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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

27 January 2021

Vice-Chairman: Cllr K Vickers

Venue: Virtual Meeting
Microsoft Teams

Time: 10.30 am

E-Mail Address:
matthew.nundy@northlincs.gov.uk

AGENDA

1. Substitutions (if any)
2. Declarations of Disclosable Pecuniary Interests and Personal or Personal and Prejudicial Interests (if any).
3. To take the minutes of the meeting held on 23 November 2020 as a correct record and authorise the chairman to sign. (Pages 1 - 6)
4. Annual Audit Letter - Year Ending 31 March 2020 (Pages 7 - 24)
Report of Mazars
5. Audit Progress Report - January 2021 (Pages 25 - 38)
Report of Mazars
6. Interim Internal Audit Report 2020-21 (Pages 39 - 56)
7. Accounting Policies 2020-21 (Pages 57 - 72)
8. Local Code of Corporate Governance (Pages 73 - 92)
9. Risk and Opportunity Protocol (Pages 93 - 104)
10. Risk Management Progress Report (Pages 105 - 124)
11. Any other items which the chairman decides are urgent by reasons of special circumstances which must be specified.

Note: Reports are by the Director: Governance and Partnerships unless otherwise stated.

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

23 November 2020

PRESENT: - Councillor K Vickers in the chair.

Councillors Clark, A Davison, Ellerby, T Foster, Wells and Yeadon.

This was a Microsoft Teams Virtual Online Meeting

596 **DECLARATIONS OF DISCLOSABLE PECUNIARY, PERSONAL OR PERSONAL AND PREJUDICIAL INTERESTS** – The following member declared a personal interest –

Member Councillor Wells

Minute Number 600

Nature of Interest Family member was a service user

597 **MINUTES – Resolved** – That the minutes of the proceedings of this committee held on 16 September 2020, having been printed and circulated amongst the members, be taken as read and correctly recorded and signed by the Vice-Chairman.

598 **COUNTER FRAUD PROGRESS REPORT** – The Director: Governance and Partnerships submitted a report that informed the committee of the key issues arising from the council’s counter fraud work.

The committee was informed that the council’s framework to combat fraud, corruption and misappropriation was approved by the Audit Committee in April 2018. The framework followed national guidance as laid out in the document ‘Fighting Fraud and Corruption Locally - The local government counter fraud and corruption strategy 2016-2019’, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre. It was based upon three key principles:

- Acknowledging and understanding fraud risks
- Preventing and detecting fraud
- Pursue - Being stronger in punishing fraud and recovering losses.

The Director highlighted the work carried out in each of these areas to demonstrate the council’s continuing commitment to minimise the risk of fraud. Attached to the report as an appendix was a fraud six-month progress report.

Following the verbal presentation, the Director responded to members questions.

Resolved - That the counter fraud work programme provided a sufficient level of assurance on the adequacy of the council’s counter fraud arrangements.

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599 **GOING CONCERN ASSESSMENT AS AT 31 MARCH 2020** – The Director: Governance and Partnerships submitted a report that summarised the management assessment of the council as it continued to operate as a going concern for the purposes of producing the Statement of Accounts for 2019/20.

The committee was informed that the council was required to compile its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Council’s Statement of Accounts was prepared assuming that the Council would continue to operate in the foreseeable future and that it was able to do so within the current and anticipated resources available. By this, it was meant that the Council would realise its assets and settle its obligations in the normal course of business. As part of this process the Council’s appointed External Auditor required the Section 151 Officer to undertake a going concern assessment and assert if the Council could operate in the foreseeable future as a going concern.

As requested by the Council’s appointed External Auditor Mazars, and as part of the closure of the 2019/20 financial statements, a going concern assessment as at the Balance Sheet date of 31st March 2020 had been completed. Considering the Covid-19 outbreak and the significant additional expenditure, and lost income for the Council as well as the financial support provided by Government, this was increasingly important.

The CIPFA Code (para 2.1.2.9) stated “an authority’s financial statements shall be prepared on a going concern basis; that was, the accounts should be prepared on the assumption that the functions of the authority would continue in operational existence for the foreseeable future (see also paragraph 3.4.2.23 for bodies that followed the Code but may be discontinued without statutory prescription). Transfers of services under combinations of public sector bodies (such as local government reorganisation) did not negate the presumption of going concern”.

The concept of a ‘going concern’ assumed that an authority, its functions, and services would continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and was made because local authorities carried out functions essential to the local community and were themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects were that alternative arrangements might be made by central government either for the continuation of the services it provided or for assistance with the recovery of a deficit over more than one financial year.

Where the ‘going concern’ concept was not the case, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

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The Director guided the committee through the council's revenue monitoring position 2020/21 (attached at appendix 1 of the report) and the going concern assessment attached at appendix 2.

The Director then responded to questions on aspects of her report.

Resolved – That the going concern assessment set out in Appendix 2 of the report be endorsed.

600 **AUDIT OF ACCOUNTS 2019-20 – MATTERS ARISING FROM THE AUDIT** – The Director: Governance and Partnerships submitted a report informing the committee that the Accounts and Audit Regulations required the council to publish a statement of accounts each financial year. These accounts were the formal statement of the council's financial performance for the year and its financial position at the end of that period. A financial year ran from April to March.

The legislation relating to the timescale for the production and audit of the accounts was amended for the 2019/2020 financial year due to the Coronavirus Pandemic. These changes were incorporated into the Accounts and Audit (Coronavirus) Amendments Regulation 2020 (SI 2020/404).

The production of the draft accounts deadline moved from 31 May to 31 August 2020. The audit completion date moved from 31 July to 30 November 2020.

The Director confirmed that she approved the council's unaudited accounts on 3 July 2020. This met the statutory requirement that they be approved by 31 August 2020.

The Accounts had been produced under International Financial Reporting Standards (IFRS).

The accounts had since been audited and the external auditors had set out their findings in a report. Members were required to consider the proposed amendments and approve the changes to the accounts that result from it. It was a statutory requirement that this process be concluded by 30 November 2020.

The International Standard on Auditing 260 – 'The Auditor's Communication with Those Charged with Governance (ISA 260)' required auditors to report certain matters arising from the audit of the council's financial statements before giving an opinion on them.

The report from the council's Auditors (Mazars) was attached to the report as an appendix. It set out the matters arising from the audit of the council's 2019-2020 accounts. A copy of the amended accounts was attached as an appendix.

The main findings of the report were:

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- It was expected that an unqualified opinion on the council's accounts with an Emphasis of Matter paragraph be included in relation to uncertainty around valuations.
- It was expected that an unqualified opinion on the council's arrangements for securing Value for Money would be raised.
- In relation to internal controls the report recommended that:
 - a check was put in place to ensure the Pensionable pay figure within the annual actuarial report was checked to ensure it was the same as the figure provided
 - valuation certificates included arithmetic checks to ensure they were accurate
 - a comparison of new Property, Plant and Equipment valuations to net book values plus in-year depreciation took place at year-end, and
 - the sample checks that were undertaken of authorised signatories on creditor invoices was documented.

The Director confirmed that a manager's response had been provided for each of these areas and processes would be put in place to prevent them from occurring in the future.

- 1 unadjusted misstatement was identified in relation to the Cash Flow statement
 - The cash flow statement included a balancing figure of £311k within the working papers.

The value was investigated but it was decided that no adjustment would be made within the financial statements.

- 1 Adjusted misstatement was identified in relation to the defined benefit liability valuation.
 - The pensionable pay figure was incorrect within the actuary's report

A revised actuary report has been received and the figures had been worked through the statement of accounts attached to the report. It was unclear why the actuary did not use the figures the council had provided to them.

- 5 disclosure amendments were identified:
 - Cash Flow Statement – a small transposition error had occurred
 - Note 18 Financial Instruments – Non-contractual obligations were taken out of the creditors figure (eg. NNDR, Council Tax, National Insurance).
 - Note 31 Officers' Remuneration, Exit Packages – One payment for lieu in notice was omitted in error and a difference between an estimated and actual amount paid was updated.
 - Note 32 External Audit Costs – updated to include the fee for the work on Teachers' Pension Return for the 2019/2020 at the request of the auditors.

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- Note 31 Officers' Remuneration, Over £50k table – prior to the audit starting this table was amended to split the total between Teachers and Other Staff. As it was a change to the signed draft accounts it had been noted as a change.
- 1 Unadjusted disclosure amendments:
- Due to the error found on the Exit Packages disclosure, the known error was extrapolated and projected an understatement of £22k. This was a projected error only and had not been amended for with the statement of accounts.

International Standard on Auditing 580 'Management Representations' required auditors to obtain written confirmations of appropriate representations from management before the audit report was issued. A proposed letter of representation was attached to the report as an appendix, which the Committee was asked to approve and authorise the Vice-Chairman of the Audit Committee and the Director: Governance and Partnerships to sign.

Additionally, IAS 570 required a specific statement on the applicability of the 'Going Concern' concept to the council. The accounts had been prepared on a going concern basis. A review of the applicability of the concept to the council was considered and approved previously (minute 599 refers).

The Chairman invited representatives of Mazars, the council's external auditors, to comment on the ISA 260 report. Mazars guided members through the ISA 260 report, paying particular attention to the outstanding work to be completed. To conclude, Mazars publicly thanked council officers from the Accountancy Team for their co-operation and partnership approach to the closedown of the council's accounts.

Members commented on particular aspects of the council's Statement of Accounts 2019-2020 and ISA 260 Report to which the Director: Governance and Partnerships and representatives of Mazars responded to.

Resolved – (a) That the Statement of Accounts for 2019-20, prepared on a going concern basis and as amended in line with the auditor's findings, be received and approved; (b) that the contents of the External Auditors Completion Report (ISA 260) be noted; (c) that the signing of the Letter of Representation by the Vice-Chairman of the Audit Committee and the Director: Governance and Partnerships be endorsed; (d) that the Vice-Chairman of the Audit Committee and Director: Governance and Partnerships be authorised to approve the audited set of accounts on behalf of the committee following the completion of all audit work, and (e) that all council officers who had contributed towards the closedown of the council accounts be congratulated for their commitment and professionalism towards achieving the 30 November 2020 statutory deadline. *

* *The Director: Governance and Partnerships received confirmation on 30 November 2020 that Mazars had now completed its work on the outstanding items and, as a result of the findings, had amended the ISA 260 report.*

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Therefore, following receipt of the amended ISA 260 report, the council's external auditors had now given the council's accounts a clean opinion, prior to the statutory deadline of 30 November 2020.

Annual Audit Letter

North Lincolnshire Council

Year ending 31 March 2020





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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for North Lincolnshire Council (the Council) for the year ended 31 March 2020. Although our letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide information on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 30 November 2020 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
Other information published alongside the audited financial statements	<p>Our auditor's report included our opinion that:</p> <ul style="list-style-type: none">• the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020</p>
Reporting to the group auditor	<p>In line with group audit instructions, issued by the NAO on 4th November, we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the relevant financial reporting framework and whether they give a true and fair view of the Council's financial position and of its financial performance.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land and buildings and investment properties

We drew attention to Notes 4, 14 and 16 of the financial statements, which describe the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings and investment properties. As disclosed in those notes, the Council's valuers included a material valuation uncertainty declaration within their report as a result of the Covid-19 pandemic and the shortage of relevant market evidence upon which to base their judgements. Our opinion was not modified in respect of this matter.

Emphasis of Matter - Material uncertainty relating to valuations of unquoted investments

We drew attention to Notes 4 and 39 of the financial statements, which describe the effects of the Covid-19 pandemic on the valuation of the Council's share of Pension Fund investments. The outbreak of Covid-19 resulted in additional uncertainty with regard to level 3 investments particularly property funds. As such, a material valuation uncertainty clause has been included in a number of valuation reports as a result of the Covid-19 pandemic. Our opinion was not modified in respect of this matter.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. We set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) because of the nature of certain items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied for the year ended 31 March 2020.

Financial statement materiality	Our financial statement materiality is based on around 1.8% of Gross Operating Expenditure at the surplus/deficit on provision of services	£6.852m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.206m



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits</p>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates impacting on amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our work obtained the required audit assurance.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Identified significant risk	Our response	Our findings and conclusions
<p>Property, plant and equipment (PPE) valuation</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. Because of the high degree of estimation uncertainty we have determined there is a significant risk in this area.</p>	<p>In carrying out our audit procedures we:</p> <ul style="list-style-type: none"> critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; considered 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; assessed whether valuation movements are in line with market expectations by using information available from other sources; and critically assessed 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. reviewed the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer. 	<p>As detailed on page 3, our Audit Report included an emphasis of matter associated with material uncertainty relating to valuations of land and buildings and investment properties.</p> <p>Our work obtained the required audit assurance.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Identified significant risk	Our response	Our findings and conclusions
<p>Defined benefit liability valuation</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the East Riding Pension Fund, which had its last triennial valuation completed as at 31 March 2019.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology.</p> <p>There are financial and demographic assumptions used in the calculation of, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing your pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.</p>	<p>As part of our work we reviewed the controls that the Council has in place over the information sent to the scheme actuary, including the Council's process and controls relevant to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the scheme actuary, Hymans Robertsons.</p> <p>We reviewed the appropriateness of the methodology applied, and the key assumptions included within the valuation, and compared them to expected ranges, utilising the information provided by PwC, the consulting actuary engaged by the National Audit Office. We reviewed the methodology applied in the valuation of the liability by Hymans Robertsons.</p>	<p>The draft financial statements included figures provided by the actuary which were based on estimated asset values at 31 March 2020. During the course of the audit, the actuary provided an update which included pension figures based on actual asset values at 31 March 2020. The financial statements were amended to incorporate the revised figures. This reduced the value of the net pension liability.</p> <p>When agreeing the source data used by the actuary, we noted a difference on the pensionable pay figure. The Pension Fund confirmed an incorrect figure has been used and a revised actuary report was provided.</p> <p>As detailed on page 3, our Audit Report included an emphasis of matter associated with material uncertainty relating to unquoted investments.</p> <p>Our work obtained the required audit assurance.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Description of deficiency	Pensions source data When reviewing the source data used by the actuary, we noted a difference in the pensionable pay amount. The Pension Fund has confirmed this amount was used in an error, and the actuary have provided a revised report based on the actual pensionable pay.
Potential effects	The financial statements are materially mis-stated in relation to the pensions liability.
Recommendation	The finance team should review the data used by the actuary to confirm the accuracy of it.
Management response	On receipt of the actuary report, a review of the data included will be carried out and verified back to any data we have provided for their use

Description of deficiency	Property, plant and equipment –valuations We noted four cases where there were arithmetic errors within the valuation certificates, resulting in incorrect asset valuations. The errors included overstatements and understatements which overall netted to an £80k variance which is below trivial. In addition, we identified a further case where an index had been incorrectly input into the valuation certificate. Again the value of the error was below our triviality threshold. It is, however, possible that these types of issues could result in a significant error.
Potential effects	PPE valuations are incorrect as a result of arithmetic or input errors within the valuation process.
Recommendation	Internal quality review processes are implemented to ensure valuation certificates once prepared are reviewed by a second officer prior to being provided to the finance team.
Management response	Existing valuation procedures and controls will be reviewed by the internal asset valuation working group, with a view to implementing additional quality control/checking systems.



2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations (continued)

Description of deficiency	<p>Property, plant and equipment controls</p> <p>When carrying out our walkthrough test of the property, plant and equipment system, we noted that the following control had not operated:</p> <p>The Capital Accountant compares new valuations to net book values plus this year's depreciation and investigates large differences over £100k.</p> <p>This check was completed upon request, with no issues identified.</p>
Potential effects	Property, plant and equipment may be held at inaccurate values in the ledger.
Recommendation	Year-end controls are carried out and implemented as designed.
Management response	A process will be written for the year-end capital procedures and when the new Capital Accountant is in post, emphasis will be drawn to the importance of completing all year-end controls.
Description of deficiency	<p>Creditor payments</p> <p>When carrying out our walkthrough test of the creditors system, we noted that random checks of signatories take place; however, there is no method in place for these checks and no evidence of the check is maintained.</p>
Potential effects	Unauthorised signatories are used to authorise expenditure.
Recommendation	A method is implemented for completing the checks, and evidence of the check is maintained.
Management response	A Business Objects Report will be scheduled to run at the beginning of each month. Using this report the Servicedesk will choose the top 10 randomly selected invoices and compare those signatories with those kept on file. The date checked will be recorded and results filed for reference



3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

Unqualified

Our audit approach

We are required to consider 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 in order to form our conclusion, and sets out the 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.

Our auditor’s report, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Council operates an Executive with a Leader and Cabinet model, and this is governed by a Council Constitution including the normal features of an effective governance framework in local government.</p> <p>The Audit Committee monitors the Council’s system of internal control and it met regularly during the year. The Internal Audit plan has been delivered for the year and the Head of Internal Audit Opinion provided satisfactory assurance. Internal Audit reports directly to the Audit Committee. The Audit Committee receives regular reports tracking services progress in responding to Internal Audit recommendations. The Audit Committee challenges management to ensure recommendations are implemented and this is in a timely manner.</p> <p>An Annual Governance Statement has been prepared and approved by the Audit Committee.</p> <p>A medium term financial plan was in place for the year ended 31 March 2020. Performance against the plan was reported regularly to the Cabinet.</p>	Yes



3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

Unqualified

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The updated financial plan was approved by full Council in February 2020 and sets out the pressures faced by the Council in the coming year including demand and funding issues. The plan included the need for cost reduction initiatives over the medium term including to ensure a balanced financial position. The Council is now revisiting the financial plan in light of Covid-19 and the anticipated economic consequences in the short and medium term. This includes consideration of the key expenditure and income assumptions included in the plan. This is understandably difficult given the significant levels of ongoing uncertainty. Our VFM conclusion considers the arrangements in place for the 2019/20 financial year and recognises that the consequences of the pandemic affect arrangements in 2020/21.</p> <p>The 2019/20 outturn shows that this was a challenging financial year for some areas of Council. Demand pressures meant there were overspends in some service areas, especially within need led budgets, but these were partially offset by one off savings. The Council ended the year with a slight overspend of approx. 1.1%. The above pressures will continue alongside the financial pressures and challenges created by the response and recovery from Covid-19.</p> <p>In the year earmarked reserves increased by £6.6m mainly due to Covid-19 grant received at the yearend. The General Fund reserve increased by £300k. Overall total useable reserves as at 31 March 2020 are £60.5m.</p> <p>Capital expenditure was lower than planned in the year by £7.3m against a total budget of £39.5m. The underspend has been carried into the 2020/21 budget.</p>	Yes
Working with partners and other third parties	<p>The Council works with a range of third parties including NHS Providers, LEP's and Housing Associations. There is a Partnership Protocol and a Joint Working Framework to govern the arrangements.</p> <p>The Council has issued procurement guidance, has contract procedures in place and maintains a contracts register. The Council seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services.</p>	Yes



3. VALUE FOR MONEY CONCLUSION

Significant audit risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our 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. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk. The work we carried out in relation to this significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p>Financial Sustainability The Council’s medium term financial plan (MTFP) for the period 2020/21 to 2022/23 sets out the financial challenges the Council faces in the medium term. To achieve financial balance in the coming years, the MTFP includes planned use of reserves of £1.9m in 20/21 and £1.6m in 21/22.</p> <p>The continuing challenges the Council faces are not new and are not unique to North Lincolnshire Council. The challenges do, however, present a significant audit risk in respect of the arrangements that the Council has in place to deliver financial sustainability over the medium term.</p>	<p>We reviewed the arrangements the Council has in place for ensuring financial resilience and ensuring that the medium term financial plan has taken into consideration factors such as funding reductions, salary and general inflation, demand pressures and restructuring costs.</p> <p>We also reviewed the arrangements in place to monitor income and expenditure to deliver the budget and the Council priorities.</p>	<p>Our work provided sufficient assurance. We have no matters to report.</p> <p>The impact of the Covid-19 pandemic means the Council will need to revisit the financial plan, including assumptions and future budget gaps. Our conclusion considers arrangements in the 2019/20 financial year and recognises that the impact of Covid-19 was in March 2020. When setting the updated financial plan, arrangements were in place to set a financial plan which reflected the circumstances at that time.</p>



4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below review threshold
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We submitted this information to the NAO on 1 December 2020.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.



5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to Audit Committee in July 2020.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	2019/20 proposed fee	2019/20 final fee
Delivery of audit work under the NAO Code of Audit Practice	£80,186	£95,136*
Certification of Housing Benefit Subsidy Claim	£7,800	£7,800**
Reporting Accountant's Report on the Teachers' Pensions return	£3,000	£3,000
Reporting Accountant's Report on the School Centred Initial Teacher Training (SCITT) return	£2,500	£2,500

*Additional fee to meet additional work requirements for property valuations and pensions.

** Subject to satisfactory completion of the work



6. FORWARD LOOK

Financial outlook

The Covid-19 pandemic and the consequences of local and regional lockdowns and restrictions will have a significant impact on the UK economy for years to come. The pandemic has created significant uncertainties and pressures in the Council's medium term financial planning arrangements. Clarity over the impact will only be obtained when the virus has been brought under control and the impact on the economy becomes clearer. The Council is monitoring and updating plans but is anticipating future pressures in the income it receives. In particular, Collection Fund income is likely to be affected by any negative impact to the local and national economy. Public spending is also likely to be tightly controlled as the Government begins to manage the levels of borrowing incurred.

There is also uncertainty stemming from the UK's new trading arrangements with the European Union. While this may not directly affect the Council's supply chains, the impact on the overall economy may create indirect pressures.

It is critical that the Council continues to monitor and refresh its medium term plan so that potential funding shortfalls can be identified as early as possible and mitigations identified to minimise the impact on services.

Operational challenges

The Covid-19 pandemic has had a significant impact on the services provided by the Council. Services have either been suspended or redesigned in order for them to be delivered in a safe manner for officers and users. The Council's offices have been largely closed since March 2020 so officers have had to adapt to working from home. It is likely that these measures will continue until the roll out of a vaccine and coronavirus is brought under control.

Aside from Covid-19, other key challenges faced by the Council include:

- successfully generating the savings necessary to deliver the medium term financial plan;
- responding to the demand and funding pressures faced in adult and children's services.

How we will work with the Council

In terms of the technical challenges around the production of the statement of accounts, we will continue to offer accounting workshops to finance officers, and the audit team will continue to share our knowledge of new accounting developments. We will also be on hand to discuss any issues as and when they arise.

Given the impact of Covid-19 on the 2019/20 reporting timetable, there is some uncertainty in respect of the 2020/21 completion dates. We will continue to work with the finance team to ensure timely completion of our audit work.

We will also share relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.



6. FORWARD LOOK

Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1st April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are, however, significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources. Unlike under the 2015 Audit Code, however, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work on value for money arrangements will focus on three criteria, specified in the revised Audit Code:

- financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under the new Audit Code we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and the our view as to whether recommendations have been implemented satisfactorily.

The guidance supporting the new Audit Code is being developed by the National Audit Office and we will provide you with any further updates to our approach arising from this guidance when it is release. In particular we will communicate any increases in work which will impact on the audit fees charged.



6. FORWARD LOOK

Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Ministry of Housing, Communities and Local Government and we look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>



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Audit Progress Report

North Lincolnshire Council

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January 2021



1. Audit Progress

2. National Publications

Page 26

01

Section 01: **Audit Progress**

Audit Progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

Since the last Committee meeting we have:

- completed our work on the 2019/20 financial statements, and issued an unqualified opinion;
- issued our 'follow-up letter' which concluded on all the areas of outstanding work at the time of the November 2020 Audit Committee; and
- issued our Annual Audit Letter (separate agenda item at this meeting).

02

Section 02: **National Publications**

National Publications

	Publication/update	Key points	Page
CIPFA			
1	Combating Financial Crime: Practical Advice for the Public Sector	Guide for public authorities on the latest money laundering regulations	7
National Audit Office			
2	Investigation into the Bounce Back Loan Scheme	Report into the Government scheme	8
MHCLG			
3a	The Redmond Review	Report from Sir Tony Redmond's review	9
3b	MHCLG response to the Redmond Review	A response from the MHCLG to the Redmond Review	10
HM Treasury			
4	Public Service Pensions: Guaranteed Minimum Pension Indexation Consultation	Consultation from HM Treasury	11
Government Actuary's Department			
5	Report on the impact of COVID-19 on public sector insurance	Report from GAD	12

NATIONAL PUBLICATIONS

CIPFA

1. Combating Financial Crime: Practical Advice for the Public Sector, September 2020

The latest UK Annual Fraud Indicator figures show that £40bn is lost to fraud. Moreover, the UK Government recognises that “tens of billions” of pounds are lost to money laundering.

While public authorities are not legally obliged to apply the provisions of money laundering regulations, it is recommended that they employ policies and procedures to deal with the growing threat of terrorist financing, money laundering and other financial crimes.

CIPFA have expanded their guide to explore the different financial crime types, their impact on public authorities in the UK and globally and the relevant legislative environment. This updated edition includes such customer due diligence procedures as checking the controls of onboarding new vendors, including determining the ultimate beneficial owner of a company. The guidance also covers the implications of financial crime for leadership teams of public authorities, providing practical advice and highlighting the recommendation of nominating a money laundering reporting officer.

<https://www.cipfa.org/policy-and-guidance/publications/c/combating-financial-crime-further-guidance-on-antimoney-laundering-for-public-service-organisations-2020-edition>

NATIONAL PUBLICATIONS

NATIONAL AUDIT OFFICE

2. Investigation into the Bounce Back Loan Scheme, October 2020

NAO has published its report on the Investigation into the Bounce Back Loan Scheme. This report is one of a series of NAO reports that looks at the Government's response to the COVID-19 pandemic. The report focuses on this particular Scheme, as it is the largest and most risky business loan support scheme. It also sets out:

- the Scheme development, aims, and management;
- details of the Scheme and its performance to date; and
- the main Scheme risks.

Some of the key findings from the report include:

- The Department for Business Energy & Industrial Strategy (BEIS) and the British Business Bank (the Bank) expect the Scheme to have lent between £38 billion to £48 billion by 4 November 2020, substantially more than it initially expected.
- As of 7 September, around 90% of the loans went to very small (micro) businesses located across the UK. Micro businesses (with turnover less than £632,000) received £29 billion and sole traders received £6 billion.
- The Bank was not able to prevent duplicate applications across lenders in the first month of the scheme.
- BEIS estimates that offering the loans interest-free for the first year will cost around £1 billion.
- The preliminary assessment is that the administrative costs of the three COVID-19 business loan support schemes will be £75 million by the end of 2024/25.
- The Government recognises that the decision to provide funds quickly leaves taxpayers exposed to a significant residual fraud risk, even after lenders have implemented mitigation strategies.

The report concludes that the Government moved very quickly to set up the scheme once it had decided to support small businesses facing cashflow problems due to the pandemic. The Government prioritised one aspect of value for money (payment speed) over almost all others and has been prepared to tolerate a potentially high level of losses as a result. The report also notes that systems and processes have evolved since the Scheme's launch but much hard work remains over the coming months and years to ensure that the risks to value for money are minimised..

<https://www.nao.org.uk/wp-content/uploads/2020/10/Investigation-into-the-Bounce-Back-Loan-Scheme.pdf>

NATIONAL PUBLICATIONS

MHCLG

3a. Redmond Review, September 2020

This independent review, led by Sir Tony Redmond at the invitation of the Ministry of Housing, Communities and Local Government, considered the effectiveness of external audit and transparency of financial reporting in local authorities.

Mazars welcomes the publication of Sir Tony Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting. This report covers local audit regulation, procurement, auditor performance, governance, the scope of audit work and local authority financial reporting.

As a firm committed to working with public services and the communities they serve, we see this important report as an opportunity to strengthen the arrangements for local audit, thus improving confidence and transparency in public finances.

We are pleased to see the Review recognise the complexity and importance of public audit and that all parties – including external auditors, regulators, standard setters, local authorities and audit committees – have a role to play in its development and sustainability.

Amongst the recommendations arising from the Review are:

- the creation of the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Secretary of State for Local Government.

Alongside the report, MHCLG have published a number of annexes.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

NATIONAL PUBLICATIONS

MHCLG

3b. Redmond Review – MHCLG Response, December 2020

The Ministry of Housing, Communities and Local Government published its response to the Redmond Review in December 2020. The MHCL response forms part of the department's post-legislative scrutiny assessments of parts 1 to 5 of the Local Audit and Accountability Act 2014.

The Redmond Review made 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts. MHCLG has grouped its response into 5 themes:

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- a. Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)
- b. Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)
- c. Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18)
- d. Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)
- e. Action to further consider the functioning of local audit for smaller bodies (recommendations 14, 15, 16, 23)

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

NATIONAL PUBLICATIONS

HM Treasury

4. Public Service Pensions: Guaranteed Minimum Pension Indexation Consultation, October 2020

HM Treasury (HMT) has published its consultation on the Guaranteed Minimum Pension (GMP) Indexation for public service pensions. The Government is seeking views on how it proposes to ensure it continues to meet past commitments to public service employees regarding the full indexation of public service pensions, including any GMP element.

The options set out by HMT in the consultation document are:

Option 1a – the extension of full indexation to cover those reaching State Pension age up to and including 5 April 2024;

Option 1b – the extension of the interim solution to cover those reaching State Pension age beyond 5 April 2024; and

Option 2 – discount conversion as a long-term policy solution and make full GMP indexation the permanent solution for public service pension schemes.

The proposals will affect serving and former public sector employees from major workforces including; local government, the NHS, the police force and fire and rescue services.

The consultation closes on 30 December 2020 and the detailed publication including how to respond is available from the link below.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/924807/02.10.2020_GMP_indexation_consultation_final.pdf

NATIONAL PUBLICATIONS

Government actuary's department

5. Report on the impact of COVID-19 on public sector insurance, October 2020

The Government Actuary's Department (GAD) has published its report on The impact of COVID-19 on public sector insurance.

The report notes that many public sector bodies, including local government, rely on commercial insurance to manage their risks. To investigate the impact of COVID-19 on the public sector's insurance risks, GAD conducted a short survey in July and August 2020, the aim of which was to understand the experiences of public sector bodies and share insights from these organisations to help them make sense of the changing insurance market. Respondents included local authorities, fire and police bodies.

GAD reported that the immediate impact varied considerably depending on the type of authority and mix of risks, with the outlook being gloomier and majority of respondents expecting their costs to increase in the medium term. The report also sets out the steps that authorities are taking to manage their costs..

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/921932/COVID-19_Insurance_Report.pdf

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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERIM INTERNAL AUDIT REPORT 2020/21

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The interim internal audit report provides an update on Internal Audit activity up to 20 December 2020, including the impact of COVID 19 on the delivery and content of the audit plan.
- 1.2 As a result of the impact of COVID 19 the audit plan has been subject to amendment and re-prioritisation. Although it is forecasted that sufficient work will be carried out by 31 May 2020 to provide a reliable annual audit opinion on the Council's control environment, there remains risk to its delivery that need to continue to be managed.

2. BACKGROUND INFORMATION

- 2.1 It is a requirement of the PSIAS for the Audit Committee to receive regular updates on the activities of Internal Audit, in particular:
 - providing assurance that sufficient work will be carried to provide a reliable risk based annual opinion on the effectiveness of the control environment and any amendments to the audit plan;
 - bringing to the Committee's attention any issues identified during the course of the 2020/21 audit which could impact on the annual opinion; and
 - providing assurance of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS).
- 2.2 On 20 May 2020, the Audit and Governance Committee formally approved a plan consisting of 1145 days. As communicated to the Committee due to the impact of the pandemic there was likely to be a greater degree of ongoing amendment and re-prioritisation to the plan than in previous years. The attached report on Appendix 1 prepared by the Head of Audit and Assurance provides an update on the delivery of the audit plan up to 20 December 2020.

Although it forecasts that sufficient work should be carried out by May 2021 to provide a reliable opinion on the Council's control environment during the year the plan has been subject to significant change, whilst the ongoing impact of the pandemic means that that risk to the delivery of the plan remains a risk that needs to be managed.

2.3 A list of final reports issued up to 20 December 2020 is shown within the report. There is currently one limited assurance report, but this should not impact on the overall annual audit opinion. It is anticipated that the annual audit report and opinion will have significant focus on the Council's response to COVID-19.

2.4 When preparing this report, the Head of Audit and Assurance also considers whether this a need to amend the Audit Charter, which defines internal audit purpose, authority, responsibility, and position within an organisation. There is no requirement to amend it this year as there have been no changes to Internal Audit's scope or the standards.

3. OPTIONS FOR CONSIDERATION

3.1 In its role as the body charged with governance the Audit Committee is asked to consider the progress against the delivery of the audit plan.

4. ANALYSIS OF OPTIONS

4.1 It is a requirement of the PSIAS for the Audit Committee to receive updates on progress against the delivery of the audit plan.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

5.1 There are no specific resource implications relating to this report.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1 The delivery of the audit plan contributes to the Council's approach to risk management by identifying and testing the design and operation of controls to mitigate risk. In addition, most audit assignments provide an opinion on the prevailing residual risk.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 An Integrated Impact Assessment is not required.

8. **OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 Not applicable.

9. **RECOMMENDATIONS**

9.1 That the Audit Committee is asked to receive the Interim Internal Audit Report 2020/21

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

Civic Centre
Church Square House
SCUNTHORPE
North Lincolnshire

Author: Peter Hanmer
Date: 12 January 2021

Background Papers used in the preparation of this report

Internal Audit Plan 2019/20 (May 2020)

**North
Lincolnshire
Council**
www.northlincs.gov.uk

The
Assurance
People

**NORTHERN LINCOLNSHIRE
BUSINESS CONNECT**

North Lincolnshire Council

Interim Audit Report 2020/21

Month 9

Authors:

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Helen Asher	Strategic Lead (Audit)
Debbie Baker	Strategic Lead (Audit)

Introduction

The purpose of the briefing paper is to keep the Audit Committee Members informed in relation to the delivery of the audit plan, in particular:

- providing assurance that sufficient work will be carried to provide a reliable risk based annual opinion on the effectiveness of the control environment;
- bringing to the Committee's attention any issues identified during the course of the 2020/21 audit which could impact on the annual opinion; and
- providing assurance of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS)

Delivery of the audit plan

On 20 May 2020, the Audit and Governance Committee formally approved a plan consisting of 1145 days. According to PSIAS 2010 "the chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls". As communicated to the Committee due to the impact of the pandemic there was likely to be a greater degree of ongoing amendment and re-prioritisation to the plan than in previous years. Consequently, the plan has been amended to reflect following:

- the audit team has provided considerable advisory support during the pandemic including Covid-19 related grants (particularly business grants), support for implementation of changes to adult social care payments, advice on stock control for PPE and the deliveries of support to clinically extremely vulnerable people, and advice on applying changes to national procurement guidance resulting from the pandemic;
- in those areas facing significant challenges leading the Council's response to the pandemic it has been agreed to defer some of the less urgent audit work to 2021/22;
- additional work has been built into the audit plan for 2020/21 to provide assurance on the Council's response to COVID-19 and its recovery programme: this will cover three strands: as part of carrying out audit assignments assessing how services have managed the response to the pandemic, providing assurance on the use of additional resources received by the Council, and providing assurance on the governance of the recovery plan; and
- due to the challenges faced by schools during the pandemic, the number of schools' audits to be carried out in 2020/21 has been reduced.

A summary of the changes to the plan, together with the days charged at 20 December 2020 are shown in the table below. Explanations for the reasons for the amendments to the plan are shown in Appendix 1.

Days charged against the revised audit plan at 20 December 2020

Area	Original Planned Days	Revised Planned Days	Days at 20/12/21
Strategic and operational risk/ governance	457	368	169
Financial systems	140	140	84
ICT	55	55	39
Procurement and contract management	35	35	13
Schools	100	80	37
Grant Certification	25	37	20
Advisory	50	160	144
Follow up	40	40	35
Probity and Counter Fraud	75	116	112
Management time	75	75	56
Contingency	93	39	
Total	1145	1145	709

By 20 December 2020 709 days had been charged against the audit plan. This compares to the anticipated 668 days at this point in the audit cycle. We anticipate that sufficient work will be carried out to provide a reliable audit opinion on the Council's control environment by 31 May 2021, although risks to the delivery of the plan remain including:

- the continued impact of Covid-19 on Council priorities, the ability to carry out audit work in some areas, and the prioritisation of audit work (such as potentially continued support for business grants); and
- During summer 2020 two members of the audit team (one from NELC and one from NLC) left. A recruitment process has been instigated to replace them but even if successful the loss of staff is likely to impact on the resource available.

Advisory and other support work is an important part of audit's work. A summary of such work carried out is shown on Appendix 2.

Audit reports

A summary of audit reports issued since June 2020/21 is shown in Appendix 3. They include a small number of audits which were largely carried out as part of the 2019/20 audit plan but were reported in 2020/21 and therefore will be considered as part of the 2020/21 opinion. One audit has been provided with limited assurance.

Quality

As reported in previous year Internal Audit has a Quality and Assurance Improvement Programme (QAIP), which is reviewed annually. No significant amendments to the QAIP have been identified.

An important element of the standards is that every five years audit teams are subject to an external inspection in order to assess compliance with the Public Sector Internal Audit Standards. As previously the outcome of the external inspection held in March 2018 was that “the internal audit function for North Lincolnshire Council generally conforms to the Public Sector Internal Audit Standards”, where ‘Generally conforms’ is the top rating available.

During 2020/21 quality review measures have continued to have been carried out to ensure compliance with the standards including the following:

- continuing to ensure that all audit work is subject to supervision and review with any emerging issues discussed at team meetings;
- updating of the Audit Manual which provides guidance to staff on how to carry out their work and using virtual team meetings to talk about the various sections of the manual;
- further developing processes to remind service managers of their agreed audit actions resulting from audit reports, and enhanced escalation processes to improve their engagement with audit;
- testing of agreed actions implemented - at 20 December 2019 75% of agreed actions tested had been implemented by the due date which represents a significant improvement on the 2019/20 outturn;
- monitoring the % of respondents to post audit questionnaires who thought that an audit was carried out well- at 20 December 2020 this was 95%;
- monitoring the % of respondents to post audit questionnaires who thought that an audit added value- at 20 December 2020 this was 90%.
- monitoring the timeliness of audits- as at 20 December 73% of audits had been issued in draft by the date agreed in the terms of reference compared to a target of 90%, whilst 65% were issued in final within 20 working days of the issue of the draft- although still below target (and based on a relatively small number) this represents an improvement on the 2019/20 outturn of 51% and 49% respectively

Appendix 1: Changes to the audit plan

Area	Original Planned Days	Revised Planned Days	Days at 20 Dec	Reason for change in budget
Strategic and operational risk/ governance	457	368	169	See below for explanations for major changes to the plan
Financial systems	140	140	84	
ICT	55	55	39	
Procurement and contract management	35	35	13	
Schools	100	80	37	Schools audits impacted by schools' closures and subsequent restrictions on visiting schools. Some of the time used for two council wide audits. Currently determining the options for planned school visits in the spring term given the further lockdown announced on 4 January
Grant Certification	25	37	20	Additional time required time required due to covid-19 related grants
Advisory	50	160	144	Additional time required for advisory support in relation to the Council's response to Covid-19, particularly considerable time business grants
Follow up	40	40	35	
Probity and Counter Fraud	75	116	112	Additional time identified to take account of the biennial NFI and additional investigations
Management time	75	75	56	
Contingency	93	39		
Total	1145	1145	709	

New audits or scope expanded

Audit	Comments
Council Run Nurseries	Review of compliance with relevant guidance in respect of opening council run nursery settings following the COVID-19 pandemic.
COVID-19 Recovery Plan	Review of governance arrangements for the delivery of the COVID-19 recovery plan
Financial compliance	Larger sample taken than initially planned due to some issues identified with compliance
HR Recruitment Portal	Brought forward from the 2019/20 audit plan
Residential Care	Scope amended to focus on the application of infection control funding

Audits postponed or scope reduced

Audit	Comments
Care Leavers	Scope reduced to focus on the arrangements for bringing the previous out sourced arrangements back in house
Community grants	Audit postponed
Kingfisher Lodge - care standards S22	Audit postponed
Children 5-19 public health programme	Audit postponed
Community/ Customer engagement	Reduced resource required as only over review carried out to allow updated arrangements time need time to be embedded
Endemics and Pandemics	Planned work absorbed into the recovery plan audit
Governance arrangements - Partnerships	Reduced resource required as only overview carried out to allow updated arrangements time need time to be embedded

Growing the economy	Audit postponed until 2021/22 as the economic plan be re-considered to take account of the impacts of Covid-19. Economic development team currently focused on business grants and the recovery plan which are covered elsewhere in the audit plan.
Role of the Local Authority Designated Officer	Less time required than originally forecast to complete the audit
Role of the Monitoring Officer	Less time required than originally forecast to complete the audit
Role of the Principal Social Worker	Audit postponed until early 2021/22
Shared services (Joint with NELC)	Audit no longer a priority given the change to the scope of shared services and the governance arrangements during 2020/21

Appendix 2: Summary of advisory work provided by Internal Audit in 2020/21

- Certification of grant claims relating to COVID, troubled families, highways and transportation, and bus subsidies.
- Provided considerable support to the Council's response to COVID, including:
 - advice and support for the design of systems for the distribution of COVID related grants, particularly business grants;
 - advice and support on stock control for PPE and supplies to support clinically extremely vulnerable people;
 - advice and support relating to temporary changes for social care payments;
 - advice on the application of procurement rules during the pandemic; and
 - advice to Human Resources on the design of the self-isolation process.
- Continuing to provide advice to the Adult Social Care Financing Transformation Board
- Co-ordinating the production of the Audit Committee Annual Report 2019/20
- Providing support and advice on the investigation of potential data breaches
- Attending meetings of the Local Growth Monitoring team
- Facilitating a procurement fraud risk workshop with the procurement team
- Via membership of CIPFA's Better Governance Forum, inform relevant managers of national developments and emerging issues relating to internal control and governance which may impact upon their duties
- As part of audit's probity and fraud work, co-ordinating the submission of data for the 2020/22 National Fraud Initiative
- As part of audit's probity and fraud work supporting investigations into allegations of fraud or financial misconduct
- Advice on disabled facility grants retention schedules.
- Advice to schools relating to internal control queries
- Advice on waste management income collection systems

Appendix 3: 2020/21 Final Reports

Audits issued as Final as at 20 December 2020

See attachment

Key to control effectiveness:

Effectiveness	Action Level
Substantial Assurance	Strong controls support achievement of the business objectives.
Satisfactory Assurance	Controls support the business objectives, but some improvements should be made.
Limited Assurance	Controls provide some support for business objectives, but improvements are essential.
No Assurance	Controls do not support the achievement of business objectives.

Key for residual risk rating

Priority Level	Action Level
High	Significant possibility for substantial financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Action must be taken to mitigate the risk.
Medium	Potential for financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Depending on risk appetite, action should be taken to either mitigate the risk or accept that an event could occur and manage its impact.
Low	Risk is being suitably managed based on current knowledge. Should be regularly reviewed and monitored.

Audit work contributing to the 20/21 audit opinion as at 20 December 2020

Audit Assignment	Director	Assurance	Residual Risk	Comments
Governance, Strategic Risks and operational risks				
Adult Social Care Outcomes Framework	Director of Adults and Wellbeing	Substantial	Low	
Adults Data Quality	Director Resources and Governance/Director of Adults and Wellbeing			Although some areas for improvement were identified, there were no significant concerns identified regarding the reliability of Adult Social Care Data
Council Run Nurseries	Director of Children and Community Resilience	Substantial	Medium	Although a strong control environment is in place, the residual risk as medium. We have made this judgement because there is a risk to service delivery due to the amount of external factors in place in relation to the spread of COVID-19.
Flood Prevention	Director of Operations	Satisfactory	Medium	
Healthy Lifestyles	Director of Learning Skills and Culture	Limited	Medium	Audit testing has highlighted some areas where controls could be improved, these include ensuring a responsible officer is place for budget monitoring, confirming that staff have completed safeguarding training and producing process and procedures for the work of the team. There is also a need to review the team's current computer system to ensure it provides the most efficient way of working.
High Needs Assessment	Director of Learning, Skills and Culture	Substantial	Low	
HR - Self isolation process	Director: Business Development	Substantial	Medium	There are robust processes in place in relation to the self-isolation process and monitoring is taking place to ensure that guidelines are in line with the relevant guidance and regulations that have been subject to regular change. The medium risk assessment reflects the inherent risk due to the extent of the changing regulations
Role of Local Authority Designated Officer	Director of Children and Community Resilience	Substantial	Low	
Role of the Monitoring Officer	Director Resources and Governance	Substantial	Low	
SEND- pre inspection	Director of Learning, Skills and Culture	Substantial	Low	
Town Centre Management	Director: Business Development	Satisfactory	Medium	

Audit Assignment	Director	Assurance	Residual Risk	Comments
Financial systems				
Payroll	Director Resources and Governance	Substantial	Low	
Feeder Systems	Director of Resources and governance			To support our audit of the key financial systems we carry out audits of feeder systems on a cyclical basis. We have carried out audits on the early year system, pest control income and the fleet system and no issues of concern were identified
ICT				
Finance System Resilience	Director Resources and Governance	Substantial	Low	
Procurement				
Procurement - business travel	Director Resources and Governance			no areas of concern identified
Follow up				
Freedom of Information	Director of Governance and Partnerships	Satisfactory	Medium	
Attendance Management	Director of Business Development	Satisfactory	Medium	
Schools				
Winterton Junior and Winterton Infant Federation		Satisfactory	Low	
Probity audits				
Agency workers		Satisfactory	Low	
Data Matching	Director Resources and Governance			Exercises were carried out matching payroll/ creditors, debtors/ creditors and duplicate payments. No evidence of fraud or significant number of duplicate payments was identified, although some potential systems improvements were identified
Normandy Hall Golf Income	Director of Operations	Satisfactory	Low	

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

ACCOUNTING POLICIES 2020/2021

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To approve the accounting policies as an appropriate basis to prepare the Council's 2020/2021 financial statements.
- 1.2 To delegate to the Director Governance and Partnerships the power to make new accounting policies and amend existing policies as may become necessary in the production and audit of the financial statements.

2. BACKGROUND INFORMATION

- 2.1 The Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 (The Code) requires each local authority to adopt accounting policies that set principles for recording financial transactions within the Council's accounts.
- 2.2 The Code specifies the principles and practices required to prepare a Statement of Accounts to give a true and fair view of the financial position, financial performance and cash flows of the Council.
- 2.3 The policies proposed for North Lincolnshire are based upon guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and amended to take account of local circumstances.
- 2.4 The local amendments to the standard accounting policies are set out below.
 - a) A de minimis level has been applied to the accrual of income and expenditure. The de minimis level has been applied to reduce the administration surrounding the accrual of income and expenditure, without materially affecting the accounts. For 2020/2021 the level remains unchanged from previous years, being set at £10,000, subject to justified exceptions e.g. where grant conditions apply.

- b) The council has set a de minimis level of £100,000 for inventories. Any inventories valued at less than £100,000 are not accounted for as inventories. This reduces administration and does not have a material effect on the accounts.
 - c) Accruals are not processed for Housing Benefit Payments, Social Services Income for Home Care and Property Trading Account Income for commercial properties. The accounts still contain 12 months activity.
 - d) Depreciation normally commences in the first full year of operational use. In the case of vehicles this is applied from the point of initial use (less estimated residual value) to align with the internal fleet hire charging policy.
- 2.5 Some of the standard accounting policies within the Code are not relevant to the council and in the interest of clarity, have been removed. E.g. References to Housing Revenue Account (HRA) sales and Private Finance Initiative (PFI) arrangements.
- 2.6 There have been no additions, or amendments, to the accounting policies this financial year.
- 2.7 Delegating approval to the Director Governance and Partnerships to amend any existing policies during the production and audit of the financial statements allows for minor amendments to be made which may be picked up during the audit. Any major amendments to accounting policies would be reported back to this committee at the time of approving the audited version of the accounts.

3. OPTIONS FOR CONSIDERATION

- 3.1 Approve the Accounting Policies, as set out in Appendix A and delegate approval to the Director Governance and Partnerships to amend any existing policies as may become necessary in the production and audit of the financial statements.
- 3.2 Approve the Accounting Policies, as set out in Appendix A and do not delegate approval to the Director Governance and Partnerships to amend any existing policies as may become necessary in the production and audit of the financial statements.
- 3.3 Do not approve the Accounting Policies as set out in Appendix A.

4. ANALYSIS OF OPTIONS

- 4.1 Approving the Accounting Policies and delegating any amendments to be approved by the Director Governance and Partnerships will allow the financial statements to be produced and any minor amendments to be made during the audit process.

- 4.2 Approving the Accounting Policies and not delegating any amendments to be approved by the Director Governance and Partnerships will allow the financial statements to be produced but will not allow any amendments to be made during the audit process.
- 4.3 Not approving the Accounting Policies will not allow the statement of accounts to be produced in accordance with the Code.
5. **FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)**
- 5.1 None.
6. **OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**
- 6.1 None.
7. **OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**
- 7.1 None.
8. **OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**
- 8.1 None.
9. **RECOMMENDATIONS**
- 9.1 That members approve the accounting policies set out in Appendix A.
- 9.2 That members delegate to the Director Governance and Partnerships the power to make new accounting policies and amend existing policies as may become necessary in the production of the accounts or during the audit of the accounts, with any such changes being reported to the next meeting of this committee.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

Church Square House
30 - 40 High Street
SCUNTHORPE
North Lincolnshire
DN15 6NL

Author: Sarah Milburn
Date: 7 January 2020

Background Papers used in the preparation of this report

- The Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 (The Code)

Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2020/2021 financial year and its position at the year-end of 31 March 2021. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require 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 2020/2021, supported by International Financial Reporting Standards (IFRS).

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 where individual inventory categories are above £100,000.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the council operates on the normal accruals concept of income and expenditure above the council's de minimis threshold of £10,000. Exceptions to this policy are:
 - Housing Benefit payments
 - Social services Income for home care
 - Travel payments and supply teachers
 - Property Trading account Income for commercial properties

These exceptions still mean a full 12 months of income and expenditure are accounted for in a financial year.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with a low risk of change in value.

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.

iv. 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 (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Council Tax and Non-Domestic Rates

The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities, central government and precepting bodies of council tax and non-domestic rates (NDR). There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from the collecting non-domestic rates and council tax belong to the bodies (ie major preceptors, central government and billing authorities).

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

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

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in the Comprehensive Income and Expenditure Statement.

Termination Benefits

When the council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement.

Post-employment Benefits

Employees of the council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by East Riding of Yorkshire Council.
- The NHS Pension Scheme, administered by the NHS Business Services Authority

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. These schemes are therefore accounted for as if they were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Schools service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. Various lines within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the East Riding 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 projected earnings for current employees.
- The assets of East Riding pension fund attributable to the council are included in the Balance Sheet at their fair value.

The change in the net pension liability is analysed into the following 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 cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- 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-measurements comprising:

- the return on plan 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 the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the East Riding pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the 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 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 (including teachers) 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.

viii. Events After the Reporting Period

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

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

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

ix. 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.

For most of the borrowings that the council has, 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 loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

The council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (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 council 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 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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

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

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.

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 derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x. 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

xi. Heritage Assets

The council holds several assets which are held to increase the knowledge, understanding and appreciation of the council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The council's collections of heritage assets are accounted for as follows:

Civic Regalia, Museum Collection and Memorials

The asset will be accounted for at the value used for insurance purposes or its fair value as determined by a qualified valuer.

Heritage Assets – General

The carrying amounts 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. The council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

xii. 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) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

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.

Intangible assets are measured initially at cost and then 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.

xiii. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The council has set a de minimis value of £100,000, below which inventories are not held on balance sheet.

xiv. Investment Property

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

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.

xv. Leases

Leases are classified as finance leases where the terms transfer substantially all the risks and rewards of ownership of the asset 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.

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 also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) 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 for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current 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 an asset, this is retained on the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure Statement 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.

xvi. Overheads and Support Services

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

xvii. 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 probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The council does not capitalise borrowing costs incurred while 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 and Expenditure 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:

- assets under construction and community assets (without a determinable finite useful life) – historical cost
- infrastructure, community assets (with a determinable finite useful life) – depreciated historical cost
- all other assets are measured at current value

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 current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services 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(s) 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(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is normally charged in the first full year of operational use, except where stated, and calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Depreciation is charged on vehicles from the point of initial use.
- infrastructure – straight-line allocation over its technically assessed life.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 losses previously 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 Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie 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.

The receipts are transferred to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement. The reserves 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).

The written-off value of disposals is not a charge against council tax, as the cost of non-current 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.

xviii. Provisions, Contingent Liabilities and Contingent Assets

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 a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the council has an 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 (e.g. from an insurance claim), 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 where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

xix. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund Balance 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, local taxation, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the council as if they were the transactions, cash flows and balances of the council

xxii. 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.

xxiii. 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 such as bonds 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:

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

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

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

The council uses 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.

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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

LOCAL CODE OF CORPORATE GOVERNANCE

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To approve the updated Code of Corporate Governance which has been compiled in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) in their document “Delivering Good Governance in Local Governance Framework” (2016).
- 1.2 The council is committed to achieving good corporate governance and this Local Code describes how the council intends to achieve this in an open and explicit way.

2. BACKGROUND INFORMATION

- 2.1 In April 2016 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) issued their document “Delivering Good Governance in Local Government: a Framework”. It is based on seven principles underpinning the framework.
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Determining the interventions necessary to optimize the achievement of intended outcomes
 - Developing the entity’s capacity, including the capacity of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong financial management
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability
- 2.2 The Council adopted this framework in 2016 and adopted a local code around the seven principles.

The Code is subject to annual review and the latest Local Code of Corporate Governance is shown on Appendix 1.

- 2.3 The updated Code shows that overall the council continues to comply with the principles outlined in the CIPFA/SOLACE Framework. The effectiveness of these arrangements will be reported in the Annual Governance Statement.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether or not the revised Code of Corporate Governance sufficiently sets out how the council complies with the Corporate Governance Principles. If it concludes that it does the Committee is invited to approve the updated Code. The Committee may make amendments or seek clarification as necessary.

4. ANALYSIS OF OPTIONS

- 4.1 The Code of Corporate Governance provides this Committee with an overview of the council's governance arrangements. Members should seek clarification on its contents as necessary to ensure the Code provides sufficient assurance to fulfil their role as set out in the Committee's terms of reference.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

- 5.1 Regular review of governance arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

- 6.1 Ineffective corporate governance arrangements have a number of inherent risks in the context of organisational management, the use of resources and service delivery. Designing a Code of Governance based on national frameworks and responding to the issues raised in the 2019/20 AGS is a means of mitigating such potential risks.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 7.1 An Integrated Impact Assessment is not required.

8. **OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 There are no conflicts of interests to declare.

9. **RECOMMENDATIONS**

9.1 That the Audit Committee is asked to approve the updated Code of Corporate Governance.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

Church Square House
SCUNTHORPE
North Lincolnshire

Author: Caroline Wilson
Date: 08 January 2021

Background Papers used in the preparation of this report – None

SAFE WELL PROSPEROUS CONNECTED

North Lincolnshire Council Local Code of Corporate Governance

Approved by: Audit Committee

LOCAL CODE OF CORPORATE GOVERNANCE

INTRODUCTION

The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) defines governance as follows:

“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved”

The International Framework also states that:

“To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times”.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders”

GOOD CORPORATE GOVERNANCE

North Lincolnshire Council is committed to achieving good corporate governance and this Local Code describes how the council intends to achieve this in an open and explicit way. The local code is based upon the CIPFA SOLACE framework “Delivering Good Governance in Local Government” (April 2016) which replaced the document published in 2007. As laid out in the guidance it *“is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities”*. Consequently, the local Code has been written to reflect the council’s own structure, functions, and the governance arrangements in existence.

*The local code is based on the following 7 principles, the first 2 of which underpin the remaining 5 with the overall aim of **“Achieving the intended outcomes while acting in the public interest at all times”**.*

The principles are as follows:

Acting in the public interest requires a commitment to and effective arrangements for:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The following details how the council meets the core principles and the systems, policies and procedures it has in place to support this.

MONITORING AND REVIEW

The design and content of the Code of Corporate Governance is subject to annual review and update to reflect changes in the council's policies and processes.

The effectiveness of the governance arrangements are assessed annually and reported in the Annual Governance Statement (AGS). The council has adopted the "three lines of defence model" of assurance, where:

First Line – (delivery/operational area)

Each Director is required to complete an annual self-assessment as to how assurances are sought to confirm that the services and functions they are responsible for comply with each of the seven principles.

Second Line - (oversight of management activity and separate from those responsible for delivery)

A range of reports are produced annually or throughout the year from those responsible for the oversight of management activity which provide assurance on the operation of elements of the governance framework, including:

Executive Reporting

- Annual Report of Adults Safeguarding Board
- Annual Report of the Children's Multi Agency Resilience and Safeguarding Board
- Annual Education Report
- Director of Public Health Annual Report
- Annual Report for Adult Social Care (Local Account)
- Annual Report for Children's Services
- Annual Special Education Needs Report
- Annual Complaints Report (including Children and Adults Social Care)

Non-Executive Reporting

- Annual Risk Management Report
- Annual Report of the Standards Committee
- Annual Report of the Audit Committee
- Annual and Mid-Year Treasury Management Report
- Annual Fraud Report
- Annual ICT Assurance Report
- Annual Statement of Accounts

Third line (independent oversight)

- External inspectorates, such as Ofsted and the Care Quality Commission
- External audit
- Internal audit
- Ombudsman

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

Rational: Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

To demonstrate its commitment to achieving good governance, North Lincolnshire Council has:

Behaving with integrity

- A well-established Code of Conduct for Members to ensure that high standards of conduct are maintained. All new members are made aware of the Code as part of their induction process.
- A 'Declaration of Acceptance of Office' that is signed by Members once elected which refers to the Code.
- Established procedures for dealing with breaches of the Member Code of Conduct.
- Promoted the NLC Code of Conduct to Town and Parish councils which all have adopted.
- A Standards Committee responsible for overseeing the conduct of members and identifying learning and development for members in relation to the Code of Conduct. The Committee receives a report at each meeting on the progress of complaints/investigations. An annual report is presented to the Standards Committee on councillors' compliance with the ethical standards framework.
- Standards Committee Members are trained on the Code of Conduct.
- An Employee Code of Conduct that sets out standards of behaviour and conduct the council expects of its employees to ensure that public business is conducted with fairness and integrity. This is signposted as part of staff induction.
- The NLC Team Membership Pack containing information on the council; including what can be expected from the council as well as from the employee.
- #teamNL conversations held with all staff regarding our council values and behaviours.
- A standard decision-making report format to ensure that all those responsible for taking decisions have the necessary information on which to do so. Key decisions are also supported by an Integrated Impact Assessment.
- Visual Identity Standard and Guidelines provides specific guidelines and standards for NLC employees to apply across all forms of communication and media.
- A Code of Practice for Employees for declaring interests and registering gifts and hospitality.
- On its website a register of Members' interest is published.
- A Members' policy for acceptance and registration of gifts and hospitality.
- A standing agenda item to record members' declaration of interests. Minutes show declarations of interest were sought, and appropriate declarations made.
- A Customer Complaints and Comments Policy that is published on the council's website.

	<ul style="list-style-type: none"> • A quarterly report is produced that presents a summary of all complaints and compliments considered under the council’s policy. • A Whistleblowing Policy in place to enable individuals to raise concerns about malpractice or wrongdoing. <p>Demonstrating strong commitment to ethical values</p> <ul style="list-style-type: none"> • A regularly reviewed and externally validated Constitution which sets out how the council operates and how it makes decisions. It also states that the council will exercise all its duties in accordance with the law. • Terms of Reference for all committees and decision-making meetings. • Policies and procedures that are updated, to ensure adherence to ethical standards including the HR Manual, Contract Procedure Rules. • An annual review to ensure compliance with CIPFA’s Code of Financial Management (CIPFA, 2019). • Many council staff are also subject to the ethics of their professional body. <p>Respecting the rule of law</p> <ul style="list-style-type: none"> • Clearly defined the statutory roles to designated posts, set out in the Constitution, including the role of Monitoring Officer responsible for ensuring the council operates within the law and decisions are administered correctly. • Set out Role Descriptions for all councillors in the Constitution. • An Anti-Fraud and Corruption Strategy which is supported by the Whistleblowing Policy and a hotline for employees and customers to report irregularity and fraud. • Quarterly overview to update the council’s Assurance Group on the position against set criteria which helps identify the council is fulfilling its duties as an organisation and employer.
<p>Core Principle B: Ensuring openness and comprehensive stakeholder engagement</p>	
<p>Rational: Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders,</p>	<p>To demonstrate its commitment to achieving good governance, North Lincolnshire Council has:</p> <p>Openness</p> <ul style="list-style-type: none"> • A range of annual reports that summarise achievements for the year across a range of functions that set out outcomes achieved for North Lincolnshire residents. • Its annual statement of accounts published annually prior to external audit and post audit.

<p>such as individual citizens and service users, as well as institutional stakeholders.</p>	<ul style="list-style-type: none"> • A Publication Scheme that describes the kinds of information available and provides guidance about how to access information and submit a Freedom of Information request. • Systems in place to ensure that relevant decisions taken by officers are published in accordance with legislative requirements – Officer Decision Notice and Record. • Mechanisms for seeking views from service users, stakeholders and residents ‘Engaging With You’ statement. • A standard decision-making report format is used to ensure the decision maker is presented with all the information necessary to inform the decision including outcomes of consultation. • The Impact Assessment toolkit is used for all key decisions and helps ensure that the decisions taken consider a range of potential impacts/risks. • Agendas, reports and minutes are published on the council’s website. Meetings are open to the public unless there are good reasons for not doing so on the grounds of confidentiality. • Dates for submitting, publishing and distributing timely reports are set and adhered to. • A Council Plan that sets out the vision and priorities for North Lincolnshire and strategic direction for the council. • A copy of the Constitution is available on the council’s website. <p>Engaging comprehensively with institutional stakeholders</p> <ul style="list-style-type: none"> • Established strong partnerships with the public sector, business and community and voluntary sector across North Lincolnshire, including statutory arrangements for Community Safety, Health and Wellbeing and Safeguarding. • Mechanisms in place to consult where necessary with public sector bodies such as Police and Fire. • Established a North Lincolnshire Place Partnership as a forum for Chief Officers of member public sector organisations to work collectively as ‘Place Leaders’ to improve outcomes for people and place together with voluntary & community sector and business sector representation. • The Adults Partnership and Children’s & Young People Partnership provide a framework for consulting and engaging with key stakeholders including voluntary and community groups. • Ensured that capturing the voice of the customer and of the staff and outside bodies is at the heart of the Performance Framework. <p>Engaging stakeholders effectively including individual citizens and service users</p> <ul style="list-style-type: none"> • Information is provided to the public about Council activities and its business in the form of News Direct, which is distributed on a quarterly basis.
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	<ul style="list-style-type: none"> • A Public Engagement Framework and ‘Engaging With You’ statement, which summarises how the council engage. • A Residents Panel has been established as a primary method for gathering views that are representative of the North Lincolnshire population. • Good Practice Checklist for services to complete to improve the quality of correspondence to customers. • Community Safety Partnership regularly engage and consult with the community about their priorities and progress towards achieving them. • Good arrangements to engage with specific population groups and service users. For example, the Youth Council provides a forum for young people to communicate and promote views of young people. • A petitioning process for the public to bring concerns to the council’s attention. • We ensure that the voice of our citizens and service users are fed back through the Performance Management and Assurance process to improve our services. • Greater use of social media to communicate with the communities. • The ‘Digital Front Door’ project is being developed to improve the customer experience.
<p>Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefit</p>	
<p>Rationale: The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>To demonstrate its commitment to achieving good governance, North Lincolnshire Council has:</p> <p>Defining Outcomes</p> <ul style="list-style-type: none"> • A Council Plan that sets out the council’s ambitions and defines the outcomes, goals and values for people and place. • Delivery of the Plan is monitored through a Performance Framework that sets out how we monitor performance of the Plan as well as performance over our day-to-day operations. • A regularly reviewed and updated Strategic Needs Assessment which analyses local intelligence and needs analysis about economic, housing, health, wellbeing and social care needs of the local population. • A strategic planning framework that links all strategies and plans to the Council Plan and needs assessment. • Set the budget around the outcomes and priorities.

	<p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> • Integrated Impact Assessment used in the decision-making process considers risks and impacts for individuals and communities, for the area and other legal or governance matters to ensure that fair access to service is not adversely affected. • A new Social Value Charter was approved, which helps suppliers and contractors to contribute to the long-term social, economic and environmental wellbeing of residents. • Better Business Case – Best Practice Guide and Support is structured around the Government’s Five Case Model (best practice standard recommended by HM Treasury. Provides an overview of the principles and methodology used in the development of business cases. • An agreed set of principles for the purposes of budget setting.
<p>Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	
<p>Rationale: Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p>To demonstrate its commitment to achieving good governance, North Lincolnshire Council has:</p> <p>Determining interventions</p> <ul style="list-style-type: none"> • A financial planning process that determines level of resources to achieve Council priorities and outcomes and meet statutory duties. • A standard decision report format to ensure relevant information to be considered as part of the decision-making process of members and officers. <p>Planning interventions</p> <ul style="list-style-type: none"> • A Strategic Planning Framework that explains how strategic planning is undertaken at NLC and to set out the key principles and associated guidance to help ensure that a consistent and structured approach is undertaken across the council. • A regularly reviewed and published Integrated Strategic Needs Assessment provides an opportunity to identify service developments that will enhance achievement of outcomes and priorities. • Work programmes developed by Overview and Scrutiny committees (Panels) to consider, policy, delivery and impact of decisions. • Performance Management Framework which provides reporting at operational, strategic and executive. • Financial management and reporting processes that enable regular and timely reporting to budget holders, leadership team and Cabinet.

	<p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> • Integrated Strategic Assessment that is structured around four high level outcomes. Brought together evidence across the outcomes giving the council an overview of the state of North Lincolnshire with a focus on the people who live there. • Annually updated Procurement and Commissioning Plans supported by sector specific Market Position Statements that identifies service developments and specification. • A Medium-Term Financial Strategy agreed and reviewed annually based upon Council Plan ambitions and priorities. • Securing continuous improvement through engagement with external and peer review mechanisms. • Annual reporting of achievement of impact of intervention, for example Adult Social Care Local Account; Annual Education Report. • Quarterly overview to update the council's Assurance Group on the position against set criteria which helps identify the council is fulfilling its duties as an organisation and employer.
<p>Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	
<p>Rationale: Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the</p>	<p>To demonstrate its commitment to achieving good governance, North Lincolnshire Council has:</p> <p>Developing the entity's capacity</p> <ul style="list-style-type: none"> • Regularly reviewed and published employee policies. • #TeamNL Engagement Partnership provides a forum for strategic workforce engagement, with representation from Listening and Learning Group, Be Yourself at Work group, Better 4 You and a range of network groups with representation from senior leadership. • Access to a range of benchmarking information to support resource planning and value for money analysis. • Governance structures for strategic planning of workforce development - Organisational Development People Executive. <p>Developing the capability of the entity's leadership and other individuals</p> <ul style="list-style-type: none"> • Leader and Cabinet political management model is well established and clearly recognises the role of the Mayor and opposition group within the Constitution. • The political management model provides opportunities for non-executive members to focus on their key roles in overview and scrutiny, on regulatory committees, outside bodies and as local community representatives.

<p>participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<ul style="list-style-type: none"> • Protocols are in place for governing Members' and statutory officers' responsibilities. Member role descriptions are set out in the Constitution. • Protocols in place to ensure the Leader and Chief Executive have a shared understanding of roles and objectives. • A Scheme of Delegation to Officers and Appointment of Proper Officers that are reviewed annually in light of legal and organisational changes. • A Constitution that sets out financial management arrangements through the Financial Regulations and Contract Procedure Rules and supplemented by the Finance and Procurement Manuals. • Tracking of new government legislation, announcements, consultations and bills via the tracker system on a weekly basis and circulated to key individuals. • Organisational Development Plan (ODP) that is an overarching framework for the whole council to implement and realise the vision of a progressive and agile organisation. It is structured around three priorities Work well, Wellbeing and Council Re-design. • Progress of the ODP and against the OD Outcomes Framework is monitored via the OD Senior Leadership Team meeting. • Organisational Priority Executive Groups are responsible for delivering the priority outcomes and progress on People and Digital in support of the ODP. • People Plan that is a delivery plan for the people aspects of the council's ODP be setting out how the council will engage, support and encourage innovation from the workforce. • All new staff are required to be introduced to the NL Council Team Membership Pack which provides information on all you need to know about working for the council and to attend a #teamNL conversation about the council values and behaviours. • All current staff have also been required to be introduced to the NL Council Team Membership Pack which provides information on all you need to know about working for the council and to attend a #teamNL conversation about the council values and behaviours. • Induction Programme for officers which includes the assignment of an Induction Buddy to help new staff through their first weeks at the council. • Employee Performance Review meetings are held. • Specific training for officers is made available through the annual Corporate Training Programme. Learning Lincs offers a wide range of development and support via eLearning packages. • Member induction and development programme to ensure specific and specialist roles have up to date training to effectively carry out role. E-learning packages are available for members. • The Leadership and Management Framework is being developed.
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	<ul style="list-style-type: none"> • Health & Safety policies designed to protect and enhance the welfare of staff are actively promoted and monitored. • Apprenticeship Programme offering training, skills and experience in Local Government. The Apprenticeship Plan sets out aims and vision for positively promoting apprenticeships within the Council. • Listening & Learning Group and be Yourself at Work conversations that helps to channel voices and views of the workforce.
<p>Core Principle F: Managing risks and performance through robust internal control and strong public financial management</p>	
<p>Rationale: Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services.</p> <p>Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy</p>	<p>To demonstrate its commitment to achieving good governance, North Lincolnshire Council has:</p> <p>Managing risk</p> <ul style="list-style-type: none"> • A Council Assurance group which provides strategic oversight of the processes in place to manage risk and to identify and manage council and strategic risk. • Risk management arrangements in place including robust systems of identification, evaluation and control of risks which threaten the council's ability to meet its objectives to deliver services. • A regularly reviewed Risk & Opportunities Protocol. • Responsibilities for managing individual risks are contained within the Risk & Opportunities Protocol. • The publication of the RISK roundup newsletter twice a year. • The Audit Committee is responsible for considering the effectiveness of the authority's risk management arrangements. This includes a review of the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations, and approval of the Risk & Opportunities Protocol. <p>Managing performance</p> <ul style="list-style-type: none"> • A well-established performance management framework, with various levels and frequencies for reporting. • Use data from various sources, such as CFO insights, CIPFA and the LGA to benchmark the services provided by the Council. • On a quarterly basis an update is provided on how the council is performing against the priorities and day to day operational performance. • Performance is also externally assessed in many areas as a number of reports are produced some of which are produced in part with other agencies.

<p>making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<ul style="list-style-type: none"> • The format of decision-making reports ensure that all relevant information is considered such as analysis of options, resource implications, outcomes of Integrated Impact Assessment etc. • Reports and minutes and decisions under member consideration are published on the website and are available in hard copy in a variety of formats on request. • Work Programmes developed involving all members and co-opted members of panels apply the overview and scrutiny disciplines of policy review and development, call-in, added items and monthly review meetings with Cabinet Members and Directors. • Agenda, minutes of scrutiny meetings and any associated reports with recommendations to the Executive are published on the council’s website. • In response executive action plans, targets and progress of implementation are produced by services which are reviewed by scrutiny panels. • Overview and Scrutiny training for members is provided initially at induction, also on an annual basis or on specific subjects within scrutiny panel meetings. This is done via an on-line training portal. • Quarterly overview to update the council’s Assurance Group on the position against set criteria which helps identify the council is fulfilling its duties as an organisation and employer <p>Robust internal control</p> <ul style="list-style-type: none"> • An annual report is produced by Internal Audit which provides an opinion on the council’s control environment, and a self-assessment of its arrangements against the public sector internal audit standards and CIPFA’s guide to the role of the Head of Internal Audit. • An Anti-Fraud and Corruption Strategy which is subject to regular review and is approved by the Audit Committee. An annual fraud report summaries anti-fraud activity in the year. • AGS that provides a high-level summary of how the council is meeting the principles of good governance. The AGS is reviewed annually by the Audit Committee and the external auditors alongside our annual financial statements. • An effective internal audit service is resourced and maintained. Internal Audit prepares and delivers a risk-based audit plan which is kept under review to reflect changing priorities and emerging risks. • The council is subject to External Audit and inspection regimes which require action plans which are assigned to officers. • The Audit Committee, which is independent of the Executive, oversees the management of governance issues, internal controls, risk management and financial reporting. Its performance is subject to annual self-assessment. • Audit Committee Terms of Reference are reviewed annually and revised to reflect professional bodies’ expectations and best practice.
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- Training is provided to new Audit Committee members on their role and responsibilities.
- The Constitution, through its Overview and Scrutiny Procedure Rules has opportunities for the council's three scrutiny panels to challenge and debate policy and objectives before, during and after decisions are made.

Managing data

- The Information Governance Framework sets out the roles, responsibilities, policies and procedures for managing the council's information assets. This is subject to an annual review.
- Effective information sharing is undertaken in accordance with the General Data Protection Regulation / Data Protection Act 2018 and the council's Data Protection & Confidentiality Policy.
- The council's Information Security and ICT Security Standards provide guidance on the arrangements that must be in place to ensure personal data is kept protected and secure.
- Information governance and security awareness with officers and members through mandatory information governance training, annual information governance campaign, council wide messages and top desk postings.
- Data Subjects are informed why their personal information is being collected and how it will be processed (including when shared with other bodies) through the council's overall Privacy Notice published on the website and individual Privacy Statements also published on the website and included on forms, in booklets etc.
- Information Sharing Agreements are reviewed on a regular basis, are in place to document the sharing of information using national agreements, the template in the Humber Information Sharing Charter or similar templates in use in other areas of the country.
- Data verification and validation processes are integrated within systems and processes.
- The council completes external self-assessments when required e.g. NHS Data Security and Protection Toolkit.
- A record of processing document has been put together where personal information is processed to explain this processing.
- An Information Asset Register has been produced to document systems in place, including where these contain personal data.
- Data Protection Impact Assessments are carried out where necessary to access and manage the risk of the new processing of personal data or changing the way personal data is processed
- PSN Code of Connection.

	<p>Strong public financial management</p> <ul style="list-style-type: none"> • The Medium-Term Financial Plan makes a realistic assessment of the resource that growth allows and allocates that resource to create a sustainable council capable of delivering council priorities and outcomes. • Underpinned by a set of principles which guide the council in its budget setting decisions • In a ‘one council’ culture of shared responsibility encourages the sharing of good practice and secures cross-council synergies. • With effective financial management secured through budget planning and control using a system of devolved budget management. • Contract Procedure Rules and Financial Regulations set out the council’s arrangements and ensure that processes continue to operate consistently. • Financial accountability applied through a hierarchy of reporting arrangements up to council level. • Financial procedures documented and available for reference on the council’s on-line Topdesk platform.
<p>Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	
<p>Rationale: Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p>To demonstrate its commitment to achieving good governance, North Lincolnshire Council has:</p> <p>Implementing good practice in transparency</p> <ul style="list-style-type: none"> • Agendas, reports and minutes are published on the council’s website. <p>Implementing good practices in reporting</p> <ul style="list-style-type: none"> • Production of Annual Reports summarising achievements in the year published on the council’s website. • Annual Financial Statements are produced to meet legal requirements on timeliness and accuracy; are subject to independent external audit; and published on the council’s website. <p>Assurance and effective accountability</p> <ul style="list-style-type: none"> • AGS that sets out the council’s governance framework and the results of the annual review of the effectiveness of the council’s arrangements. The AGS includes areas for improvement. • An effective internal audit service is resourced and maintained. The Service has direct access to members and provides assurance on governance arrangements via an annual report containing an opinion on the council’s internal control arrangements.

	<ul style="list-style-type: none">• An annual report is produced by Internal Audit which includes a self-assessment of its arrangements against the public sector internal audit standards and CIPFA's guide to the role of the Head of Internal Audit.• External Audit provides an annual opinion on the council's financial statement and arrangements for securing Value for Money.• Outcome to leaning through external review e.g. LGA corporate peer challenge - such reviews are reported to Cabinet.• The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies.• The respective roles of officers and associated responsibilities are set out in the Constitution.
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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

RISK AND OPPORTUNITY PROTOCOL

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To approve the updated Risk and Opportunities Protocol.
- 1.2 The Risk and Opportunities Protocol outlines the council's approach to the effective management of risk.

2. BACKGROUND INFORMATION

- 2.1 The council's Risk & Opportunity Protocol has been reviewed and updated. The proposed Protocol is attached in Appendix 1.
- 2.2 The Protocol has been evaluated against best practice and describes the risk management framework that is in place. The Protocol also demonstrates commitment to the promotion of sound risk management throughout the council.
- 2.3 The Risk & Opportunities Protocol provides a framework by which the Audit Committee can seek assurance that any significant risks to the council achieving its priorities are adequately managed. The key elements of the Protocol are:
 - evaluation of the Council's risk maturity, which has been stated that "there is an organisational managed approach to risk management, based on recognised risk management principles, has been developed and communicated"
 - definition of the Council's risk appetite which has been defined as "open"
 - mapping out roles and responsibilities for risk management and
 - setting out actions to further develop risk management in relation to the Council.

3. OPTIONS FOR CONSIDERATION

3.1 The Committee is asked to consider whether or not the revised Risk and Opportunities Protocol will enable sufficient assurance to be sought on the adequacy of the council's risk management arrangements. The Committee may make amendments or seek clarification, as necessary.

4. ANALYSIS OF OPTIONS

4.1 The Risk & Opportunities Protocol complies with professional guidance available and is designed to enable Members to gain adequate assurance to fulfill their role as set out in the Committee's Terms of Reference. The Risk and Opportunities Policy outlines the Council's approach to the effective management of risk. Failure to effectively manage risks could potentially have adverse service, financial or reputational impacts.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

5.1 There are no additional resources implication however sound risk management should safeguard the council's assets and help ensure that value for money is achieved in the use of resources.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1 There are no direct other relevant implications of this report but having an effective approach to risk management as laid out in the Protocol allows risks in relation to such areas to be identified and managed.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 An Integrated Impact Assessment is not required.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 Not applicable

9. RECOMMENDATIONS

9.1 That the Audit Committee is asked to approve the updated Risk & Opportunities Protocol.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

Church Square House
SCUNTHORPE
North Lincolnshire

Author: Caroline Wilson
Date: 13 January 2021

Background Papers used in the preparation of this report – None

SAFE WELL PROSPEROUS CONNECTED

Risk & Opportunity Protocol 2020–2022

Contents

- Introduction and Context
- Aims & Objectives
- Risk Maturity
- Risk Appetite
- Roles and Responsibilities
- Risk and Opportunities Management Process
- Embedding the approach to risk and opportunity management
- Definition of Terms – Appendix A

Introduction and Context

A successful and systematic risk management process underpins and supports the efficient and effective delivery of the Council's strategic outcomes and the high-level strategic framework.

This document is designed to help in raising awareness of the overarching principles of risk management and to assist staff in applying sound risk management practices to support the achievement of strategic objectives.

Risk can be defined as uncertainty of outcome. Risk is ever present and a certain amount of risk-taking is inevitable if the Council is to achieve its objectives.

Risk management involves adopting a planned and systematic approach to the identification, evaluation and control of the risks facing the Council and is a means of minimising the impact of undesired events.

Opportunity management involves the identification and assessment of proposed actions designed to deliver council outcomes.

The benefits gained from effectively managing risks and opportunities include:

- **Improved strategic management**
 - Greater ability to deliver against strategic outcomes
 - Improved decision making
- **Improved operational management**
 - Reduction in managerial time spent dealing with the consequences of a risk event having occurred
 - Improved service delivery
 - Provision to management of early warnings of potential problems
 - Better protection of resources including staff and assets
- **Improved financial management**
 - Better informed financial decision-making
 - Greater financial control
 - Minimising waste and poor value for money
 - Reduction in costly claims against the Council
 - Reduced unexpected and costly surprises
 - Reduction in unplanned financial costs due to e.g. service disruption, litigation, and bad investment decisions
 - Minimised vulnerability to fraud and corruption
 -
- **Safeguarding clients and improved customer service**
 - Minimal service disruption to customers and positive external reputation
 - Safeguard its clients and service users
- **Opportunities Management**
 - Identifies a potential benefit of taking actions and decisions
 - It is a tool for informed decision making.

Aims and Objectives

The aim of risk management is to ensure that the Council has an effective process to support better decision making through good understanding of risk and their likely impact.

The objectives of this document are to:

- Support the achievement of the outcomes of the Council
- Integrate risk management into the culture of the Council
- Proactively identify and manage risk and maximise opportunities of both the Council and those partnerships with which it is involved
- Enable the Council to anticipate and respond to changing social, economic, environmental and legislative conditions to manage risk and maximise opportunities
- Support the effective management of risks associated with major projects that have a significant impact on the Council's financial position and pose a reputational risk
- Support the minimisation of injury, damage and loss and reduce the number of incidences and cost of risk to the Council
- Strengthen the basis of options appraisal and decision making
- Setting and promoting the Council's risk maturity and risk appetite

Effective risk management will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management
- Effective communication at all levels of the organisation
- Monitoring progress in delivering the strategy and reviewing the risk management arrangement on an-going basis
- Setting and promoting the Council's risk maturity and risk appetite.

Risk Maturity

Risk maturity is the effectiveness of an overall organisation's arrangements to identify and manage its risks. The level of risk maturity has been self-assessed, and it has been identified as 'Risk Management is working for the organisation'. The aspiration is for the organisation to have a level of risk maturity as 'Risk Management is embedded and integrated within the organisation'. The risk and opportunity protocol and toolkit will enable the risk maturity to be developed and monitored.

Risk Appetite

Risk appetite can be defined as the risk an organisation is prepared to accept in the pursuit of its objectives. The council's overall risk appetite has been defined as **open** where there is a greater "willingness to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money".

How this is applied in practice will vary depending on the potential impact a risk could have on the organisation or service users. Factors such as the external environment,

people, business systems and policies and how key stakeholders perceive potential impact will all influence the risk appetite.

Roles & Responsibilities

All members, managers, employees and partners must understand the nature of risk and accept responsibility for managing risk and accept responsibility for managing those risks associated with their areas of activity. The roles and responsibilities of all individuals/groups involved in the risk management process is summarised below:

Group or Individuals	Roles & Responsibilities
Cabinet & Council	<ul style="list-style-type: none"> • Consider risk management implications when making decisions • Ensure that a consideration of risks and opportunities is presented in reports on which they are asked to make a decision
Audit Committee	<ul style="list-style-type: none"> • Champion risk management throughout the Council • Consider and approve the Risk & Opportunities Protocol and oversee the effective management of risk through Council officers • Receive and consider risk management progress reports • Reviews the Corporate Risk Register • Seek sufficient assurance that strategic risks which may affect the Council's outcomes are being properly managed
Assurance Group	<ul style="list-style-type: none"> • Drives the implementation of the Council's Risk & Opportunities Protocol • Collective responsibility for the identification and management of corporate risks and opportunities • Ensure council wide implementation of the risk management framework • Review the Risk Frameworks and its implementation of arrangements • Advise on the Council's Risk Appetite • Reviews the Strategic Risk Register and Risk & Opportunity Policy
Directors	<ul style="list-style-type: none"> • Ensure that the Council manages risk effectively in relation to strategic priorities and outcomes • Ensure that all cabinet reports have considered a risk and opportunities assessment • Review and update risks at least quarterly including monitoring controls and treatment progress

	<ul style="list-style-type: none"> • Ensure an awareness of risk culture is embedded across their respective departments and services • Maintain risk registers in their respective areas of responsibility
Heads of Service/Project Managers	<ul style="list-style-type: none"> • Manage risk effectively and comply with this policy and the accompanying Toolkit Ensure that key operation/project risks are identified, recorded and managed • In relation to projects, ensure that the risks are reviewed at appropriate stages of the project • In relation to projects regularly report key risks and treatment progress to the relevant Project Board
Head of Audit & Assurance/Strategic Lead Risk & Governance	<ul style="list-style-type: none"> • Spread the ethos of effective risk management throughout the Council • Provide advice and support to the Assurance Board • Assist Directors in identifying, analysing and controlling the risks that they encounter • Provide guidance and support to Directors in relation to risk management generally • Organise and promote risk management awareness and development • Co-ordinate the production of the Council's Risk & Opportunities Protocol • Promote continual improvement and update of risk management arrangements based on current best practice • Support the maintenance of the risk registers • Regularly report to the Audit Committee on strategic risk matters • Ensure that managing risk is integrated with other corporate processes
Super Users	<ul style="list-style-type: none"> • Support the maintenance of the risk registers to ensure they are up to date
Internal Audit	<ul style="list-style-type: none"> • Produce a risk-based audit plan that considers the key risks identified by the Council • Provide an informed opinion on the effectiveness and adequacy of the Council's risk management framework • Provide assurance on key controls identified
Employees	<ul style="list-style-type: none"> • Manage risk effectively in their job and comply with the Council's Risk & Opportunities Protocol • Participate in the identification, assessment and control of threats and opportunities

	<ul style="list-style-type: none"> • Immediately reports to their manager any incident, accident, 'near miss' or any other concerns that they may have with regards to risk
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Risk Management Process

The risk and opportunities management process is detailed in a risk management tool kit. This will be updated to reflect anticipated changes to the risk register. The process provides a systematic, effective and efficient way by which risks can be managed at different levels throughout the organisation.

Embedding the Approach to Risk and Opportunity Management

Between January 2021 and December 2022, the Council will carry out actions to embed the implementation of this document including:

- Reviewing the e-learning package to allow managers and staff to understand the principles and benefits of risk management more fully.
- Promoting the role of audit and assurance in supporting the evaluation of risks and opportunities in relation to new projects.
- Evaluating arrangements against best practice and identifying areas for improvement.
- Review how risk is evaluated and reported in Cabinet reports.
- Identify areas where risk management can effectively be used to reduce insurance claims against the council.
- As part of the Audit and Assurance team, use risk management approaches to identify those areas of greater risk of fraud and therefore prioritise areas for anti-fraud activity.

Appendix A – Definition

Risk Management is defined as, “co-ordinated activities to direct and control an organisation with regard to risk”.

A **Risk** is the “effect of uncertainty on objectives” and provides for both positive and negative consequences of risk.

A **Risk Owner** is “a person with the accountability and authority to manage a risk”.

Risk Attitude is the manner of the organisation’s “approach to assess and eventually pursue, retain, take or turn away from risk”.

Risk Appetite refers to the "amount and type of risk that an organisation is prepared to pursue, retain or take".

Opportunity Risk is the risk that a better opportunity may present itself after an irreversible decision has been made.

Strategic risks are associated with the achievement of strategic outcomes. They will include new initiatives, as well as the development of current services.

Operational risks are associated with on-going procedures and systems. This includes systems such as creditor payments, human resources and information management.

Project risks are associated with the successful completion of a project in order to deliver its strategic and operational objectives. Project risk may occur with the significant changes to the delivery of services, the introduction of new systems, or a major capital scheme. They will be short term in comparison to strategic and operational risks, with the strategic and operational risk elements moving into the said risk areas on project completion.

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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

RISK MANAGEMENT PROGRESS REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform Members of key issues arising from risk management work.
- 1.2 Regular reporting on risk management issues is an important source of assurance for Members to fulfil their role and provides supporting evidence for the annual approval of the Governance Statement.

2. BACKGROUND INFORMATION

- 2.1 The Council's strategic risks are set out in Appendix 1.
- 2.2 The strategic risks are reviewed regularly to assess the triggers, impacts and controls. Overall, with the controls and mitigations that are in place overall risk levels are assessed as low.
- 2.3 The council has generated specific and risk logs to reflect the external operating environment: 'Adverse impacts arising from COVID 19' and 'EU Exit'. Controls are in place to mitigate and the risk triggers are being monitored and reviewed.
- 2.4 Work to further embed risk management continues. In addition to delivering workshops the latest edition of Risk Roundup has been published. The newsletter includes important articles on significant risk topics such as health and safety, information governance, fraud and insurance. Appendix 2 refers.
- 2.5 A review of the Council's operational risk registers was carried out by the Strategic Lead Risk and Governance in December 2020. 18 of the 170 risks in the system either had not been reviewed by the service after the due date or had an outstanding action after the due implementation date, equating to 11%. Work is ongoing with service leads to ensure regular reviews are updated on the system.

3. OPTIONS FOR CONSIDERATION

3.1 The Committee should consider whether this update provides sufficient assurance on the adequacy of risk management arrangements. The Committee invited to ask questions about the contents of the report and seek clarification as necessary.

4. ANALYSIS OF OPTIONS

4.1 The progress report is designed to provide this Committee with the assurance required to fulfil its role effectively.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

5.1 Effective risk management arrangements contribute to the safeguarding of council assets and the achievement of value for money in the use of resources.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1 Financial, service, personal safety and reputational issues are considered when evaluating both strategic and operational risks.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 An Integrated Impact Assessment is not required.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 There are no conflicts of interests to declare.

9. RECOMMENDATIONS

9.1 That the Audit Committee considers the assurance provided by the Risk Management progress report on the adequacy of risk management arrangements.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

Civic Centre
Church Square House
SCUNTHORPE
North Lincolnshire

Author: Caroline Wilson
Date: 13 January 2021

Background Papers used in the preparation of this report – None

Strategic Risk Register

Residual Score I 4 x L 2

Failure to achieve long-term financial resilience

Assigned to Director Governance & Partnerships
Review Date: 14/02/2021

Triggers & Effects

1. Uncertainty on the level of national funding streams
2. Qualified Accounts or VFM Opinion
3. Unresolved in year budget pressures or frequent unplanned use of reserves
4. Budget not set or approved
5. General Reserves less than 5% of net budget
6. S114 issued

	Control Measure	Status	Assigned To
1.	The MTFP makes a realistic assessment of the resource that growth allows and allocates to council priorities	Control In Place	Director Governance & Partnerships
2.	Effective financial management secured through budget planning and control using a system of devolved budget management	Control In Place	Head of Finance & Commissioning
3.	Contract Procedure Rules and Financial Regulations set out the Council's arrangements	Control In Place	Head of Finance & Commissioning
4.	Reserves Policy to cover risk is included in the MTFP Financial Strategy	Control In Place	Head of Finance & Commissioning
5.	Budget approved by Full Council	Control In Place	Director Governance & Partnerships
6.	Unqualified Accounts for 2019/20 from External Audit	Control In Place	Director Governance & Partnerships
7.	Unqualified opinion regarding Value for Money	Control In Place	Director Governance & Partnerships

Strategic Risk Register

Residual Score | 3 x L 2

Failure to safeguard vulnerable persons

Assigned to: Director Children and Community Resilience

Triggers Effects

1. Increase in the number of incidents requiring review by Community Safety Partnership.
2. No systems in place to ensure awareness and reporting in respect of modern-day slavery, CONTEST and Child Exploitation.
3. serious case reviews within Children's Service.
4. Serious case reviews within Adult's Service.
5. A need to instigate a Community Action Plan in response.

Control Measures

	Control Measure	Status	Assigned To
1.	Safeguarding Adults Board in place	Control In Place	Director Adults & Community Wellbeing
2.	Multi Agency Resilience and Safeguarding Board in place (Children)	Control In Place	Director Children & Community Resilience
3.	Community Safety Partnership in place	Control In Place	Director Children & Community Resilience
4.	Procedures and systems in place for reporting exploitation vulnerable people	Control In Place	Director Children & Community Resilience
5.	Child Death Overview arrangements in place	Control In Place	Director Public Health
6.	Arrangements in place to instigate Community Action Plan (Suicide)	Control In Place	Director Public Health

Strategic Risk Register

Residual Score I 3 x L 2

Inadequate organisational leadership and governance arrangements in place

Assigned to Chief Executive
Review Date: 14/02/2021

Triggers Effects

1. Change in political leadership
2. Change in the Leadership Team
3. Lack of experience within the Leadership Team
4. Vision and priorities not set, clearly articulated or understood
5. Lack of governance arrangements - public interest report, adverse External Audit Opinion, serious fraud case
6. Decision making mechanisms not sufficiently robust - inappropriate risk taking or risk sharing, high level of judicial reviews against the Council
7. Ineffective overview and scrutiny arrangements in place
8. An increase in allegations and complaints made against elected members - reputational damage

Control Measures

	Control Measure	Status	Target Date	Assigned To	Review Date
1.	Code of Corporate Governance in place which is reviewed annually	Control In Place		Head of Audit and Assurance	
2.	Constitution that is reviewed annually	Control In Place		Head of Legal and Democracy	
3.	Scheme of Delegation in place that is reviewed annually	Control In Place		Head of Legal and Democracy	
4.	Codes of Conduct in place for Members and staff	Control In Place		Director Governance & Partnerships	
5.	Experienced Senior Leadership Team with no vacancies	Control In Place		Chief Executive	
6.	Overview and Scrutiny arrangements in place	Control In Place		Head of Legal and Democracy	
7.	Organisational Development Plan sets clear priorities for organisational change and focus	Control In Place		Director Business Development	

Strategic Risk Register

Residual Score I 2 x L 2

Ineffective engagement with all groups of stakeholders including citizens and service users

Assigned to Director Governance and Partnerships
Review Date: 13/07/2021

Triggers Effects

1. No arrangements in place to engage with stakeholders
2. Partners do not demonstrate commitment to partnership working
3. Partners do not share a collective vision/priorities for North Lincolnshire
4. Insularity or isolation
5. Other public sector bodies in North Lincolnshire have adverse inspection/regulation outcomes
6. Significant business failures and/or unexpected withdrawals of organisations/business
7. Specific gaps in the market to meet delivery requirements
8. Major area wide project/programme failed to deliver

	Control Measure	Status	Assigned To
1.	A Community Engagement Plan that sets out how the council will consult with the public	Control In Place	Director Governance & Partnerships
2.	A Public Engagement Framework, which sets out the plan for public engagement development	Control In Place	Director Governance & Partnerships
3.	Established mechanisms to seek the views from individuals, organisations and businesses on a number of areas	Control In Place	Director Governance & Partnerships
4.	Mechanisms in place to consult where necessary with public sector bodies such as Police and Fire	Control In Place	Director Governance & Partnerships
5.	Information is provided to the public about Council activities and its business in the form of News Direct	Control In Place	Director Business Development
6.	Established mechanisms to seek the views from individuals, organisations and businesses on a number of areas	Control In Place	Director Governance & Partnerships
7.	Established strong partnerships with the public sector, business and community and voluntary sector across North Lincolnshire	Control In Place	Director Governance & Partnerships

Strategic Risk Register

Residual Score I 2 x L 2

Inadequate workforce planning and management to meet current and future needs

Assigned to Director Business Development
Review Date: 14/02/2021

Triggers Effects

1. Key posts are vacant and/or there is a high turnover of staff
2. Council has difficulty in recruiting to priority areas
3. Lack of clarity regarding accountabilities
4. Lack of a learning and innovation culture
5. High levels of sickness absence

	Control Measure	Status	Assigned To
1.	Organisational Development Plan sets out how the Council will improve organisational effectiveness	Control In Place	Director Business Development
2.	Organisational Development Outcomes Framework in place	Control In Place	Director Business Development
3.	People Plan in place supported by an Action Plan	Control In Place	Director Business Development
4.	Workforce Needs Assessment has been developed	Control In Place	Director Business Development
5.	Workforce Stakeholder Groups in place	Control In Place	Head of OD & Strategic HR
6.	Workforce Engagement Group & Learning Group in place	Control In Place	Director Adults & Community Wellbeing
7.	Apprentice scheme in place	Control In Place	Head of OD & Strategic HR
8.	Specific training is made available through the annual Corporate Training Programme	Control In Place	Head of OD & Strategic HR
9.	Team NL induction plan in place	Control In Place	Head of OD & Strategic HR

Strategic Risk Register

Residual Score I 3 x H 1

Council unable to achieve its intended outcomes or deliver services

Assigned to Deputy Chief Executive
Review Date: 14/02/2021

Triggers Effects

1. Adverse context of poor ranking identified by Government Department - reputational damage
2. Evidence of poor performance or ineffective performance processes
3. Performance/improvement narrative not shared with key stakeholders
4. Service failure and or poor service quality
5. Increase in the number of upheld complaints e.g. Ombudsman/ICO
6. The occurrence of a significant IT security/data breach

	Control Measure	Status	Assigned To
1.	Council Plan that sets out the vision and outcomes	Control In Place	Director Governance & Partnerships
2.	A financial planning process that determines level of resources to achieve Council priorities and outcomes	Control In Place	Director Governance & Partnerships
3.	Procurement and Commissioning Plans, supported by sector specific Market Position Statements	Control In Place	Head of Finance and Commissioning
4.	Securing continuous improvement through engagement with external and peer review mechanisms	Control In Place	Deputy Chief Executive
5.	Published Integrated Strategic Needs Assessment used to inform strategic planning	Control In Place	Consultant in Public Health
6.	A well-established performance management framework, with various levels and frequencies for reporting	Control In Place	Director Governance & Partnerships
7.	Performance monitoring reports that are produced periodically throughout the year	Control In Place	Director Governance & Partnerships
8.	Information Governance & ICT Security Policy Framework in place	Control In Place	Head of Council Strategy, Outcomes and Information
9.	Information governance and security awareness with officers and members	Control In Place	Head of Council Strategy, Outcomes and Information
10.	Data verification and validation processes are integrated within systems and processes.	Control In Place	Head of Council Strategy, Outcomes and Information
11.	The Council's ICT and Information Security Standards provide guidance on the arrangements that must be in place	Control In Place	Head of Council Strategy, Outcomes and Information

Fraud Risks

1 Covid-19

Fraudsters are using phishing e-mails and text messages (called Mishing) to obtain personal and sensitive information by pretending to offer an official service.

The Coronavirus pandemic has provided new opportunities for fraudsters to target public authorities and the public themselves. In this issue, we look at some of these new risks.

But first an old favourite, with a new twist – phishing. Phishing is the crime of deceiving people into sharing sensitive information like passwords and credit card numbers.

Fraudsters are using phishing e-mails and text messages (called Mishing) to obtain personal and sensitive information by pretending to offer an official service.

In the first 4 months of lockdown, over £11 million had been lost to coronavirus related scams, with nearly 3,000 victims. In this period Action fraud received almost 14,000 reports of coronavirus related phishing e-mails.

Examples include:

- Official looking e-mails offering a Council Tax refund, an Income Tax refund or other coronavirus financial support. These e-mails appear official and contain links to copies of official websites – but they are fake.
- Fake NHS test and trace e-mails claiming that the recipient has been in contact with someone with Covid-19. These are again linked to fake websites that request personal information for use in fraud.
- Fake e-mails from TV licensing and online TV subscription services offering Covid-19 discounts.
- False adverts offering PPE, testing kits or hand sanitiser for sale. This may be straightforward theft, as the goods do not exist when ordered, or could also be used to obtain personal information.



2

2 Man Jailed for offering fake tax refunds in COVID-19 scam

The messages contained links to fraudulent websites which looked identical to the real ones. Recipients were told to go to these and enter their personal details.

The Crown Prosecution Service has warned the public to beware of fraudsters exploiting the COVID-19 pandemic after a man was today jailed for 30 weeks for offering fake Government refunds.

The man sent more than one thousand texts claiming to be from the authorities offering refunds to people as part of the Government’s response to the pandemic.

He obtained 191 sets of personal details and used 49 for fraud. The total loss to his victims was £10,019.17.

One text message read: ‘UKGOV: You are eligible for a Tax Refund because of the COVID-19 pandemic. Please fill out the following form so that we can process your refund.’

Call data showed that he had sent out 1,200 such text messages over two days.

The messages contained links to fraudulent websites which looked identical to the real ones. Recipients were told to go to these and enter their personal details including their name, address, card security number, mother’s maiden name and passwords.

He also faked messages from mobile phone company Three UK. He sent customers a message that read: ‘Due to the current pandemic we are issuing a refund for your last bill. Please verify your details so we can process your refund.’

3 Man sentenced for £12,000 fake coronavirus treatment kit scam

He made approximately £12,000 from selling the fake kits online, which sold for between £1 and £100, but cost only £1 to make.

A British man who made thousands by selling bogus Covid-19 treatment kits around the world has been sentenced to a 10 month suspended sentence and 170 hours community service, after pleading guilty to attempting to supply an unauthorised medicinal product, possessing an unauthorised medicinal product and assembling an unauthorised product.

He made approximately £12,000 from selling the fake kits online, which sold for between £1 and £100, but cost only £1 to make.

The kits contained chemicals including hydrogen peroxide, potassium thiocyanate, ascorbic acid, an unknown enzyme as well as Bees Pollen.

During the search of his home address, officers from the City of London Police discovered 300 more treatment kits and an estimated 20 litres of chemicals used in the production of the fake kits.

The man was first arrested on 20th March 2020, giving an indication of how quickly fraudsters, identify an opportunity.



Fraud advice

To keep yourself safe, follow **the five stop fraud advice**

Government Financial support

The government has provided unprecedented sums of money to support the UK economy over the past six months and continue to do so. Fraudsters have quickly identified the various schemes as vulnerable to abuse.

Bounce back loan scheme

There have already been a number of arrests for alleged fraudulent applications to the bounce back loan scheme.

The scheme is open to businesses set up before the 1st March 2020, who can apply for up to £50,000. The scheme has already paid out more than £38bn.

Already two men have been arrested in connection with fraudulent applications and ten bank accounts frozen holding in excess of £550,000.00. Officers found application forms from suspected fake companies to their banks requesting bounce back loans in a search of a residential address.

In a separate case, a woman has been arrested in possession of £115,000 of Bitcoin (BTC), according to a Metropolitan Police report. The cryptocurrency is alleged to be the proceeds of a fraudulent scheme applying for government loans designed to assist small businesses in the wake of the coronavirus pandemic.

The 35-year-old woman was arrested on suspicion of fraud, money laundering and child neglect, following the search of a residential address in August 20. Officers successfully applied for the detention of the Bitcoin held in the suspect's cryptocurrency wallet.

Further stories are emerging that personal details and identities are being stolen by fraudsters who are then using them to set up fake companies and apply for loans.

Coronavirus Business Support Grants

Administered by Local Authorities, these grants were paid out to support local businesses.

As of 30th August 2020, North & North East Lincolnshire Councils had distributed almost £63m in grant support to nearly five and a half thousand businesses, throughout the boroughs.

However, the grant awards of £10k or £25k per property have attracted fraudsters who have attempted claim grants they are not entitled to.

Common scams have included

- Claiming empty properties are occupied by businesses.

There has been an increase in the number of empty properties being declared as occupied after the announcement of the grant assistance. Fraudsters have claimed Small Business Rate (SBR) relief (one of the conditions for entitlement to certain grants) claiming to have occupied the property prior to the 11th March 2020 (the cut off date for grants) and then having been awarded this claimed a grant.

Examples in our area have included three empty properties in the same block that claimed to have businesses trading from them. Investigations have revealed that all three applications appear to be fictitious. As a result, the council have refused to pay out £45k to these businesses.

In another example, a landlord of a retail shop announced they had opened a fashion business, providing invoices and utility bills to prove occupancy. Investigations identified that the invoices provided were probably fake and the landlords story was implausible. The landlord declined to respond to a request from the fraud team to speak to him and as a result a £10k grant has been refused.

- Falsely reporting a change in occupation to claim a grant.

In some cases, fraudsters have reported that they have taken over occupancy of a property to obtain a grant award. The councils have robust controls in place to identify duplicate applications to ensure only one grant has been paid per property, but there have been a number of contested grant awards. In general, these have been the result of two different people from the same business claiming a grant.

4

However, there have been a number of cases where two different businesses have claimed the grant. In one case, it was established that the two companies, were actually one and the same and had just changed name and owner. In another, enquiries established that the original application was false, and the company had never taken up residency. After being invited to speak to the fraud team about the application, a cheque refunding the £10k was received from the company, enabling the rightful occupant to receive the grant.

- Pretending to be the liable party on a business rates account to obtain a grant. A number of high street chains, such as Greggs and Wetherspoons have been targeted with fraudsters claiming to be from the company or representing the company. Grant applications have then been made providing alternative bank details for payment. Neither council has been affected by this scam due to the vigilance of our employees.

But not only are these schemes vulnerable to fraudsters outside the organisation, employees may also be tempted.

Both Councils set up these grant schemes at short notice but recognised the benefits of including Audit & Assurance from the outset to identify potential fraud risks. If you are introducing any new scheme, it is always worth talking to Audit and Assurance to assist in designing controls to help minimise the risk of fraud.

4 A social security administrator who fraudulently claimed £1,000 in coronavirus benefits has been jailed.

The court heard £1,000 had been paid into the bank account between 23 April and 14 May.

She had previously admitted abusing her position by setting up a fake Manx Earnings Replacement Allowance (MERA) claim on 23 April.

The 46-year-old arranged for payments to be made into her husband's bank account without his knowledge.

She was jailed for eight weeks at Douglas Courthouse on Tuesday.

The court heard £1,000 had been paid into the bank account between 23 April and 14 May.

She used a fake name and National Insurance number to set up the claim.

The fraud was discovered when the computer system flagged up that the number was not real, and the entry was traced back to her login.

MERA payments were established in early April to support those unable to work during the coronavirus pandemic on the island.

The court heard she had seen other fraudulent claims being made but instead of reporting them, she decided to claim in the same way herself.

Sentencing her, High Bailiff Jayne Hughes said the fact that the money had not been spent showed it had "not been taken out of desperation".

She said the woman "took advantage of the pandemic" even though as a public servant, she knew she would maintain her own income.

The victim of the crime was not only the government, but the island's community as well, she added.

She was also ordered to pay £1,000 in compensation to the government.

This case shows that there must be a clear anti-fraud message to all staff, to ensure frauds are identified and correctly reported.

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Health & Safety Risks

5 Council fined following fatality caused by a tree branch striking a moving vehicle

The council pleaded guilty to breaching Section 3(1) of the Health and Safety at Work etc. Act 1974 and was fined £100,000 and ordered to pay costs of £49,363.

Wirral Borough Council has been fined £100,000 after a pregnant woman lost her baby when a tree branch fell and hit her moving vehicle.

The woman, who was 36 weeks pregnant, was struck in the stomach after a large branch fell from a tree while she was driving her two other children to school.

Elizabeth Stear was taken to hospital where her baby was delivered by an emergency caesarean, but sadly only lived for 15 hours.

An investigation by the Health and Safety Executive (HSE) found the council failed to identify and manage the risks from falling trees and branches.

It also failed to properly inspect trees despite a similar incident occurring in January 2015. It emerged that the tree had not been inspected for over 13 years.

The council pleaded guilty to breaching Section 3(1) of the Health and Safety at Work etc. Act 1974 and was fined £100,000 and ordered to pay costs of £49,363.

HSE inspector, Rohan Lye, said: 'There are no winners in this sad case. Councils have a duty to proactively assess and control risks to members of the public. This tragedy could so easily have been avoided if the risk had been identified, warnings had been heeded and an adequate tree management system had been implemented.'

6 School fined after pupil was severely injured using band saw

Cargilfield School, Edinburgh pleaded guilty to breaching Sections 3(1) of the Health and Safety at Work Act and was fined £3,350.

Cargilfield School has been fined following the incident where a pupil sustained severe cuts to his middle and index finger on his right hand and serious tendon damage, when using a band saw.

Edinburgh Sheriff Court heard that, between 1 September 2015 and 2 November 2017, in the Construction Design and Technology Workshop at Cargilfield School, Edinburgh, pupils made wooden boxes using a band saw which is classed as a dangerous machine.

An investigation by the Health and Safety Executive (HSE) found Cargilfield School failed to make a suitable and sufficient assessment of the risks arising out of or in connection with use of the band saw and failed to adequately supervise pupils while they were carrying out tasks using the band saw.

The pupil was making a free hand cut on the band saw without adequate workpiece support and was not adequately supervised.

Cargilfield School, Edinburgh pleaded guilty to breaching Sections 3(1) of the Health and Safety at Work Act and was fined £3,350.

After the hearing, HSE inspector, Karen Moran said: "A band saw is considered a dangerous machine when used by adults, let alone children. This significant and very serious injury could have been prevented had the risk been identified and properly managed. All schools should take steps to ensure the safety of their pupils and HSE will not hesitate to take appropriate enforcement action against those that fall below the required standards."



Information Governance Risks

7 A cyber-attack on a council's computer systems is estimated to have cost more than £10m

Specifically, costs required for infrastructure and system recovery or replacement cost £2.4m, while the cost to individual council directorates was the worst hit and accounted for £3.4m.

About 135,000 people were without online public services after Redcar & Cleveland's website and computers were targeted in February. The local authority stated a figure of £10.4m in a budget update report provided to members of its Cabinet.

Specifically, costs required for infrastructure and system recovery or replacement cost £2.4m, while the cost to individual council directorates was the worst hit and accounted for £3.4m. There was also a cost impact of just under £1m as a result of a reduction in enforcement income and lower collection levels for both council tax and business rates towards the end of the 2019/20 financial year, caused by computer systems being out of action for a period.

Online appointment bookings, planning documents, social care advice and council housing complaints systems were among

services knocked offline and experts from the UK's National Cyber Security Centre (NCSC) were drafted in to help restore them.

Whilst the council had industry standard tools deployed to secure its computer network at the time of the attack, which it said had been configured to provide optimum protection, it has since made additional improvements to its cyber-defences, with further upgrades planned.



8 A Town Clerk at Whitchurch Town Council has been prosecuted for intentionally blocking records with the intent to prevent disclosure

She was fined £400, ordered to pay costs of £1,493 and a victim surcharge of £40.

An individual had made a Freedom of Information (FOI) request to the council for an audio recording of a council meeting. The requester was advised that the recording had been deleted in line with council policy.

Nicola Young of Whitchurch, Shropshire had been aware of the FOI request and had deleted the recording some days later.

Ms Young appeared before Crewe Magistrates' Court and admitted to the offence of blocking records with the intention of preventing disclosure, in breach of s77 of the Freedom of Information Act 2000. She was fined £400, ordered to pay costs of £1,493 and a victim surcharge of £40.



7

9 Council officer ordered to pay over £800 after accessing social care records without authorisation

She was sentenced to a fine of £450, ordered to pay costs of £364 and a victim surcharge of £45.

A former Reablement Officer at Walsall Metropolitan Borough Council has been prosecuted by the Information Commissioner's Officer (ICO) for accessing social care records without authorisation.

The ICO said an internal investigation by the council found that the officer had inappropriately accessed the social care records of seven adults and nine children without any business need to do so.

The officer appeared before Wolverhampton Magistrates Court and admitted one offence of unlawfully obtaining personal data, in breach of s55 of the Data protection Act 1998. She was sentenced to a fine of £450, ordered to pay costs of £364 and a victim surcharge of £45.

Operational Risks

10 Teen free climber sentenced after breaching City Council injunction

On top of his suspended sentence, Lockwood was also banned from uploading videos to social media filmed when trespassing on private property.

Manchester City Council has secured a suspended sentence for a teenage 'free climber' who continued to scale tall buildings in defiance of an earlier injunction, in what is thought to be the first time anti-social behaviour legislation has been used to tackle free climbing.

Adam Lockwood, 19, of Wigan was sentenced to 12 weeks in prison, suspended for two years by District Judge Lindsay Clarke following his breach of an anti-social behaviour injunction order which banned him from trespassing and posting content online.

Manchester City Council secured a three-year anti-social behaviour injunction order against Lockwood which prohibited him from climbing buildings and cranes, riding on the exterior of buses, trams and trains and entering construction sites in England and Wales. This was a result of the defendant gaining notoriety online after posting videos of himself risking his life, and the lives of others, by hanging off the sides of buildings and cranes in Manchester.

Despite this, the free climber who goes by the name of 'Little Nuisance' on YouTube, was found to have breached this order three times in a matter of weeks.

At Manchester County Court, it was heard that he recorded and uploaded to his channel several stunts that breached his injunction.

On June 7 he stood on the roof of the Arndale Food Court entrance during the Black Lives Matter protest, and then on June 16 he dangled from the edge of a 600ft balcony at the Madison Building in London's Canary Wharf. On both occasions footage of this was uploaded to the internet. A further breach followed on July 5 when Lockwood left an abusive message on a Council answering machine, saying that a council officer should be "shanked up" in the street.

On top of his suspended sentence, Lockwood was also banned from uploading videos to social media filmed when trespassing on private property.

According to his defence, the pursuit of "YouTube hits [and] YouTube pay" was partly to blame for his behaviour.

He was also ordered to pay costs of £255, subject to an assessment of his means.

Councillor Nigel Murphy, Deputy Leader of Manchester City Council, said: "As the judge in this case highlighted, the actions of Lockwood were motivated solely by greed and his ambition to aggrandise himself. These actions under normal circumstances are incredibly dangerous and not only put his life in danger, but the lives of other people. However, to do this during a pandemic, when emergency services and council staff are already stretched to their limit defies all logic".

11 Council to pay £1,700+ after London man housed in Birmingham forced to give up job

The man has now found accommodation in the capital with the help of a council deposit scheme.

Merton Council has agreed to pay more than £1,700 in compensation to a man who had to give up one of his jobs because the authority gave him accommodation in Birmingham – leaving him with a three-hour commute.

An investigation by the Local Government and Social Care Ombudsman has found the London borough at fault because it did not consider the man’s employment status when making the offer of accommodation so far away. The man worked two jobs to support his family and says he told officers he was working when he asked for help in October 2017. The council says it has no record of this.

The Ombudsman found evidence the man had told the council about difficulties he was having maintaining his employment in November 2017, but the council failed to consider moving him closer to his employment.

The man has now found accommodation in the capital with the help of a council deposit scheme.

In this case, the council has agreed to apologise and pay the man a total of £1,768. This is made up of £1,200 for placing him in unsuitable accommodation, £418 in travel costs and a further £150 for his time and trouble in bringing the complaint.

Merton Council has said it will also remind relevant staff of the need to consider the council’s policies when placing a homeless person or family.

Michael King, Local Government and Social Care Ombudsman, said: “The man told the council his jobs could not be done from the Midlands. Unfortunately, he had to give up one of his jobs, and faced increased travel cost to get to the other. Had the council listened to the man’s concerns, it is likely he would not have been placed so far away from his work.”



Insurance Risks

12 Motor insurance fraudsters get prison sentence

He also lied that his wife and two children were in the vehicle when the collision happened, to increase the value of the claim – a statement backed by his wife.

A husband and wife have been found guilty of fraud by false representation and sentenced by Nottingham Crown Court to 30 months and ten months imprisonment, respectively. Chaudhary and Tanzilla Saghir attempted to defraud Allianz by making a false motor insurance claim.

Following a car accident, the husband altered photo timestamps and provided the insurer with images of pre-existing damage to his vehicle.

He also lied that his wife and two children were in the vehicle when the collision happened, to increase the value of the claim – a statement backed by his wife.

DC Haywood, who led the investigation for the City of London Police’s Insurance Fraud Enforcement Department, said “Mr and Mrs Saghir have acted deceitfully and this was shown not only in their fraudulent activity, but also by their continual denial of any wrongdoing throughout our investigation.”



13 Court success: pedestrian's road stumble injury claim dismissed

The claimant attempted to provide a convoluted and baffling explanation for the discrepancy. He also relied on three witnesses in support of his claim.

The claimant alleged that on 3 May 2015, he was crossing a road near his home when his left foot tripped in a defect situated in the centre of the carriageway. He stumbled forwards without falling to the ground and sustained an injury to his left ankle.

It was alleged that the defendant, Rochdale Council, had acted negligently and/or in breach of section 41 of the Highways Act 1980.

The claimant argued that the council had failed to maintain and repair the road, and it was in a dangerous state to pedestrians.

The council denied liability in full and put the claimant to strict proof of factual and medical causation. The council relied on a section 58 defence.

The accident location was subject to an annual inspection regime. The defect had been noted during a routine inspection and had been reported for repair within 20 working days. Unfortunately, the accident occurred before the defect had been repaired.

The council had not received any reports or complaints about the accident, and it was not aware of any other accidents at the location.

During the trial, the claimant was cross-examined in relation to the circumstances of the accident and in relation to his two previous claims for personal injury in 2008 and 2009.

During the course of the litigation, the council asked the claimant to provide a description of his claim's history.

The claimant admitted to a previous highway tripping claim against the authority but did not mention a subsequent claim in 2009 against another highway authority. The claimant argued that he had simply forgotten about that claim. However, the judge considered that was difficult to accept, given that evidence was produced to show that he had received £9,500 in compensation.

In addition, the council had obtained a copy of the witness statement the claimant had provided in support of his 2009 claim. In the statement, he mentioned suffering a previous knee injury in 2008, and noted that it had been caused when he was playing with his daughter rather than as a result of a tripping accident on the highway.

The claimant attempted to provide a convoluted and baffling explanation for the discrepancy. He also relied on three witnesses in support of his claim.

One witness gave evidence to say that the general condition of the road had been poor for some time but could not say for how long the alleged defect had been present pre-accident.

The second witness claimed to have seen the accident. During cross-examination, a number of significant inconsistencies emerged between the account of the claimant and that of the eyewitness.

A third witness, who said in his witness statement that he suffered an accident because of the same defect in 2013, was not in attendance at the trial and no weight was attached to his witness statement.

The judge concluded that the claimant had not proved on the balance of probabilities that the accident had occurred as alleged and dismissed the claim.

She considered the section 58 defence and found that the defendant's highway inspectors had carried out skillful pre-accident inspections. When the defect was picked up during inspection and marked for repair, it was correctly prioritised for a 20-working day repair.

The defendant sought a finding of fundamental dishonesty, but the judge declined to do so despite having grave concerns about the claim.

