



# Lichfield City Council

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Town Clerk: **Anthony Briggs** BA (Hons), CILCA

3 March 2022

**To: Members of the Audit Committee**

Councillor M Warfield (Chairman) and Councillors Mrs J Greaves, I Jackson, A Lax, D Robertson, A Smith and C Spruce

**Also to:** Ms A James (Accounts Officer) & Mr G Keatley (Internal Auditor)

Dear Councillor

**Audit Committee**

You are invited to attend a meeting of the Audit Committee to be held via 'Zoom' at **4.00pm on Thursday, 10 March 2022** for the transaction of the following business. Any member of the Committee unable to attend should forward their apologies to the Town Clerk.

A link enabling members to join the meeting will be circulated separately. The 'Zoom' link and password is available to the public by email to the Town Clerk.

Yours sincerely

Tony Briggs  
Town Clerk

## AGENDA

**1 APOLOGIES FOR ABSENCE**

**2 DECLARATIONS OF INTEREST AND REQUESTS FOR DISPENSATION**

**3 MINUTES**

To confirm as a correct record the Minutes of the Audit Committee Meeting held on 2 December 2021 **attached**. [*Minutes adopted by the City Council on 6 December 2021*]

**4 MATTERS ARISING FROM MINUTES**

**5 INTERNAL AUDIT REPORT 2021-2022**

To consider the detailed report of the Internal Auditor **ENCLOSURE 1**.

**RECOMMENDED: The Committee to make a recommendation to Council to note the Internal Audit Annual Report 2021-22 and adopt the recommendations and timescales as contained in that Report.**

**6 ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL**

To conduct the annual review of the effectiveness of the system of internal control, **Appendix A** attached.

**RECOMMENDED: The Committee to make a recommendation that the Review findings be presented to Council for adoption.**

**7 TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT**

To agree the Treasury Management Policy and Strategy Statement 2022-2023, **Appendix B**, attached.

**RECOMMENDED: The Committee to make a recommendation to Council to adopt the Treasury Management Policy and Strategy Statement 2022-2023 (as amended).**

**8 RESERVES POLICY**

To consider the proposed Reserves Policy as outlined in the report attached as **Appendix C**. Once agreed,

**RECOMMENDED: The Committee to make a recommendation to Council to adopt the Reserves Policy (as amended).**

**9 AUDIT PLAN**

To consider the proposed work plan for the Internal Auditor for the year 2022/23 and beyond, attached as **Appendix D**.

**RECOMMENDED: The Committee to make a recommendation to Council that the Audit Plan (as amended) be adopted.**

**10 CYBER ATTACK POLICY**

Further to Minute 10 of the Audit Committee meeting held on 2 December 2021, a draft Cyber Security policy is provided at **Appendix E** (attached). The document has been created with the assistance of MT Services who provide the City Council's IT support.

**RECOMMENDED: Audit Committee to consider the draft policy and any amendments considered appropriate, and a recommendation be made to Council that the draft policy (as amended) be adopted.**

**11 DATE AND TIME OF NEXT MEETING**

Currently Thursday 9 June 2022 at 4pm, but to be confirmed via the City Council's Calendar of Meetings.

**ANY OTHER URGENT BUSINESS AT THE DISCRETION OF THE CHAIRMAN**

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## Lichfield City Council

### Minutes of the Audit Committee meeting held via 'Zoom' at 6.30pm on Thursday, 2 December 2021

**Present:** Councillors M Warfield (Chairman), Mrs J Greaves, I Jackson, A Lax and D Robertson

**Apologies:** Councillors A Smith and C Spruce

**In Attendance:** Mr A Briggs (Town Clerk and RFO) and Mr G Keatley (Internal Auditor)

#### 5 DECLARATIONS OF INTEREST AND REQUESTS FOR DISPENSATION

None

#### 6 MINUTES

**RESOLVED:** *That the Minutes of the meeting of the Audit Committee held on 10 June 2021 [adopted by the City Council on 14 June 2021] be confirmed as a correct record.*

#### 7 MATTERS ARISING

None

#### 8 STATEMENT OF ACCOUNTS – SIX MONTHS

The Committee considered the Town Clerk's report. Councillor I Jackson asked for clarification on the overspend on the Parks & Footpaths budget head. The Town Clerk confirmed this was largely as a result of the inspections carried out by the new Open Spaces Officer and other reported issues. The Town Clerk confirmed that work undertaken had been recommended or agreed by appropriate professionals including LDC's Arboricultural Officer where relevant, citing the example of the recent tree work and brook de-silting at Festival Gardens. Cllr A Lax asked for clarification on the Democratic Services budget head and the impacts during election year. The Town Clerk confirmed that budgets during an election year are increased significantly on this budget line to account for election costs.

**RESOLVED:** *That the report be noted.*

#### 9 DEBT RECOVERY POLICY

The Committee considered a draft Debt Recovery policy, which was endorsed as drafted by the Committee.

##### **RECOMMENDATION TO COUNCIL**

**a) That the draft Debt Recovery Policy be adopted.** [Enclosure 1 to these Minutes]

**b) LCC Financial Regulation 11.4 be amended from 'Any bad debts shall be reported to the Council' to 'Any bad debts shall be progressed and reported to the Council in accordance with the adopted Debt Recovery Policy as reviewed by the City Council's Audit Committee each year'.**

#### 10 RISK MANAGEMENT POLICY

The City Council's Risk Management Strategy is reviewed annually and is also included within the Internal Auditor's report. The Committee considered an updated strategy that is more comprehensive and also includes a matrix scoring system to assess risk.

Councillor C Spruce had submitted comments to the Town Clerk, asking that specific mention be made of action to be taken in the event of a cyber-attack. The Town Clerk offered to approach LCC's IT consultants and ask them for their input into this text, suggesting that it may emerge as a standalone document that can be referred to in the wider Risk Register. The Town Clerk to provide a draft document to the next Audit Committee meeting for consideration.

Councillor D Robertson highlighted a colour coding error in the risk register; the Town Clerk confirmed this would be amended prior to presentation to Council. Councillor Robertson also referenced LDC's Risk Register which focuses only on the seven strategic risks; in comparison LCC's document could be seen as somewhat cumbersome. Councillor A Lax stated that she understood the point but having all the risks in one document was potentially beneficial for a parish council. It was agreed that the document will be reviewed in 12 months time when its effectiveness can be better judged. Cllr Robertson also suggested some of the scoring in the matrix may be high, citing loss of Twinning activities as an example. It was agreed that the document is a baseline and with an annual review the changing nature of the risks identified could be reflected in their relative scores in coming years.

***RECOMMENDATION TO COUNCIL: That the draft Risk Management Strategy as amended be adopted.***

#### **11 DATE AND TIME OF NEXT MEETING**

Members agreed to continue to meet via Zoom and, at the suggestion of Councillor D Robertson, recommended a minor change to the approved calendar of meetings; changing the time of the next meeting from 6.30pm to 4pm to allow the meeting to take place during the normal working day, the date to remain as Thursday 10 March 2022.

***RECOMMENDATION TO COUNCIL: The meeting of the Audit Committee scheduled for Thursday, 10 March 2022 at 6.30pm in the adopted calendar of meetings, be rescheduled to 4.00pm on the same date.***

**THERE BEING NO FURTHER BUSINESS  
THE CHAIRMAN DECLARED THE MEETING CLOSED AT 6.54PM**

## **THE REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

### **Legislative framework**

Regulation 4 of the Accounts and Audit Regulations 2015 (Accounting records and control systems) requires the authority's responsible financial officer must determine, on behalf of the authority-

- 1) The form of its accounting records and supporting records ensuring that the authorities accounting records are kept up to date
- 2) Its financial control system including measures. To ensure that the financial records are recorded timely and accurately, enable prevention and detection of inaccuracies and fraud ensure risk is appropriately managed and identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers

Regulation 5 of the Accounts and Audit Regulation 2015 (Internal Audit) requires that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance process, taking into account public sector internal auditing standards or guidance"

The starting point for the review will usually be an assessment against the internal audit standards set out in the guide. These include making an assessment in relation to:

- Scope of internal Audit
- Independence
- Competence
- Relationships
- Audit planning and reporting

A key point is that it is the responsibility of the body to conduct the annual review; it is not a review that will be carried out by the external auditor as part of the annual audit.

Whilst there will usually be input from the internal audit provider, he or she cannot be allowed to influence the direction or extent of the review.

The results of the review are then reported to and considered by a full meeting of the members for consideration. There are no hard and fast rules as to who actually performs the review, but bodies may wish to set up a small working party for this purpose.

### **What should the review of the system of internal audit cover?**

Under the 2015 Regulations a relevant authority must conduct an annual review of the system of internal audit which-

*Facilitates the effective exercise of its functions and achievement of its aims and objectives;*  
*Ensures that the financial and operational management of the authority is effective; and*  
*Includes effective arrangements for the management of risk.*

### **The outcome of the review**

The review of the effectiveness of the system of internal audit cannot be considered in isolation as it feeds into the review of the wider system of internal control. The report on the review should include an opinion as to whether or not the internal audit system is effective. Any areas for development or change should be identified in the report and an action plan produced, setting out the proposed remedial actions, the people responsible for delivering them, and the deadlines for completion of the actions.

## 1 Meeting the Standards

Expected Standard	Evidence of Achievement	Response
1. Scope of internal audit	Terms of reference were approved by full Council	Yes, Council adopts the Internal Audit Action Plan and work programme; Internal Auditor in receipt of Council approved formal engagement letter setting out requirements
	Scope of audit work takes into account risk management processes and wider internal control	Yes, included in checks undertaken by Internal Auditor
	Terms of reference define audit responsibilities in relation to fraud	Yes, detailed in approved Anti-Fraud manual
2. Independence	Internal Auditor has direct access to those charged with governance.	Yes
	Reports are made in own name to management.	Yes
	Auditor does not have any other role within the council.	Yes
3. Competence	No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.	Yes
4. Relationships	Responsible officers (Town Clerk (RFO), etc) are consulted on the internal audit plan and on the scope of each audit.	Yes
	Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.	Yes, defined in approved Standing Orders, Whistle-Blowing Policy
	The responsibilities of board/council members are understood; training of members is carried out as necessary.	Yes, notably via the City Council's Audit Committee
5 Audit Planning and reporting	The Audit Plan properly takes account of corporate risk.	Yes
	The Audit Plan has been approved by the council	Yes
	Internal Audit has reported in accordance with the Plan	Yes. Report to full Council 14 March 2022

## 2 Review of Effectiveness

Characteristics of 'effectiveness'	Evidence of Achievement	Suggested Response
Internal audit work is planned	Planned Internal audit work is based on risk assessment and designed to meet the body's governance assurance needs.	Yes
Understanding the whole organisation its needs and objectives	The annual audit plan demonstrates how audit work will provide assurance in relation to the body's annual governance statement.	Yes
Add value and assist the organisation in achieving its objectives	Demonstrated through positive management responses to recommendations and follow up action where called for.	Yes
Be forward looking	When identifying risks and in formulating the annual audit plan, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services, risk management and corporate governance.	Yes
Be challenging	Internal audit focuses on risks and encourages managers/members to develop their own responses to risks, rather than relying solely on audit recommendations. The aim of this is to encourage greater ownership of the control environment.	Yes
Ensure the right resources are available	Adequate resource is made available for internal audit to complete its work.	Yes
	Internal auditor understands the body and the legal and corporate framework in which it operates.	Yes. Internal Auditor has worked for the City Council/Charter Trustees continuously since 1974.

## **Lichfield City Council**

### **TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT 2022-23**

As part of the monitoring of the Treasury Management Operation, the Town Clerk (RFO) will submit a financial progress report to Council each year on the activities of the Treasury Management Operation.

#### **THE POLICY**

That the Council adopts the CIPFA Treasury Management Code modified to the Council's requirements.

Treasury Management is defined as *“the management of the local authority’s cash flow, its borrowing and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks”*. (CIPFA)

The Council's treasury activities are for debt and investment management, and the Council will not take up speculative positions which may be interpreted as trading activities.

The purpose of this statement is to establish how the authority will manage its activities in relation to borrowing and investments.

#### **Borrowing**

Local council borrowing is governed by Schedule I of the Local Government Act 2003. Parish and town councils in England have to apply and receive permission from the Department for Communities and Local Government, before taking any borrowing. Temporary borrowing (i.e. up to 364 days) does not require such approval.

The authority will review its borrowing requirements annually when formulating its annual budget. The Council currently has no borrowing, and no borrowing requirement has been identified for the forthcoming year.

#### **Investments**

The Council adopts the guidance under section 15(1)(a) of the Local Government Act 2003. The authority will review its Investment Strategy annually (see investment Policy below).

#### **Treasury Management Practices**

The Council has adopted the Treasury Management Practices (TMP) which set out the manner in which the authority will seek to achieve its treasury management objectives and how it will manage and control those activities.

#### **The Treasury Management Strategy Statement 2022-23**

The Treasury Management Strategy details the expected activities of the treasury function in the financial year 2022-23.

Borrowing - there is not anticipated to be any borrowing requirement for the year.

Investments - to be in accordance with the approved Investment Strategy.

## INVESTMENT POLICY

With reference to Secretary of State's Guidance under section 15 (1)(a) of the Local government Act 2003 and the CIPFA Code of Practice for Treasury Management in the Public Services.

### ANNUAL INVESTMENT STRATEGY

Definition of Treasury Management in the Public Services: *"The management of the organisation's cash flow, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"*.

#### Strategy Guidelines

The main principles governing the Council's investment criteria are the security and liquidity of its investments before yield, although the yield or return on the investment will be a consideration, subject to adequate security and liquidity.

The Council will ensure it has sufficient liquidity in its investments. This is set out in liquidity investments below.

The RFO will maintain a counterparty list in compliance with these criteria and will revise and submit to Council for approval as necessary.

#### Liquidity of Investments

The Council will carefully balance the use of short term or specified investments and non-specified investments. All the core investment balance and any cash flow investments will be maintained as short term or specified investments.

#### Specified Investments

These investments are sterling investments of not more than one-year maturity. These are low risk assets where the possibility of loss of principle or investment income is low. These would include investment with:

- The UK government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity)
- A Local authority, parish or community council
- An investment scheme that has been awarded a high credit rating by a credit rating agency
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society).

Credit Rating Agency - Standards & Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set additional criteria to the time and amount of monies which will be invested in these bodies. These criteria are:

Security	Limit
Marketable securities issued or guaranteed by the UK Government i.e., UK Treasury bills or a gilt with less than one year to mature	The authority has no plans to invest in such securities and would require specialist advice in order to do so.
Other Local authorities, parish councils or community councils.	The authority has no plans to invest in these institutions.
Fixed Term Time deposits.	Approve – UK clearing Banks Nat West to a maximum limit of £4,000,000
Money Market Funds	The authority currently has no plans to invest in these funds. Any change to this policy would be require approval by full Council



### Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as specified above). These investments have a greater potential risk.

These would include sterling investments with:

- Securities admitted to the Official List of the Stock Exchange which are guaranteed by the UK Government (such as supranational bonds). These are fixed income bonds although the value of the bond may rise or fall before maturity. The bond may be sold before maturity.
- Gilt edged securities with a maturity of greater than one year
- Institutions not meeting the basic security of greater than one year
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society) for deposits with a majority of greater than one year

<b>Security</b>	<b>Limit</b>
Security issued or guaranteed by non-UK EU governments and Supranational securities	The authority has no plans to invest in such securities and would require specialist financial advice in order to do so.
Gilt edge securities	The authority has no plans to invest in such securities and would require specialist financial advice in order to do so.
Securities issued by corporate, banks and building societies, including floating rate notes, commercial paper, assets backed securities and certificates of deposits longer than 1 year.	The authority has no plans to invest in such securities and would require specialist financial advice in order to do so.



**LICHFIELD CITY COUNCIL  
RESERVES POLICY**

**1. Introduction**

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Act 1992 requires that local precepting authorities have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for these three purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing-this forms part of the general reserves
- A contingency to cushion the impact of unexpected events or emergencies - this also forms part of general reserves
- A means of building up funds often referred to as 'earmarked reserves', to meet known or predicted requirements.

**2. General Fund Balance**

The general fund balance, commonly termed the 'working balance' is a balance on the council's revenue account which is not held for any specific purpose other than to cushion the council's finances against any unexpected short term cash flow problems.

The general fund balance is to be maintained at a level based upon a risk assessment carried out by the Responsible Finance Officer (RFO). The working balance to be maintained at a level approximately equal to the Precept Requirements.

When setting the budget for the forthcoming year, any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept.

**3. Financial Risk Management**

In order to assess the adequacy of the general fund when setting the annual budget, the RFO will take account of the strategic, operational and financial risks facing the council. The requirement of the level of general fund balance for the forthcoming year will therefore be based upon a risk assessment of the council's main areas of income and expenditure and take into account provisions and contingencies that may be required.

The main items to be considered are:

<b>Financial Risk</b>	<b>Analysis of risk</b>
Inflation assumptions	Inflation increases at a higher rate than assumed for items such as Pay Awards, Utilities and Supplies and Service Costs.
Insurance	To enable the Council to meet the excesses of claims not covered by insurance
Collection of Income	There is a continued reduction in collection performance for Guildhall and Markets as a result of the pandemic
Elections/referendum	insufficient resources to meet Parish elections/referendum costs
Grounds Maintenance costs	Impact of unexpected increase in costs
Impact of VAT Tribunal Decisions	Impact of back dated VAT liability
Contingencies	To meet unexpected events or emergencies
Pandemic	To meet the impact of COVID-19 on Services

#### **4. Statutory Reserves**

Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices such as:

- Section 106 agreements with Developers
- Community Infrastructure Levy (CIL)

#### **5. Earmarked Reserves**

Earmarked Reserves represent amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year. The Council, when establishing an earmarked reserve, will set out:

- The reason/purpose of the reserve;
- How and when the reserve can be used;
- Procedures for the management and control of the reserve; a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

The following earmarked reserves will be held by the council;

Budget description	Use	Total Reserve 2020/21 £	Total Reserve 2021/22 £	Total Reserve 2022/23 £
<b>Repairs and Renewal-Buildings</b>				
Dr Johnson Birthplace Listed Building No 1292492 Grade I	To provide for future capital works and maintenance as outlined in Capital Reserve - Analysis of Funding Requirements 2021/22 to 2031/32.Council 27/02/2020	£516,000	£447,751	£360,821
Guildhall Listed Building No 1187740 Grade II		£374,000	£367,175	£352,494
Donegal House Listed Building No 1209722 Grade II*		£67,000	-	-
Cruck House Listed Building No 1194899 Grade II*		£5,000	13,589	-
Friary Clock Tower Listed Building No 1218909 Grade II		£30,000	£30,000	£30,000
War Memorial and Garden Wall, Balastrade and Gate Listed Building No 1187733 Grade II*		-	-	-
Boswell Statute Listed Building No 1187726 Grade: II		-	-	-
Dr Johnson Statute Listed Building No 1217846 Grade: II*		-	-	-
Stafford Road ,Pinfold Listed Building No 1194898 Grade: II		-	-	-
Borrowcop Pavilion Listed Building No 1187718 Grade: II		-	-	-
Prince Rupert's Mound Listed Building No 1021362 Ancient monument		-	-	-
Grey Friars Listed Building No 1008544 Ancient Monument		-	-	-
Community Centres -Curborough, -Boley Hall, -Darwin Hall.		£140,000	£105,876	£71,904
Market Square and Toilet Block		£90,000	£90,000	£90,000
Closed Churchyards		£30,000	£30,000	£30,000
Open spaces- footpath resurfacing		£100,000	£100,000	£100,000
Open spaces-updating/replacement of 17 Bus Shelters	£75,000	£75,000	£75,000	
Christmas Lights-replacement	£25,000	£25,000	£25,000	
Street Lighting (Approx. 20-year lifespan)	To provide for replacement and updating of Street Lighting	£30,000	£30,000	£30,000
Open Spaces-Street Furniture	To provide for replacement and updating of Street Furniture	£3,000	£3,000	£3,000
Capital Grants		-	£40,000	-
All Properties Contingency		£245,698	£193,312	£191,327
<b>Capital Reserve</b>	<b>Total</b>	<b>£1,730,698</b>	<b>£1,550,703</b>	<b>£1,358,195</b>
<b>Grant Aid Reserve</b>	In accordance with Council Minute 2 March 2020 any underspending of grant allocation to be carried forward.	<b>£4,240</b>	<b>£11,570</b>	<b>£11,570</b>
<b>Election Reserve</b>	To build up the reserve over 4 years to fund the elections in May 2023 and any ad hoc bye-elections	<b>£47,500</b>	<b>£55,000</b>	<b>£55,000</b>
<b>Community Infrastructure Levy (CIL)</b> Neighbourhood Plan-Meaningful Proportion	In accordance with the requirements of CIL legislation	<b>£35,078</b>	<b>£103,081</b>	<b>£196,111</b>
<b>Total Earmarked Reserves</b>		<b>£1,817,516</b>	<b>£1,720,354</b>	<b>£1,620,876</b>

## 6. Review of adequacy of balances and reserves

In assessing the adequacy of reserves the strategic, operational and financial risks facing the authority will be taken into account. The level of earmarked reserves will be reviewed as part of the annual budget preparation.

The Joint Panel on accountability and Governance (JPAG) Practitioner's Guide now provides full guidance on the generally accepted recommendation with regards to the appropriate level of a Smaller Authority's General Reserve. JPAG states this reserve should be maintained between three months and twelve months of Net Revenue Expenditure (NRE). NRE is effectively Precept less any loan repayment and/or amounts included in the Precept for Capital Projects and transferred to earmarked Reserves. The City Council's status against this guidance is set out below:

	2019/20 Actual	2020/21 Actual	2021/22 Estimated	2022/23 Estimated
General Reserve	£689,373	£743,080	£719,053	£719,053
NRE	£757,180	£871,597	£823,730	£835,450
NRE (Months)	11	10	10	10

## **LICHFIELD CITY COUNCIL**

### **AUDIT PLAN**

#### **1. Purpose of the Report**

To consider the work programme for the Internal Auditor for the year 2022-23 onwards.

#### **2. Statement of Reasons**

The internal Auditor must ensure that all activities of the Council are subject to an internal audit review in accordance with the Accounts and Audit (England) Regulations 2011

The identification of these activities has been agreed with the Town Clerk, taking into account perceived priorities and risks, which cumulates in the production of a strategic plan.

The Audit Plan has been compiled and is set out below.

The plan is based upon the following principles:

- An attempt has been made, based upon the internal auditor's experience, to target areas that are known to be high risk
- Based on information available, to include those areas which have not been subject to a recent audit review

By achieving the Audit Plan, the internal auditor will be providing the Town Clerk and councillors with the necessary assurance that the internal controls are in place and are operating effectively.

At the end of each year, an audit report will be issued detailing the findings of the reviews together with any recommendations required to be implemented in order to achieve the required level of control.

#### **3. Recommendation**

To approve the Audit Plan.

## **AUDIT PLAN**

### **1. Financial Services**

- 1.1. Fraud and Corruption Checklist
- 1.2. Main Accounting System
- 1.3. Creditors
- 1.4. Sundry Debtors
- 1.5. Payroll
- 1.6. Management of VAT
- 1.7. Banking Arrangements
- 1.8. Petty Cash
- 1.9. Income Monitoring
- 1.10. Budgetary Controls
- 1.11. End of year closedown
- 1.12. Statement of Account

### **2. Strategic Policies**

- 2.1 Treasury Management Policy and Strategy Statement
- 2.2 Investment Policy
- 2.3 Treasury Management Practices

### **3. Specific Reviews**

- 3.1 Financial Regulations and procedures
- 3.2 Contract Standing Orders
- 3.3 Review Internal Audit Recommendations
- 3.4 Capital Works
- 3.5 Local Government Transparency Code 2015
- 3.6 Insurance
- 3.7 Members Code of Conduct and Disclosure of Interests
- 3.8 The Samuel Johnson Birthplace Museum
- 3.9 Policy and Procedure Documentation-Employees
- 3.10 Further Developments
- 3.11 Review of Corporate Governance
- 3.12 Any other areas Identified during the year of Audit

### **4. Management and Insurance Risk Register**



**Lichfield City Council**

**Cyber Security Policy**

This policy is separated into three sections, the first being the technical measures in place to guard against attack, the second being the expectations of users to ensure they do not undermine the technical measures through negligent actions, and the third being a basic plan in the event of a successful attack.

Lichfield City Council operates a multi-layered approach to cyber security in order to reduce potential risks that are common to modern internet connected IT environments. In an online world it is necessary to take measures to protect against a multitude of different threats which vary in their methodology. This includes attacks that attempt to exploit flaws within software or hardware to socially engineered attacks that attempt to get users to unknowingly compromise their systems or partake in financial transactions with a non-genuine entity.

It is also recognised that despite having a broad defence, threats could still have an impact from a new vulnerability in software or hardware to which a resolution or even detection does not yet exist or from accidentally following a malicious link. As such it is also necessary to be prepared to respond to and recover from incidents that may happen.

### **1. Technical Detail**

The purpose of this section of the document is to give a basic outline of the measures in place. Data is stored both online in cloud environments with major providers of online services and within the local network.

IT support is provided by MT Services Computer Systems Ltd who maintain the IT services mentioned herein.

#### **Cloud environment**

One use of a cloud environment is e-mail, which is both for transport and storage. The service provider has scanning implemented which reduces the risk of malicious content reaching an end user and serves to reduce the amount of spam e-mail.

In the event of a breach in the cloud environment actions can be taken to inhibit further propagation and the actions of the breach assessed and responded to appropriately.

There is a ransomware detection service implemented as an additional service in the remote monitoring software deployed by the IT support company.

Another service held within the cloud is the online backup service. As this relates to the data held on the local network this is expanded upon in the relevant section below.

#### **Gateway**

At the gateway level between the internet and the local network there is a firewall solution in place which has security services that inspects the traffic between the local network and the internet. The security services cover a broad spectrum of threat detection and response

topics such as virus/malware, spyware, ransomware, intrusion prevention, botnet detection, content filtering, sandboxing and so on.

### **Local Network**

At the local network level there is a software solution installed on the client machines and the server that covers viruses, malware, ransomware, spyware and other potentially unwanted applications on a file and data stream (internet or network access) level.

Client machines are subject to security policies set from the server regarding user passwords and access to locations containing sensitive or private data.

Both client machines and the server are subject to patch management for security updates (amongst other forms of updates) implemented by a remote monitoring platform deployed by the IT support company. As mentioned above there is an additional service running as part of this platform for ransomware detection.

In the event of a breach that affects the central data store on the server (such as encrypting ransomware) or if there is accidental deletion or a failure of the server there are both on-site and off-site backup solutions from which data or even the full server content can be recovered. In both on-site and off-site (cloud based) scenarios access to the backed-up data is restricted by both username and password and encryption keys to access the content.

### **Support**

In the event of suspicious activity or abnormal behaviour of the IT systems Lichfield City Council will inform the IT support company who will investigate and take corrective actions as necessary on the maintained systems. This is in addition to anything that may be detected by the automated systems in place.

## **2. Responsibilities of the End User**

Despite strong protection via the IT support provider, there remains a considerable responsibility on the end user to be mindful of the potential threats and implications of security breaches and unauthorised access to information the City Council holds; like people, technology is not infallible, but with a combination of technical protection and employee responsibility, the chances for security breaches can be minimised.

The protection of confidential data and device security are significant considerations, the loss of such data potentially leading to a multitude of potential consequences both for those whose data has been compromised and for the Council as a whole. There are a number of expectations that City Council employees, Councillors, contractors or anyone else with any level of access to LCC IT equipment are expected to comply with:

LCC owned equipment:

- All Council owned devices to be password protected (minimum of 8 characters)
- All devices to be secured prior to leaving them unattended
- No City Council owned electronic devices (including flash drives) to be removed from Council premises without the express authorisation of the Town Clerk or Deputy Town Clerk
- No confidential information to be sent to any third party without the express consent of the Town Clerk or Deputy town Clerk
- Passwords should not be shared with colleagues unless there is an urgent business need; in the event of such need, the password to be changed at the first available

opportunity thereafter. Any request to share a password must be from either the Town Clerk or Deputy Town Clerk

- If an email or other electronic communication contains banking details for payment, the details to be verified prior to any payment being made

#### Personal Equipment

- Employees may be required to use personal devices to access company systems (e.g. sharing photographs taken on a site visit by phone to the central system). Such occurrences must be kept to a minimum, and if it is envisaged that such a requirement would be relatively frequent, the employee to discuss the appropriateness of the provision of LCC equipment for this purpose with the Town Clerk.
- No personal device should be connected to the City Council network without the express consent of the Town Clerk or Deputy Town Clerk

#### Email Security

The City Council operates individual email accounts for the majority of its employees and all serving LCC Councillors. Any individual with access to such an account (whether personal or communal) is required to:

- Verify the legitimacy of each email, including in particular the email address and sender name
- Avoid opening any links, attachments or emails that appear suspicious
- Avoid clickbait titles and links
- Contact the Town Clerk regarding any suspicious emails at the first opportunity

### 3. Attack Management Plan

In the event of a suspected or confirmed cyber attack, the Town Clerk must be contacted at once.

The Town Clerk will be the responsible officer, charged with liaising with the City Council's IT providers to assess the significance of the breach and the appropriate next steps in the given circumstance. If the Town Clerk is unavailable, some or all of these matters would become the responsibility of the Deputy Town Clerk. As a minimum, the Town Clerk must:

- Notify other senior members of staff of the potential/confirmed breach (to include Deputy Town Clerk, Civic Officer and Accounts Officer)
- Inform the Leader and Deputy Leader of the Council and keep them apprised of developments (all members of Council to be advised at the first opportunity wherever possible)
- Ensure all potentially affected third parties are notified as soon as practicable
- Report the matter to the Information Commissioners Office and the Police as appropriate
- Implement the recommendations of the IT provider wherever practicable in response to the threat
- Ensure that normal service is resumed as soon as practicable, via the backup facilities mentioned in section 1 of this document. If such backup is unavailable, a central 'hub' to be established in conjunction with the IT provider to allow the basic

business of the Council to continue, including the continuation of follow up procedures relating to the breach.

- Provide a written report to Council detailing the origin of the breach and measures implemented/to be implemented to minimise the likelihood of a similar scenario occurring in the future.

**It is not possible to set out precautions and actions to cope with all circumstances and conditions, therefore all employees and Councillors MUST take personal responsibility and make considered judgements in how they utilise LCC equipment. If in any doubt they should seek clarification from the Town Clerk, Deputy Town Clerk or the City Council's IT support provider.**