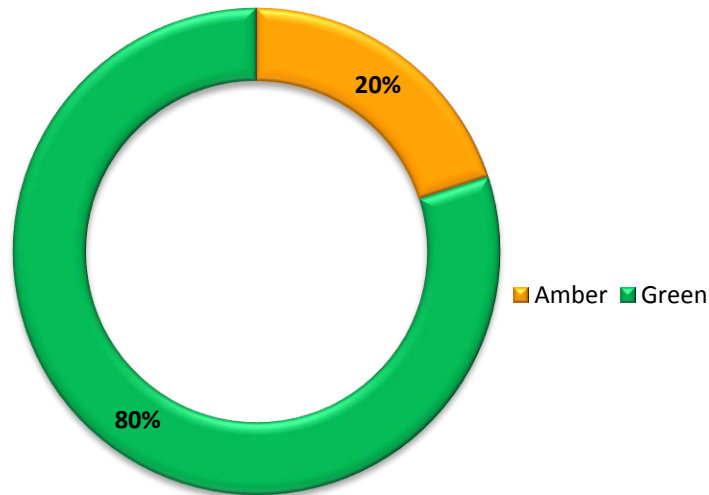
As part of the Council’s overarching review of ICT systems requirements, the need for a system to support project management is still under consideration.

Through the course of obtaining evidence from Team Managers for the production of the report, no manager expressed concern with project management in service discussions. Reporting to management and Members on the progress of the delivery of projects is undertaken quarterly and where issues are identified, remedial actions are provided. The Programme Board oversees all major programmes and projects and receives monthly updates.

Across the Council’s key programmes, all are deemed to be of no major concern in terms of the pace of development and the level of governance that supports them. During 2018/19 additional capacity was provided in the form a Senior Project



Key Partnerships



The Council recognises that effective partnership working is key to the achievement of many of its goals and desired outcomes. In that regard it is essential that any partnerships entered into, or that are currently in operation, deliver and their on-going relevance and effectiveness are continually evaluated.

Although no significant issues were raised during the assurance mapping exercise, there has been a recognition that management/corporate oversight and regular review of partnership management could be improved. To that extent,

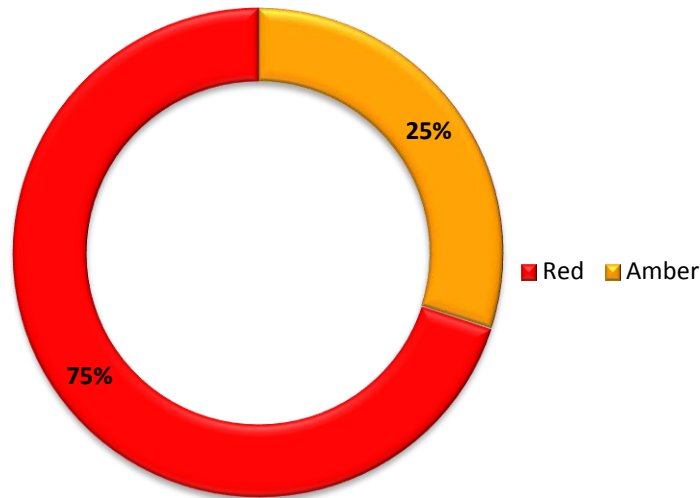
during 2018/19 a review of all of the Council’s partnership working arrangements was undertaken. This provided a clear definition of partnership working and helped to strip out arrangements that did not fit with this definition. Consequently, the key strategic partnerships which the Council is involved in were identified and their effectiveness and on-going relevance have been assessed. All partnerships are maintained on a central register.

The results of this work were reported to Management Team and the Corporate Policy & Resources Committee. As part of future work in this regard, an annual review of partnerships will be undertaken and reported, to provide on-going assessment of their effectiveness.

The Council’s key partnerships support the delivery of waste services, ICT, the Central Lincolnshire Local Plan, homelessness and safeguarding services, legal services and procurement.



Strategic Risks



Strategic Risks are reviewed and managed by the Council's Management Team (comprising of the Directors and Strategic Leads), with ownership of each individual strategic risk assigned to the appropriate Director. The content of the strategic risk register is based around the risks associated with the delivery of the themes contained within the Council's Corporate Plan, plus a number of additional risks such as Information Governance and Corporate Health & Safety. This approach is advocated by the Association of Local Authority Risk Managers (ALARM) who advise that strategic risks should focus on the long-term objectives of the organisation, which can be affected by areas such as financial concerns,

political risks, legal and regulatory changes and changes in the physical environment.

The Management Team are risk aware and as a minimum review the strategic risk register on a quarterly basis. Each risk is assessed against the scoring matrix (used for assessing all categories of risk) set out below, which calculates the level of the risk (high – red, medium – amber, or low - green). Existing mitigations are identified and consideration is paid to the need for additional mitigations.

Impact	Critical	4	8	12	16
	Major	3	6	9	12
	Minor	2	4	6	8
	Negligible	1	2	3	4
		Hardly Ever	Possible	Probable	Almost Certain
	Likelihood				

The Council's Governance & Audit Committee receive bi-annual updates on the content of the strategic risk register and are asked to provide appropriate scrutiny. This Committee contains the Council's 'Member Risk Champion'.

As the Council develops a new Corporate Plan, work will be undertaken to ensure that strategic risks reflect the risks to the successful delivery of the Plan. Work is also scheduled with officers and Members to review and assess the Council's overall 'risk appetite' and to update the Council's Risk Strategy.



Key Risks

Strategic Risks

Council's highest rated Strategic Risks

Commercial Approach

For the Council to successfully meet its financial challenges, it has embarked upon a journey of generating additional sustainable revenue streams from commercial sources. These need to be properly evaluated and the Council must be able to act in an agile manner to benefit from appropriate opportunities as they arise.

Information Governance

Protection from cyber-attack and/or data leakage is a significant risk to all organisations. We must therefore ensure that our defences are as strong as possible and staff, Members and partners are aware of their responsibilities. On-going monitoring of developments in this area, training and awareness and vigilance on the part of all, are a major part of the mitigating actions. Work to ensure on-going compliance with the requirements of the GDPR is a key action to be progressed.

Agenda Item 6d



Governance and Audit

Tuesday, 12 March 2019

Subject: Accounts Closedown 2018/19 - Accounting Matters

Report by:

Executive Director of Resources

Contact Officer:

Caroline Capon

Corporate Finance Team Leader

caroline.capon@west-lindsey.gov.uk

Purpose / Summary:

To review and approve the accounting policies actuary assumptions and materiality levels that will be used for the preparation of the 2018/19 accounts.

For the External Auditor to explain the process of the External Audit of the Statement of Accounts and approach to the Value for Money Audit 2018/19.

RECOMMENDATION(S):

1. To approve the proposed Accounting Policies (as included at Appendix 1)
2. To consider and make comment on the pension assumptions (as included at Appendix 2)
3. To consider and make comment on the risk assessment (at Appendix 3).
4. To approve the proposed materiality levels as included at section 5 including the revisions detailed at 5.6.
5. To consider and make comment on the key closedown dates at Section 7.6.
6. To accept the main accounting changes for 2018/19 and onwards as shown at section 3.

7. To note and receive the External Audit information contained within this report. (Appendix 4).

IMPLICATIONS

Legal: The External Audit element of the report is in accordance with the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015

Financial : FIN/214/19/SL

None directly from this report. However, the accounting policies and actuarial assumptions used for the accounts will have an impact on the amounts contained within the Statement of Accounts for 2018/19. The levels of materiality set will have minimal impact.

The additional costs associated with the delivery of the Statement of Accounts by the statutory deadline are met from existing budgets.

The annual audit fee 2018/19 and any additional work required to address significant risk within the Value for Money Audit will be met from the approved budget.

Staffing: Additional temporary staffing resources have been appointed for the process period, in addition, overtime hours are likely to be worked by some members of the Finance Team to ensure the Statutory deadline is met.

Equality and Diversity including Human Rights :

None arising as a result of this report.

Risk Assessment :

There is a risk of material errors should incorrect accounting policies be applied or if the actuary uses wildly inaccurate assumptions. An assessment of all risks is attached at Appendix 3.

Climate Related Risks and Opportunities :

None arising as a result of this report.

Title and Location of any Background Papers used in the preparation of this report:

CIPFA Code of Practice on Local Authority Accounting 2018/19 Accounts

CIPFA Guidance Notes for Practitioners 2018/19 Accounts

Both documents are held at the Guildhall

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1. Background

1.1 The Audit and Accounts Regulations 2015 require Local Authorities to produce and publish their Statement of Accounts by 31 May and an Audited Statement of Accounts by 31 July annually.

1.2 In producing the Statement of Accounts the Council follows the CIPFA Code of Practice on Local Authority Accounting 2018/19 (the Code).

1.3 The Council is required to ensure that the Statement of Accounts provides a true and fair view of the financial position, financial performance and cash flows of the authority. A true and fair presentation requires a faithful representation of the effects of transactions, other events and conditions in accordance with the definitions criteria for assets and liabilities, income and expenses set out in the Code. Compliance with the Code will therefore meet this requirement.

1.4 This report is asking for Members to review a number of matters such as accounting policies, materiality and actuarial assumptions (used for determining the pensions estimates) that will be used for drawing up the financial statements for the year. This review then forms part of the scrutiny process for the Statement of Accounts 2018/19.

1.5 External Audit – 2018/19 Audit Planning

The Accounts and Audit Regulations 2015 require local authorities to approve and publish their Statement of Accounts by 31 May and the Audited Statements by 31 July respectively.

The External Audit Annual Audit Plan is attached at Appendix 4 explains the process of the external audit of the Statement of Accounts and their approach to the Value for Money audit 2018/19.

The Auditor will ultimately give his opinion on whether the Statement of Accounts is compliant with statutory requirements and that they have been prepared in accordance with proper accounting practices, and that

adequate arrangements are in place to achieve Value for Money in the use of resources.

The audit will take a risk based approach, which will be reassessed throughout the process.

The report will be presented by Michael Norman, Mazars.

2. Changes to the Code of Practice

2.1 The following changes to the Code are effective for the 2018/19 and onwards financial statements:

Code Change	Impact on WLDC	Progress
Additional guidance on the principles of revenue recognition (Section 2.1 – Concepts).	Finance Team to review the accounts and they are already compliant with this requirement.	Finance team have reviewed the accounts and they are already compliant with this requirement.
A completely revised section 2.7 Revenue from Contracts with Service Recipients following the adoption of IFRS15 Revenue from Contracts with Customers.	New note required: 9B Revenue from Contracts with Service Recipients. Requirement to disclose revenue from exchange transactions with customers. It is only applied to service recipients that have contracted with the Council to obtain goods or services from the Council's normal operating activities.	The statement of accounts have been updated to reflect the new disclosure requirements. The new note 9b Revenue from Service Recipients has been added to the accounts.
Amendments to section 3.4 Presentation of Financial Statements to reflect the disclosure requirements under IAS7 Statement of Cashflows.	Finance Team to review changes and ensure all information is in line with The Code.	There are only minor changes to these sections and the changes will be reviewed as part of the production of the Statement of Accounts.
Augmented section 3.4 and section 5.2 to clarify the reporting requirements for debtors and creditors following the removal of the disclosure requirements for the analysis of debtors and creditors across public sector organisations.	Amendment to Note 18 Debtors and Note 20 Creditors to remove the categories: <i>Central Government Bodies</i> <i>Other Local Authorities</i> Non Exchange transactions have been removed from this note and a new note: <i>Debtors for Local Taxation</i> is to be established.	Under 3.4.2.63 of the CIPFA Code of Practice, The Council has discretion on the disaggregation of Debtors/Creditors Notes. For Transparency we have opted to retain the Central Government Bodies and Other Local Authorities categories in both of these notes and this will aid completion of Whole of Government Accounts

	<p>Due to the code changes the Debtors and Debtors for Local Taxation will need to be restated in the accounts for comparative purposes.</p> <p>There will be no change for the Creditors note</p>	<p>Both of the Debtors notes have been restated for 2017/18 in preparation for the year end and added in to 2018/19 Draft Statement of Accounts</p>
<p>Amendments to section 3.4 to clarify the segmental reporting arrangements under the Code</p>	<p>Finance Team to review changes and ensure all information is in line with The Code.</p>	<p>There are only minor changes to these sections and the changes will be reviewed as part of the production of the Statement of Accounts.</p>
<p>Amendments to the new section 5.2 of the Code to introduce the incurred loss model for the impairment of non-contractual debts including relevant disclosure requirements as a consequence of the expected credit loss model for impairment being introduced by the adoption of IFRS9.</p>	<p>All Financial Instruments, Treasury and Non-Treasury will be assessed for expected credit loss (12mths or Lifetime basis).</p>	<p>Accounting Treatment Confirmed.</p> <p>Accounting Policies Amended.</p> <p>Statement of Accounts updated for new disclosures and amended note 17 and note 34.</p>
<p>A fully revised chapter 7 Financial Instruments to reflect the Code's adoption of IFRS9 Financial Instruments. There have also been consequential amendments to section 3.4 to reflect the amendments to the Comprehensive Income and Expenditure Statement as a result of adopting this standard.</p>	<p>The classification of Financial Instruments as either Fair Value through Profit or Loss, Amortised Cost or the Fair Value through Other Comprehensive Income:</p> <p>All Financial Instruments, Treasury and Non-Treasury will be assessed for expected credit loss (12mths or Lifetime basis).</p>	<p>Management have approved the classification of Financial Instruments</p> <p>Accounting Treatment Confirmed.</p> <p>Accounting Policies Amended.</p> <p>Statement of Accounts updated for new disclosures and amended note 17 and note 34.</p>
<p>Amendments to section 8.1 Creditors to remove the requirement to disclose the analysis of creditors across public sector bodies – this has been replaced in section 8.1 with a reminder of the reporting requirements for these balances in 3.4.2.63</p>	<p>There will be no change to the Creditors note</p>	<p>Under 3.4.2.63 of the CIPFA Code of Practice, The Council has discretion on the disaggregation of Debtors/Creditors Notes. For Transparency we have opted to retain the Central Government Bodies and Other Local Authorities categories in both of these</p>

		notes and this will aid completion of Whole of Government Accounts
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3. Accounting Policies

- 3.1 The proposed accounting policies are as detailed at Appendix 1. These have been reviewed to ensure that they reflect the requirements of the latest Code and that they are still appropriate, accurately reflect what has occurred during the year and have been consistently applied.
- 3.2 Members should note only material accounting policies will be included within the Statement of Accounts.
- 3.3 The following changes of accounting policies have been made since the production of the 2017/18 financial statements:

Major Change

- ***x) Financial Instruments: Assets***

The Accounting policy has been amended to reflect the introduction of the accounting standard IFRS9: Financial Instruments

The revised accounting policy highlights the classification of Financial Instruments as either Fair Value through Profit or Loss, Amortised Cost or the Fair Value through Other Comprehensive Income (FVOCI):

- Fair Value Through Profit and Loss: CCLA Property Fund
- Amortised Cost: Money Market Funds (MMF), Deposits, Call Accounts
- FVOCI: There are no Instruments in this category.

All Financial Instruments, Treasury and Non-Treasury will be assessed for expected credit loss (12mths or Lifetime basis).

Minor Changes

- ***xi Government Grants and Contributions. Amendment of Community Infrastructure Levy (CIL)***

CIL was adopted by West Lindsey District Council 13/11/2017 for implementation 22/01/2018, the accounting policy has been updated to reflect that West Lindsey District Council both charges and collects the Levy.

- **Inclusion of Borrowing in the following Accounting Policies**
 - *ii) Accruals of Income and Expenditure*
 - **X) Financial Instruments: Financial Liabilities**

Prior to 2018/19 the Council was a debt free Local Authority. In 2018/19 the Council as at 13/02/2019 has three Loans from the PWLB totalling £11m. The policies have therefore been updated to reflect this change in circumstance.

- **xii Inventories and Long Term Contracts**
Accounting policy extended to detail that the cost of inventories is assigned using the weighted average costing formula.
- **xiii Council Tax and NNDR**
Additional paragraph in the Code Guidance in relation to Debtors. Where debtor balances for Council Tax and NNDR are identified as impaired, the asset is written down and a charge made to Collection Fund.

4. Actuarial Report and Assumptions

- 4.1 The Councils pension scheme is administered by Lincolnshire County Council with pension contributions included in the county wide pension fund.
- 4.2 The County Council uses Hymans as the actuary for assessing the year end assets and liabilities of the pension fund and the use of these assumptions determines the estimates of its share of the pension fund that the Council is required to reflect within its accounts.
- 4.3 The actuary also does a formal valuation of the pension fund every three years, with 2016 being the year of the latest valuation which relates to the financial years 2017/18 to 2019/20. The purpose of the review is to:
- calculate the Councils funding position within the fund, and
 - determine the contributions that the Council will pay from April 2017 to March 2020.
- 4.4 The pension values are comparatively large when taken in the context of the Councils overall budget and spend levels, so any assumptions used for these values will inevitably have a major impact on the Councils accounts, albeit this is a long term liability which is projected to be funded within 20 years. It is appropriate therefore that they should receive special scrutiny.
- 4.5 Although the assumptions have been determined by Hymans, ultimately it is the Council that is responsible for ensuring that any assumptions used are accurate and will lead to the best estimates possible for use in the accounts for 2018/19.

- 4.6 The actuarial assumptions report as provided by Hymans is included at Appendix 2.
- 4.7 When reviewing the assumptions used, the Council is required to consider if these assumptions are appropriate having regard to local circumstances. Matters that could impact on any assumptions used usually relate to proposals that may have a major impact on the future ie makeup of the workforce, such as pay increases in excess of 3% or outsourcing more than 5% of the workforce.
- 4.8 At this point in time there are no known proposals in the near future that could impact and therefore it is not recommended that the actuary's assumptions are challenged.
- 4.9 Estimated values of contributions and deficit reduction payments are submitted to the Actuary to take into account when calculating the final IAS19 report for inclusion within the Accounts.

5. Materiality Levels for 2018/19

- 5.1 Members now approve materiality levels that will be applied as part of the closedown process with the expectation that these will greatly assist with speeding up the closedown process and meeting the statutory deadline of 31 May.
- 5.2 Information is said to be material if omitting it or misstating it could influence decisions that users make on the basis of an entity's financial statements. There are no set materiality levels and each organisation needs to set levels having regard to the size and any special circumstances of the organisation.
- Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
 - Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.
- 5.3 Materiality is an amount that makes a difference to the understanding of the readers of the accounts- an audit never provides 100% assurance- only "reasonable assurance." For instance, if a company has overstated its revenues by £5 million when its total revenues are £4 billion, then this £5 million is considered 'immaterial.' However, if the company's total revenues are only £50 million, then this £5 million overstatement would be considered 'Material.'

- 5.4 External Audit have set a materiality level for the Council of £889,000 for 2018/19 and amounts less than £27,000 are considered trivial (i.e. not significant).
- 5.5 In order to meet the very tight statutory deadline there is a fine balance to strike between having absolute accuracy and accepting that there may be minor adjustments to make as part of the audit which would be included in the ISA260 Audit Report. Overall, it would be worth accepting the risk of small under/overspends year on year and possible minor audit adjustments to the accounts since they will not materially affect the Councils overall financial position or the financial statements that will still show “a true and fair view”.
- 5.6 The following levels of materiality are suggested for particular classes of transactions, account balances or disclosures. They remain at the same level as approved for 2017/18.
1. Disclosure of material items of income and expenditure (Note 5) £750,000 (5% of Net Revenue Stream)
 2. Manual Accruals - limit of £2,000
 3. Disclosures - £750,000
 4. 5% of income for continuing operations
 5. Related party transactions £10,000
 6. Stocks – anything less than £10,000 is charged to revenue in year
 7. Fixed assets (Property, Plant & Equipment) – Major components £500,000. Only assets with a value greater than £500,000 will be subject to the componentisation rules as per our policy.
- 5.7 The Council has a capital de-minimis level of £10k (i.e. all sums below this value are treated as revenue) and it is proposed that this sum remain unchanged.

6. Risk Assessment

- 6.1 An assessment of the risks associated with closing the Councils accounts and producing the Financial Statements has been undertaken and the risk assessment is attached at Appendix 3.
- 6.2 Each risk has been scored in terms of the likelihood that the event will happen and the severity of the impact if the event happens. Multiplying these two scores together then gives the calculated risk severity. A traffic light colouring system is used to highlight the level of severity.
- 6.3 These risks are then scored again after applying any actions to be taken to mitigate the risk.
- 6.4 A new risk has been added for 2018/19 in relation to Brexit on 29/03/2019. This will potentially impact on valuations of Property, particularly those properties valued on a Direct Replacement Cost (DRC) Basis. To mitigate this risk Finance Officers will work closely with our External Valuers (Wilks, Head and Eve) and seek professional assurance on the valuations provided, whilst also carrying out our own

reasonableness tests. Valuation of the Pension Fund could also be affected as fluctuations in equities and so forth is anticipated. We will mitigate this by closing the accounts on the estimate report provided in April 2019. In addition we have requested an additional actual report, which will be provided by 19/05/2019. Should the actual report differ significantly to the estimated report then we will make the necessary adjustments to the accounts prior to publication on 31 May 2019.

- 6.5 Members should note that after applying the planned mitigation the majority of risks are coloured green (low risk) with only three risks having an amber rating and no risks identified as being high (red).

7.0 Key Closedown Timetable

- 7.1 In order to achieve the earlier closedown for the 2018/19 accounts, officers have been working hard over the last few years to reduce the length of time to achieve tasks and also to bring forward the deadlines.
- 7.2 Tasks and work practices have been reviewed to take on board both accounting changes and the need to streamline/reduce workload and work more efficiently.
- 7.3 Last year the Statement of Accounts was published on the Council website on 31 May 2018. This forward planning means that we are in a good position for delivering by the deadline going forward.
- 7.4 A detailed timetable is produced (with some 300+ tasks) for officers' use that not only produces the Statement of Accounts but is also used to produce the working papers as required by the Council's External Auditors.
- 7.5 Within the detailed timetable there are certain key dates that represent those key milestones that we need to focus on achieving.
- 7.6 The following table shows those key tasks and dates for the 2018/19 closedown process.

	Key Dates 2018/19
Planning and Preparation	1/11/2018 – 31/12/2018
External Audit Liaison Meeting	01/11/2018
Balance Sheet Review	31/01/2019
Finance Team Closedown Briefing	11/01/2019
Budget Managers Briefings/Training	30/01/2019

Interim Audit	04/02/2019
Report to G&A Committee: Accounts Closedown Matters: to approve Accounting Policies & Actuaries Assumptions	12/03/2019
Narrative Report draft	30/04/2019
Close the period 12	01/04/2019
Accruals/Prepayments input to system	05/04/2019
All Accounts Closed	30/04/2019
Out-turn position report to CP&R	13/05/2019
Balance Sheet and CIES completed	08/05/2019
Statement of Accounts completed	23/05/2019
Quality review of Statement of Accounts	24/05/2019
Authorised for Issue by S151 Officer	31/05/2019
Send SoA to Auditors and publish on website	31/05/2019
Commence External Audit of Accounts (3 weeks)	27/05/2019
G&A Approval of Unaudited Statement of Accounts	18/06/2019
WGA (subject to date of issue)	14/06/2019
G&A Approval of SoA and AGS	24/07/2019
Publish SoA on website and issue notice	31/07/2019

8. Accounting Changes 2018/19

- 8.1 There have been no changes to the coding structure in 2018/19 and therefore no restatements of the main statement of accounts are required.
- 8.2 There are two major accounting change that will affect the 2018/19 Statement of Accounts and onwards.

1) IFRS9: Financial Instruments

Revision of the accounting policy to highlight the classification of Financial Instruments as either Fair Value through Profit or Loss, Amortised Cost or the Fair Value through Other Comprehensive Income:

- **Fair Value Through Profit and Loss: Property Fund**
- **Amortised Cost:** MMF, Deposits, Call Accounts

- **FVOCI:** There are no Instruments categorised through the FVOCI.

All Financial Instruments, Treasury and Non-Treasury will be assessed for expected credit loss (12mths or Lifetime basis).

2) IFRS 15 Revenue from Contracts with Customers

Inclusion of a new note (9B Revenue from Contracts with Service Recipients) to the statement of accounts.

This will apply to services such as Green Waste Collection, Trade Waste, Bulky Waste Collection, Pre-App planning advice, Commercial Building Control, Trinity Arts, Room Hire, Burial Services and will apply in future to cremation services.

9.0 2018/19 Statutory Deadline (Accounts Published 31 May 2019 and Audited by 31 July 2019)

- 9.1 Due to the statutory deadlines for the 2018/19 Statement of Accounts, it will no longer be possible to report to the Governance and Audit Committee prior to authorisation for issue of the unaudited statements by the Executive Director of Resources (Chief Finance Officer S151). They will however, be presented to Members of the Governance and Audit Committee at its meeting in June.

APPENDIX 1

1. ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code) and the Service Reporting Code of Practice 2018/19, supported by the International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

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

ii Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

iii Acquired Operations

All operations acquired in year will be treated in line with the Council's accounting policies and if material disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

iv Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

v Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

vi Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii Council Tax and National Non-Domestic Rates (Business Rates)

Billing authorities act as agents, collecting council tax and non-domestic rates (NNDR) on behalf of the major preceptors (including government for NNDR) and, as principals, collecting council tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NNDR collected could be less or more than predicted.

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

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

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

viii Employee Benefits

The Council accounts for employment and post-employment benefits when employees earn them and the Council is committed to providing them, even if the actual provision might be many years into the future. Employee benefits are accounted for in the following four categories:

a) Benefits Payable During Employment

Short-term employee benefits are those due to be settled payable within twelve months of the Balance Sheet date and include, wages, salaries, social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits, and similar payments and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination Benefits

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

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

c) Post – Employment Benefits

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

d) The Local Government Pension Scheme

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

- Liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.9% determined by reference to market yields at the end of the reporting period on high quality corporate bonds (iBoxx AA over 15 year index).
- The assets of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet at fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

The assessment process takes the most recent triennial actuarial valuation and updates it to reflect current conditions.

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

Service cost comprising:

Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Past Service Costs – the increase in liabilities as a result of a scheme amendment or a decision whose effect relates to years of service earned in earlier years (curtailment) – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Net Interest – on the net defined benefit liability/asset, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.

Re-measurement comprising:

Return on scheme assets – excluding amounts included in net interest on the net defined benefit liability/asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Actuarial gains and losses - changes in net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Lincolnshire Pension Fund

Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Further information can be found in the Lincolnshire Local Government Pension Fund Annual Report. Which is available at the following link;

<https://www.lincolnshire.gov.uk/local-democracy/how-the-council-works/finances/lincolnshire-county-council-pension-fund/>

or the following address;

**Treasury and Financial Strategy,
Lincolnshire County Council,
County Offices
Newland,
Lincoln, LN1 1YG**

ix Events after the Reporting Period

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

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

x Financial Instruments

Financial Liabilities

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

Financial liabilities are classified into two types:

- amortised cost – liabilities that are not held for trading, such as operational creditors and borrowings; and
- fair value through profit or loss – liabilities held for trading.

The Council currently only has liabilities carried at amortised cost relating to Finance Leases and borrowing, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive

Income and Expenditure Statement is the amount payable for the year according to the lease or loan agreement.

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the financial instrument.

For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The Council has made no soft loans (loans at less than Market Rate) as at 31/03/2019.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

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

The authority has a portfolio of loans to measure lifetime expected losses, this will be assessed on each individual instrument basis. This will take into account materiality, history of default, and impact sensitivity of amendments such as interest rate changes.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

The Council currently holds no financial instruments at fair value through Other Comprehensive Income.

xi Government Grants and Contributions

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

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

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

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

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

Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be utilised for infrastructure projects to support the development of the area. As a collecting authority, other than an element of the charge being credited to the Comprehensive Income and Expenditure Account for administration costs, the income is shared with Parish Councils and the Lincolnshire County Council to support agreed schemes. Amounts will be held on the Balance Sheet until paid over to the relevant bodies.

xii Heritage Assets – General

The Council holds Civic Regalia as a Heritage Asset

Heritage assets are recognised and measured (including the treatment of valuation gains and losses) in accordance with the council's policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – (see Accounting Policy xviv Property Plant and Equipment) in this summary of significant accounting policies.

xiii Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences, rights to use land) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. All such expenditure is accounted for on an accruals basis and capitalised as a non-current asset.

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal

or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiv. Interests in Companies and Other Entities

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The judgement by the S151 Officer is that there is no material impact on the Statement of Accounts. Group Accounts are not required for 2018/19.

xv Inventories and long-term contracts

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

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

xvi Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xvii Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and the resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

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

xviii Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease

term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore

appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviv Property Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is possible that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. Assets acquired above a de-minimis of £10,000 are capitalised.

Measurement

Assets are initially measured at cost, comprising;

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

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

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

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

reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure assets, community assets and assets under construction – depreciated historical cost
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer with the exception of a number of leased shops, where the remaining term of the lease has been used
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.

Asset Useful Economic Lives assumed

Assets	Useful Life Range (years)
Offices/Leisure Centre	20 to 60
Depots & Stores	46
Shops	48
Public Conveniences	39
CCTV Systems/IT Equipment/Wheeled Bins/Office Equipment	1 to 11
Vehicles/Bin Lifters	1 to 7
Infrastructure Assets	20 to 31
Dwellings	46

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve. The balance on the Capital Receipts Reserve can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xx Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required or a

lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

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

Contingent liabilities

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

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

Contingent assets

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

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

xxi Reserves

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

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

xxii Revenue Expenditure Funded From Capital Under Statute

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

xxiii Value Added Tax (VAT)

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

xxiv Fair Value Measurement

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

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

The Council measures the fair value of an asset or liability using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

Accounting Assumptions



Take control early, it's your call!

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

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

Your options

1 Enhanced Service

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

- Receive an employer specific assumptions paper covering the assumptions key to your organisation, what changes to assumptions could be made, and the estimated financial impact on your accounting disclosures. This would be based on information you provide about future expected pay growth and recruitment plans.
- Arrange a face-to-face meeting or a call with an Actuary to discuss the accounting assumptions and how these impact on your organisation's accounting figures.
- Receive provisional FRS102 / IAS19 figures in advance of the reporting date, giving an early indication of how your assets and obligations have developed and can also help inform the assumption setting exercise.

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

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

2 Basic Service

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

Briefing note

Local Government FRS102 / IAS19

January 2019

“ You choose assumptions appropriate for your organisation ”

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

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

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

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

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

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

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

The remainder of this briefing note sets out the rationale behind the setting of our default principal accounting assumptions. The approach to our default assumption setting applies to all accounting disclosures (unless otherwise stated) and is discussed with the National Audit Office, Audit Scotland and Wales Audit Office.

Discount Rate

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

Corporate bond yield curve

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

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

Weighted average duration

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

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

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

Retail Prices Inflation (RPI)

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

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

Pension Increases (CPI)

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

Our default assumed RPI-CPI gap will be 1.0% p.a. (unchanged from the 2018 accounting exercise).

Salary growth

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

Longevity assumptions

Our default longevity assumptions for the 2019 accounting exercise are in line with those adopted by your LGPS fund(s) for the most recent funding actuarial valuation.

Other demographic assumptions

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

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

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

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

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

ID	Date Opened	Status	Service Area	Risk Type	Risk Owner	Event (description of risk)	Consequences of Event occurring	Existing Mitigation	Existing Assurances	Score with Existing Mitigation			Risk Option Chosen	Planned Mitigation (if any)			Score with Planned Mitigation	Contingency (should the Event actually occur)	Due Date for next Review	Actual Date of last Review or Date Closed	Comments		
										Likelihood 1 Minor 2 Moderate 3 High	Impact 1 Minor 2 Moderate 3 High	Calculated Risk Severity		Action	Lead	Due Date						Likelihood 1 Minor 2 Moderate 3 High	Impact 1 Minor 2 Moderate 3 High
1	05/11/2016	Open	Financial Control	Internal Financial Systems and Funding Risks	Tracey Bircumshaw	External auditor will detect a material mis-statement in the accounts.	Could impact on the financial health of the Council and reputation of Financial Services	Regular review of GL transactions against budget, reconciliations, quality review of final account working papers, PBC owners designated	Senior officers review reconciliations and working papers. Checking systems throughout the year are in place. Tracey does a final review.	1	1	1	Accept risk as is	no further actions identified	Tracey Bircumshaw		1	2	2	Amend the financial statements	01/06/2019	18/12/2018	
2	05/11/2016	Open	Financial Control	Internal Governance - Risks around Non-Compliance re: Technical accounting	Tracey Bircumshaw	The correct accounting treatment has not been followed due to omission, error in interpretation	Could lead to material misstatement and impact on the financial health of the Council and reputation of Financial Services	Updated procedures, up to date technical reference library, attendance at external briefings, learning & development framework	Internal audit reports. Final accounts working papers signed off by senior officer. Working papers are subject to second review by different senior officer.	2	1	2	Mitigate risk (reduce)	QA on all working papers undertaken by expert.	Tracey Bircumshaw		1	2	2	Amend the financial statements	01/06/2019	18/12/2018	continuous improvement process
3	05/11/2016	Open	Systems	Internal Financial Systems and Funding Risks	Tracey Bircumshaw	Errors are made in Civica as part of the closedown, as team are not clear on processes for Civica	Could lead to late production of accounts, impact on the reputation of Financial Services and possible additional costs.	Civica closedown timetable and documented procedures	Written procedure notes	2	1	2	Accept risk as is	Balance Sheet Review to December	Tracey Bircumshaw		1	1	1	Restore Civica and re-process data with IT support	01/06/2019	18/12/2018	
4	05/11/2016	Open	Financial Control	Risks around Employment and People	Tracey Bircumshaw	Team members do not comply or are unable to comply with the timetable	Could lead to late production of accounts, impact on the reputation of Financial Services and the Council and possible additional costs.	Final accounts closedown timetable that is clearer to follow and devolved responsibilities. Training delivered annually as part of closedown process	Flexi rules suspended, 1-2-1 meetings with PBC owners, support and learning, procedures built into working papers, code guidance	2	2	4	Mitigate risk (reduce)	More support for officers over the closedown plan and working papers	Tracey Bircumshaw		1	2	2	reprioritise work, bring in overtime if necessary and external resources	01/06/2019	18/12/2018	
5	05/11/2016	Open	Financial Control	Risks around Employment and People	Tracey Bircumshaw	Team members leave or are ill, together with in-experienced team members taking on new roles.	Could lead to late production of accounts, impact on the reputation of Financial Services and the Council and possible additional costs.	Procedure notes for main areas	Procedures built into working papers. Earlier preparation, so QA in January, flexible working	2	2	4	Mitigate risk (reduce)	Work with PBC owners to identify issues. Mentor new officers and provide training where necessary to ensure all work areas have sufficient cover so that no one officer has the sole knowledge	Tracey Bircumshaw		1	2	2	reprioritise work, bring in overtime - external resources	01/06/2019	18/12/2018	
6	05/11/2016	Open	Financial Control	Risks around Employment and People	Tracey Bircumshaw	Team members do not provide adequate working papers	Could lead to additional audit costs by delaying time for completion.	standard template in place	Two senior officer signs off working papers. PBC owner reviews	2	2	4	Mitigate risk (reduce)	All WPs QA twice	Tracey Bircumshaw		1	2	2	Rework any deficient WPs	01/06/2019	18/12/2018	continuous improvement process
7	05/11/2016	Open	Systems	Internal Financial Systems and Funding Risks	Tracey Bircumshaw	There are issues with the asset register	Could lead to material misstatement and impact on the financial health of the Council and reputation of Financial Services	Capital closedown procedure notes in place. Principal Accountant to receive in house and external training. Service Manager and Team Manager understand capital and year end requirements	Principal Accountant oversees the work area. Team Manager Review	2	2	4	Mitigate risk (reduce)	Support to be provided to capital accountant Principal Accountant if necessary. Capital closedown work to be reviewed by senior officer. New capital WPs templates set up	Tracey Bircumshaw		1	2	2	re-work asset figures and transactions	01/06/2019	18/12/2018	continuous improvement process
8	05/11/2016	Open	Financial Control	Operational Service Delivery Risks	Tracey Bircumshaw	Providing audit with correct information in a timely manner.	Could lead to additional audit costs by delaying time for completion.	New protocol established including WPs to meet PBC requirements	Regular liaison with audit	2	2	4	Accept risk as is	no further actions identified	Tracey Bircumshaw		1	1	1		01/06/2019	18/12/2018	continuous improvement process
9	05/11/2016	Open	Financial Control	Internal Financial Systems and Funding Risks	Tracey Bircumshaw	Ensuring all accounts are reconciled where there are system related imbalances	Could lead to additional audit costs by delaying time for completion.	policies established including balance sheet recs	Monitored by senior officer and at monthly team meeting	1	2	2	Accept risk as is	no further actions identified	Tracey Bircumshaw		1	2	2		01/06/2019	18/12/2018	
10	05/11/2016	Open	Financial Statement	Client Risk managed by Financial Services	Tracey Bircumshaw	Service managers do not comply with closedown timetable or provide adequate information.	Could lead to additional audit costs by delaying time for completion.	Training and Briefings. Meetings with Key Stakeholders	No issues in prior years	2	2	4	Mitigate risk (reduce)	regular liaison	Service Accountants		1	1	1		01/06/2019	18/12/2018	
11	05/11/2016	Open	Financial Statement	Client Risk managed by Financial Services	Tracey Bircumshaw	Elected members do not return related party questionnaires	Could lead to additional audit costs by delaying time for completion.	liaise with key members	Monitoring and reminders issued. Members who leave during year now complete a return as part of exit process	3	1	3	Mitigate risk (reduce)	Engage the support of the Chair/Vice Chair of G&A. Early liaison with S151 and member services	Tracey Bircumshaw		1	1	1		01/06/2019	18/12/2018	
12	05/11/2016	Open	Financial Statement	Client Risk and Financial Services Risk	Tracey Bircumshaw	Material MisStatement due to Fraud	Could lead to material misstatement and impact on the financial health of the Council and reputation of Financial Services	Systems of internal control including internal audit	Audit reports monitored by Senior managers and CMT	1	3	3	Accept risk as is	Regular budget monitoring, internal controls incl authorisations and separation of duties	Tracey Bircumshaw		1	1	1	Amend the financial statements	01/06/2019	18/12/2018	
13	07/06/2017	Open	Financial Statement	Client Risk managed by Financial Services	Tracey Bircumshaw	Subsidiaries/other companies do not provide the data needed for group accounting	Not issuing the Statement for publication by 31.5.2019	Liason with key officers. Financial services control accounting	Minimal but very early in company set up process.	3	3	9	Mitigate risk (reduce)	Plan with external accounts when statement of accounts to be completed by and if they require auditing	Commercial Accountant		2	2	4		01/06/2019	18/12/2018	
14	13/02/2019	Open	Financial Statement	Client Risk managed by Financial Services	Tracey Bircumshaw	Brexit 29/03/2019	Material Change to the valuation of Property at the 31/03/2019, with particular reference to those assets valued on the Direct Replaceable Cost (DRC method). Material Change to the Valuation of the Pension Fund due to fluctuations in equities and so forth	Liason with key officers, external valuers Wilks, Head and Eve and Pension Fund Administrators Lincolnshire County Council and Actuary. Financial Services control accounting.	Minimal due to the uncertainty around Brexit	3	3	9	Mitigate risk (reduce)	Work closely with Auditor and External Valuers to agree the level of assurance and evidence required for Property valuations and amend the accounts should a material change in valuations occur post Brexit. Close the accounts using the Pension Estimate report and make the relevant accounting adjustments, then obtain an actual report in May to compare for material change. If a material change is deemed to of occurred the relevant accounting amendments will be made prior to the publication of the draft financial statements 31/05/2019	Caroline Capon		2	2	4		13/02/2020	13/02/2019	
15	05/11/2016	Open	Financial Statement	Statutory Deadline exceeded	Ian Knowles	Not issuing the Statement for publication by 31.5.2019	Reputation, more items identified for amendment on Audit. ISA 260 recommendations, material misstatements if estimates to be used more	Prior years working towards earlier closedown. Full dry run 2016/17 which achieved the new deadline	Tighter timetable monitoring, ownership of tasks, any issues picked up on audit are amended.	2	3	6	Mitigate risk (reduce)	Work closer with Auditor, agreement of estimates and process and PBC list, deal with issues as they come along. Appoint agency support and or additional working hours	Tracey Bircumshaw		2	2	4		01/06/2019	18/12/2018	

Draft Audit Strategy

Memorandum

West Lindsey District Council

Year ending 31 March 2019





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Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

Appendix C – Mazars' client service commitment

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

Governance and Audit Committee Members
West Lindsey District Council
Guildhall
Marshall's Yard
Gainsborough
Lincolnshire
DN21 2NA

February 2019

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for West Lindsey District Council for the year ending 31 March 2019

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

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

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

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

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

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

Yours faithfully

Mark Surridge
Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

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

Our responsibilities

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

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Reporting to the NAO

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Council.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

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

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

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

For the purpose of our audit, we have identified the Governance and Audit Committee as those charged with governance.

2. YOUR AUDIT ENGAGEMENT TEAM



Mark Surridge
Director and Engagement Lead

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Mike Norman
Senior Manager

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3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

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

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

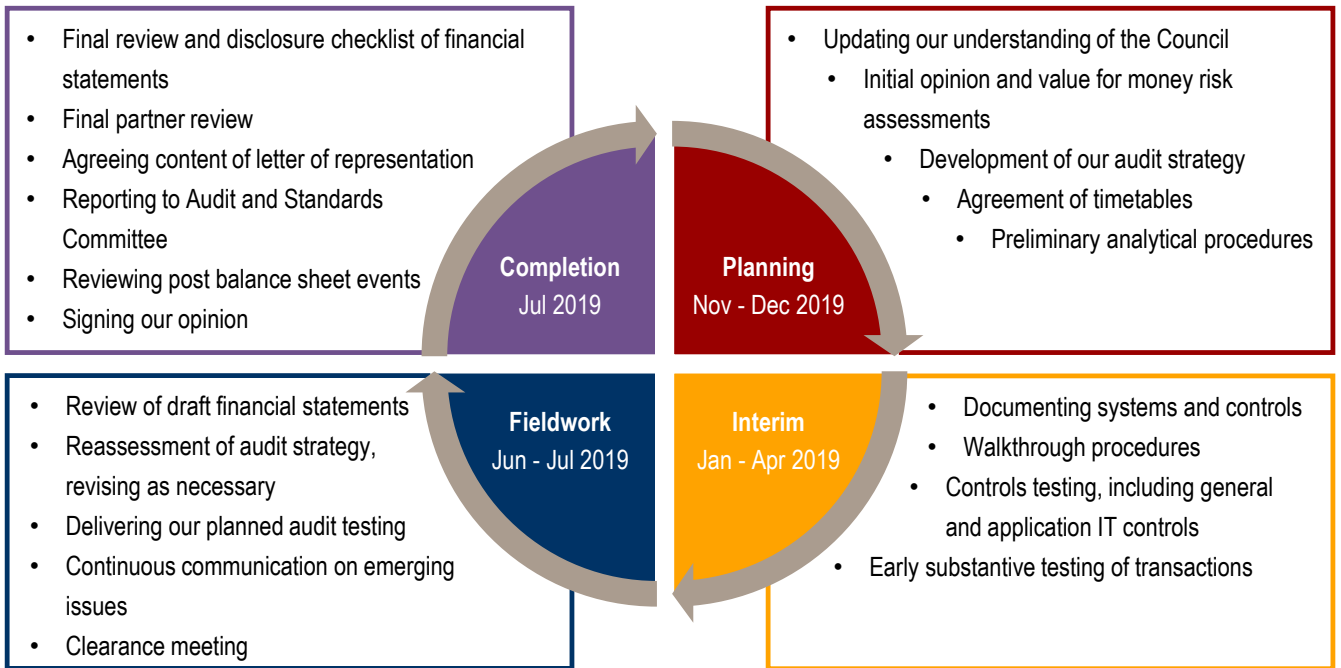
Audit approach

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

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

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

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



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Management's and our experts

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

Items of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson <i>Actuary for Lincolnshire Pension Fund</i>	PWC <i>Consulting actuary appointed by the NAO</i>
Property, plant and equipment valuation	Wilks, Head and Eve LLP <i>External valuation specialist</i>	Gerald Eve <i>Valuations expert appointed by the NAO</i>
Business Rates Appeals valuation	Inform CPI Ltd <i>Analyse LOCAL Valuation System</i>	<i>Not Applicable</i>
Financial instrument disclosures	Link Asset Services <i>Treasury management advisors</i>	Not applicable

Service organisations

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

Items of account	Service organisation	Audit approach
Pension cost (cost of services) Net interest on defined benefit liability Re-measurements of the net defined benefit liability (OCI) Net pension liability	Lincolnshire Pension Fund <i>The IAS 19 pension entries that form part of the Council's financial statements are material and are derived from actuarial valuations. The process of obtaining these is co-ordinated by and uses information held and processed by the service organisation.</i>	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. Where we conclude that we do not have a sufficient understanding of the services provided by the service organisation we will seek to obtain assurance by using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organisation.
Payroll Expenditure	North Kesteven District Council <i>The payroll entries that form part of the Council's financial statements are material and are derived from the processing of monthly payrolls. The payroll processing is undertaken and administered by North Kesteven District Council on behalf of the Council.</i>	We will review the controls at the Council over these transactions and gain an understanding of the work of the service organisations. We will conclude whether the Council has sufficient controls in place over the services provided by the payroll and business rates service and whether we will be able to audit these items of account based on the records held at the entity.
Business Rates Income	City of Lincoln Council <i>The Business Rates system is administered by City of Lincoln Council on the Council's behalf</i>	

3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

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

Group audit requirements

The Council's group structure for 2018/19 will include:

- WLDC Trading Limited (the holding company)
- Surestaff Lincs Limited
- WLDC Staffing Services Limited

The Council has not in previous years prepared group accounts on the grounds that these companies were not material and are not therefore expected to fall within the scope of our audit. We will review the Council's assessment of these arrangements for this year's financial statements. We have included more information on this at page 15.

4. AUDIT RISKS AND KEY JUDGEMENT AREAS

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

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

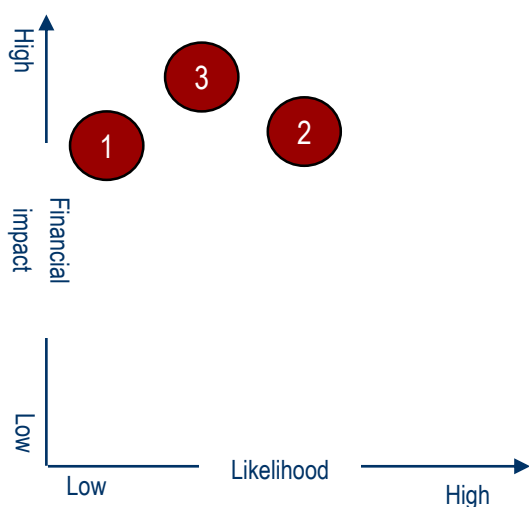
Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

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

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

The summary risk assessment, illustrated in the tables below, highlight those risks which we deem to be significant or enhanced. We have summarised our audit response to these risks over the next pages.

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



Risk	
1	Management override of control
2	Property, plant and equipment valuation
3	Defined benefit liability valuation

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

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

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>In relation to the management override of controls we will:</p> <ul style="list-style-type: none"> • Document our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding; • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Review the calculation of management’s material accruals, estimates and provisions for evidence of management bias; • Evaluate the business rationale for any significant unusual transactions; • Understand the oversight given by those charged with governance of management process over fraud; • Sample test accruals and provisions based on established testing thresholds; and • Review material aspects of capital expenditure on property plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
2	<p>Valuation of property, plant and equipment, investment properties and assets held for sale</p> <p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.</p>	<p>In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we will:</p> <ul style="list-style-type: none"> • Critically assess the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Consider whether the overall revaluation methodologies used by the Council's valuer's are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Critically assess the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; • Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer's; and • Test a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
3	<p>Valuation of net defined benefit liability</p> <p>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p>In relation to the valuation of the Council's defined benefit pension liability we will:</p> <ul style="list-style-type: none"> • Critically assess the competency, objectivity and independence of the Lincolnshire Pension Fund's Actuary, Hymans Robertson; • Liaise with the auditors of the Lincolnshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • Test payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council; • Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and • Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Consideration of other mandatory risks

Auditing standards require us to consider two standard risks for all organisations:

- Management override of controls; and
- Fraudulent revenue recognition.

We have already considered and identified management override of controls as a significant risk above, but set out our considerations in respect of fraudulent revenue recognition below:

	Description of risk	Planned response
1	<p>Fraudulent revenue recognition</p> <p>Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.</p>	<p>We do not consider this to be a significant risk for West Lindsey District Council as:</p> <ul style="list-style-type: none"> • there is an overall low risk for local authorities, and particularly this Council; • there are no particular incentives or opportunities to commit material fraudulent revenue recognition; and • the level of income that does not derive from either grant or taxation sources is low relative to the Council's overall income streams, and generally represents a number of low value, high volume transactions. <p>We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk.</p>

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Enhanced risks and key areas of management judgement

Enhanced risks and key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	<p>Provision for business rate appeals against the rating list</p> <p>The issue of a new rating list and a change in the appeals process has created delays in appeals being notified to the Council. Consequently management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.</p>	<p>We plan to address this judgement by:</p> <ul style="list-style-type: none"> • Reviewing the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries; • Assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy; and • Assessing whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability.
2	<p>Minimum revenue provision (MRP)</p> <p>Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The Council has borrowed £20m in 2018/19 and expects to borrow a further £13m in 2019/20.</p> <p>The amount to be set aside each year is not prescribed although an overarching principle of prudence is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised in determining the level of its prudent provision.</p>	<p>We plan to address this judgement by:</p> <ul style="list-style-type: none"> • Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance; • Assessing whether the provision has been calculated and recorded in accordance with the Council's policy; • Assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and • Confirming that any charge has been accounted for in accordance with the Code.

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Enhanced risks and key areas of management judgement (continued)

	Area of management judgement	Planned response
3	<p>Group Accounts</p> <p>The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own 2017/18 single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. Management's judgement was that there was no material impact on the Statement of and Group Accounts were not prepared. It is expected that a similar line is to be followed for the Council's 2018/19 accounts.</p> <p>The Council's 2017/18 financial statements disclosed that it owned 100% Surestaff Lincs Ltd and WLDC Staffing Services Ltd, and that it was a shareholder in Market Street Renewal Ltd.</p>	<p>We plan to address this by reviewing the assessment carried out by management for 2018/19 and challenging the reasonableness of judgments management has made.</p>

5. VALUE FOR MONEY

Our approach to Value for Money

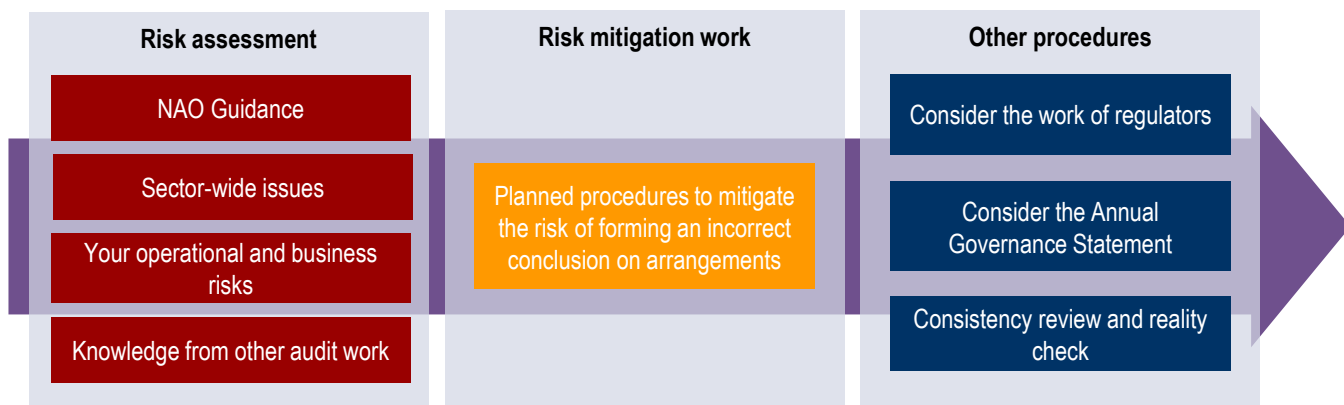
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria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

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

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

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

A summary of the work we undertake to reach our conclusion is provided below:



Significant risks

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

For the 2018/19 financial year, we have identified the following significant value for money conclusion risk:

- Commercialisation - The Council has a significant commercialisation programme in progress, and under its Commercial Plan 2015-2020 set itself an income target of £1m. £0.6m of this target was forecast to come from commercial property investments. There is an approved £30m for these investments, with around £16m spent to date. This is largely funded by internal and external borrowing. Under the Council's current MRP policy it proposes that the Council will not be making MRP provision for investment property expenditure. We need an understanding of governance supporting these investment decisions, the financing arrangements and the risk management arrangements, and the justification for its MRP policy.

We have also identified the following specific matter which we need to keep to under close review:

- Financial sustainability – the opening MTFS identified a likely funding gap of over £600k by 2022/23. The Council has continued to work on updating forecasts and modelling its funding requirements. We need to consider the progress made and update our assessment of this risk area before forming our final VFM conclusion.

We will continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a risk to our VFM conclusion does exist and where any such risk is identified, these will be reported to the Governance and Audit Committee as part of our Audit Completion Report.

6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 25 April 2018.

Service	2017/18 fee	2018/19 fee
Code audit work	£33,420	£43,420

Fees for non-PSAA work

We have not been separately engaged by the Council to carry out any additional work over the fees outlined above in relation to our appointment by PSAA.

Should the Council wish us to undertake any additional work, before agreeing to this we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

7. OUR COMMITMENT TO INDEPENDENCE

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

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

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

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

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

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

As we have not been engaged to carry out any non-audit work to date, no threats to our independence have been identified. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold
Overall materiality	£889,000
Performance materiality	£622,000
Trivial threshold for errors to be reported to the Governance and Audit Committee	£27,000

Materiality

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

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

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

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

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

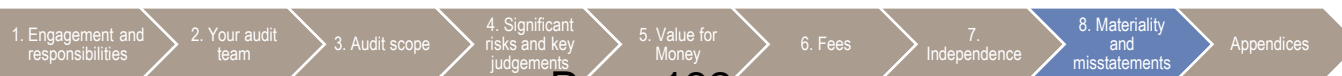
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and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

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

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

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

We consider that total gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We have set our materiality threshold at 2% of the benchmark based on the 2017/18 audited financial statements.

Based on the 2017/18 audited financial statements we anticipate the overall materiality for the year ending 31 March 2019 to be £889,000.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting performance materiality we have taken into account that this is our first year of audit and accordingly we do not hold extensive cumulative audit knowledge about the Council's financial statements. We have therefore set our performance materiality at 70% of our overall materiality being £622,000.

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

Specific items of lower materiality

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

Item of account	Specific materiality
Officers' remuneration	£5,000 *
Members' allowances and expenses	£56,000
External audit costs	£9,000

* Reflecting movement from one salary band to another

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Governance and Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £27,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Surridge.

Reporting to the Governance and Audit Committee

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

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

APPENDIX A – KEY COMMUNICATION POINTS

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

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

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

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised cost. However, we are aware that consideration will need to be given to the Council's holdings in property funds which may need to be reclassified from their current available for sale category.

For Councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. We are aware that, following the Ministry of Housing, Communities and Local Government consultations, a statutory override, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.

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

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

Changes in future years

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

APPENDIX C – MAZARS' CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.



Governance and Audit Workplan to May 2020

Purpose:

This report provides details of reports scheduled for committee for the 2018/19 and 2019/20 electoral cycles.

Recommendation:

1. That members note the report.

Date	Title	Lead Officer	Purpose of the report
16 Apr 2019	Annual Constitution Review	Katie Coughlan, Senior Democratic & Civic Officer	To present the annual Constitution review to G and A committee, and then to Full Council.
16 Apr 2019	Internal Audit Quarter 4 Monitoring 18/19	James Welbourn, Democratic and Civic Officer	To feedback on Quarter 4 to committee.
8 Jun 2019	Internal Audit Annual Report 18/19	James Welbourn, Democratic and Civic Officer	To present the yearly internal audit report to G and A committee
8 Jul 2019	Internal Audit Q1 19/20	James Welbourn, Democratic and Civic Officer	To present the update for quarter 1 to G and A committee
15 Oct 2019	Internal Audit Q2 19/20	James Welbourn, Democratic and Civic Officer	To present the update for quarter 2 to G and A committee
14 Jan 2020	Certification of Grants and Returns	Tracey Bircumshaw, Strategic Finance and Business Support Manager	To present the outcome of the External Audit of Grant Claims and returns
14 Jan 2020	Draft Treasury Management Strategy	Tracey Bircumshaw, Strategic Finance and Business Support Manager	To provide members with the opportunity to review the Strategy and to provide assurance prior to recommending to Council for approval.

14 Jan 2020	Internal Audit Draft Annual Plan Report 2020/21	James Welbourn, Democratic and Civic Officer	To present to members the draft annual internal audit plan based on assurance mapping and risk assessments across the Council's critical services.
14 Jan 2020	Internal Audit Q3 19/20	James Welbourn, Democratic and Civic Officer	To present the update for quarter 3 to G and A committee
14 Apr 2020	Internal Audit Q4 19/20	James Welbourn, Democratic and Civic Officer	To present the update for quarter 4 to G and A committee