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The Chair and Members of Standards  
and Audit Committee

3 October 2023

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on WEDNESDAY, 11 OCTOBER 2023 at 2.00 pm in Committee Room 1, Town Hall, Rose Hill, Chesterfield, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

1. Declarations of Members' and Officers' Interests relating to Items on the Agenda
2. Apologies for Absence
3. Minutes (Pages 3 - 12)
4. Anti-Fraud, Bribery and Corruption Strategy (including Anti-Money Laundering Policy) (Pages 13 - 42)
5. CBC Auditor's Annual Report 2021-22 (Pages 43 - 62)
6. Local Government Act 1972 - Exclusion of Public

To move "That under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A of the Act".

Part 2 (Non Public Information)

7. Internal Audit Progress Report (Pages 63 - 98)

Yours sincerely,

A handwritten signature in black ink, appearing to be 'S. Smith', written in a cursive style.

Head of Regulatory Law and Monitoring Officer

**STANDARDS AND AUDIT COMMITTEE****Wednesday, 9th August, 2023**

Present:-

Councillor Caulfield (Chair)

Councillors Jacobs  
BrockCouncillors Nicholls  
(Brimington  
Parish Council)

\*Matters dealt with under the Delegation Scheme

**59 DECLARATIONS OF MEMBERS' AND OFFICERS' INTERESTS  
RELATING TO ITEMS ON THE AGENDA**

No declarations of interest were received.

**60 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Blakemore, Staton, Thornton and Tidd (Staveley Parish Council).

**61 CONVENING AN INDEPENDENT REMUNERATION PANEL**

The Monitoring Officer presented a report with an update on the preparations to re-constitute the Independent Remuneration Panel (IRP), to carry out a review of the Members' Allowances Scheme. The Panel last met during 2019 and produced a report which was submitted to Full Council on 18 December 2019.

The Local Authorities (Members Allowances) (England) Regulations 2003 requires the Council to establish an independent remuneration panel (IRP) and have due regard to their findings when establishing or updating their member allowances scheme.

**\* RESOLVED -**

That the report be noted

**62 LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PUBLIC****RESOLVED –**

That under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A of the Act.

**63 APPOINTMENT OF AN INDEPENDENT REMUNERATION PANEL**

The Monitoring Officer submitted a report seeking approval for the appointment of the Independent Remuneration Panel 2023-2027.

The previous panel comprised Mr. Tim Nye, Mr. Andy Watterson and Mr. Nick Chischniak and was established in 2019. Mr Watterson agreed to continue to serve on the Panel for an additional term if asked, Mr Nye said he would do so if necessary, Mr Chischniak did not wish to. The Terms of Reference for the Panel (at Appendix 1) state that it should be ensured, where possible, that the Panel includes someone with experience of the Panel's work. It is, therefore, recommended that Mr Watterson be reappointed to the Panel for a further four-year-term.

Applications for panel members were received from Ms Gemma Shepherd-Etchells and Mr Peter Clay, both from neighbouring councils' Independent Remuneration Panels. Each were interviewed by the Chair of Standards and Audit Committee and the Monitoring Officer. Both applicants are recommended for appointment to the Independent Remuneration Panel.

**\* RESOLVED -**

That the following individuals be appointed to the Independent Remuneration Panel for 2023-2027:

- Andy Watterson
- Gemma Shepherd-Etchells
- Peter Clay



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## **STANDARDS AND AUDIT COMMITTEE**

**Wednesday, 13th September, 2023**

Present:-

Councillor Caulfield (Chair)

Councillors Jacobs  
Staton

Councillors Blakemore

\*Matters dealt with under the Delegation Scheme

64 **DECLARATIONS OF MEMBERS' AND OFFICERS' INTERESTS  
RELATING TO ITEMS ON THE AGENDA**

No declarations of interest were received.

65 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Brock, Nicholls, and Thornton. Councillor Tidd was absent.

66 **MINUTES**

**RESOLVED –**

That the Minutes of the meeting of the Standards and Audit Committee held on 12<sup>th</sup> July 2023 be approved as a correct record and be signed by the Chair.

67 **REVIEW OF THE INTERNAL AUDIT CHARTER**

The Head of the Internal Audit Consortium submitted a report for Members consideration. The report detailed a review of the Internal Audit Charter. The Public Sector Internal Audit Standards (PSIAS) state that the Head of Internal Audit must periodically review the Internal Audit Charter and present it to the relevant Committee for approval.

The Public Sector Internal Audit Standards which took effect from 1 April 2013 require that the purpose, authority, and responsibility of internal audit must be formally defined in an Internal Audit Charter (Appendix 1). The Internal Audit Charter was last formally approved by the Standards & Audits Committee in September 2022. It was agreed that the Charter would be reviewed every year to ensure that it is kept up to date with CIPFA best practice.

It was noted that there have been no updates to the PSIAS since the last review of the Charter. The current Internal Audit Charter has been reviewed and it is felt that it is still fit for purpose.

It is worth noting that there has been consultation in respect of some new Global Internal Audit Standards that are due to be issued at the end of 2023. Following this, CIPFA intend to review the Public Sector Internal Audit Standards by the end of 2024. Where necessary the Head of the Internal Audit Consortium will review the Council's approach to ensure that it remains compliant with the Standards.

**\*RESOLVED –**

That the report be noted and agreed.

**68 IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS**

The Head of the Internal Audit Consortium submitted a summary of internal audit recommendations made, implemented and outstanding to inform Members of the progress so they could assess if appropriate and timely action had been taken.

It had previously been agreed by the Standards & Audit Committee that a report detailing outstanding internal audit recommendations be brought to the Standards & Audit Committee every 6 months. The last report was brought in April 2023.

A summary of internal audit recommendations made, were implemented at Appendix 1.

It was noted that most recommendations made had been implemented and there were set plans for the implementation of outstanding items.



Members had asked for an update around areas of procurement. The Head of Procurement detailed the recent challenges that had been faced and how the team would be working towards meeting all outstanding recommendations.

Members requested that the Head of Digital and Technology attend the next meeting to present an I.T update.

The Chair of the Standards and Audits committee thanked the Officers for a very encouraging report.

**\*RESOLVED –**

That the report be noted.

**69 UPDATES TO CONSTITUTION**

The Monitoring Officer presented a report to approval for updates to the Constitution and the delegations proposed were shown at Appendix 1.

The changes needed at Appendix 1 included the Delegation Scheme – Community Grants, CIL Neighbourhoods Fund, Health and Wellbeing Partnership grants and spending; Rules of Procedure: Contract Procedure Rules; and Contract Award Letters.

Members discussed if the Service Director Leisure, Culture and Community Wellbeing should attend an upcoming meeting to discuss their new responsibilities due to the Constitutional changes.

**\*RESOLVED –**

That the report be approved with the changes to the Constitution and agreement of the delegations proposed at Appendix 1.

**70 TREASURY MANAGEMENT ANNUAL REPORT 2022-2023**

The Head of Finance and Accountancy presented a report for Members to consider the Annual Treasury Management Report for 2022/23 and the Treasury Management activities for the first five months of 2023/24.

The report also advised the Committee of the Revised Minimum Revenue Provision Statement in respect of the financial year 2023/24.

Members were advised that there would be training available early next year from Arlingclose in respect of Treasury Management.

**\*RESOLVED –**

That it be recommended to Full Council that:

1. The outturn Prudential Indicators for 2022/23 be approved.
2. The Treasury Management Stewardship Report for 2022/23 be approved.
3. The Treasury Management position for the first five months of 2023/24 be noted.

The Revised Minimum Revenue Position Statement, in respect of the financial year 2023/24, be approved.

**71 EXTERNAL AUDIT PROGRESS REPORT - SEPTEMBER 2023**

The Council's external auditors, Mazars, presented a report updating Members on the progress of the 2021/22 Audit and its completion.

The report included a summary of the 2022/23 Audit Strategy.

It was noted the Value for Money Commentary did not highlight any significant weaknesses in the Council's Value for Money arrangements.

**\*RESOLVED –**

That the report be noted.

**72 LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PUBLIC**

**RESOLVED –**

That under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A of the Act.

**73 INTERNAL AUDIT PROGRESS UPDATE**

The Head of the Internal Audit Consortium submitted a report for Members consideration. The report detailed progress against the 2023/24 Internal Audit Plan and provided assurance on the governance, risk, and control processes in place in respect of the audits completed.

An update was also provided on the Customer Satisfaction Survey as requested by Members at the previous meeting. Following feedback from Members around the importance of increasing response rates, managers were now informed of the wish of the Standards and Audits Committee for their compliance in the Survey's completion. The Head of the Internal Audit Consortium reported that the Customer Satisfaction Survey would be reviewed in February 2024 prior to the new financial year.

Members requested that the Service Director Digital, HR and Customer Services attend the next meeting to present a Payroll update.

**\*RESOLVED –**

That the report be noted.

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## For publication

### Anti-Fraud, Bribery and Corruption Strategy (including Anti- Money Laundering Policy)

<b>Meeting:</b>	Standards and Audit Committee
<b>Date:</b>	11th October 2023
<b>Cabinet portfolio:</b>	Governance
<b>Directorate:</b>	Finance
<b>For publication</b>	

#### 1.0 Purpose of the report

1.1 The purpose of this report is to present for consideration by the Standards and Audit Committee the Council's Anti-Fraud, Bribery and Corruption Strategy (including Anti-Money Laundering Policy) which is attached as Appendix 1 to this report.

#### 2.0 Recommendations

2.1 That the Standards and Audit Committee approve the Anti-Fraud, Bribery and Corruption Strategy (including Anti-Money Laundering Policy) attached at Appendix 1.

2.2 That the Strategy be advertised on the intranet to raise awareness amongst members and officers.

2.3 That the Strategy be reviewed again in 3 years' time or sooner if there are any regulatory or legislative changes.

#### 3.0 Reason for recommendation

3.1 To ensure that the Anti-Fraud, Bribery and Corruption Strategy is kept up to date and is effectively publicised which will reduce the risk of fraud.

#### 4.0 Report details

- 4.1 One key element of effective financial governance is that the Council has appropriate arrangements in place in respect of fraud. This Committee last reviewed its Anti-Fraud and Corruption Strategy and Anti-Money Laundering Policy in 2021. It was agreed at the time that the Strategy should be periodically reviewed to ensure that it is kept up-to-date and remains relevant.
- 4.2 In line with good practice for all public bodies the Council should have in place an up-to-date Anti –Fraud and Corruption Strategy. The formal commitment to this strategy will serve to restate the Council’s zero tolerance of fraud and all forms of malpractice. The refresh of the strategy will also provide an opportunity to promote the key message to both Members and Employees.
- 4.3 The strategy that has been recommended for adoption has been reviewed and only very minor updates were considered necessary. There have been no regulatory or legislative changes since the last review.

## **5.0 Alternative options**

- 5.1 Not applicable.

## **6.0 Implications for consideration – Financial and Value for Money**

- 6.1 Mitigating against the risk of fraud and corruption by the adoption of a Strategy will help to ensure that value for money is obtained and that finances are protected.

## **7.0 Implications for consideration – Legal**

- 7.1 Fraud, Bribery, Corruption and Money Laundering are all criminal activities. This strategy is intended to minimise the risk that the Council suffers as a result of such activity, or that the Council is unwittingly used to undertake or assist such activity.

## **8.0 Implications for consideration – Human Resources**

- 8.1 None

## **9.0 Implications for consideration – Council Plan**

- 9.1 A strong stand against fraud and corruption will aid in ensuring that resources are utilised towards achieving the Council Plan.

## 10.0 Implications for consideration – Climate Change

10.1 Whilst there are not considered to be any direct climate change impacts in relation to this report, a strong stance against fraud and corruption will support the achievement of the Council’s objectives.

## 11.0 Implications for consideration – Equality and Diversity

11.1 A preliminary Equality Impact Assessment was undertaken at the last review which concluded that the strategy is not anticipated to have a disproportionate impact on any protected group – the Strategy has not changed since then.

## 12.0 Implications for consideration – Risk Management

12.1 The risk of fraud is significantly reduced if staff and Members are aware of the signs of fraud and understand how to report such concerns. By fostering a culture of zero tolerance towards fraud and corruption the risk is lessened.

### Decision information

<b>Key decision number</b>	
<b>Wards affected</b>	

### Document information

<b>Report author</b>	
Jenny Williams Head of the Internal Audit Consortium Finance	
<b>Background documents</b>	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
None	
<b>Appendices to the report</b>	
Appendix 1	Anti-Fraud Bribery and Corruption Strategy (including Anti-Money Laundering)





# **Chesterfield Borough Council**

## **Anti-Fraud, Bribery and Corruption Strategy (including Anti-Money Laundering Policy)**

### **POLICY STATEMENT**

Chesterfield Borough Council expects that both Members and Officers will demonstrate the highest standards of behaviour in the conduct of public business.

In undertaking its functions and activities, the Council will not tolerate any form of fraud, corruption, bribery, abuse of position or other malpractice, whether it is attempted by persons or organisations within or external to the Council.

The Council is committed to working in an open, honest and fair way and will:

- Maintain a policy and culture characterised by zero tolerance of fraud and malpractice
- Encourage and promote the prevention of fraud, bribery and corruption or other malpractice.
- Promote the detection of fraud, bribery, corruption or other malpractice.
- Maintain clear procedures for investigation and further action where necessary.

It is expected that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures, practices and probity.

The Council also expects that individuals and organisations, with which it comes into contact, will act towards the Council with honesty, integrity and probity.

The Council expects all partners in both public and private sectors to establish robust and transparent governance arrangements.



**CHESTERFIELD**  
BOROUGH COUNCIL

# **CHESTERFIELD BOROUGH COUNCIL**

## **Anti-Fraud, Bribery and Corruption Strategy**

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#### Appendices

- Appendix 1 – Types of Money Laundering activity
- Appendix 2 – Anti-Money Laundering Reporting Forms

## 1. **INTRODUCTION**

1.1 The Council is opposed to all forms of fraud and corruption. It recognises that fraud and corruption undermine the standards of public service which it promotes and reduce the resources available for the good of the whole community and erodes public confidence in our governance.

1.2 The Anti-Fraud, Bribery and Corruption Strategy is designed to: -

- provide a clear statement of values;
- encourage prevention;
- promote detection,
- act as a deterrent; and
- set out a clear approach for investigation of any concerns, complaints etc.

1.3 **Fraud** is defined as:

- The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain.
- Failure to disclose information where there is a legal duty to do so.
- False Representation.
- Abuse of Position

**Corruption** is defined as:

*The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.*

**Theft** is defined as:

*A person shall be guilty of theft if they dishonestly appropriate property belonging to another with the intention of permanently depriving the other of it.*

**Bribery** is defined as:

*An inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.*

Or

Giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for already having done so.

Bribery Includes:

- Bribery of another person
- Accepting a Bribe
- Failure to prevent or disclose Bribery

1.4 Benefit fraud is where a person,

- a) makes a false statement or representation; or
- b) causes or allows a false statement or representation; or
- c) fails to notify a change of circumstances; or causes or allows another person to fail to notify a change of circumstances for the purpose of obtaining or increasing entitlement to housing/council tax benefit for themselves or another.

1.5 This document presents a Strategy for an Open and Honest Council characterised by a clear policy of Zero Tolerance of Fraud, Bribery, Corruption and related activities. The sections which follow set out the framework which it is intended will help secure that objective.

## 2. **CULTURE**

2.1 The Council is determined that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud, corruption, bribery, money laundering and any activity of this nature.

2.2 All individuals and organisations associated with the Council are required to act with integrity and probity. Council staff and Members, at all levels, will lead by example.

2.3 The Council's staff are an important element in its stance on fraud, corruption, bribery, money laundering etc. They are encouraged to raise any concerns and can do this in the knowledge that these will be treated in confidence and properly investigated.

2.4 This commitment to investigate the concerns of any members of staff has been formally acknowledged by the Council by the adoption of a Whistleblowing Policy.

The Whistleblowing Policy aims to: -

- encourage individuals to feel confident in raising serious concerns and to question and act upon concerns about working practice.
- provide avenues by which these concerns can be raised and subsequently to supply feedback on any action taken.
- ensure that a response is provided to any concerns raised and that people raising concerns are aware of how to pursue them if they are not satisfied.
- reassure individuals that they will be protected from possible reprisals or victimisation if they have made any disclosure in good faith.

Full copies of the Whistleblowing Reporting Policy are available on the Council's Intranet or in printed format if required. It should be noted that the Whistleblowing Policy covers all issues (not just fraud, corruption, bribery, money laundering etc.).

- 2.5 Where either staff or members of the public have concerns there are a number of channels available to report these concerns through:
- The Chief Executive
  - Managers
  - The Monitoring Officer
  - The Head of the Internal Audit Consortium
  - The Council's External Auditors
  - The Whistleblowing Policy
  - Or through the Council's Complaints Procedure
  - Alternatively benefit fraud can be reported directly to the Department for Work and Pensions at their website.
- 2.6 Senior Management are responsible for following up any allegation of fraud or corruption received and will do so by taking the following action: -
- immediately informing the Service Director - Finance or the Head of the Internal Audit Consortium or the Chief Executive;
  - recording and securing and keeping safe all evidence received and collected;
  - ensuring that evidence is sound and adequately supported;
  - implementing Council disciplinary procedures where appropriate;
  - where the matter is raised through the Whistleblowing" Policy responding in accordance with that Policy.
- 2.7 Senior Management are expected to deal swiftly and firmly with those who defraud the Council or who are corrupt.
- 2.8 The investigation process must not be misused and any abuse, such as raising malicious allegations, will be dealt with as a disciplinary matter.

### 3. **PREVENTION**

#### 3.1 **Staff**

- 3.1.1 Staff recruitment will be in accordance with the Council's Recruitment and Selection procedures particularly with regard to the obtaining of written references. These will be used to assist in verifying the previous record of potential staff in terms of propriety, integrity and probity. All recruitment processes must involve the Human Resources Section.
- 3.1.2 Employees of the Council must follow the Code of Conduct which is included in the Council's Constitution
- 3.1.3 Employees must declare in writing any circumstances where their personal interests (financial and non-financial) may conflict with those of the Council e.g., processing a planning application form for a relative or friend. Any concerns regarding a potential conflict of interest must be discussed with a senior manager.
- 3.1.4 The Council has in place agreed disciplinary procedures which management and employees must follow.
- 3.1.5 Many procedures have been designed to ensure that the work of one member of staff is checked by another. These types of checks are important deterrents to fraud. Managers must ensure that all staff have access to procedural guidance and should periodically confirm that the agreed procedures are being operated.
- 3.1.6 Where necessary staff will receive appropriate training to ensure that they are equipped to identify and tackle fraud related matters.
- 3.1.7 Investigation officers will receive appropriate levels of training ensuring high quality investigations. This will include training by other professional investigation bodies such as the police.
- 3.1.8 Any data matches raised by the National Fraud Initiative will be investigated. The provisions of the Data Protection Act 2018 will be applied.

## 3.2 **Members**

- 3.2.1 Councillors and co-opted members must follow the rules in Part 5 of the Council's Constitution, including:
  - General Principles of Conduct
  - Members' Code of Conduct
  - Code of Conduct on Planning Matters
  - Summary of other rules affecting members' conduct
  - Protocol on Member / Officer Relations

Councillors learn about these rules as part of the induction process and further ongoing training will be provided as appropriate.

3.2.2 The Council has a Standards and Audit Committee to oversee, promote and manage standards of conduct and probity of Borough and Parish Councillors and co-opted members.

3.2.3 Members are expected to complete (and keep updated) their entries in the register of Members interests and to keep vigilant for any conflicts of interest that may arise (taking advice from the Monitoring Officer if necessary). They should declare any interests at the start of any committee meeting and to take appropriate action when the item is reached (e.g., not taking part in the item, leaving the meeting).

### 3.3 **Systems**

3.3.1 It is a management responsibility to maintain the internal control system. This includes the responsibility for the prevention of fraud and other illegal acts. By undertaking an agreed plan of work, internal audit will evaluate the adequacy and effectiveness of these controls as a means of assisting management to discharge its responsibilities.

3.3.2 The Service Director - Finance has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper arrangement of the Council's financial affairs. In addition, the Monitoring Officer is responsible for ensuring that the Council's business is conducted in accordance with legislation and good practice.

3.3.3 To help them do this, all service financial recording systems must be designed in consultation with and to the satisfaction of the Service Director - Finance.

3.3.4 The Council's Financial Regulations and Procedures are set down in Part 4 of the Council's Constitution. These Regulations and Procedures set out in detail how the Council's financial affairs are to be administered and controlled.

### 3.4 **Combining with Others**

3.4.1 Arrangements are in place to encourage the exchange of information between the Council and other agencies on fraud and corruption activity as an aid to prevention/detection. The agencies involved include: -

- External Audit
- Department for Work and Pensions
- Inland Revenue
- Customs and Excise.

In exchanging data with other organisations the Council will comply with the requirements of the General Data Protection Regulations 2018.

#### 4. **DETECTION AND INVESTIGATION**

- 4.1 The internal control and other monitoring systems outlined above have been designed to highlight fraudulent activity, and they should be sufficient in themselves to deter fraud.
- 4.2 It is the responsibility of managers to ensure that there are appropriate controls in place to reduce the risk of fraud, corruption, bribery and money laundering etc. However, it is often the alertness of other staff, Members and the public that enables detection to occur and appropriate action to be taken.
- 4.3 Financial Procedures require managers to immediately notify the Service Director – Finance or the Head of the Internal Audit Consortium of any financial irregularity or suspected irregularity. Reporting is essential because it:
- Ensures consistent treatment;
  - Enables investigation to be assisted by an independent team;
  - Ensures agreed investigation procedure is followed.
- 4.4 Depending on the nature and the anticipated extent of the allegations, the Internal Audit Consortium will normally work closely with Management and other Agencies, such as the Police, to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are secured for the Council.
- 4.5 The Council's Disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council Employee.
- 4.6 Ignoring potential/possible fraud, including benefit fraud, may be construed as improper behaviour by a Council employee. If an employee has any suspicion, they should make appropriate officers aware, so that the matter can be investigated in accordance with the Whistleblowing policy.

The people to contact for appropriate matters are: -

- your Manager
- An Executive Director
- Your Service Director
- the Chief Executive
- The Service Director - Finance
- the Head of the Internal Audit Consortium
- the Benefits Team

Where your own Manager is not available or you don't feel comfortable reporting to your own manager then you should contact another senior manager.

- 4.7 Causing or allowing a person to either make a false statement or declaration, or to fail to notify a change of circumstances is an offence under the law relating to the payment of benefit. Any employee / member involved is liable to prosecution.



4.8 Where financial impropriety is discovered, the Council's presumption is that the Police will be called in. Referral to the Police is a matter for the Chief Executive, in consultation with the Service Director - Finance and relevant member of the Corporate Leadership Team. Referral to the Police will not prohibit and should not delay action under the Disciplinary Procedure.

5. **HOUSING BENEFIT AND COUNCIL TAX SUPPORT (Local Council Tax Reduction Scheme)**

5.1 Whilst encouraging genuine claimants to apply for benefit the Council has adopted a number of initiatives to detect and prevent fraudulent applications, such as: -

- checks at the start and during the life of a benefit claim;
- A page on the Council's website that provides a range of information for reporting suspected fraud.
- Publicity for a national fraud 'hotline' (0800 854440) and the reporting tool on the Department for Work and Pensions website together with details on the Council's website of other channels for reporting issues. ([www.gov.uk/report-benefit-fraud](http://www.gov.uk/report-benefit-fraud))
- participation in the DWP sponsored or similar Data matching exercise; including National Fraud Initiative (NFI), Housing Benefit Matching Service (HBMS) and Real Time Information (RTI) to identify and investigate data irregularity;
- internal data matching, payroll data to benefit data;
- using computer links to the Department for Work and Pensions to check entitlements, to receive benefit notifications, and to check National Insurance numbers and other data;
- having a prosecution policy for alleged benefit /council tax fraudsters;
- undertaking land registry checks;
- co-operating with the Department for Work and Pensions Single Fraud Investigation Service (SFIS) on the referring and investigation of potential Housing Benefit and associated social security benefit fraud.
- Regular articles in 'Your Chesterfield'.

5.2 The Council has adopted a Policy to undertake the Prosecutions of persons who have committed criminal offences in obtaining housing benefit and/or council tax support to which they were not entitled.

5.3 Benefit staff receive training in fraud awareness. Codes of Conduct have been established for Benefits staff. These explicitly state that no employee should deal with any claimant who is a friend or family or get involved in any case where they have a pecuniary interest, e.g., the claim is in respect of a property they own or for a member of their family.

## **6. RAISING AWARENESS OF THIS POLICY STATEMENT**

6.1 To be effective, it is essential that all staff and Members are aware of the existence of this Policy Statement. This will be achieved through a variety of means, such as: -

- Inclusion on the Council's Internet site;
- Aspire will be used to disseminate information to staff and Members.
- Notification on the weekly bulletin

## **CONCLUSION**

7.1 The Council has in place a clear set of systems and procedures to assist it in the fight against fraud and corruption.

7.2 The Council will maintain a continuous overview of such arrangements through the regular review of the Constitution and Financial Regulations / Procedures, various Codes of Conduct and audit arrangements.

7.3 This Policy Statement will be subject to periodic review to ensure its continued relevance.

**September 2023**

# **CHESTERFIELD BOROUGH COUNCIL**

## **ANTI-MONEY LAUNDERING POLICY** **(INCORPORATING TERRORIST FINANCING REQUIREMENTS)**

**(September 2023)**

## **CHESTERFIELD BOROUGH COUNCIL**

### **ANTI – MONEY LAUNDERING POLICY**

#### **1. Introduction**

- 1.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came in to force in June 17 and, for any offences committed after 26 June 2017, replace the Money Laundering Regulations 2007. The 2017 Regulations impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

#### **2. Purpose of the Policy**

- 2.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This policy has been written to enable the Council to comply with the Proceeds of Crime (Anti-Money Laundering) Practical guidance for Public Service Organisations by the Chartered Institute of Public Finance and Accountancy (CIPFA) relating to the anti money laundering regulations.
- 2.2 While all organisations are required to take appropriate steps to prevent money laundering local authorities do not undertake activities which have been identified as being high risk and the approach outlined is considered proportionate to what is considered to be a low risk to the Council and its employees. While the Council undertakes activities considered to be 'low risk' what constitutes money laundering is very widely defined and it is important that the Council takes appropriate steps to prevent money laundering.
- 2.3 The purpose of the Policy is to make all staff aware of the legislation and their responsibility under it including the consequence of non – compliance of the Policy.
- 2.4 Potentially any member of staff or elected member could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it.
- 2.5 Whilst the risk of the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities as serious criminal sanctions could be imposed for breaches of the legislation.

#### **3. The Council's Obligations**

- 3.1 Under the Legislation Organisations conducting “relevant Business” must:
- Appoint a Money Laundering Reporting Officer (“MLRO”) (compliance and nominated officer) to receive disclosures from employees of money laundering activity; At CBC this is the Service Director - Finance.
  - Implement a procedure to enable the reporting of suspicions of money laundering;

- Undertake enhanced client identification procedures if the money laundering risk is high e.g., if the transaction has no apparent economic or legal purpose; and
- Maintain record keeping procedures.
- Undertake an assessment of the money laundering risk that the council is exposed to
- Train relevant employees on their anti-money laundering responsibilities

#### **4. Scope of the Policy**

- 4.1 This Policy applies to all staff and elected members of the Council and aims to maintain high standards of conduct, by reducing the risk of criminal activity through money laundering. This policy sets out the procedures, which must be followed.
- 4.2 Failure by staff and elected members to comply with the procedures set out in this Policy may lead to a criminal offence being committed and disciplinary action being taken against them in the case of staff and investigation by the Monitoring Officer in the case of elected members. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedure and in the case of elected members referred to the Standards and Audit Committee when the Monitoring Officer thinks it appropriate.
- 4.3 Money laundering offences may be tried at a Magistrate's Court or in the Crown Court, depending on the severity of the suspected offence. Trials at the former can attract fines of up to £5,000, up to six months in prison, or both. In a Crown Court, fines are unlimited and sentences up to fourteen years in prison may be handed out. A defence is available if it can be shown that any knowledge or suspicion of money laundering was reported to the National Crime Agency and as a result that any resultant transaction was on hold until consent to proceed was given.
- 4.4 Managers must ensure that all staff are aware of this policy and their duties within it. The Monitoring Officer should ensure that elected members are aware of the policy.
- 4.5 The Anti- Money Laundering Policy is part of the Council's Anti -Fraud and Corruption policy and Strategy and should be read alongside the Whistleblowing Code and Employees and elected members Codes of Conduct.

#### **5. What is Money Laundering?**

- 5.1. Money laundering is a process by which the illegal proceeds of crime are converted into assets which appear to have a legitimate origin, so that they can be retained permanently or recycled into further criminal enterprises.
- 5.2. The source of money, either in cash, paper or electronic form (often referred to as "dirty money") is disguised and given the appearance of being clean funds. These are normally used to hide the proceeds of serious criminal activities such as terrorism, drug smuggling, theft and fraud.
- 5.3. The money laundering legislation and regulations attempt to provide a preventative solution to this problem.

5.4. The broad definition of money laundering means that potentially anybody (and therefore any Council employee, irrespective of what Council business they are undertaking) could contravene the Regulations if they become aware of or suspect the existence of criminal property and continue to be involved in a matter which relates to that property without reporting their concerns.

5.5 Primary money laundering offences include:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or processing criminal property
- Doing something that might prejudice an investigation, for example falsifying a document or tipping off a person or persons suspected of being involved in money laundering.

## **6. What is Terrorist Financing?**

6.1 The Terrorism Act 2000 (as amended by the anti-terrorism Crime and Security Act 2001, the Terrorism Act 2000 and Proceeds Of Crime Act 2002 (Amendment) Regulations 2007) creates a money laundering offence under Section 18 whereby a person commits an offence if he or she enters into or becomes concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property:

- by concealment
- by removal from the jurisdiction
- by transfer to nominees, or
- in any other way.

## **7. Employee and elected member responsibility**

7.1 Although the term 'money laundering' is generally used when describing the activities of organised crime - for which the legislation and regulations were first and foremost introduced - to most people who are likely to come across or be affected by it, it involves a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

7.2 Guidance for employees and elected members on their possible exposure to money laundering is attached at Appendix 1. This provides information on the types of activities where the Council may be subject to money laundering offences.

7.3 Employees and elected members should follow this policy in respect of all crimes, however small. The money laundering regime adopts an 'all crimes' approach and sets no lower limit below which suspected crimes should not be internally reported.

7.4 The offences may apply to a very wide range of more everyday activities within the Council. This could include for example, being complicit in crimes involving the falsification of claims, benefiting from non-compliance with the conditions attaching to a grant, retaining customer overpayments on a ledger or facilitating employment on which tax is not paid.

## **8. Money Laundering Reporting Officer (MLRO)**

- 8.1 All employees and elected Members are obliged to report any suspicion of money laundering or terrorist financing to the Council's nominated officer for anti-money laundering activities. The Council has nominated the Service Director - Finance as the Anti-Money Laundering Reporting Officer (MLRO). In their absence, the Head of Finance and Accountancy acts as the Deputy Anti-Money Laundering Reporting Officer.
- 8.2 The Money Laundering Reporting Officer will receive staff disclosures on suspicions of money laundering and decide on disclosure to National Crime Agency (NCA).
- 8.3 The Money Laundering Reporting Officer is:
- The Service Director - Finance  
Town Hall  
Rose Hill  
Chesterfield  
S40 1LP  
Tel: 01246 936468
- 8.4 In the absence of the MLRP the Head of Finance and Accountancy is authorised to deputise **(tel. 01246 936276)**.
- 8.5 The Legal service is available to give advice as required.

## **9. Disclosure Procedure**

- 9.1 Reporting to the Money Laundering Reporting Officer
- 9.2 Enquiries can be made by an employee or elected member of the individual to establish whether there is an innocent explanation before deciding whether to make a disclosure to the MLRO. However, once you have reasonable grounds for knowing or suspecting that the individual is engaged in money laundering a report must be made and the suspected money launderer must not be informed of this. Under no circumstances must an employee do anything that may tip off the subject of the report that such report has been made.
- 9.3 Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as practicable to the MLRO. This disclosure should be within "hours" of the information coming to your attention, not weeks or months later.

### **SHOULD YOU NOT DO SO, THEN YOU MAY BE LIABLE TO PROSECUTION.**

- 9.4 Your disclosure should be made using the disclosure forms attached as **Appendix 2**. The report must include as much detail as possible, for example:  
Full details of the people involved (including yourself if relevant) e.g., name, date of birth, address, company names, directorship, phone numbers etc. Full details of the nature of their/ your involvement:
- 9.5 Once you have reported the matter to the MLRO you must follow any directions they may give. You **MUST NOT** make any further enquiries into the matter yourself: any necessary

investigation will be undertaken by the National Crime Agency (NCA). Simply report your suspicions to the MLRO who will refer the matter to the NCA if they consider this appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

## **10. Consideration of disclosure by the Money Laundering Reporting Officer**

- 10.1 Upon receipt of a disclosure report (copy attached as Appendix 2) the MLRO must note the date of receipt on the section of the report and acknowledge receipt of it. They should advise you of the timescale within which he /she expects to respond to you.
- 10.2 The MLRO will consider the report and any other available internal information they think relevant: e.g.
- Reviewing other transaction patterns and volumes
  - The length of any business relationship involved
  - The number of any one-off transactions and linked one-off transactions
  - Any identification evidence held
- 10.3 And undertake such other reasonable inquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether a report to the National Crime Agency (NCA) is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.
- 10.4 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:
- There is actual or suspected money laundering taking place; or
  - There are reasonable grounds to know or suspect that this is the case; and
  - Whether he/she needs to seek consent from the NCA for a particular transaction to proceed.
- 10.5 All disclosure reports referred to the MLRO and reports made by him/her to the NCA must be retained by the MLRO in a confidential file kept for that purpose for a minimum of 5 years.
- 10.6 The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him/her, that another person is engaged in money laundering and he/she does not disclose this as soon as practicable to the NCA.
- 10.7 Where money laundering is suspected the MLRO will report to the National Crime Agency via a Suspicious Activity Report (SAR) and also notify the Head of the Internal Audit Consortium, and the Monitoring Officer.
- 10.8 To ensure the Council minimises the risk of tipping off the suspect and to minimise any reputational damage should the suspicion be unfounded, the confidentiality of the matter will be respected at all times. The MLRO will only inform anyone of the suspicion where there is a genuine business need.
- 10.9 In some cases it may be necessary to seek approval from the National Crime Agency before the Council can undertake any further activity in respect of the transaction. Where the MLRO has made such a referral to the National Crime Agency, they will notify the person



raising the concern and again inform the individual when the Agency has provided permission for the transaction to proceed.

## 11. **Employee Awareness and Training**

11.1 In support of this policy, the Council will:

- Make all staff aware of the requirements and obligations placed on the Council and on themselves as individuals by the anti-money laundering legislation; and
- Give targeted training to those most likely to encounter money laundering.

11.2 It is not necessary for all staff to have a detailed knowledge of what constitutes a criminal offence under the legislation. Those who are most likely to encounter money laundering should read this policy as it documents what procedures are in place to help prevent money laundering and informs them of their personal responsibilities and possible liabilities as individuals.

11.3 The Council does not have any areas of activity that are especially vulnerable to money laundering. This is supported by the fact that local authorities are not included as a 'relevant person' in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and are therefore not covered by those regulations.

11.4 Any managers who believe they have identified any especially vulnerable areas should first consult the Money Laundering Reporting Officer. If agreed, more targeted training to the employees should then be delivered.

## 12. **Restricted or Regulated Activities**

12.1 This policy requires certain activities to be regulated or restricted as follows:

12.1.1 Undertaking Investment Activities for a Third Party. In making investment arrangements, the Council should not act as a principal or agent in, or an arranger of, investment activities for a third party, without prior authority from the MLRO, as such activities might be interpreted as being a regulated activity and expose the Council to additional money laundering regulations. This excludes the investments of trust and charitable funds and the placing of cash deposits for other local authorities, as such activities in the Chartered Institute of Public Finance and Accountancy's view, would not be interpreted as being 'by way of business'.

12.1.2 Receiving High Value Cash Receipts. For the purpose of preventing money laundering:

- Cash receipts of £10,000 or more should not be accepted. 'Cash' includes notes, coins or travellers' cheques in any currency. It is not appropriate for payment of a balance owed to the Council to be sub-divided into smaller cash receipts to circumvent this limit, whatever the purpose of the payment. Any attempts to do this should be reported to the MLRO as suspicious activity.
- If money offered in cash is £5,000 or more, then the payment must not be accepted until the employee has received guidance from the MLRO or their deputy.
- The Council in the normal operation of its services, accepts payments from individuals and organisations. For all transactions under £5,000, no action is required unless the employee has reasonable grounds to suspect money laundering activities, proceeds of crime or is simply suspicious.

### 12.1.3 Refunds

A significant overpayment of an amount owed which results in a repayment, should be properly investigated and authorised by a senior manager as not suspicious, before repayment is made.

### 12.1.4 Structuring of Agreements

Advice from the MLRO should be sought in structuring agreements relating to the following activities, if undertaken on behalf of third parties. Such activities might be interpreted as being a regulated activity and expose the Council to additional money laundering regulations:

- Advice about tax affairs;
- Accountancy services;
- Audit services;
- Legal services which involve participation in a financial or real property transactions; and
- Services which involve the formation, operation or management of a company.

## **13 CIPFA's Treasury Management Code**

13.1 Treasury management activities and the legal and best practice requirements relating to them (including money laundering), are subject to the provisions of CIPFA's Treasury Management: Code of Practice. This document is legally enforceable in local authorities.

### The types of activities that may be affected

The following table sets out the types of activities that might be suspicious and how the Council may come across those activities. It is not intended to be exhaustive and just because something you are suspicious about is not on the list, it doesn't mean you shouldn't report it.

Activity	The types of activity that may be affected
New customers with high value transactions	<ul style="list-style-type: none"> <li>• Selling property to individuals or businesses</li> <li>• Renting out property to individuals or businesses</li> <li>• Entering into other lease agreements</li> <li>• Undertaking services for other organisations</li> </ul>
Secretive clients	<ul style="list-style-type: none"> <li>• Housing benefit claimants who have sums of money entering into/out of their bank account (even if we do not award them benefit, we should still consider money laundering implications)</li> <li>• People buying or renting property from the Council who may not want to say what it is for</li> <li>• People receiving grant funding who refuse to demonstrate what funding was used for</li> </ul>
Customers who we think are acting dishonestly or illegally	<ul style="list-style-type: none"> <li>• People paying for Council services who do not provide details about themselves</li> <li>• People making odd or unusual requests for payment arrangements</li> </ul>
Illogical transactions	<ul style="list-style-type: none"> <li>• People paying cash then requesting refunds</li> <li>• Requests for the Council to pay seemingly unconnected third parties in respect of goods/services provided to the Council</li> <li>• Requests for the Council to pay in foreign currencies for no apparent reason</li> </ul>
Payments of substantial sums by cash	<ul style="list-style-type: none"> <li>• Large debt arrears paid in cash</li> <li>• Refunding overpayments</li> <li>• Deposits/payments for property</li> </ul> <p>Cash receipts of £10,000 or more should not be accepted            If money offered in cash is £5,000 or more then the payment must not be accepted until the employee has received guidance from the MLRO or Deputy,            For transactions under £5,000 no action is required unless the employee has reasonable grounds to suspect money laundering activities, proceeds of crime or is simply suspicious.</p>
No action is required unless the Movement of funds overseas	<ul style="list-style-type: none"> <li>• Requests to pay monies overseas, potentially for 'tax purposes'</li> </ul>
Cancellation of earlier transactions	<ul style="list-style-type: none"> <li>• Third party 'refunds' grant payment as no longer needed/used</li> <li>• No payment demanded even though good/service has been provided</li> <li>• Sudden and unexpected termination of lease agreements</li> </ul>

Requests for client account details outside normal course of business	<ul style="list-style-type: none"> <li>• Queries from other companies regarding legitimacy of customers</li> <li>• Council receiving correspondence/information on behalf of other companies</li> </ul>
Extensive and overcomplicated client business structures/arrangements	<ul style="list-style-type: none"> <li>• Requests to pay third parties in respect of goods/services</li> <li>• Receipt of business payments (rent, business rates) in settlement from seemingly unconnected third parties</li> </ul>
Poor accounting records and internal financial control	<ul style="list-style-type: none"> <li>• Requests for grant funding/business support, indicates third party not supported by financial information</li> <li>• Companies tendering for contracts, unable to provide proper financial information/information provided raises concerns</li> <li>• Tender for a contract which is suspiciously low</li> </ul>
Unusual property investments or transactions	<ul style="list-style-type: none"> <li>• Requests to purchase Council assets/land with no apparent purpose</li> <li>• Requests to rent Council property with no apparent business motive</li> </ul>
Overcomplicated legal arrangements/multiple solicitors	<ul style="list-style-type: none"> <li>• Property transactions where the Council is with several different parties</li> </ul>

**STRICTLY CONFIDENTIAL**

**Report to: Money Laundering Reporting Officer (MLRO)**

**Re: money laundering activity suspicion**

To: ....., CBC Money Laundering Reporting Officer (Service Director - Finance)

From:

Name.....Post.....  
*[Insert name of employee or elected member and post title]*

Service: ..... Ext/Tel No/E Mail address: .....  
*[Insert service area and contact details]*

**DETAILS OF SUSPECTED OFFENCE:**

**Name(s) and address (es) of person(s) involved:**  
*[If a company/public body please include details of nature of business]*

*[Please continue on a separate sheet if necessary]*

**Nature, value and timing of activity involved:**  
*[Please include full details e.g. what, when, where, how]*

*[Please continue on a separate sheet if necessary]*

**Nature of suspicions regarding such activity:**

*[Please continue on a separate sheet if necessary]*

**Have you discussed your suspicions with anyone else?**

*[Please tick the relevant box]*

Yes     No

**If yes, please specify below, explaining why such discussion was necessary:**

*[Please continue on a separate sheet if necessary]*

**Has any investigation been undertaken (as far as you are aware)?**

*[Please tick the relevant box]*

Yes     No

**If yes, please include details below:**

*[Please continue on a separate sheet if necessary]*

**Please set out below any other information you feel is relevant:**

*[Please continue on a separate sheet if necessary]*

**DECLARATION:**

Signed:.....Dated:.....

***Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years imprisonment.***

**THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO**

Date report received: .....

Date receipt of report acknowledged: .....

**CONSIDERATION OF DISCLOSURE:**

**Action Plan:**

**OUTCOME OF CONSIDERATION OF DISCLOSURE:**

**Are there reasonable grounds for suspecting money laundering activity?**

**If there are reasonable grounds for suspicion, will a report be made to the National Crime Agency?**

*[Please tick the relevant box]*       Yes       No

**If yes, please confirm date of report to NCA: .....and complete the box below:**

**Details of liaison with the NCA regarding the report:**

**Notice Period: ..... To .....**

**Moratorium Period: ..... To .....**

**Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts?       Yes       No**

**If yes, please confirm full details in the box below:**

**Date consent received from NCA: .....**

**Date consent given by you to employee or elected member: .....**

**If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:**

*[Please set out any reasonable excuse for non-disclosure]*

**Date consent given by you to elected member or employee for any prohibited act transactions to proceed: .....**

**Other relevant information:**

**Signed:.....Dated:.....**





**CHESTERFIELD**  
BOROUGH COUNCIL

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# Auditor's Annual Report

Chesterfield Borough Council – year ended 31 March 2022

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August 2023



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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.

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# 01

## Section 01: **Introduction**

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# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Chesterfield Borough Council ('the Council') for the year ended 31 March 2022. Although this report 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 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 16 August 2023. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

In our audit report issued on 16 August 2023 we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements. No significant weaknesses in arrangements were identified and there are no recommendations arising from our work.



### Wider reporting responsibilities

The National Audit Office has not yet finalised their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Council's financial statements.

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# 02

Section 02:

## **Audit of the financial statements**

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# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

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 financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2022 and of its financial performance for the year then ended.

Our Audit Completion Report to the November 2022 Standards and Audit Committee included an update on the audit status, our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit.

The issue of the audit opinion was though significantly delayed beyond November 2022 due to two issues:

- Valuation of Land, Buildings and Investment Properties - our November 2022 report highlighted the difficulties in obtaining sufficient and appropriate audit evidence to support these valuations, which we had identified as material balances and an area of significant audit risk. This work was completed in March 2023 and no material errors identified. We have worked with management to strengthen the Council's arrangements and ensure that sufficient and timely information is provided to support the 2022/23 valuations selected for audit testing.
- Pension Fund 2022 Triennial Valuation – this was a national issue affecting all audits which were in progress when the valuations were reported in March 2023. The valuations showed material movements in the estimated 31 March 2022 net liability valuation, largely due to updated membership details. The Regulators and audit suppliers confirmed in May 2023 the way forward to address this. Councils were required to obtain updated IAS19 valuation reports and amend the draft financial statements for the new figures. Pension Fund auditors also needed to complete testing on the reliability and accuracy of the updated pension fund membership data used by the Actuary as part of the 2022 Triennial valuation. The additional work was completed in August 2023 and the adjustments required to the draft financial statements agreed with Management.

We issued a follow-up letter to our Audit Completion Report in August 2022 which updated the Standards and Audit Committee on the matters originally reported in November 2022 and the matters identified since then. Our audit report, issued on 16 August 2023 gave an unqualified opinion on the updated financial statements for the year ended 31 March 2022.

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# 03

Section 03:

## Commentary on VFM arrangements

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### 3. VFM arrangements – Overall summary

#### Approach to Value for Money arrangements work

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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. We did not identify any risks of significant weakness, or actual significant weakness, in the Council’s arrangements. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

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Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	9	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	13	No	No

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### 2021/22 Financial statement performance

We have carried out a high-level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement.

The Council's balance sheet does not give us cause for concern relating to financial stability. Net current assets have reduced from £34.8m to £2.8m though this is largely due to the fall in Cash and Cash Equivalents and Short-Term Investments which was in line with cash flow forecast and planned capital funding requirements.

The most significant change in the balance sheet relates to movements in the Council's share of the net pension liability (being a deficit position) of £78.1m, down from £103.2m in the prior year. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position is not unusual and is a recognised area of financial challenge for local authorities.

The Council's useable reserves have fallen from £56.1m to £48.5m in 2021/22, with:

- General Fund and Earmarked Reserves of £23.9m, compared to £26.7m in 2020/21;
- Capital Receipts and Grants Reserves of £11.0m, compared to £8.9m in 2020/21; and
- Housing Revenue Account Balances of £13.5m, compared to £20.4m in 2020/21.

These reserves provide some mitigation against future financial challenges, and include specific reserves (Budget Risk Reserve £2.4m, Service Improvement Reserve £0.2m and Service Redesign Reserve £0.6m) to address future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long-term solution to funding gaps. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council's arrangements for ensuring financial sustainability.

### Financial planning and monitoring arrangements

In February 2021 the Council agreed the General Fund budget for the 2021/22 financial year. The forecast

General Fund budget for 2021/22 was a deficit of £188k, which could be covered by the Council's Budget Risk Reserve if savings and efficiencies were not identified during the financial year. The deficit forecast assumed the in-year delivery of savings amounting to £524k, £374k to be achieved through the ICT Improvement Programme. During the year the Council reported its financial position through the quarterly financial performance reports. We reviewed a sample of budget monitoring reports presented for 2021/22 to Cabinet, including the Q2 report presented in November 2021. The reports contain detail on any significant variances to budget and an update on performance against savings targets. The reports also contain information on progress against the approved capital programme and reasons for over or underspends against the budget profile to provide adequate scrutiny and oversight. The November report showed an updated forecast deficit, after management actions and mitigations to address unexpected pressures, of £355k. The report also sets out the actions being taken to further strengthen the Council's position for the remainder of the financial year and for future years. The Council reported the final revenue outturn position for the 2021/22 year as a General Fund surplus of £758k, with budget savings of £984k contributing to the improved position.

We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 11 and not identified any significant weaknesses.

### Arrangements for the identification, management and monitoring of funding gaps and savings

The Medium-Term Financial Plan (MTFP) is a current plus four year plan which sets out the Council's commitment to provide services that meet the needs of people locally and that represent good value for money within the overall resources available to it.

A key part of the strategy is to highlight the budget issues that will need to be addressed by the Council over the coming financial years, by forecasting the level of available resources from all sources and budget pressures relating to both capital and revenue spending as well as assessing sufficient reserves and provisions are held for past and unknown events which may impact on the Council's resources. The MTFP is prepared alongside other plans and strategies (for example the workforce planning and Capital and Investment Strategies). There is a process in place for challenging any growth items and agreeing the achievability of planned savings.

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria (continued)

### Arrangements and approach to 2022/23 and medium-term financial planning

The arrangements for the 2022/23 budget setting process largely followed the arrangements in place for 2021/22 but with a deeper understanding of the continuing impact of Covid-19, the worsening economic situation and the increasing inflationary pressures.

The February 2022 Council meeting approved the 2022/23 to 2025/26 MTFP. The MTFP forecast a balanced position, after savings/efficiencies and other actions, for the first two years of the MTFP but with a budget gap (rising to £453k in 2025/26) to be bridged. The report to the Council sets out the risks and uncertainties considered, and the steps taken to ensure estimates are robust and the level of reserves is sufficient. The Report also sets out the ongoing work programme to deliver the recurring savings required over the medium term.

The arrangements in 2022/23 included:

- An early (at Month 2) review by Cabinet of the budget in response to the significant worsening of the economic position and the steep increases in inflation, the higher than expected national pay award and the additional costs of interim/agency staff to cover key and difficult to recruit to vacant positions. The review identified the likely need to utilise the Budget Risk Reserve in a prudent and managed way to support the in-year budgets.
- The Month 6 budget monitoring report to Cabinet which explains the continuing impact of the pressures identified on the worsening financial position, with a £1m deficit forecast for the full year. The Report sets out the continuing measures to restore financial balance, including increasing challenge of budgets and non-essential spending, vacancy control and exploring opportunities to improve income from grants and fees and charges.
- The February 2023 Budget Report to the Council which identified that the steps being taken in respect of 2022/23 were having an impact, with the forecast deficit reducing to £470k.

The budget outturn report to the July 2023 Cabinet shows that the deficit for the year had reduced further to £292k, which can be covered by reserves.

The national economic pressures and financial difficulties experienced have inevitably had an impact on the Council's medium-term outlook and this is reflected in the February 2023 approved 2023/24 to 2026/27 MTFP; the Council predicted a balanced 2023/24 position (after utilising £1m from the Budget Risk Reserve) but deficits in subsequent years, rising to £3.4m in 2026/27. Cabinet were updated on the current and medium-term position in July 2023 as part of the reporting on the 2022/23 outturn. The report reaffirms the Council's commitment to effective budget monitoring and forecasting as a basis for understanding the budget pressures and ensuring that there are appropriate plans in place to manage and mitigate financial risks. The report describes the in-year financial management processes that have been enhanced and strengthened across the Council. A new process was rolled out to budget managers in June 2023 and the forecasts will continue to be updated and presented to Cabinet during 2023/24.

The ongoing financial difficulties will continue to test the Council's financial arrangements and will require strong, timely and effective actions. We will continue to assess these arrangements and report views in future assessments.

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's 2021/22 arrangements in relation to financial sustainability.**

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Risk management and monitoring arrangements

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. There is an updated and approved Risk Management Strategy which includes the Council's approach, guidance, the Council's risk appetite and roles and responsibilities. There is a Corporate Risk Management Group in place, which meets quarterly. The Group oversees all the Council's operational and strategic risk registers and provides challenge as part of the process. The Senior Leadership Team and Corporate Management Team consider the Group's minutes and summary reports. The Standards and Audit Committee reviews the effectiveness of the arrangements and receives an annual risk management report. The Council receives an annual report on the key risks.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council is a member of the Internal Audit Consortium which is a shared service with neighbouring councils. The Consortium Manager acts as Head of Internal Audit and the service has been externally assessed as meeting the Public Sector Internal Audit Standards. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by the Standards and Audit Committee prior to final approval.

The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2021/22 and 2022/23 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are presented to each Standards and Audit Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council's control environment. For 2021/22 the Head of Internal Audit concluded that a reasonable level of assurance could be provided on the overall adequacy and effectiveness of the Council's framework for governance, risk management and control.

Throughout the year we have attended Standards and Audit Committee meetings. Through attendance at these meetings we have confirmed that the committee receive regular updates on both internal audit progress and risk management. We have seen active Member engagement from the Standards and Audit Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

### Arrangements for budget setting and budgetary control

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the budget setting rules and financial procedures. The framework includes:

- Clear responsibilities, including the role of the Section 151 Officer in leading the budget setting process and providing professional advice, and the reservation of the approval of the Budget to the Council.
- Budget setting guidance to managers, with the process normally starting in August to get an early understanding of the key relevant factors and future budget requirements. Although existing budgets are in most cases used as a basis determining the next year's estimates they are not merely rolled forward with early challenge to staff number assumptions and growth and savings proposals.
- Close working between the finance team and with external advisors and neighbouring councils to agree the key budget assumptions, which are challenged and agreed through the budget review process by Management, Cabinet and Council.

Following approval of the budget, budget monitoring commences to monitor progress against targets. Budget monitoring responsibilities of budget holders are documented and they are supported in this role by the finance team. Budget monitoring reports are produced on a monthly basis and there are regular meetings held, including finance team members, to discuss the financial performance and forecasts. There are rules in place regarding the reporting of budget variances and budget changes.

There are similar processes and controls in place for development and control of the capital programme alongside the revenue budget setting. The Treasury Strategy reports (encompassing the Treasury Management, Capital and Investment Strategies) are approved at the same time as the revenue budgets and monitored and reported on throughout the year.

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria (continued)

### Arrangements for budget setting and budgetary control (continued)

There are rules in place regarding changes to the original budget, with Cabinet approval required for any revisions. Quarterly Financial performance monitoring reports are presented to the Finance and Performance Board, Scrutiny and Cabinet. The reports cover General Fund and Housing Revenue Account spend and income to date and forecast against budget, Capital Programme progress and Treasury Management activities, and forecast significant variations are investigated and reported on, together with any corrective action being taken. Our review of the relevant meeting minutes confirmed there was challenge and scrutiny of the process. The impact of Covid-19 on financial performance is apparent from the reports through 2020/21 and any material budget variances were identified and explained at an appropriate stage. There were no significant unexpected over or underspends reported at the year-end.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published its Financial Management (FM) Code to provide guidance for good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The first full year of compliance with the FM code is 2021/22. We reviewed Internal Audit's assessment of the Council's compliance with the standards set out in the Code, and the disclosures made in the Annual Governance Statement. Internal Audit found that the Council complied with the majority of the Code requirements already and management is working to address the small number of areas for improvement identified.

### Decision making arrangements and control framework

The Council has an established governance structure in place which is set out within its Annual Governance Statement (AGS). We reviewed the AGS and observed the Standards and Audit Committee's review of the AGS and monitoring of actions throughout the year in relation to any significant governance issues.

The governance framework, as described in the AGS includes the Council's Corporate Governance Code, the Constitution and the scheme of delegation which shows the levels of authority required for all key decisions, and the Council Plan.

The Council's Corporate Governance Code sets out the governance principles which the Council are committed to and within which the Council conducts its business and affairs. The Code identifies the arrangements in

place to enable the Council to meet the good governance principles identified.

The required Standards arrangements are in place, through the Standards and Audit Committee, which are designed to promote and maintain high standards of conduct by members and co-opted Members of the Borough Council and local councils. We have considered the Committee's work in this area and not identified any matters of concern.

The Constitution is kept under review and updated as required. The Constitution sets out how the Council operates, how decisions are made and the procedures to support the Council's aims of being transparent and accountable. The Constitution includes the Budget and Policy Framework Rules, Financial and Contract Procedure Rules, Member and Officer codes of conduct. There are arrangements in place for the Scrutiny Committees to be made aware of 'Key Decisions' taken by the Cabinet or planned, as well as defining what a Key Decision is. The Constitution sets out the rules and process for Decisions to be 'called in' by Committees..

The Scrutiny Committee arrangements have been shaped to reflect Council priorities with there being three themed Committees to support the work of the Cabinet and the Council as a whole. The Standards and Audit Committee provides further focus on risk, governance and control matters. The Scrutiny Committees have work programmes in place to steer their coverage of services and Cabinet key decisions. We have reviewed the Scrutiny Committees' minutes throughout the year and not identified any concerns.

### Regulators

There are few external regulators for district councils and we have not identified any matters reported which indicate significant weaknesses in the Council's governance arrangements. We reviewed the Local Government and Social Care Ombudsman's (LGSCO) 2021/22 report which was considered by the Standards and Audit Committee at its September 2022 meeting. The Committee report includes a summary of the Council's findings to those for neighbouring authorities and summarised management's assessment of the matters raised by LGSCO. The report does not highlight any significant concerns in relation to the Council's governance arrangements. .

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements for 2021/22 in relation to governance.**

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### Performance Management

The Council Plan 2019-23 set out the Council's priorities and objectives for the period covered by the plan, including the values which underpin the overarching vision of 'putting our communities first'. The three priorities in the Plan included 'Providing Value for Money Services'. The Council identified the key performance indicators, and target levels of performance, in relation to these priorities. The performance targets were informed by national standards, local benchmarking and experience and subject to initial challenge and confirmation.

The Council has in place a performance management framework which included identified responsibilities of managers and processes for regular performance reporting and corrective action if required. The annual Council Plan Delivery Plans, which identify the key milestones and measures to keep the Council on target for delivery during the following year, are approved in February at the same time as approving the annual budgets. The Council is quarterly reporting to the Finance and Performance Board, Overview and Performance Scrutiny Forum and the Cabinet. These quarterly reports take the form of a dashboard and identify whether the performance is achieved or on/off track. The quarterly reports included an appropriate commentary to explain any significant factors which were affecting performance and actions being taken to correct performance.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the Statement of Accounts. This outlines the Council's progress against its ambitions, highlighting key successes and risk areas. This provides the public with an overall assessment of the Council activities for the financial year.

We have reviewed a sample of the performance reports and the Cabinet and Scrutiny Forum's minutes which show member challenge of the reported performance throughout 2021/22. The quarterly reports demonstrated that performance had been managed throughout the 2021/22 year and any significant variances had been justified, with no major unexpected gaps in performance at the year end. The process has continued during 2022/23. Overall, we believe there is sufficient evidence to demonstrate adequate arrangements for performance monitoring and management at the Council.

### Partnerships

There are a number of significant partnership arrangements in place, through which the Council works to deliver services in line with its ambitions and priorities. These include long longstanding shared service and joint arrangements with other local authorities. There are relevant governance frameworks in place for these arrangements and the Council continues to keep its role in these activities under review.

### Procurement

The Council has a Procurement Strategy and set of Contract Procurement Rules which outlines how the procurement of goods, works and services is achieved. These documents take into account latest legislative and operational changes at the Council, and provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability.

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements for 2021/22 in relation to improving economy, efficiency and effectiveness.**

# 04

Section 04:

## **Other reporting responsibilities and our fees**

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# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors 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 the law; and
- issue an advisory notice.

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 National Audit Office has not yet finalised their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

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## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our expected fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Standards and Audit Committee. We have updated our estimates, based on the additional work required in the year, and we expect our final audit fees to be as follows.

Area of work	2021/22 fees	2020/21 fees
Scale fee in respect of our work under the Code of Audit Practice	£40,383	£40,383
Additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme	£7,952*	£7,952
Additional testing as a result of the implementation of new auditing standards	£2,000*	£2,000
Other additional testing		
- Property Valuations - work required to obtain sufficient and appropriate evidence audit relating to the Land, Buildings and Investment Property valuations	£6,000*	n/a
- Triennial Pension Valuation - work required to review the updated IAS19 valuation report and agree the audit adjustments to the draft financial statements	£5,000*	
Additional work as a result of the new Code of Audit Practice and VFM reporting	£8,500*	£8,000
<b>Total fees</b>	<b>£69,835*</b>	<b>£58,335</b>

\* Fee variations subject to approval and confirmation by Public Sector Audit Appointments Limited.

## 4. Other reporting responsibilities and our fees

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<b>Total fees</b>	<b>£69,835*</b>	<b>£58,335</b>

# 4. Other reporting responsibilities and our fees

## Fees for other work

We confirm that we undertook the following non-audit services for the Council in the year.

Certification of the 2019/20 Housing Benefit Subsidy Claim	£7,000
Pooling of Housing Capital Receipts Return	£4,000

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