

# Governance Committee

Tuesday, 23rd May, 2023, 6.00 pm

Shield Room, Civic Centre, West Paddock, Leyland PR25 1DH

## Agenda

### 1 Apologies for absence

### 2 Declarations of Interest

Members are requested to indicate at this stage in the proceedings any items on the agenda in which they intend to declare an interest. Members are reminded that if the interest is a Disclosable Pecuniary Interest (as defined in the Members' Code of Conduct) they must leave the room for the whole of that item. If the interest is not a Disclosable Pecuniary Interest, but is such that a member of the public could reasonably regard it as being so significant that it is likely that it would prejudice their judgment of the public interest (as explained in the Code of Conduct) then they may make representations, but then must leave the meeting for the remainder of the item.

### 3 Minutes of the Last Meeting

(Pages 3 - 6)

The minutes of the meeting held on 7 March 2023 to be signed as a correct record.

### 4 CIPFA Resilience Index 2021/22

(Pages 7 - 20)

Report of the Director of Finance attached.

### 5 Management Responses to External Audit Planning Queries 2022/23

(Pages 21 - 56)

Report of the Director of Finance attached.

### 6 Internal Audit Annual Report and Opinion 2022-23

(Pages 57 - 106)

Report of the Head of Audit and Risk attached.

### 7 Internal Audit Effectiveness Review

(Pages 107 - 158)

Report of the Head of Audit and Risk attached.

### 8 Annual Governance Statement

(Pages 159 - 180)

Report of the Director of Governance attached.

### 9 External Audit Progress Report and Sector Update

(Pages 181 - 196)

Report by Grant Thornton attached.

**10 Audit Plan 2022-23**

(Pages 197 - 224)

Report by Grant Thornton attached.

**11 Closure of Dormant Bank Account**

(Pages 225 - 228)

Report of the Director of Finance attached.

Chris Sinnott  
Chief Executive

Electronic agendas sent to Members of the Governance Committee

The minutes of this meeting will be available on the internet at  
[www.southribble.gov.uk](http://www.southribble.gov.uk)

**Forthcoming Meetings**

6.00 pm Tuesday, 25 July 2023 - Shield Room, Civic Centre, West Paddock,  
Leyland PR25 1DH

# Agenda Item 3



**Minutes of**                      **Governance Committee**

**Meeting date**                **Tuesday, 7 March 2023**

**Members present:**        Councillors Ian Watkinson (Chair), Colin Sharples (Vice-Chair), Damian Bretherton, Alan Ogilvie, David Shaw, Margaret Smith and Kath Unsworth

**Officers present:**        Louise Mattinson (Director of Finance and Section 151 Officer), Chris Moister (Director of Governance), Asim Khan (Director of Customer and Digital), Dawn Highton (Head of Audit & Risk) and Clare Gornall (Democratic and Member Services Officer)

**Other attendees:**         Matt Derrick, External Auditor, Grant Thornton

**Public:**                        0

## **39 Apologies for absence**

There were none.

## **40 Declarations of Interest**

There were none.

## **41 Minutes of the Last Meeting**

The draft minutes of 10 January 2023 were presented for approval.

The Chair informed the Committee that, pursuant to Minute 38, he had now written to the Chief Executive and that copies of the letter would be circulated to the Committee at this meeting.

Councillor Mrs Smith expressed her concern that the wishes of the Committee had only just been acted upon and that they should have been addressed shortly after the last meeting. She requested that her dissatisfaction with implementing the decision at such a late stage be recorded.

### **Resolved (unanimously):**

The minutes of the meeting of this Committee held on 10 January 2023 be agreed and signed as a correct record.

# Agenda Item 3

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## 42 Audit Progress Report and Sector Update

Matt Derrick, External Auditor, Grant Thornton presented the Audit Progress report and Sector Update for year ending 31 March 2023.

A query was raised as to the reasons for the delay on the value for money report given it had been initially promised in September 2022 and was now expected in May 2023. Mr Derrick stated that the statutory requirement was that the value for money report must be published within three months of the Audit Findings Report and so they would still be compliant in bringing the report to the next meeting. He also indicated that they were currently following up on an internal audit report issued recently as part of their work in this area.

### **Resolved (unanimously):-**

That the Audit Progress Report and Sector Update be noted.

## 43 Final Audit Findings Report 2021-22

Matt Derrick, External Auditor, Grant Thornton presented the Audit Findings Report 2021-22.

A query was raised in relation to page 29 on the Action Plan – Audit of Financial Statements, i.e. as to the delay in resolving the cash to bank reconciliation recommendation which was still outstanding and whether the recommendations due by 31 March 2023 would be achieved.

Louise Mattinson, Director of Finance indicated that following the discussion at the January Governance Committee on this point, she had circulated to Governance Committee Members the details of the accounts and amounts involved; the issue related to a few accounts with small balances and little or no activity on them. She explained that the Council was now working to streamline the accounts held. She confirmed that the Auditor's recommendations would be complied with.

She also indicated that the Council was in the process of actioning the two recommendations due by 31 March 2023.

In response to a query concerning the valuation of the McKenzie Arms properties, Louise Mattinson informed the Committee that a valuation had been requested as at 31 March 2023. She agreed to provide a confirmation to the Committee after the meeting as to whether it will be treated as an Operational Asset or an Investment Property, for valuation purposes and categorisation within the Statutory Accounts.

Louise Mattinson, Director of Finance then presented an addendum to the item, requesting approval of the adjustments to the Statement of Accounts 2021-22 following the completion of the external audit by Grant Thornton.

### **Resolved (unanimously):**

1. That the Audit Findings report 2021-22 be noted;
2. That the adjustments to the Statement of Accounts 2021-22 detailed at paragraph 10 in the addendum to the report, be approved.

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## 44 Internal Audit Plan and progress update

Dawn Highton, Head of Audit and Risk presented a report setting out the programme of work to be undertaken by the Internal Audit Service April 2023 – September 2023.

The report also included the final internal audit report for the Waste Management Service. The audit was the first scheduled review for South Ribble Waste Management Service since it was brought in house on 11 June 2022. A “Limited” assurance rating had been awarded for this review.

Dawn Highton confirmed that all of the actions in the Management Action Plan due by January 2023 had been completed.

Members expressed concerns regarding the issues highlighted in the Waste Management Service report and cited in the Management Action Plan, including:

- Significant health and safety risks highlighted in the review
- The need for CCTV for the Waste Collection Fleet
- Lack of clear roles and responsibilities for officers (action 4)
- Insufficient staffing levels, leading to increased overtime and risk of increased sickness levels and unsafe practices (action 5)
- Issues relating to induction and training (action 6)

Asim Khan, Director of Customer and Digital addressed the Committee. He gave the background to the report which was that the review had been voluntarily requested following the service going in house in June 2022. He stressed that some issues had not been revealed until the Council took full control of the service. Previously there had been a high degree of dependency on agency employees to deliver the day to day service, however now the service had been taken in house this had been substantially reduced. He indicated that as a result of taking the service in house, whilst allowing for a range of factors (e.g. inflationary pressures on fuel prices), the net saving was estimated to be approximately £20,000. The exact figure would be confirmed after the meeting.

He informed the Committee that a new Head of Service was due to start on 18 April 2023 following a major restructure and that the priority for the postholder would be to ensure all actions due by December 2023 were completed.

In response to a query was raised as to the number of residential properties not recycling correctly, Asim agreed to provide the information outside the meeting.

With regard to the procurement of CCTV, Asim indicated the recommendation was a challenge, however he was due to conclude commercial discussions by the end of March. He indicated that an update would be provided to the Committee.

One member expressed concern about the breach of the first line of defence (i.e. senior management level - page 30) which had also appeared in previous service reviews. The Director of Governance, Chris Moister assured the Committee that the actions in relation to previous reviews had been implemented. The Director of Customer and Digital stressed that there had been a review of senior level posts and the need for greater resilience at senior level would be addressed.

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In response to a member query Asim Khan indicated that he would confirm to Committee if action 12, in relation to website testing had now been completed.

There were a number of queries in relation to actions 10, 14 and 15 which were due March 2023 / May 2023. Arising from a query relating to reporting of “near misses” (i.e. before and after insourcing the service), Asim undertook to provide additional information after the meeting.

It was agreed that the Committee be provided with progress updates on actions still outstanding, particularly those not due to be completed until by December 2023.

It was agreed that in the Internal Audit Annual Report to Committee, each of the reviews be taken in turn together with progress on each action.

## **Resolved (unanimously):-**

1. That the Internal Audit Plan and associated indicators be approved;
2. that the Committee be provided with progress updates on actions still outstanding, particularly those not due to be completed until by December 2023.
3. That in the Internal Audit Annual Report to Committee, each of the service reviews be taken in turn together with progress on each action.

## **45 Local Code of Corporate Governance**

The Director of Governance presented a report updating members on the outcome of a review of the Local Code of Corporate Governance.

### **Resolved (unanimously):-**

That the Local Code of Corporate Governance at Appendices A and B to the report be approved.

Chair

Date

Report of	Meeting	Date
Director of Finance	Governance Committee	Tuesday 23 May 2023

### CIPFA Resilience Index

Is this report confidential?	No
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Is this decision key?	No
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Savings or expenditure amounting to greater than £100,000	No
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### Purpose of the Report

- To present to the Governance Committee the latest CIPFA Resilience Index (2021/22) compared to the previous published indices.

### Recommendations

- The Governance Committee are asked to note the index and the continued strong position of the Council.

### Reasons for recommendations

- The index compares key financial indicators with other Local Authorities and the results are intended to provide assurance to the Governance Committee.

### Other options considered and rejected

- Not applicable.

### Corporate priorities

- The report relates to the following corporate priorities:

<b>An exemplary council</b>	<b>Thriving communities</b>
<b>A fair local economy that works for everyone</b>	<b>Good homes, green spaces, healthy places</b>

# Agenda Item 4

## Background to the report

6. An online index was released by CIPFA (Chartered Institute of Public Finance and Accountancy) in December 2019 to show the levels of financial resilience of each Local Authority across England.
7. The index is intended to help to ensure the sector is held to collective and robust standards of governance and financial management.
8. Indicators used in the index include levels of reserves, external debt and ratios of income and expenditure.
9. These measures are intended to provide a rounded picture of an authority's resilience to financial shocks.
10. Whilst the index is intended to support Local Authorities in conducting their long term resilience assessments it is important to remember that it forms only one part of that judgement. Local context must also be taken into account when forming an overall picture of resilience.
11. The index is based upon statistical returns submitted by Local Authorities and it should be recognised that data quality / consistency will be an issue as different organisations will undoubtedly have different approaches to completing these.
12. The index is valid however in making overall comparisons and comparing trends between years.
13. CIPFA have now released the 2021/22 index; this is analysed in the report and compared against data from previous years.

## THE INDICATORS

14. The 8 indicators applicable to District Councils are as follows;

INDICATOR	DEFINITION
Reserves Sustainability Measure	Ratio between the current level of reserves and the average change in reserves in each of the past 3 years.  <i>A negative value (which implies reserves have increased) or one greater than 100, have been recoded to 100).</i>  <i>(A higher figure indicates stronger resilience)</i>
Level of Reserves	Ratio of current level of reserves to the council's net revenue expenditure.  <i>(A higher figure indicates stronger resilience)</i>
Change in Reserves	Average % change in Reserves over the past 3 years



# Agenda Item 4

	<i>(A higher, positive figure indicates stronger resilience)</i>
Interest Payable / Net Revenue Expenditure	Ratio of Interest Payable to Net Revenue Expenditure  <i>(A lower figure indicates stronger resilience)</i>
Gross External Debt	Compares gross external debt held by a council
Fees and Charges to Service Expenditure Ratio	Proportion of fees and charges against the council's total service expenditure  <i>(Measures dependency on fees and charges and also how effective the council has been in generating income in this way)</i>
Council Tax Requirement/Net Revenue Expenditure	Ratio of council tax as a proportion of net expenditure  <i>(Measures dependency on Council Tax and how effective the council has been in moving away from dependency on grants and funding from central government)</i>
Growth Above Baseline	Difference between the baseline funding level and retained business rates income, over the baseline funding level

## **SOUTH RIBBLE PERFORMANCE**

15. The indicators are available for all authorities in the country and can be selected individually or by reference to;
- Upper Tier or Lower Tier and then by,
  - County Councils/ London Boroughs/ Metropolitan Districts/ Non-Metropolitan Districts/ Unitaries OR Nearest Neighbour
16. For the purposes of this comparison, South Ribble have been compared to their "Nearest Neighbours". The CIPFA Nearest Neighbour Model adopts a scientific approach to measure the similarity between authorities taking into account a range of economic, social and physical characteristics.
17. The Nearest Neighbour Grouping has been revised by CIPFA in the 2021/22 index and is now as follows;
- Amber Valley***
- Braintree***
- Broxtowe***
- Charnwood (new for 2021/22)***

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*Chorley*

*Erewash*

*Gedling*

*High Peak*

*Hinckley & Bosworth*

*Newark & Sherwood*

*Rossendale*

*South Derbyshire*

*South Kesteven (new for 2021/22)*

*South Ribble*

*Stroud*

*Kettering* and *Stafford* were in the grouping for 2020/21, however have been removed for 2021/22

18. The indicators are outlined in the attached charts; compared with previous years.
19. It should be noted that on some graphs the scale has changed between years.

## **CONCLUSION**

20. There has not been a significant shift in either the scale of the Council's indicators, or their position in the "rankings" of the comparator Group.
21. The indicators continue to highlight the Council remains in a strong position.
22. The indicators highlight the Council currently has no external borrowing, however potentially this could change with a number of capital schemes planned. This in turn should give the Council greater opportunities for income generation.

## **Climate change and air quality**

23. The work noted in this report does not impact the climate change and sustainability targets of the Council's Green Agenda and all environmental considerations are in place.

## **Equality and diversity**

24. Not applicable.

## **Risk**

25. The analysis provides assurance that the Council is in a strong financial position and resilient to financial risks.

# Agenda Item 4

26. Members should note however that there are significant financial challenges ahead in terms of pay & price inflation, customer demand and potential changes to the funding / business rates mechanism for Local Authorities.

## Comments of the Statutory Finance Officer

27. There are no direct financial implications arising from this report.
28. The report presents the financial standing of the council based on the figures included in the 2021/22 statutory returns for South Ribble in comparison to a group of councils who CIPFA deem to be the best comparator group based on similarities across a range of economic, social and physical characteristics.

## Comments of the Monitoring Officer

29. There are no legal concerns with the report. No further comments in addition to above.

## Background documents

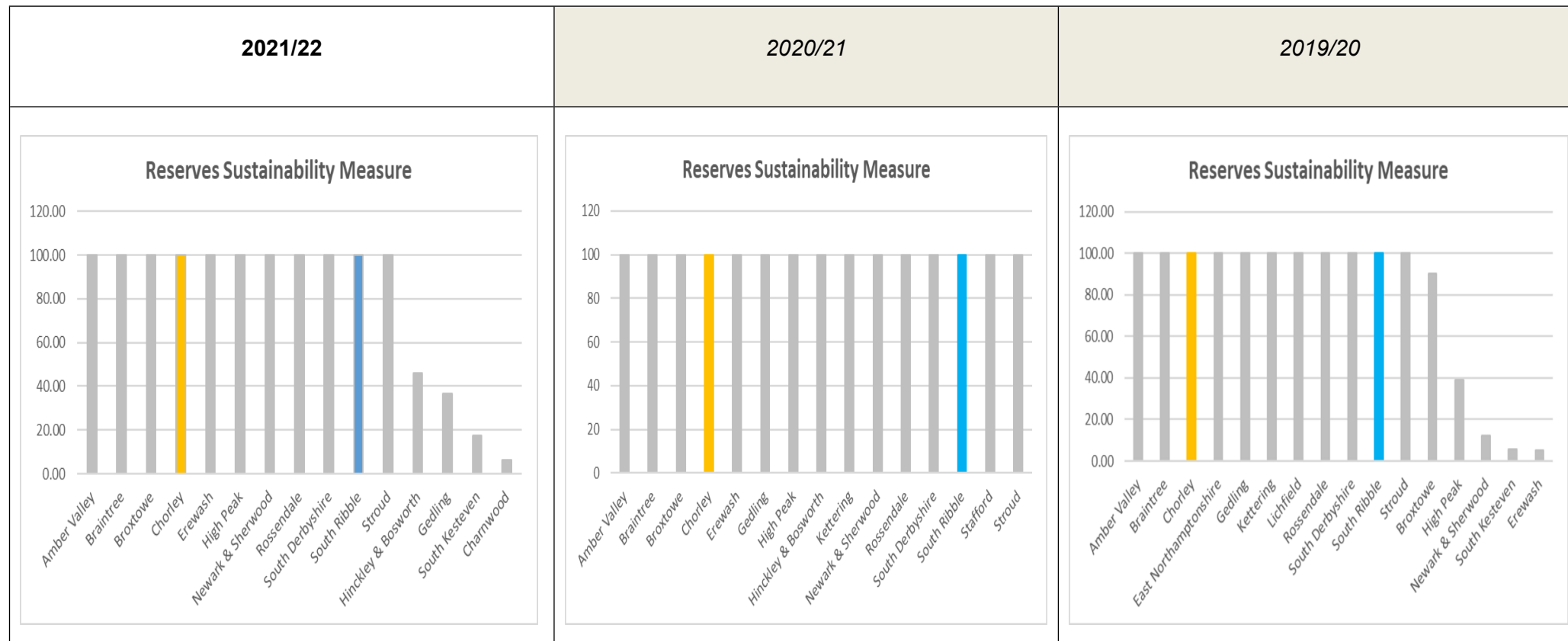
There are no background papers to this report.

## Appendices

Appendix A – Comparison of Resilience Indices

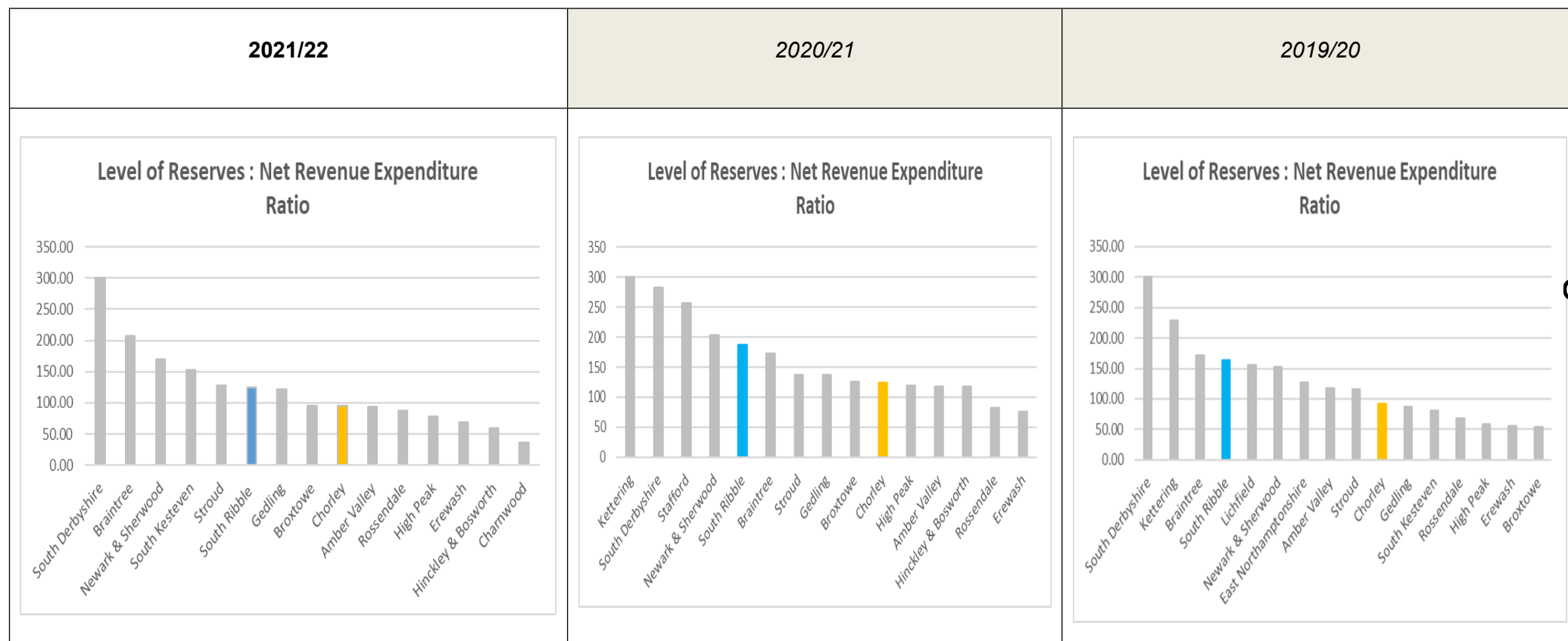
Report Author:	Email:	Telephone:	Date:
Steve Kenyon (Interim Deputy Director of Finance)	<a href="mailto:steve.kenyon@southribble.gov.uk">steve.kenyon@southribble.gov.uk</a>	01257 515151	26 <sup>th</sup> April 2023

1. Reserves Sustainability Measure



The charts highlight a continuing strong level of reserves (maximum level on chart), with growth over the last 3 years for the Council.

## 2. Level of Reserves

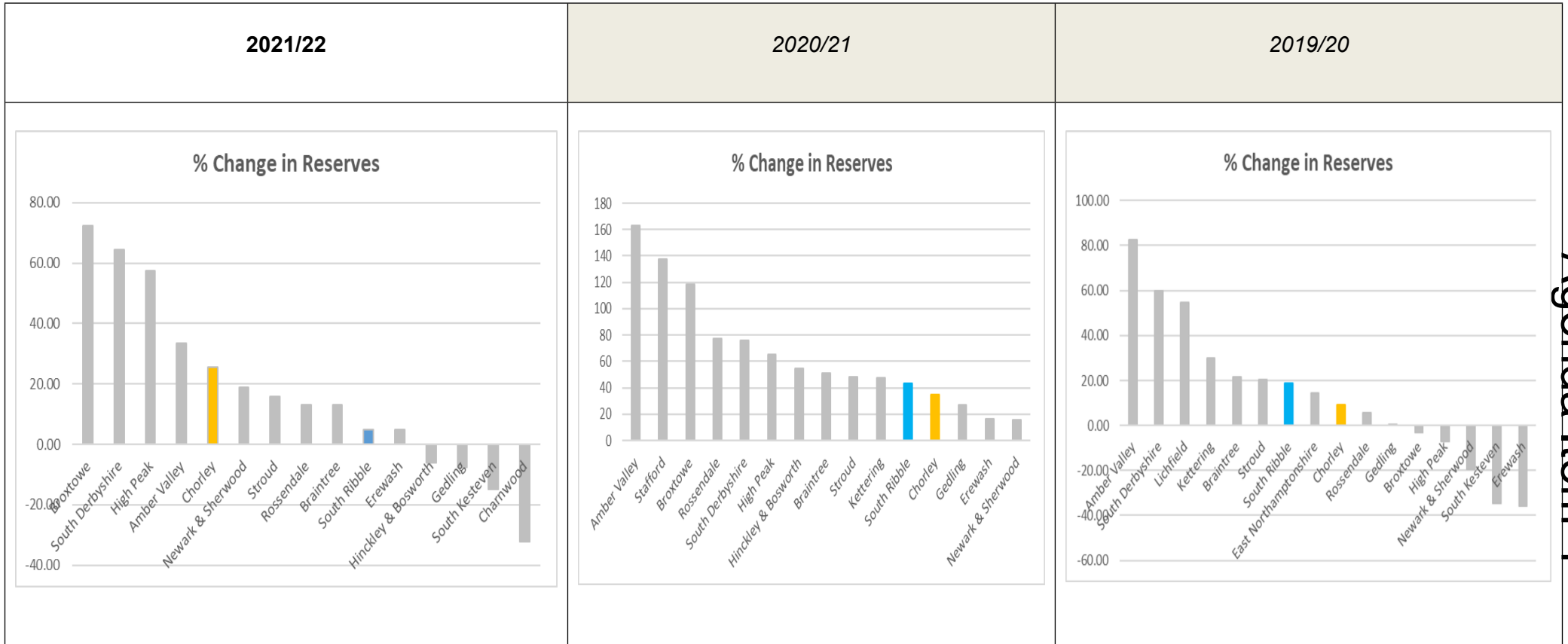


Overall rankings are broadly similar between the two years. The levels within the charts highlight reserves peaked in 2020/21 as a result of Covid Funding carried forward from 2019/20; this has subsequently been spent in line with Grant conditions.

Of the 180 districts, against this indicator South Ribble holds reserves (Earmarked and Unallocated excluding Covid grants and S31 Business Rate grants) equivalent to 125.33% of its annual Net Revenue, ranking them the 116<sup>th</sup> highest accordingly.

In comparison to the 12 Districts in Lancashire, South Ribble had the 5<sup>th</sup> highest level of reserves compared to net revenue.

### 3. Change in Reserves

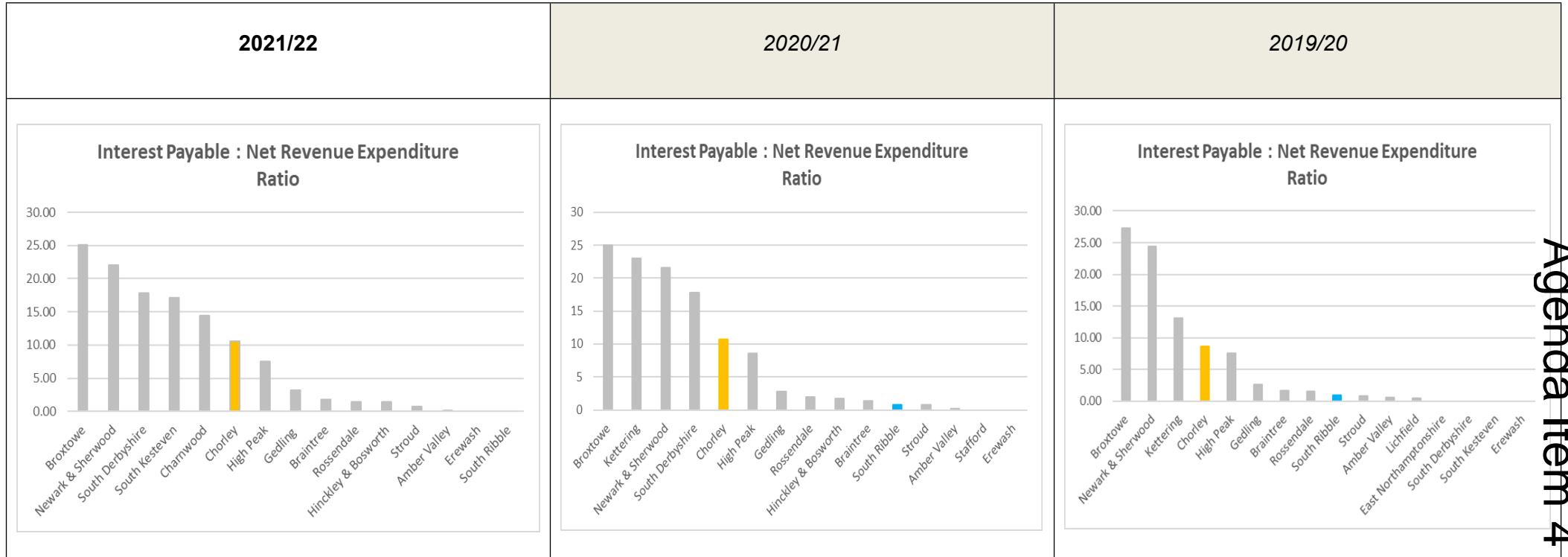


The chart highlights that the Council has consistently grown its level of reserves, however at a reduced rate in 2021/22.

In comparison, other Authorities in the group have seen their reserves decline.

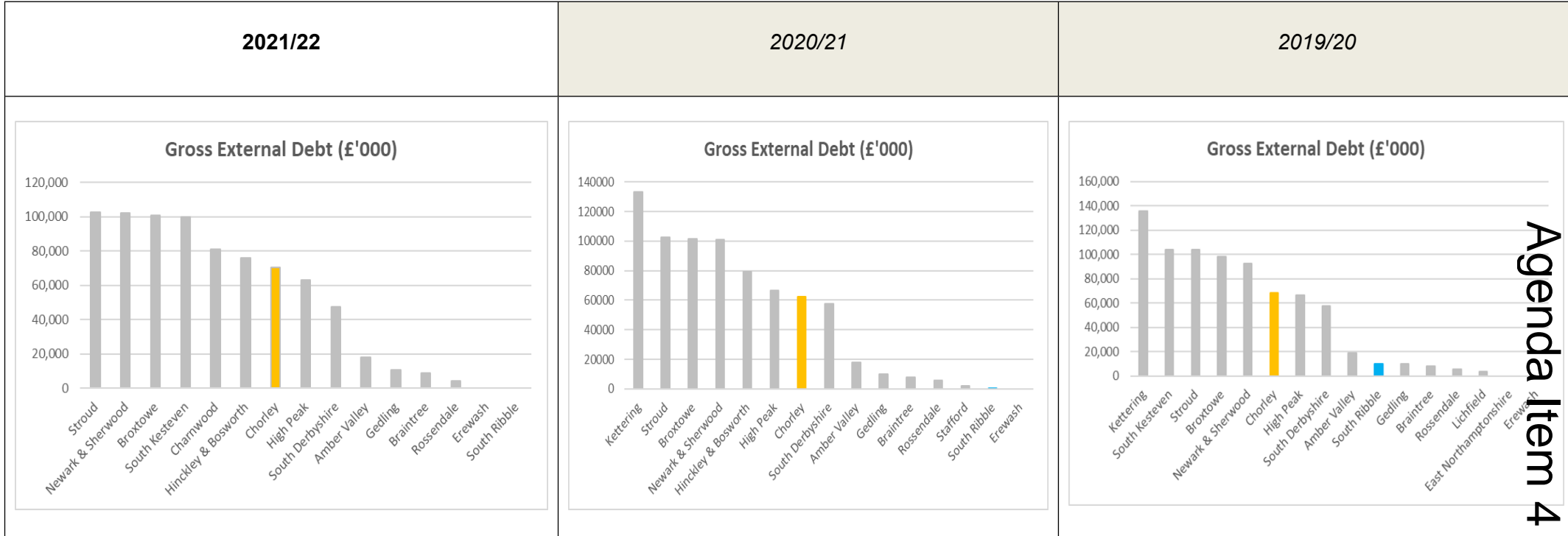
The increase for 2020/21 is due to unspent Covid Funding carried forward which has now been spent in line with Grant Conditions.

4. Interest Payable/Net Revenue Expenditure



The Council is currently free from debt, hence incurring no interest payable and therefore has the lowest ranking in the group.

5. Gross External Debt

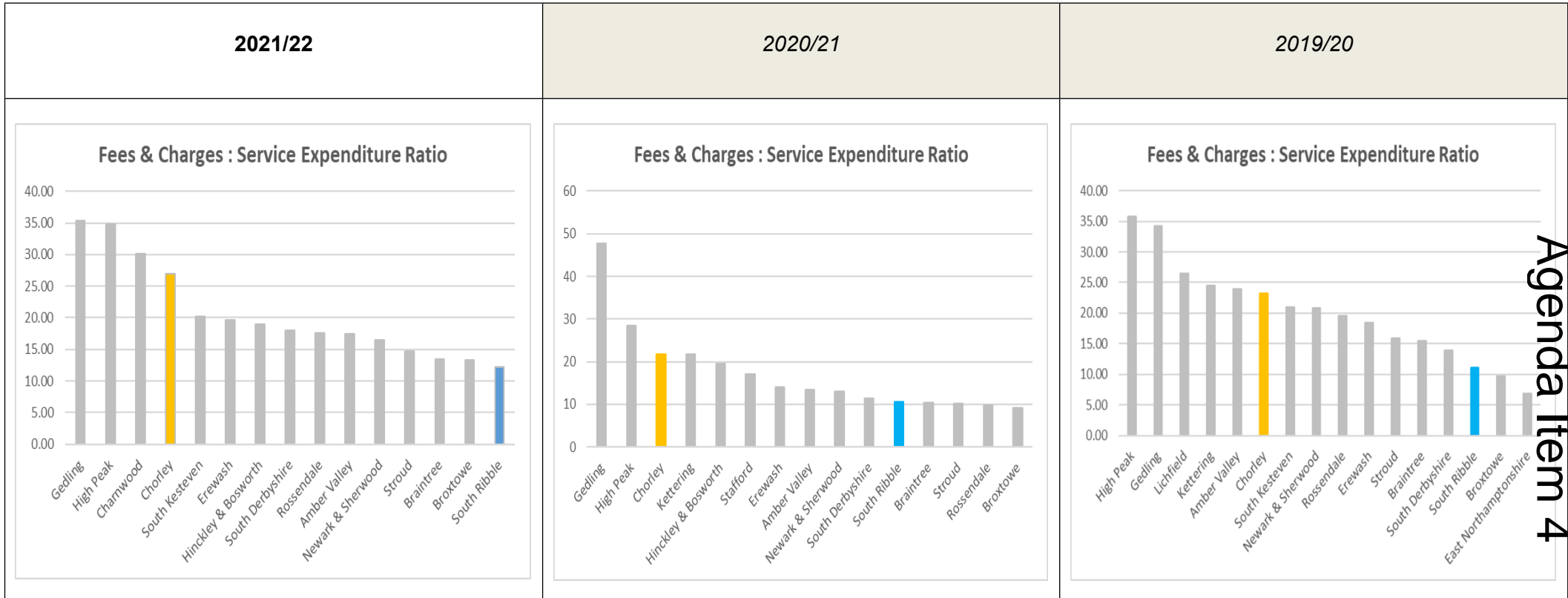


The Council's is currently free from debt, hence the lowest ranking in the group.

This is potentially a missed opportunity to undertake improvements in the Borough and generate additional income streams, however a number of capital schemes are planned in the Borough which may require borrowing to be undertaken.



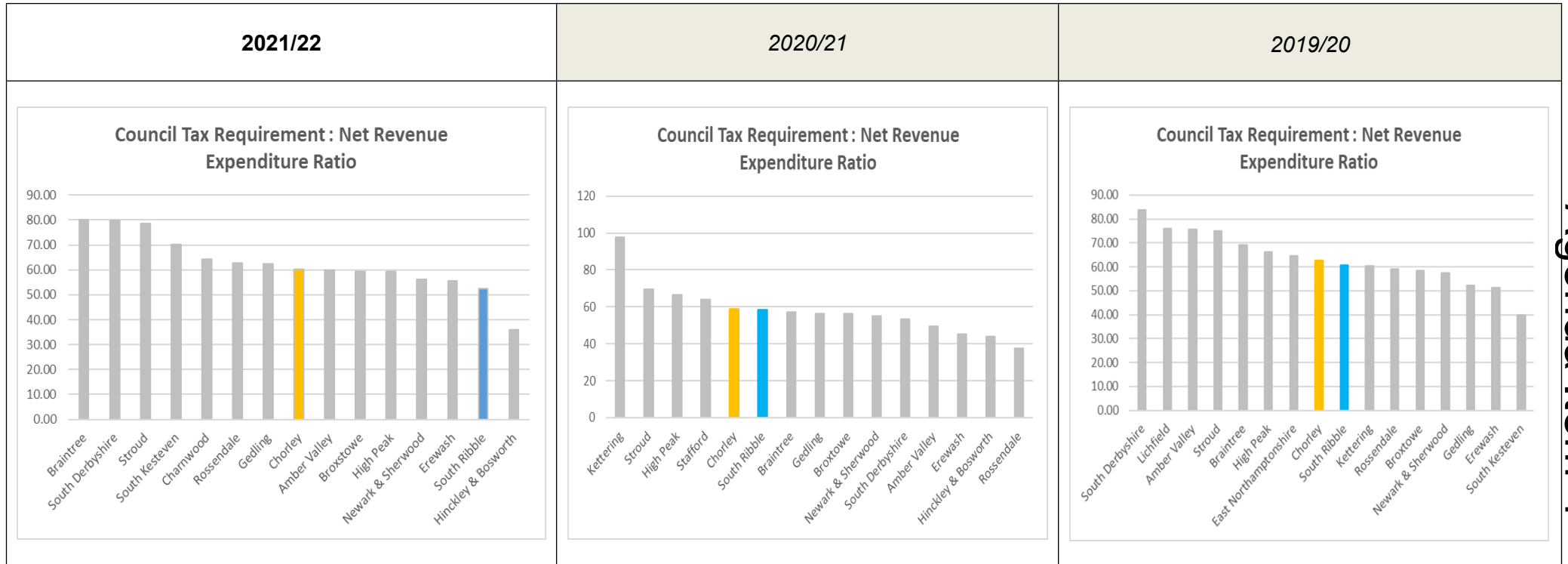
**6. Fees and Charges to Service Expenditure Ratio**



The Council is currently at the bottom of the group, suggesting the level and range of charges is low.

There is the potential for income generation to increase once planned capital schemes are completed.

7. Council Tax Requirement/Net Revenue Expenditure

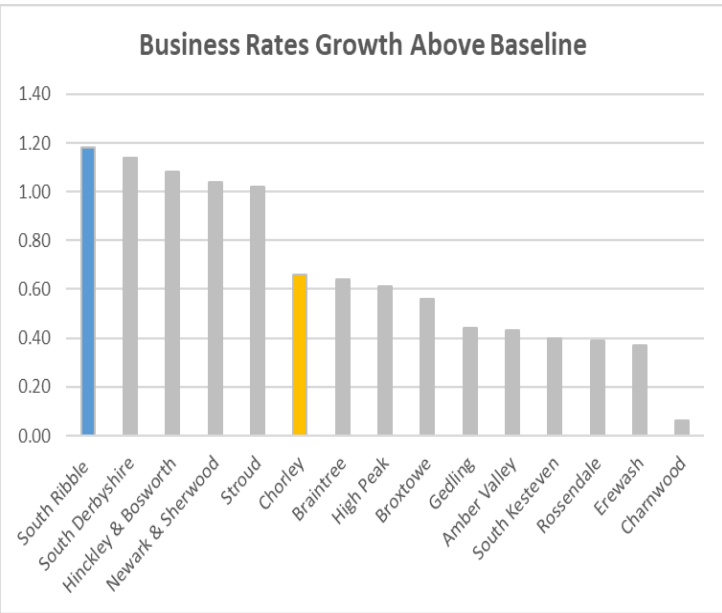


The graph above shows the level of Net Revenue Expenditure funded by Council Tax; the lower the percentage, the higher the dependency on government funding.

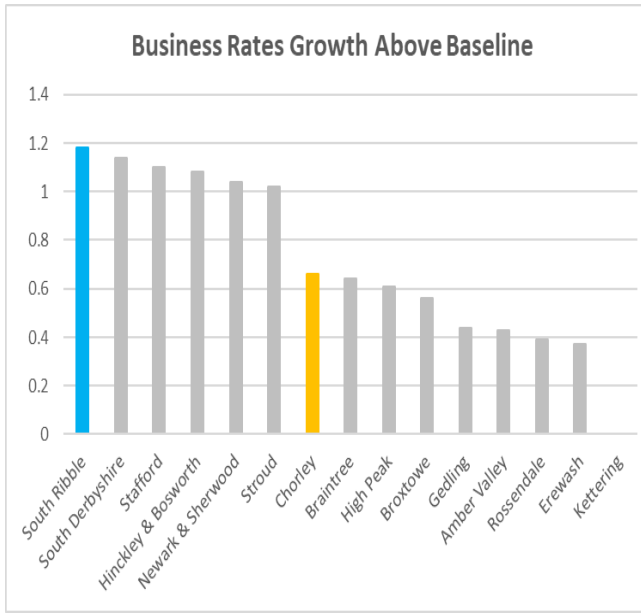
The Council is at the lower end of the chart given Council Tax freezes in recent years.

**8. Growth Above Baseline**

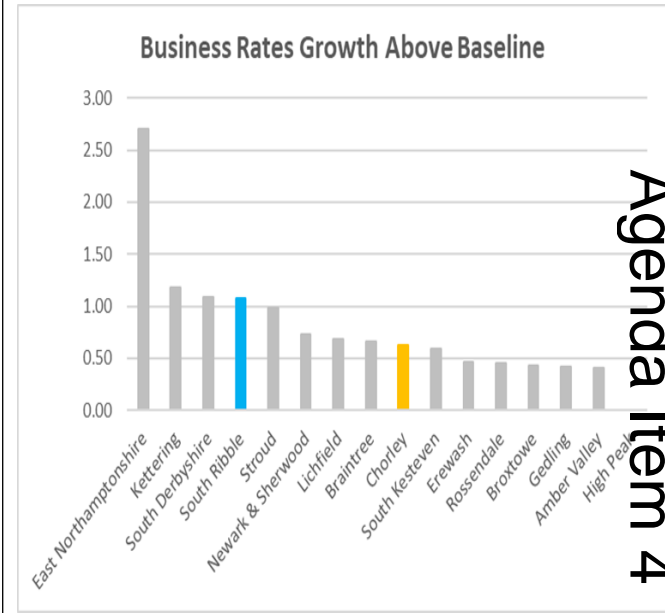
**2021/22**



**2020/21**



**2019/20**



Once again the Council has achieved the highest level of Business Rates Growth.

Rather than being due to a single large development, this appears to be due to a range of smaller sites, including retail and a number of warehouse premises.

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Report of	Meeting	Date
Director of Finance	Governance Committee	Tuesday 23 May 2023

## Management Response to External Audit Planning Enquiries

Is this report confidential?	No
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Is this decision key?	No
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Savings or expenditure amounting to greater than £100,000	No
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## Purpose of the Report

- To present to the Governance Committee, as those charged with governance of the Council, the management responses provided to the planning enquiries made by the External Auditors, Grant Thornton, as part of the 2022/23 statutory accounts.

## Recommendations

- The Governance Committee, is asked to review and approve the management responses to the auditors enquires, as attached.

## Reasons for recommendations

- In line with Auditing Standards, and to support the Audit Planning process, the External Auditors need to establish the risk of fraud or error.
- The Auditors' questions, answers provided by Management, and details of estimates / methodology used are outlined at Appendix A.
- Once again, this report is being brought to Governance Committee early this year to ensure a prompt start, and timely conclusion to the Audit.

## Other options considered and rejected

- Not applicable.

## Corporate priorities

- The report relates to the following corporate priorities:

# Agenda Item 5

<b>An exemplary council</b>	<b>Thriving communities</b>
<b>A fair local economy that works for everyone</b>	<b>Good homes, green spaces, healthy places</b>

## Background to the report

8. In line with Auditing Standards, and to support the Audit planning process, the External Auditors need to establish the risk of fraud or error.

## Climate change and air quality

9. The work noted in this report does not impact the climate change and sustainability targets of the Council's Green Agenda.

## Equality and diversity

10. Not applicable.

## Risk

11. The risks identified to the External Auditors, in response to the planning enquiries are detailed in the Appendices to the report.

## Comments of the Statutory Finance Officer

12. As part of their responsibilities in conducting the audit of the statutory accounts, the External Auditors are required to seek responses, and request information, on all aspects of the Council's activities as they feel are necessary. The information requested as part of their planning enquiries, is in line with this.

## Comments of the Monitoring Officer

13. No further comments in addition to above.

## Background documents

There are no background papers to this report.

## Appendices

Appendix A – External Auditor Planning Enquiries & Management Response & Estimates used in the production of the 2022/23 Accounts.

Report Author:	Email:	Telephone:	Date:
Steve Kenyon (Interim Deputy Director of Finance)	<a href="mailto:steve.kenyon@southribble.gov.uk">steve.kenyon@southribble.gov.uk</a>	01257 515151	19 <sup>th</sup> April 2023
Jeanie Waddington (Principal Financial Accountant)	<a href="mailto:jean.waddington@southribble.gov.uk">jean.waddington@southribble.gov.uk</a>	01257 515151	

# Agenda Item 5


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**Appendix A****South Ribble Borough Council – 2022/23 Audit****Informing the Audit Risk Assessment****GENERAL ENQUIRIES OF MANAGEMENT**

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>The Council received funding of £2,281,808 in 2021/22 under the Coronavirus Additional Relief Fund (CARF). All reliefs relating to this scheme were applied in 2022/23 and totalled £2,150,244.</p> <p>The Council received grants of £297,920 and £44,800 in 2022/23 as interim payments (80%) in respect of Energy Bills Support Scheme and Alternative Fuel Payment Scheme. No payments were made under these schemes in 2022/23, and payments will be made in 2023/24.</p> <p>The Council received £6,481,800 in 2021/22 to issue a non-repayable rebate of £150 to households in Council tax Bands A to D. Payments were issued in 2022/23 and amounted to £6,457,650.</p> <p>In addition, the Council received funding of £170,850 in 2022/23 to devise a discretionary element to supplement the above scheme; payments totalling £164,240 were issued during 2022/23.</p> <p>The Council brought its Household Waste Collection contract back in house with effect from 11<sup>th</sup> June 2022. Whilst this was a significant operational change, we do not envisage any material impact on the financial statements for 2022/23.</p> <p>The Council has received an allocation of £3.4m under the UK Shared Prosperity Fund (UKSPF); this is revenue and capital funding to support Town Centre and infrastructure improvements, regeneration and skills over the period 2022/23 to 2024/25.</p> <p>The allocations for 2022/23 are £83k (Capital) and £326k (Revenue)</p>

<p>2. Have you considered the appropriateness of the accounting policies adopted by the Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>We have considered the accounting policies. There have not been any events or transactions that have caused us to change or adapt our accounting policies, however MRP calculations are now performed on an annuity basis (commencing 2022/23).</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>No</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>Nothing in addition to those mentioned at Question 1.</p>
<p>5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?</p>	<p>Prevailing economic conditions may see temporary reductions in some fixed asset valuations.</p>
<p>6. Are you aware of any guarantee contracts? If so, please provide further details</p>	<p>None</p>
<p>7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details</p>	<p>No</p>

8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>In terms of accessing external legal support the details are as follows:</p> <ol style="list-style-type: none"> <li>1. DAC Beachcroft – Solicitors – instructed on a litigation issue</li> <li>2. Weightmans – Solicitors – instructed on a number of property matters</li> <li>3. Kings Chambers – barristers – instructed on a number of planning matters.</li> <li>4. Forbes Solicitors – miscellaneous employment advice</li> </ol>
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>See attached:</p>  <p>GT Summary - SRBC External Consultant:</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	None identified

**FRAUD RISK ASSESSMENT**

<p>1. Has Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes, and there is no indication that the financial statements have been materially misstated due to fraud</p> <p>Internal Audit undertake their own proactive fraud detection work and participate fully in the National Fraud Initiative.</p> <p>Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Governance Committee and to Senior Management Team, including fraud risks and governance issues.</p> <p>Internal Audit Section will undertake special investigations in cases of suspected fraud or irregularity. Financial Procedure Rules and the Council's Anti-Fraud and Corruption Policy require the Head of Audit to be notified immediately of all discovered or suspected cases of fraud, corruption or other financial irregularity.</p> <p>Fraud in relation to revenues and benefits is dealt with separately by specific investigation officers.</p> <p>The s151 Officer has the overall responsibility for assessing the risk of material misstatement in the financial statements and is supported by services who provide the appropriate evidence for this assessment.</p> <p>A review of all corporate risks forms part of the quarterly report to the Leadership Team, of which the CFO is a member, identifying risk levels, risk owners and mitigating actions. This is reported to Shared Senior Management Team of which the CFO is a member.</p> <p>All reports submitted to committees require financial comments from the CFO or qualified representative. In addition, a risk section has been added to reports so that authors outline the major risks associated with decisions.</p> <p>Financial implications of future risks are discussed amongst officers at Senior Management Team as well interaction with members at leader's brief and committee meetings</p>
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2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>There is always a risk of error and fraud in relation to Benefits and supplier payments however we are confident this is mitigated through quality assurance processes, segregation of duties and internal checks within the systems / teams involved.</p> <p>An additional level of assurance is provided through the work of Internal Audit.</p>
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole, or within specific departments since 1 April 2022? If so, please provide details	No
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>Through the work carried out by internal audit</p> <p>Reporting of Corporate Risks to Governance Committee</p> <p>Specific fraud would be communicated to the Governance Committee when deemed material</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>Fraud risk associated with Covid Business Grants was no longer an issue in 2022/23 as reliefs (e.g. CARF) were applied directly to Business Rates accounts (as opposed to payments being made).</p> <p>No</p> <p>No</p>

<p>6. What processes do the Council have in place to identify and respond to risks of fraud?</p>	<p>Internal Audit, in accordance with the Public Sector Internal Audit Standards considers the risk of fraud in every review.</p> <p>Fraud risks are included on the Council's dedicated risk management system GRACE and categorised as a fraud risk to allow for specific fraud risk monitoring.</p>
<p>7. How do you assess the overall control environment for the Council, including:</p> <ul style="list-style-type: none"> <li>• the existence of internal controls, including segregation of duties; and</li> <li>• the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>During 22/23, a comprehensive internal audit plan has been delivered for the Council focusing on the overall control environment to consider if it is effective. Where controls are deemed to be ineffective or need strengthening, a robust action plan is developed with the risk owner with agreed timescales for implementation of mitigating actions.</p> <p>Counter Fraud policies are in place and available on both the intranet and the website. These include:</p> <ul style="list-style-type: none"> <li>• Anti Fraud, Bribery and Corruption Strategy</li> <li>• Whistleblowing policy</li> <li>• Anti money laundering policy.</li> <li>• The Fraud Response plan</li> </ul> <p>No specific areas for the over ride of controls have been identified during 22/23.</p>

<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>There is adequate separation of duties in place to prevent the potential for misreporting</p>
<p>9. How does the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Code of Conduct including ethical standards and behaviours which officers are required to comply with. The code is referenced in employee appointment letters and a link is provided in the letter to a number of relevant documents including the Code of Conduct, adherence to which is a condition of their employment</p> <p>The Information Security Policy is also there which states what is acceptable and unacceptable in terms of information and using the Council's IT systems.</p> <p>Council values that provide an ethical framework are used at recruitment and during staff reviews.</p> <p>Awareness is raised of probity policies via Core Brief and items on the Intranet.</p> <p>Mandatory fraud awareness training has been rolled out to all officers.</p> <p>No significant issues have been reported</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>The recruitment process includes robust measures to ensure all relevant documents are obtained and reviewed prior to an offer of employment being made.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Major related party's risks are monitored and reported separately</p>

<p>12. What arrangements are in place to report fraud issues and risks to the Governance Committee?</p> <p>How does the Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Governance Committee approve the Internal Audit Plan and receive interim reports throughout the year. Reports contain a summary of work undertaken and would include fraud risk and issues and breaches of internal control if identified.</p> <p>There have been no instances of fraud reported to the Governance Committee during 22/23</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

## IMPACT OF LAW & REGULATIONS

<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>It is a requirement for the Monitoring Officer to receive and comment on all council and executive decisions.</p>
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<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council 's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Internal controls, segregation of duties, and the work of Internal Audit / risk management processes outlined previously</p> <p>None</p>
<p>2. How is the Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Monitoring Officer (or deputy) attends all Governance Committee meetings</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>None</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>None</p>
<p>5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Litigation or claims may be picked up by legal services or services. Where necessary these will be reported to the Leader of the Council through the monitoring officer. Any budget implications of such litigations will be reported to Executive Cabinet, either through a separate report or through the quarterly budget monitoring report.</p> <p>The Council has set aside reserves to fund possible future costs of planning appeals.</p>

6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details

None

## RELATED PARTIES

1. Have there been any changes in the related parties including those disclosed in the Council's 2020/21 financial statements?

If so please summarise:

- the nature of the relationship between these related parties and the Council
- whether the Council has entered into or plans to enter into any transactions with these related parties
- the type and purpose of these transactions

The Shared Service operating model with Chorley Borough Council continued to be rolled out through 2022/23, overseen by a joint Committee with representation from both Councils.

2. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?

Finance obtain lists of all related parties / declarations of interest from;

- Directors
- Staff
- Elected Members

	Any potential conflicts are addressed.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	<p>The Council has sufficient separation of duties and appropriate authorisation limits to ensure purchase orders and invoices are paid as required.</p> <p>Monthly budget monitoring ensures that the Council will identify any variances to agreed payments with related parties.</p>
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	<p>Payments cannot be paid outside normal procedure rules including separation of duties regarding payments being raised and invoices paid.</p> <p>There is no out of hours service.</p>

**GOING CONCERN**

1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the Council will no longer continue?	<ul style="list-style-type: none"> <li>• Development &amp; continuing refresh of Corporate Strategy</li> <li>• Individual service and employee plans linked to Corporate Strategy</li> <li>• Regular reviews of service and corporate level risk registers</li> <li>• In year budget monitoring</li> <li>• Medium Term financial planning (Revenue)</li> <li>• Capital Strategy</li> </ul>
2. Are management aware of any factors which may mean for the Council that either statutory services will no longer be provided or that	No – not aware of any factors

funding for statutory services will be discontinued? If so, what are they?	
3. With regard to the statutory services currently provided by the Council, does the Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Council to cease to exist?	Yes – direct provision for the foreseeable future
4. Are management satisfied that the financial reporting framework permits the Council to prepare its financial statements on a going concern basis?  Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes – satisfied  Yes - satisfied

#### ACCOUNTING ESTIMATES

1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Pension Valuations  PPE Valuations  Minimum Revenue Provision  Material Creditor and Debtor transactions including shared services charges between Councils
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	<p>Provision for Business Rates appeals.</p> <p>Preparation of Group Accounts</p>
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	<p>This is dealt with within the finance section</p> <p>Senior Finance staff keep up-to-date with changes in accounting practises including purchasing the Code of Practice, attending relevant CIPFA training sessions and reviewing previous accounts to prepare for any changes.</p>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Use of the CIPFA code of practice for local govt accounts. Review of source data provided to external experts (PP&amp;E, pensions) and comparison of assumptions and results between financial years.</p>
4. How do management review the outcomes of previous accounting estimates?	<p>Comparison of estimates to eventual actual transactions, use this to form future judgements. Use these to review and challenge current outcomes of estimates.</p>
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	<p>No changes made to the processes, however underlying assumptions are continually reviewed and changed as necessary.</p>
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	<p>Review of skills held internally, and outsource identified gaps, using knowledge of reputable and appropriate experts.</p>

7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Review the underlying assumptions, and where there is material change, analyse to understand it and/or challenge the results.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Answered above
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	Any substantial changes to the statement of accounts that result from changes in accounting estimates will be reported to Governance Committee alongside the draft statement.  If any changes to accounting policy / estimation methods gave rise to a significant movement from previous years, then we would reference this in the covering report / when presenting the draft accounts
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No

11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes
12. How is the Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>Any substantial changes to the statement of accounts that result from changes in accounting estimates will be reported to Governance Committee alongside the draft statement.</p> <p>If any changes to accounting policy / estimation methods gave rise to a significant movement from previous years, then we would reference this in the covering report / when presenting the draft accounts</p>

## APPENDIX A - ACCOUNTING ESTIMATES

### Land and buildings Valuations

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	<p>Valuations done by RICS surveyors.</p> <p>No.</p>
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	n/a

<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>As per agreed valuations schedule.  No.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>RICS surveyors – work goes out to tender every 3 years. Due for tender exercise next year.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Review of valuations done by surveyors – challenged as necessary.</p>
<p>7. In management’s opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p><b>n/a</b></p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p><b>Range of outcomes is limited given the area of estimation.</b></p>



## Depreciation

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	As per financial policy/accounting convention.  No.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	From valuers, or consistent schedule.  No.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?	Asset Register.  No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	n/a

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	<b>Refer to valuations/info returned by the surveyors.</b>
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	<b>Review by finance team along with consideration of info from valuers</b>

### Deferred Income

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	No deferred income identified  No changes

<p>3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>N/a n/a</p>
<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>Data is direct from ledger if applicable no</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>In house accounting team knowledge</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Leases all flow through finance – other transactions would be monitored on the ledger</p>
<p>7. In management’s opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>None</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Limited estimation so uncertainty not great.</p>

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Scale is not such that changes can have a material impact.
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### Bad-debt provision

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	Method agreed as part of accounting policy and process  No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	Based upon prior experience and accountancy standards.  No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?	Data is from ledger / debtors system  No

5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Aged debt monitored and reported quarterly
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes – debtors regularly monitored
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Specific areas are examined by individual finance officer where there is greater risk e.g. rental income
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Provision required is considered each year based upon past evidence and economic conditions as well as specific service knowledge.

### Provision (NNDR)

Question	Management response
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1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	For pre-2017 List appeals, a calculation is carried out based on levels of outstanding appeals, the grounds of the appeals and past experience of success rates and levels of reductions in RV. For the 2017 List, provision is based on an estimated percentage, derived with reference to comparator councils, adjusted for changes made at the 'Check' and 'Challenge' stages. No change.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	Estimates are derived by reference to the available relevant data, comparators, etc and in accordance with professional standards and guidance.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?	From reports produced by the Revenues & Benefits Department. No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Advice from LG Futures. Procured through usual Council procurement procedure.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	In house procedures/controls

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Estimate has been produced in-house. LG Futures have been retained to review and advise on its appropriateness.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	A degree of estimation uncertainty is inherent even with the pre-2017 List, because although it is based on objective data and an established methodology, there is always the possibility of variation from previous percentage success rates and RV reduction. The uncertainty is higher in respect of the 2017 List, where there is very little objective evidence on which to assess the likely ultimate level of successful appeals. The percentage applied is judged to be within the range of likely outcomes, but towards the higher end of that range. Consideration has been given to applying a lower percentage, but this would expose the Council to the risk of future loss without the provision to cover it, with the possibility that this could be for a significant amount.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	

### Accruals

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No

<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?</p>	<p>Based upon actual invoices or purchasing system or where this isn't available best relevant estimates.</p> <p>No</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>Dependent on accrual type – most driven by invoices and system. Estimates on bills where information not available based on service and finance knowledge.</p> <p>No</p>
<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>From ledger and any relevant data / information</p> <p>No</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>No</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Journals are authorised and listings with supporting evidence kept</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes – as based upon system and controls around financial system maintained.</p>



8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Relatively small uncertainty as most based upon invoices / evidence of trends
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Again as based off invoice / trends most is actual cost based.

#### Fair Value loans – NOT APPLICABLE

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	

<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	

### Minimum Revenue Provision (MRP)

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	Based upon accounting principles  Yes – as agreed at budget setting 22/23 – move to annuity basis in most instances
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	Asset life based upon valuations. Costs are from ledger  No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?	Information from ledger / valuers  No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Asset life from valuers where applicable
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Capital monitoring reported during year including financing

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes – reviewed in year and reported in quarterly reports plus feeds in to treasury management and capital strategies
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Costs are based on actuals – assets lives from valuers. Relatively little uncertainty
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Asset lives can change but generally assumptions relatively fixed.

### Pension Liability

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	Accounting estimates in respect of member data and payments into/out the scheme are made based on year to date actuals and management knowledge of future changes. Accounting estimates in terms of the actuarial process are made by Mercer. There were no changes to the accounting estimates made by the council.

<p>3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>Advice is taken from the Actuary who provide their advice in two documents entitled “Pensions Accounting – Assumptions &amp; Other Considerations” and “Pensions Accounting Employer Support”. We then choose to accept this advice or offer alternative assumptions. We have chosen to accept the Actuarial advice for the 2022-23 financial year. Any changes to the assumptions and the rationale are set out in the above documents.</p>
<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>Source data is held by the Lancashire Pension Fund. There were no changes</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>An Actuary (Mercer) is used. They are procured through the Lancashire Pension Fund although we have the option not to use them.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Payments made into and out of the scheme for employer and employee contributions are monitored on a monthly basis as part of the budget monitoring process. A month 10 data check is carried out on the figures provided by the Lancashire Pension Fund which is then supplied to the Actuary.</p>
<p>7. In management’s opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes – the month 10 data check should ensure consistency and any estimations made by the Actuary are supplied in advance which we have the option to check and challenge.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No.</p>

9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Reliance on the specialist knowledge and independent nature of the Actuary.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Sensitivity to the major assumptions, and the financial impact they could potentially have are reported in the Statement of Accounts within note 37 – Defined Pension Scheme.

#### Credit loss – NOT APPLICABLE

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	

<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?



# Agenda Item 6



Report of	Meeting	Date
Head of Audit and Risk	Governance Committee	Tuesday, 23 May 2023

## Internal Audit Annual Report and Opinion 2022-23

Is this report confidential?	No
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Is this decision key?	No
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### Purpose of the Report

1. The purpose of this report is to summarise the work undertaken by the Internal Audit Service during 2022/2023 and to give an opinion as required by the Public Sector Internal Audit Standards (PSIAS) on the adequacy and effectiveness of the Council's framework of governance, risk management and control.
2. The report also includes the results of the Quality Assurance and Improvement Programme.

### Recommendations

3. The Committee is asked to note the report for the year ended 31.3.2022.

### Reasons for recommendations

4. The completion of an Annual Audit Report and Opinion is a requirement of the Public Sector Internal Audit Standards. What reasons justify the decision?

### Other options considered and rejected

4. None.

### Corporate priorities

5. The report relates to the following corporate priorities: (Please bold one)

<b>An exemplary council</b>	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

# Agenda Item 6

## **Background to the report**

6. The Head of Audit and Risk is responsible for the delivery of an Annual Internal Audit Report and Opinion that can be used by the council to inform its Annual Governance Statement.
7. The attached report complies with the requirements of the PSIAS. It includes details of the coverage of work undertaken, a summary of the work that has been carried out that supports the opinion. It sets out any qualifications to the opinion, together with reasons for those qualifications, discloses any impairments or restrictions in scope
8. It also states whether the work has been undertaken in conformance with PSIAS, the results of any Quality Assurance Improvement Programme (QAIP), summary of actual performance against targets/measures and any issues that are considered relevant to the preparation of the AGS.

## **Climate change and air quality**

9. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

## **Equality and diversity**

10. There are no equality implications or considerations contained within this report.

## **Risk**

11. The primary role of the Audit and Risk Service is to provide assurance or otherwise that the council is effectively managing its risk and to provide support to all Directorates in relation to risk and control.

## **Comments of the Statutory Finance Officer**

12. No comment.

## **Comments of the Monitoring Officer**

13. No comment.

## **Background documents**

There are no background papers to this report.

## **Appendices**

Appendix A – Internal Audit Annual Report and Opinion  
Appendix B - Summary of Internal Audit Work 2022-23  
Appendix C – Internal Audit Performance Indicators 2022-23  
Appendix D – Internal Audit Review of Water Management (to follow)  
Appendix E – Internal Audit Review of GDPR – Data Retention

# Agenda Item 6

Report Author:	Email:	Telephone:	Date:
Dawn Highton (Head of Audit & Risk)	dawn.highton@southribble.gov.uk		

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# Internal Audit Annual Report and Opinion 2022/2023

South Ribble Borough Council  
Date 23rd May 2023  
Dawn Highton – Head of Audit and Risk

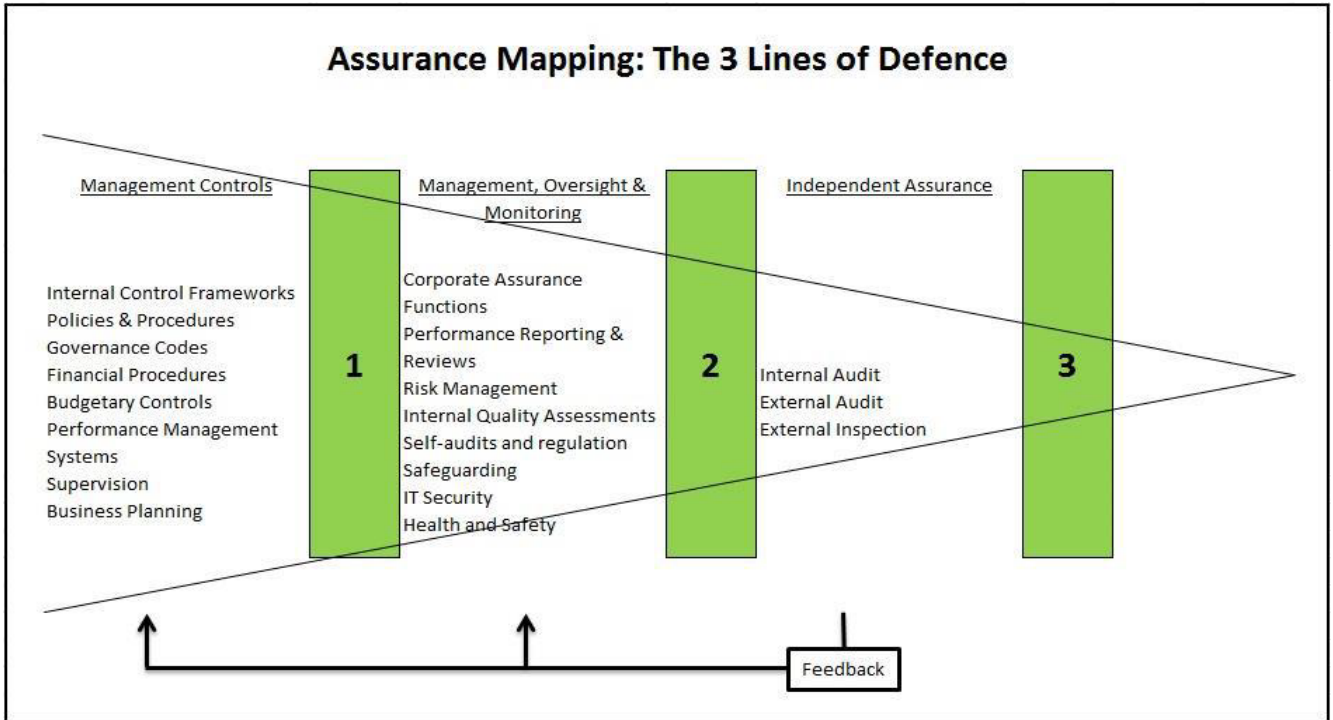


WORKING TOGETHER

<b>Introduction</b>	
1	<p>The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.</p> <p>The role of the Head of Audit, in accordance with the PSIAS, is to provide an annual opinion on the overall adequacy and effectiveness of the organisation's <b>governance, risk management and control processes</b>.</p> <p>The CIPFA Statement on the role of the Head of Internal Audit in Local Government noted that the Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.</p> <p>The opinion is based upon the work performed and other sources of assurance, achieved through a risk-based plan of work, previously agreed with the Shared Senior Management Team and approved by the Governance Committee.</p>
2	<p>The Head of Audit and Risk performs the Head of Audit role for South Ribble Council and Shared Services.</p>

<b>The Role of Internal Audit and Management</b>	
3	<p>The statutory basis for Internal Audit in local government is the Accounts and Audit (England) Regulations 2015. Internal Audit work is also governed by the PSIAS whose definition of internal audit is:</p> <p><i>“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”</i></p>
4	<p>The Council has adopted a three line of defence model in which the responsibility for implementing a strong system of governance and internal control within the Council lies primarily with the Shared Senior Management Team.</p> <p>Directors and Heads of Service provide the first line of defence as they need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change. Compliance / support functions provide the second line of defence, with the third line being provided by Internal Audit and other inspection agencies.</p> <p>Internal Audit do not repeat the work of the second line, rather it is considered during reviews to assess the level of reliability which can be placed upon it.</p>

5



<b>Basis of the opinion</b>	
6	<p>The Head of Audit and Risk is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its Annual Governance Statement.</p> <p>In assessing the level of assurance to be given, the opinion has been given based on:</p> <ul style="list-style-type: none"> <li>• Reviews undertaken and reports included within the Internal Audit Annual Plan;</li> <li>• Advice / consultancy work undertaken by the Internal Audit team;</li> <li>• The implementation of agreed management actions by Directorates;</li> <li>• Internal Audit assessment of Risk Management</li> <li>• Internal Audit assessment of Corporate Governance</li> <li>• Other sources of assurance where appropriate;</li> <li>• The quality and performance of the Internal Audit service and the extent to which it complies with the Public Sector Internal Audit Standards and ISO 9001 Quality Management System;</li> </ul>
7	<p>In giving the opinion it should be noted that an assurance opinion cannot be absolute as it is based on only those elements of governance and controls reviewed or taken into account as a result of any of the above activity.</p>

<b>Scope and Objectives of Internal Audit</b>	
8	<p>The scope and objectives of Internal Audit are set out in the Internal Audit Charter which was last approved by the Governance Committee in March 2022.</p>
9	<p>The Internal Audit Charter also sets out any impairments or restriction in scope for Internal Audit as:</p> <p><i>“The Head of Audit and Risk is also operationally responsible for Insurance, Business Continuity, Emergency Planning and Health and Safety functions and for the administration and development of, and reporting on, the Risk Management Strategy. It is considered prudent that any internal audit engagement covering the above operational areas and the risk management framework, especially for</i></p>

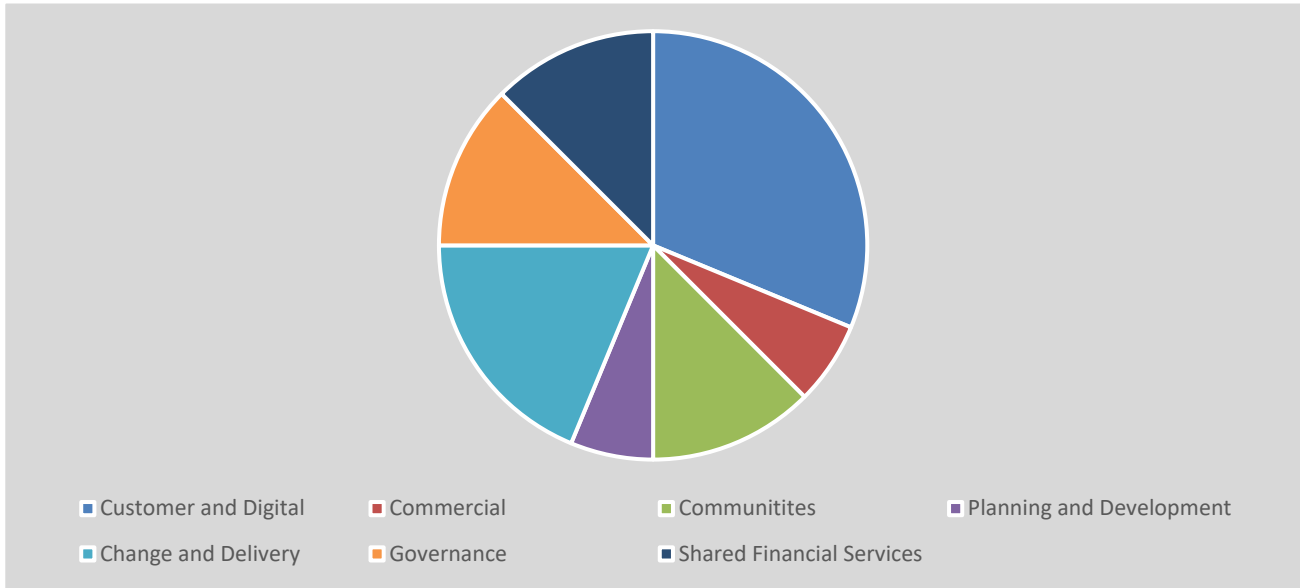
	<i>the formation of the annual opinion on the effectiveness of the control environment, would be overseen by the Council's Monitoring Officer".</i>
10	A review of the risk management arrangements was undertaken during 2021-22, however due to the operational responsibility detailed above, this was carried out by an independent third party.
11	I can confirm that the Internal Audit Service is independent as no reviews have been undertaken during 22/23 which impact upon the independence of either the Internal Audit Service or the Head of Audit and Risk.

**Audit Coverage for 2022/23**

12 Over the past few years, it has become apparent that the audit plan needs to be dynamic and responsive to change. In previous years, an annual plan has been developed and approved, however, it has been recognized that alternative arrangements to make the plan more flexible and responsive to relevant issues as they arise, and to take account of changes to the Council's operations, transformation programme and risks would add more value to the organisation. It was, therefore agreed with both the Senior Management Team and the Governance Committee that for 2022/23, the Audit Plan would be developed bi-annually for 6-month periods.

In order to provide an opinion, coverage of the whole authority should be obtained. The two combined Plans contained a total of planned 16 audit reviews as detailed below. In addition, a further unplanned review was undertaken.

13 **Internal Audit Coverage 2022-23**



**Work completed to support the opinion**

14 The opinion is based primarily on the work carried out by the Council's Internal Audit service during 2022/23, as well as a number of other assurance providers. As the Head of Audit and Risk, I am satisfied that sufficient assurance work has been carried out to provide an annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes.



15	<p><u>Planned Audit Work</u></p> <p>Each review undertaken by Internal Audit is awarded an assurance opinion derived from the findings and based upon the following definitions:</p> <table border="1" data-bbox="177 338 1501 714"> <tr> <td data-bbox="177 338 461 439"><b>Full</b></td> <td data-bbox="461 338 1501 439">the Authority can place complete reliance on the controls. No control weaknesses exist.</td> </tr> <tr> <td data-bbox="177 439 461 539"><b>Substantial</b></td> <td data-bbox="461 439 1501 539">the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.</td> </tr> <tr> <td data-bbox="177 539 461 640"><b>Adequate</b></td> <td data-bbox="461 539 1501 640">the Authority can place only partial reliance on the controls. Some control issues need to be resolved.</td> </tr> <tr> <td data-bbox="177 640 461 714"><b>Limited</b></td> <td data-bbox="461 640 1501 714">the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist</td> </tr> </table> <p>Planned reviews completed during 2022-2023 and the assurance rating awarded is included in the table below:</p> <table border="1" data-bbox="177 869 1501 1514"> <tr> <td data-bbox="177 869 461 931"><b>Full</b></td> <td data-bbox="461 869 1501 931"> <ul style="list-style-type: none"> <li>• No reviews have been awarded full assurance during 2022-2023</li> </ul> </td> </tr> <tr> <td data-bbox="177 931 461 1066"><b>Substantial</b></td> <td data-bbox="461 931 1501 1066"> <ul style="list-style-type: none"> <li>• Safeguarding</li> <li>• Code of Conduct</li> <li>• VAT</li> </ul> </td> </tr> <tr> <td data-bbox="177 1066 461 1308"><b>Adequate</b></td> <td data-bbox="461 1066 1501 1308"> <ul style="list-style-type: none"> <li>• Workshop Record Management</li> <li>• Community Hubs / Boost Fund</li> <li>• Absence Management</li> <li>• Key Strategic Partnerships and Contracts</li> <li>• Payroll</li> <li>• External Funding</li> </ul> </td> </tr> <tr> <td data-bbox="177 1308 461 1514"><b>Limited</b></td> <td data-bbox="461 1308 1501 1514"> <ul style="list-style-type: none"> <li>• Utilities Management</li> <li>• Waste Services</li> <li>• Water Management</li> <li>• GDPR – Data Retention</li> </ul> </td> </tr> </table>	<b>Full</b>	the Authority can place complete reliance on the controls. No control weaknesses exist.	<b>Substantial</b>	the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.	<b>Adequate</b>	the Authority can place only partial reliance on the controls. Some control issues need to be resolved.	<b>Limited</b>	the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist	<b>Full</b>	<ul style="list-style-type: none"> <li>• No reviews have been awarded full assurance during 2022-2023</li> </ul>	<b>Substantial</b>	<ul style="list-style-type: none"> <li>• Safeguarding</li> <li>• Code of Conduct</li> <li>• VAT</li> </ul>	<b>Adequate</b>	<ul style="list-style-type: none"> <li>• Workshop Record Management</li> <li>• Community Hubs / Boost Fund</li> <li>• Absence Management</li> <li>• Key Strategic Partnerships and Contracts</li> <li>• Payroll</li> <li>• External Funding</li> </ul>	<b>Limited</b>	<ul style="list-style-type: none"> <li>• Utilities Management</li> <li>• Waste Services</li> <li>• Water Management</li> <li>• GDPR – Data Retention</li> </ul>
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16	<p>As the table highlights, during 2022/23, Internal Audit identified several areas of control weakness and work is on-going to strengthen the Council's control environment in relation to the weaknesses identified. These included (but not limited to):</p>																
17	<p><b>Utilities Management (Commercial Directorate)</b></p> <p>This review identified that there is a lack of overarching management of utilities, including:</p> <ul style="list-style-type: none"> <li>▪ Failure to assign responsibility for the administration and management of utilities;</li> <li>▪ Inadequate arrangements in place to validate supplier invoices;</li> <li>▪ Lack of policies and procedures to provide guidance and direction for officers.</li> <li>▪ Non-compliance with regulations to ensure that the Council's responsibilities as a landlord are met regarding gas and electrical safety checks.</li> <li>▪ Property records are inadequate and does not allow for the effective management of utilities;</li> </ul>																

	<ul style="list-style-type: none"> <li>▪ Failure to undertake a procurement exercise of water supplies since the deregulation of commercial water supplies.</li> <li>▪ A lack of routine information sharing with Exchequer Services.</li> </ul> <p>In addition, the Council has recently invested in a solar power system, however following receipt of guidance recently issued by the Councils insurers it has been identified that insufficient maintenance arrangements are in place, and that officers have not been adequately trained to manage the system.</p>
18	<p><b>Waste Services (Customer and Digital Directorate)</b></p> <p>Early in 2022, the Council made the decision to in-source the waste service and is now undertaking the collection of residential household waste using an in-house team.</p> <p>Our work identified that:</p> <ul style="list-style-type: none"> <li>• the momentum for delivering the Mobilisation Plan had waned;</li> <li>• a range of Health and Safety risks were not adequately mitigated;</li> <li>• roles and responsibilities were not clearly defined;</li> <li>• CCTV to safeguard assets and help to protect the public and staff needed to be prioritized.</li> </ul> <p>Acknowledgement was given during the review to the legacy issues that the Council has inherited from the previous waste contract and to the fact that the Service is realigning and taking steps to entrench itself into Council culture and corporate requirements.</p>
19	<p><b>Water Management (Customer and Digital Directorate)</b></p> <p>Our work established that there is evidence of awareness of the risks posed by the activities that are undertaken around areas of water. Some risk management measures are in place to reduce the risk to the public and employees/contractors working on-site, for instance Neighbourhood Officer site inspections and lifeline checks are carried out. Neighbourhood Officers are experienced and there is good evidence of team working to identify and address site issues/hazards. In addition, work is in currently in progress to identify and document all areas of water, reviewing sufficiency of current on-site safety signage/equipment (renewing and improving as required).</p> <p>However, the following significant management issues related to the management of water sites were identified:</p> <ul style="list-style-type: none"> <li>• There is a lack of water management/safety policy;</li> <li>• A comprehensive list of water sites is not in place;</li> <li>• Site risk assessments that inform the nature and frequency of inspection for each site are not in place for all areas of water.</li> <li>• There is a lack of guidance/operating procedures for the Neighbourhood Officers undertaking site inspections.</li> <li>• Supervisory monitoring is not carried out to confirm that the inspection regime is working as intended.</li> </ul> <p>A full copy of this report is attached at Appendix D.</p>
20	<p><b>GDPR – Data Retention (Corporate)</b></p> <p>This review confirmed the need for the Council to:</p> <ul style="list-style-type: none"> <li>▪ Implement a rigorous process for review of policies to ensure they remain accurate and reflective of operational activity;</li> <li>▪ Align ROPAs, data retention schedules and Privacy notices to ensure a consistent approach is adopted and clear and accurate information is provided to the public;</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Ensure the ROPA is up to date and regularly reviewed;</li> <li>▪ Each Directorate to ensure data held meets the agreed data retention schedules.</li> </ul> <p>A full copy of this report is attached at Appendix E.</p>
21	<p><b>Commercial Directorate Procurement (Unplanned review)</b></p> <p>In addition to the planned reviews, Internal Audit also issued a report highlighting that there had been clear breaches of the governance framework resulting in a significant reputational risk and failure to adequately protect the Councils confidential data within the Commercial Directorate. Whilst many of the failings were due to activity within Chorley Council, South Ribble Council were also adversely affected albeit not to the same degree.</p> <p>Since this review was finalised, a multi-disciplinary Commercial Directorate Development Group has been established. The focus of the group is on developing and embedding a strong governance framework and a positive, supportive culture focused on high quality service delivery.</p>
22	<p>The remaining reviews all received either an adequate or substantial assurance rating. Senior Management have accepted all the findings of the reviews and management actions have been agreed to further improve the overall control environment.</p>
23	<p>In addition to the work carried out above, Internal Audit have also issued the following reports / provided assurance which do not include a formal assurance rating:</p> <ul style="list-style-type: none"> <li>• Annual Governance Statement review to identify themes for inclusion in the AGS action plan;</li> <li>• COVID grant assurance returns for the Department for Business Energy and Industrial Strategy (BEIS);</li> <li>• National Fraud Initiative review of matches and co-ordination of the 2022 exercise.</li> </ul>
24	<p>The Internal Audit Team and the Head of Service Audit and Risk have also participated in a number of corporate groups and initiatives throughout the year in order to provide support and advice on a variety of risk and control issues. These include:</p> <ul style="list-style-type: none"> <li>• Membership of the Senior Leadership Team;</li> <li>• Member of the officer Corporate Governance Group;</li> <li>• Customer Services Transformation project;</li> <li>• Commercial Directorate major projects (as and when required);</li> <li>• Commercial Directorate Development Group.</li> </ul> <p>Internal Audit also disseminate fraud alerts to relevant officers and manage accessibility to the National Anti-Fraud Network (NAFN).</p> <p>Full details of all the work undertaken is included at <b>Appendix B – Summary of Internal Audit Work 2022-2023.</b></p>
25	<p>Due to the loss of key personnel within Planning and Development, it has been necessary to defer the review of Community Infrastructure Levy. This will be considered for inclusion in future Audit Plans once new officers are in post. The Internal Audit Plan also contained two reviews which are not yet finalised. The Vulnerability Management review will only commence in June 2023 and the ICT Support review is currently in progress. Both of these reviews were delayed as a result of the ICT Auditors non availability.</p>
26	<p>The table below provides a breakdown of assurance opinions issued by Internal Audit over the past 2 years for planned reviews. Due to COVID and the redeployment of auditors, we only have the past two years in which meaningful comparable data can be used. Moving forward, we will be in a position</p>

to measure over a longer period of time. It should also be noted that additional resource was allocated to Internal Audit in 21/22.

27 The table demonstrates a broadly consistent picture across the two years with similar number of assurance levels awarded at each level as:

**Internal Audit Assurance Levels**

Assurance Level	2021/22	%age	2022/23	%age
Full	0	0%	0	0%
Substantial	4	25%	3	23%
Adequate	8	50%	6	46%
Limited	4	25%	5	30%
<b>Totals</b>	<b>16</b>		<b>13</b>	

**Follow up of Internal Audit Agreed Management Action**

28 A rigorous monitoring system is in place to ensure all agreed management actions are implemented by adding the actions to the Council's risk management system GRACE. This allows action owners to update the system with progress made in a timely fashion and for monthly reports to be issued to Directors. Outstanding audit actions are now a standing item on all Directorate monthly meetings.

The table below sets out the number of agreed internal audit actions and their current status:

	Actions due by 31.3.23	Actions implemented	%age
SRBC	141	90	64%
Shared Services	57	46	80%

Whilst the target implementation rate of 90% has not been met, the outstanding actions have been reviewed and it has been established that the reasons are largely related to Commercial Directorate.

There were a number of key appointments within the organisation in recent months and Internal Audit are working closely with each new Head of Service to ensure that audit actions are reallocated to the appropriate responsible officer, the context of the audit report and actions arising are clearly understood and achievable realistic timescales for delivery are agreed.

**Risk Management**

29 Risk Management is the process by which risks are identified and evaluated so that appropriate mitigation can be applied to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Council to achieve its objectives and fulfil its strategic priorities.

30 As reported in 2022, the Council has taken steps to embed risk management processes, and the current arrangements include:

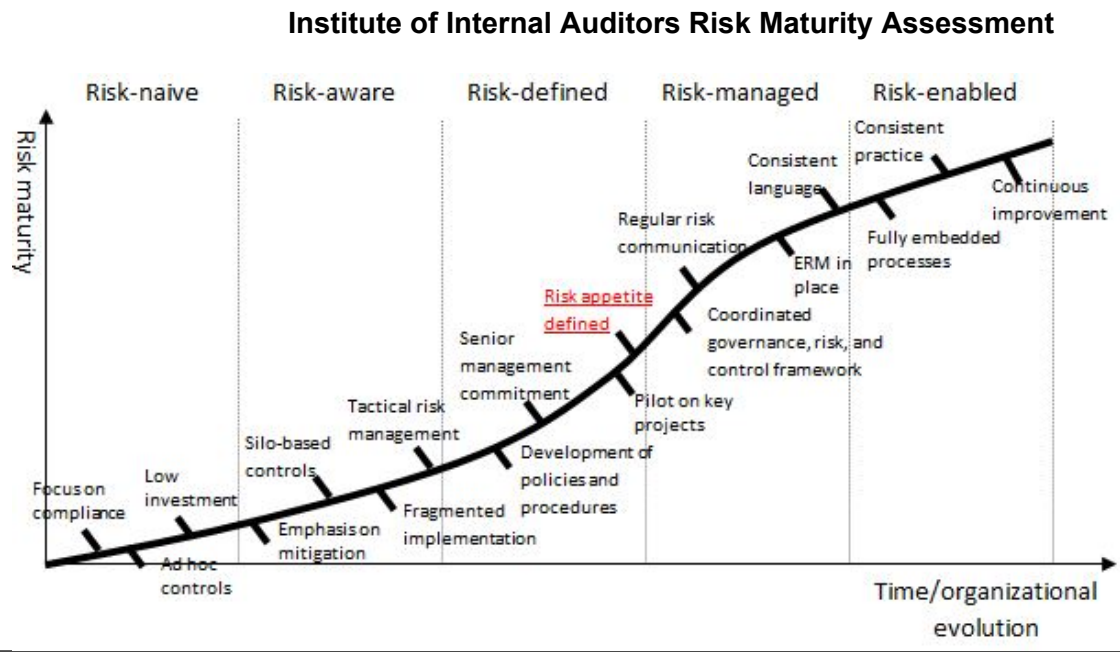
- Risk Management Strategy approved in 2021;
- Use of a dedicated risk management system;
- Individual officer training delivered as and when required;
- Risk Management training to all members of Senior Leadership Team;
- Dedicated risk management training for members;
- Mandatory risk management training for all members of staff through the corporate Learning Hub;

- Review of the Corporate Risk Register by the Senior Management Team and Governance Committee;
- Development of risk registers to capture risks and mitigations for a range of activities, including corporate strategy projects, business planning, partnerships and operational risks;
- Consideration of risk in all committee / Council reports;
- Risk management as a standing item on Directorate monthly meetings;
- Development of reports for the Officer Corporate Governance Group and Directors.

31 The Internal Audit opinion on the effectiveness of the Council’s Risk Management arrangements is based on the Chartered Institute of Internal Auditors’ Risk Maturity Model.

This review has concluded that the approach to risk management at a strategic level was effective, however there is still further work required within operational activity with some Services’ understanding of risk identification and management requires improvement. The Audit and Risk Service will continue to offer staff and services more risk management training in the future.

32 The table below shows that the Council’s risk management maturity is largely risk defined. In order to become risk managed, the Council needs to ensure work is undertaken to define its risk appetite, monitoring and reporting arrangements and embed risk management within all operational service areas.



**Corporate Governance**

33 The opinion of Internal Audit on the effectiveness of the Council’s corporate governance arrangements is based on CIPFA’s Delivering Good Governance in Local Government Framework 2016.

In order to support the compilation of the Annual Governance Statement Action Plan, a full review of the six principles contained within the guidance was undertaken. Actions arising from this review were presented and agreed with the Corporate Governance Group and are detailed in the Annual Governance Statement report.

34	<b>Internal Audit Corporate Governance Assessment</b>	
	<b>CIPFA Principle</b>	<b>Internal Audit Assessment</b>
	A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<b>Adequate</b> – whilst the Council is largely compliant with the requirements set out, the AGS contains an action to update the Council's Constitution.
	B. Ensuring openness and comprehensive stakeholder engagement.	<b>Substantial</b> – no key issues identified
	C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	<b>Substantial</b> – no key issues identified
	D. Determining the interventions necessary to optimise the achievement of the intended outcomes	<b>Substantial</b> – no key issues identified
	E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	<b>Adequate</b> – it has been recognized that there are some development needs for the Senior Leadership Team.
	F. Managing risks and performance through robust internal control and strong public financial management	<b>Adequate</b> – whilst there are some robust processes in place, evidence confirms that there are a number of processes where improvements are required.
	G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	<b>Substantial</b> – no key issues identified

<b>Other Sources of Assurance</b>	
35	Internal Audit has continued to consider other forms of assurance received by the Council. When preparing the audit plan and when undertaking individual reviews, we assess other sources of information available to us and assess them for the level of reliance which can be placed on them. Details of other sources of assurance are provided below:
37	<p><b>Health and Safety</b></p> <p>Health and Safety recently became a shared service and now has a stable team in place to support and advise the Council. Initially the team has prioritized ensuring training on first aid, fire wardens and manual handling is delivered to all relevant employees. In addition, the focus has been on the development of a shared Health and Safety framework to provide support and guidance for managers across both authorities. More recently, resource has been specifically targeted towards higher risk areas to ensure arrangements are robust and compliant with best practice.</p>
36	<p><b>Insurance</b></p> <p>The Insurance Service have recently implemented a new automated claims management system. This is now allowing the Service to identify claim trends and report on the differing type of claims and costs</p>

	and improve our overall management of risk in relation to insurance claims. Reports are currently being developed for reporting to the Corporate Governance Group on a six monthly basis.
37	<p><b>Other assurance providers</b></p> <p>In formulating the overall opinion, other sources of assurance can be taken into account based on their findings and conclusions.</p> <p>Examples of other assurance provides can include (not an exhaustive list):</p> <ul style="list-style-type: none"> <li>▪ Work undertaken by External Audit including Housing Benefit Subsidy Claim;</li> <li>▪ The work of specifically commissioned consultants;</li> <li>▪ Section 11 Safeguarding review.</li> </ul> <p>These assurances are also considered when developing the Internal Audit Plan.</p>
38	<p><b>South Ribble Leisure Limited ~Annual opinion</b></p> <p>The Internal Audit Service has also completed a range of reviews for Council’s wholly owned company - South Ribble Leisure Limited. The assurance ratings and reviews have been formally reported to the Board of Directors. In addition, in consultation with the Board of Directors, Internal Audit have completed the checklist contained within the Local Partnership - Local Authority Company Review Guidance. South Ribble Leisure also have full access to the dedicated risk management system and are in the process of developing a full suite of risk registers.</p> <p>Whilst the formation of the wholly owned company is still relatively recent, evidence has confirmed that there is still work to do to fully embrace the Council’s governance framework so that it becomes fully embedded.</p> <p>Based on the above, it is the view of the Head of Audit and Risk that the overall adequacy and effectiveness of the arrangements within South Ribble Leisure is adequate.</p>

<b>Annual Opinion</b>	
39	Based on the work undertaken and evidence available to Internal Audit including other sources of assurance, it is considered that the overall adequacy and effectiveness of the Council’s governance, risk management and control processes are <b>adequate</b> for the financial year ended 31 <sup>st</sup> March 2023 except for the significant control weaknesses identified at paragraphs 17 to 21.

<b>Public Sector Internal Audit Standards (PSIAS)</b>	
40	In accordance with the PSIAS, the Chief Internal Auditor (Service Lead Audit and Risk) has established a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both internal and external assessments. This is included as a separate item on this agenda.
41	<p>The internal assessments include the following:</p> <ul style="list-style-type: none"> <li>• An annual self-assessment of the effectiveness of the Internal Audit Service audit service using the PSIAS and Local Government Application Note. From this assessment an action plan highlighting areas for improvements will be developed.</li> <li>• Day-to-day monitoring of compliance with the procedures and audit methodology that conform to the PSIAS, which will be regularly reviewed. All documentation used throughout the whole</li> </ul>

	Internal Audit process is required to comply with the standards and this is recorded on final reports.
42	An external assessment must be undertaken once every 5 years. This was last undertaken in April 2018 and reported to the Governance Committee in May 2018. The assessment provides an external validation of the self-assessment with next assessment planned for June 2023.
43	<p>The internal annual self-assessment has now been conducted and the results are included as a separate report on the agenda. This review confirmed that the Service largely conforms to the professional standards. Only one area for improvement has been identified. This was identified during the 2022 review however reasons beyond our control prevented this from being successfully progressed.</p> <p>Members will recall that the Internal Audit Service also successfully achieved the ISO9001 Quality Management System this year. This clearly demonstrates the commitment to improvement and ensuring that a high quality service is provided to both Councils.</p>

<b>Internal Audit Performance</b>	
44	The table at <b>Appendix C</b> summarises the key performance data for the Internal Audit Service during 2022-2023 and demonstrates that the majority of performance indicators have either been achieved or exceeded. There is only the one indicator, % of agreed actions implemented by management, which is below target with the explanation provided above.

<b>Looking forward</b>	
45	It is accepted that the past 12 months have been turbulent for the Commercial Directorate and a range of issues contained within the body of this report have been identified. It must also be acknowledged that the Internal Audit Service have identified good practice throughout the organisation.
46	The Council now has a new Chief Executive and a number of new Heads of Service which should bring further stability to the organisation.
47	Internal Audit would like to take this opportunity to formally thank all staff throughout the Council with whom the Service has had contact with. In what has been a difficult year, the Senior Management Team have responded positively to our findings and supported the Internal Audit Service.



Summary of Internal Audit Work 2022/23

Appendix A

Internal Audit Plan 2022-23	Assurance Rating	Commentary
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<b>CORPORATE</b>		
Annual Governance Statement	Not applicable	<p>The review comprised of detailed testing and analysis of the Local Code of Corporate Governance and Service Assurance Statements completed by Directors.</p> <p>Common themes of improvements are included within the Annual Governance Statement Action Plan 2022</p>
Anti-Fraud & Corruption	Not applicable	<p>A full review of the Council's probity policies was undertaken. All policies are available to officers on Connect and the Council website.</p> <p>Throughout the year, fraud alerts received from various sources are circulated so that officers / the public are made aware of new threats and risks.</p>
National Fraud Initiative (NFI)	Not applicable	<p>Data for the main NFI 2022/23 was submitted for trade creditors, housing waiting list, Council Tax Reduction Scheme, taxi drivers and payroll. Results have been received and the investigatory work has commenced.</p> <p>Internal Audit are currently working with data holders to meet the Cabinet Office data requirements for the forthcoming Council Tax SPD 2023 exercise.</p>
COVID Grant Assurance	Not applicable	<p>Internal Audit participated in the BEIS post payment assurance verification process; providing the required evidence to support the payments made are compliant with the grant eligibility criteria.</p> <p>Following on from evidence provided to support COVID-19 Business Grants schemes – (Cohort 1), confirmation has been received from the Department for Business, Energy and Industrial Strategy (BEIS), that SRBC followed an appropriate and robust process in completing the assurance checks when awarding and paying a grant.</p> <p>In addition, assurance was provided in relation to the Containing Outbreak Management Fund and Test and Trace Support Payment grant determination sign off.</p>

**Summary of Internal Audit Work 2022/23**

Appendix A

Internal Audit Plan 2022-23	Assurance Rating	Commentary
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<b>CUSTOMER AND DIGITAL</b>		
<b>Customer Services</b>		
Revenue and Benefits Project Support	Not applicable	Following the implementation of a Shared Service within Revenues and Benefits, Internal Audit play an active role in the project team reviewing and aligning processes to ensure they are both robust and resilient
<b>ICT</b>		
Vulnerabilities Management	To be Confirmed	This review is due to commence June 2023.
ICT Support	To be Confirmed	This review is currently in progress and will be reported to the Committee in the first progress report of 23/24.
Project Support	Not applicable	Proactive support was provided to assist with Digital Strategy project
<b>Neighbourhoods</b>		
Workshop Record Management	Adequate	<p>There was clear evidence of oversight and management of the following key areas:</p> <ul style="list-style-type: none"> <li>• Maintenance records</li> <li>• Goods and services are procured in compliance with the manufacturers requirements to preserve warranties;</li> <li>• Best value is being achieved where applicable.</li> </ul> <p>However, our work has identified that there is a lack of active management of the contract with FCC. There are two areas whereby the control environment could be strengthened;</p> <ul style="list-style-type: none"> <li>• Ensuring the Consumer Price Index is applied on an annual basis;</li> <li>• Performance monitoring between the Council and FCC. Whilst monthly monitoring meetings were held on a regular basis prior to COVID, the arrangements have not been re-established since.</li> </ul>

Summary of Internal Audit Work 2022/23

Internal Audit Plan 2022-23	Assurance Rating	Commentary
Waste Services	Limited	<p>Early in 2022, the Council made the decision to in-source the waste service and is now undertaking the collection of residential household waste using an in-house team.</p> <p>Our work identified that:</p> <ul style="list-style-type: none"> <li>• the momentum for delivering the Mobilisation Plan had waned;</li> <li>• a range of Health and Safety risks were not adequately mitigated;</li> <li>• roles and responsibilities were not clearly defined;</li> <li>• CCTV to safeguard assets and help to protect the public and staff needed to be prioritized.</li> </ul> <p>Acknowledgement was given during the review to the legacy issues that the Council had inherited from the previous waste contract and to the fact that the Service is realigning and taking steps to entrench itself into Council culture and corporate requirements.</p>
Water management	Limited	<p>Our work established that there is evidence of awareness of the risks posed by the activities that are undertaken around areas of water. Some risk management measures are in place to reduce the risk to the public and employees/contractors working on-site, for instance Neighbourhood Officer site inspections and lifeline checks are carried out. Neighbourhood Officers are experienced and there is good evidence of team working to identify and address site issues/hazards. In addition, work is currently in progress to identify and document all areas of water, reviewing sufficiency of current on-site safety signage/equipment (renewing and improving as required).</p> <p>However, the following significant management issues related to the management of water sites were identified:</p> <ul style="list-style-type: none"> <li>• There is a lack of water management/safety policy;</li> <li>• A comprehensive list of water sites is not in place;</li> <li>• Site risk assessments that inform the nature and frequency of inspection for each site are not in place for all areas of water.</li> <li>• There is a lack of guidance/operating procedures for the Neighbourhood Officers undertaking site inspections.</li> <li>• Supervisory monitoring is not carried out to confirm that the inspection regime is working as intended.</li> </ul>

Summary of Internal Audit Work 2022/23

Internal Audit Plan 2022-23	Assurance Rating	Commentary
<b>PROPERTY AND DEVELOPMENT</b>		
Community Infrastructure Levy	Not applicable	This review has been deferred. The Team are considering options to automate process by the introduction of a new dedicated system and therefore it has been agreed that this review will be undertaken following implementation.
<b>COMMERCIAL</b>		
Utilities Management	Limited	<p>This review identified that there is a lack of overarching management of utilities, including:</p> <ul style="list-style-type: none"> <li>▪ Failure to assign responsibility for the administration and management of utilities;</li> <li>▪ Inadequate arrangements in place to validate supplier invoices;</li> <li>▪ Lack of policies and procedures to provide guidance and direction for officers.</li> <li>▪ Non-compliance with regulations to ensure that the Council's responsibilities as a landlord are met regarding gas and electrical safety checks.</li> <li>▪ Property records are inadequate and does not allow for the effective management of utilities;</li> <li>▪ Failure to undertake a procurement exercise of water supplies since the deregulation of commercial water supplies.</li> <li>▪ A lack of routine information sharing with Exchequer Services.</li> </ul> <p>In addition, the Council has recently invested in a solar power system, however following receipt of guidance recently issued by the Councils insurers it has been identified that insufficient maintenance arrangements are in place, and that officers have not been adequately trained to manage the system.</p>
Project Support	Not applicable	<p>Project support was provided to further develop the project risk register and review risk management practices within the project.</p> <p>A meeting was held with the Strategic Development Officer and the Strategic Lead for Future Investments to identify areas for further consideration and improvement to the project risk register. A risk workshop was attended with project team members to ensure that risks across all areas of expertise were captured for evaluation and monitoring.</p>
Commercial Services Directorate Procurement Review	Limited	Internal Audit issued a report highlighting that there had been clear breaches of the governance framework resulting in a significant reputational risk and failure to adequately protect the Councils confidential data. Whilst many of the failings were due to activity within Chorley Council, South Ribble Council were also adversely affected albeit not to the same degree.

Summary of Internal Audit Work 2022/23

Internal Audit Plan 2022-23	Assurance Rating	Commentary
		<p>Since this review was finalised, a multi-disciplinary Commercial Directorate Development Group has been established. The focus of the group is on developing and embedding a strong governance framework and a positive, supportive culture focused on high quality service delivery.</p>
<b>COMMUNITIES</b>		
Safeguarding	Substantial	<p>Our work has established that the Council has a good level of arrangements and that established controls are effective.</p>
Community Hubs / Boost Fund	Not applicable	<p>Internal Audit provided advice / guidance relating to setting up a new process for administering the successful Community Hub Boost Fund applications.</p> <p>Additionally, the Risk Team participated in the working group to assess the successful applications to consider risks and build in appropriate control the scheme funds.</p>
Community Hubs / Boost Fund	Adequate	<p>Our review confirmed that the Boost Fund and Boost Fund Plus have been administered well by the Community Development Team with good communication maintained with the Community Hubs and grant applicants throughout the application process. Applications are completed to a high standard and supporting documentation has been sought (where required) and maintained in a central file for each applicant. Evidence of periodic reporting to Cabinet/Council is available for each round of the Boost Fund, with overall approval for the Boost Fund Plus awards sought in June 2022.</p> <p>Management actions were agreed to further strengthen the arrangements if further grants are distributed by the Council in future.</p>
<b>CHANGE AND DELIVERY</b>		
Absence Management	Adequate	<p>Our work has established that a comprehensive Policy has been adopted and that there is a reasonable level of awareness and application.</p> <p>Current arrangements could be strengthened in record keeping and ensuring there is full compliance in all service areas.</p>

**Summary of Internal Audit Work 2022/23**

Internal Audit Plan 2022-23	Assurance Rating	Commentary
Key Strategic Contract and Partnerships	Adequate	<p>Both Councils have developed a comprehensive Key Contracts and Partnerships Framework (Framework) to help ensure that key partnerships have good systems of governance, well developed risk management practices and robust monitoring arrangements. The Frameworks are accessible to officers via the intranets to provide guidance and direction on the additional principles and requirements of a key contract/partnership. Robust reporting arrangements are also in place with key responsible officers provide progress updates to the Transformation and Change Team for biannual reporting to SMT and annually to Cabinet.</p> <p>There are improvements to be made to further strengthen the current arrangements and these include:</p> <ul style="list-style-type: none"> <li>• Review of the Framework to ensure it continues to meet the needs of the organisation;</li> <li>• Monitoring and reporting of specific governance aspects of key partnerships to be introduced to further embed the requirements of the Framework.</li> </ul>
Payroll	Adequate	<p>During 2022, a significant amount of work was undertaken to move to a new payroll provider. Our review confirmed that this project was successfully delivered with the majority of employees moving seamlessly to the new provider.</p> <p>Our work did identify some further improvements to be made to ensure the arrangements are fully embedded and roles and responsibilities are clear.</p>
Business Grants	Not applicable	Internal Audit provided advice/guidance relating to setting up a new process for administering the South Ribble Business Energy Efficiency (BEE) Scheme.
<b>GOVERNANCE</b>		
Code of Conduct	Substantial	No key control issues were identified for this review.
General Data Protection Regulations – data retention	Limited	<p>This review confirmed the need for the Council to:</p> <ul style="list-style-type: none"> <li>▪ Implement a rigorous process for review of policies to ensure they remain accurate and reflective of operational activity;</li> <li>▪ Align ROPAs, data retention schedules and Privacy notices to ensure a consistent approach is adopted and clear and accurate information is provided to the public;</li> <li>▪ Ensure the ROPA is up to date and regularly reviewed;</li> </ul>

Summary of Internal Audit Work 2022/23

Appendix A

Internal Audit Plan 2022-23	Assurance Rating	Commentary
		<ul style="list-style-type: none"> <li>▪ Each Directorate to ensure data held meets the agreed data retention schedules.</li> </ul> <p>The Senior Management Team have accepted the findings of the review and agreed to implement all agreed actions by September 2023.</p>
<b>SHARED FINANCIAL SERVICES</b>		
Review of VAT	Substantial	Our work has established that the Council has a good level of arrangements and that established controls are operating effectively.
External Funding	Adequate	<p>Testing identified confirmed that funding conditions are predominantly adhered to; the application process had been clearly designated to a responsible officer and there is alignment with the appropriate organisation's Corporate Strategy/statutory obligation.</p> <p>However it was identified that the Council would benefit from the introduction of an External Funding Strategy to augment the requirements set out in the Councils' Financial Procedure Rules would support managers, formalise procedures, set the standard for record keeping, and assist in providing assurance to the Director of Finance that robust monitoring arrangements are in place for all grant awards received.</p>

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INTERNAL AUDIT PERFORMANCE INDICATORS 2022-23

	Indicator	Audit Plan	Target 2022/23	Actual to Date	Comments
1	% of planned time used	SRBC	90%	105%	Target exceeded
2	% audit plan completed	SRBC	90%	81%	Below target – see body of the report.
3	% satisfaction rating (assignment level)	SRBC	90%	96%	Target exceeded
4	% of agreed actions implemented by management	SRBC	90%	64%	See body of the report
		SS	90%	81%	

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South Ribble Council

Final  
Internal Audit Report

# Water Management

## 2022/2023

Audit Assurance: Limited  
Auditor: Linsey Roberts  
Date Issued: 15.5.2023



Cert No: 20128  
ISO 9001



WORKING TOGETHER

<b>Reason for the Audit &amp; Scope</b>	
1	<p>Water management refers to the development, monitoring and management of water sites and areas that are the responsibility of the Council.</p> <p>This also encompasses the consideration of liability risks of the Council responsible for land on which a water feature site exists; those risks being to the public, employees, contractors and service providers working on or near water. The principle is that water areas are maintained and managed in as safe an order as is practically possible.</p> <p>The review is included in the 2022/23 Annual Audit Plan approved by the Governance Committee in September 2022.</p>

<b>Audit Objectives</b>	
2	The overall objective of the audit was to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are being sufficiently managed.
3	The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.

<b>Audit Assurance</b>	
4	Water Management at South Ribble Borough Council has not been reviewed by Internal Audit previously.
5	The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.
6	Appendix A shows the risks that have been tested for Water Management and the assurance opinion awarded to each. Our evaluation of the reliance we can place on the three lines of defence is also shown.
7	<p>Our work established that there is evidence of awareness of the risks posed by the activities that are undertaken around areas of water. Some risk management measures are in place to reduce the risk to the public and employees/contractors working on-site, for instance Neighbourhood Officer site inspections and lifeline checks are carried out.</p> <p>Neighbourhood Officers are experienced and there is good evidence of team working to identify and address site issues/hazards. In addition, work is currently in progress to identify and document all areas of water, reviewing sufficiency of current on-site safety signage/equipment (renewing and improving as required).</p> <p>However, the following significant management issues related to the management of water sites were identified:</p> <ul style="list-style-type: none"> <li>The Council does not have a water management/safety policy in place, setting out the reasoning behind the provision of access to the water areas, the legal/statutory obligations and how risks are managed. There is a lack of documented evidence to support that a risk-based approach is in place with regards to the frequency of inspections, categorisation of maintenance and defects to ensure remedial action is taken in accordance to the level of risk;</li> </ul>

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

- A comprehensive list of water sites is not in place, so we are therefore unable to provide assurance that all water bodies have been identified and are being actively inspected. Whilst water bodies are listed on the database currently in use, there are known issues with this system as identified in the Neighbourhood Records report issued by Internal Audit in 2021.
- Site risk assessments that inform the nature and frequency of inspection for each site are not in place for all areas of water. It is important that local knowledge is used to identify/document/manage the hazards specific to each area, for instance times of heavy use, impact of the weather, previous incidents and anti-social behaviour issues etc.
- There is a lack of guidance/operating procedures for the Neighbourhood Officers undertaking site inspections, for instance what is included, definitions, recording the result and subsequent action to take if a defect is identified.
- Supervisory monitoring is not carried out to confirm that the inspection regime is working as intended.

To reduce the likelihood of harm to employees and to ensure that the Council meets its obligations under the Health & Safety at Work Act 1974, it needs to ensure that any Health and Safety risks have been identified and suitable safe systems of work have been adopted.

Whilst a generic working near water risk assessment is in place, further work is required as the risks and controls are not site specific and are not reflective of the individual conditions and the full range of hazardous activities undertaken for each body of water. Furthermore, volunteers lone working arrangements have not been assessed at the Longton Brickcroft Nature Reserve.

The Service is currently in a period of transition with the imminent implementation of Alloy Asset Management System. All assets, including water bodies are currently being identified and will be plotted on the system. The introduction of this system will improve agile working and automate the inspection and maintenance regime, however until this is fully implemented the risks identified above remain.

As these highlight significant risks in relation to lack of policy, risk assessment, health & safety, and could lead to potential negative repercussions for the Council. a **Limited** assurance rating has been awarded for this review. The action plan at Appendix B provides further details of the findings and risks identified.

#### **Control Rating Key**

**Full** – the Authority can place complete reliance on the controls. No control weaknesses exist.

**Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.

**Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.

**Limited** - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

Risk and Controls	Control Evaluation
<b>Risk 1 – Relevant policies and procedures are not communicated effectively to employees, leading to confusion re roles &amp; responsibilities</b>	
Policy/Strategy is in place and approved	Action 1
Flood Risk Management is adequately managed	Working as intended
Policy/Strategy is up to date, owned and reviewed regularly	Action 1
Policy/Strategy is suitable/fit for purpose (Legislation)	Action 1
Policy/Strategy is accessible/staff awareness of policy	Action 1
Procedure/working practices are in place	Actions 2, 3
<b>Risk 2 – Legal and statutory requirements may not be being met due to ineffective management of water sites.</b>	
Policy/Strategy is suitable/fit for purpose (Legislation)	Action 1
All open water sites have been identified	Action 4
Inspection programme in place	Actions 5, 6, 7
Comprehensive records are maintained	Action 2, 4, 5, 6, 7
Supervisory checks undertaken	Action 8
Health & Safety (employees and volunteers)	Action 9,10,11
Signage has been considered for each site	Action 5
Rescue Equipment	Action 5
Fishing club use managed and licensed	Working as intended
<b>Risk 3 – A failure to recognise all existing water site assets meaning that some may fall into disrepair or become dangerous</b>	
Procedure/working practices are in place	Actions 2, 3
All open water sites have been identified	Action 4
New site identification	Working as intended
Inventories are in place to manage assets at each site	Action 2,4,5,6,7
Inspection programme in place	Actions 5, 6, 7
<b>Risk 4 – A lack of maintenance of water areas to prevent them from becoming hazardous</b>	
Procedure/working practices are in place	Actions 2, 3
Responsibilities are clearly defined	Action 1, 3,5,6,7
Inspection programme in place	Actions 6, 7
Regular/planned maintenance and reactive maintenance	Action 7
Comprehensive records are maintained	Action 2, 4, 5, 6, 7
Supervisory checks undertaken	Action 8
<b>Risk 5 - Potential lack of adequate staff training for appropriate roles covering water areas</b>	
Supervisory checks undertaken	Action 8
Training matrix helps identify any gaps	Working as intended
Officers are First Aid trained	Working as intended
<b>Risk 6 - Inadequate insurance cover meaning that the Council's legal obligations cannot be met</b>	
Insurance policy in place	Working as intended
Awareness of risk management requirements	Action 1, 2, 3, 5,9,12
<b>Risk 7 - Risks for each water site have not been identified, recorded and monitored adequately – including health and safety risks, injury risks and emergency procedures</b>	
Inventories are in place to manage assets at each site	Action 2,4,5,6,7
Health & Safety (employees and volunteers)	Action 8
Safe Systems of Work are operational	Action 8
Lone Working arrangements are in place	Action 11
Signage requirements have been considered for each site	Action 5
Rescue equipment requirements have been considered for each site	Action 5
Officers are First Aid trained	Working as intended
Open Water specific risk register in place	Action 12

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

## AUDIT ASSURANCE

### Three Lines of Defence

Audit Area	1 <sup>st</sup> Line	2 <sup>nd</sup> Line	3 <sup>rd</sup> Line	Internal Audit opinion
Water Management	Management		Internal Audit	Reliance cannot be placed on the first line of defence as there is a lack of an overarching water management policy, supported by site specific risk assessments which direct and evidence that sufficient safety systems in place. Improvements to employee/volunteer health and safety risk assessments are also required.

### Risk and Control Evaluation

Risks Examined	Full	Substantial	Adequate	Limited
<b>Risk 1 – Relevant policies and procedures are not communicated effectively to employees, leading to confusion as to roles and responsibilities</b>				✓
<b>Risk 2 – Legal and statutory requirements may not be being met due to ineffective management of water sites.</b>				✓
<b>Risk 3 – A failure to recognise all existing water site assets meaning that some may fall into disrepair or become dangerous</b>				✓
<b>Risk 4 – A lack of maintenance of water areas to prevent them from becoming hazardous</b>				✓
<b>Risk 5 - Potential lack of adequate staff training for appropriate roles covering water areas</b>		✓		
<b>Risk 6 - Inadequate insurance cover meaning that the Council's legal obligations cannot be met</b>			✓	
<b>Risk 7 - Risks for each water site have not been identified, recorded and monitored adequately – including health and safety risks, injury risks and emergency procedures</b>				✓
<b>OVERALL AUDIT OPINION</b>				✓

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

<b>MANAGEMENT ACTION PLAN</b>
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NO.	FINDING	AGREED ACTION	OFFICER & DATE
<b>Policy/Procedures</b>			
1	<p>There is a lack of evidence to support that the Council has sufficient risk-based arrangements in place to maintain and manage water areas that are its responsibility.</p> <p>The Council should approve and implement a water management/safety policy. This should set out the legal requirements, expected standards and procedures for the management of risk. Moreover, it should provide a direct link to the maintenance and inspection arrangements, thus evidencing that water areas are managed in as safe an order as is practically possible.</p> <p>Once approved, the Policy should be shared openly with the operational team to ensure awareness and the operation of robust arrangements to safeguard officers and the public.</p>	<p>Head of Neighbourhoods and Waste will develop and implement a water management/safety policy.</p> <p>Draft policy will be written by the <i>end of July 23</i> and circulated to other stakeholders (for instance Legal Services, Health and Safety, Property Services) to sense check/feedback.</p> <p>Approval will be obtained from Members <i>by the end of September 23</i>.</p> <p>Post policy approval working practices/procedures and supervisory checks will be aligned to the Policy and training provided to employees <i>by the end of October 2023</i>.</p>	Barry Elder October 2023
2	<p>Neighbourhood Officers are responsible for the various Friends Groups that support the Council to carry out maintenance of the parks and open spaces (including areas of water). Whilst there is an onboarding volunteers process and pre-activity safety briefings are provided this is not documented/evidenced. Moreover, arrangements are not compliant with the requirements of the Council's Volunteer Policy.</p>	<p>Head of Neighbourhoods and Waste will develop Friends Group procedures that comply with the Council's Volunteer Policy, this will involve:</p> <ul style="list-style-type: none"> <li>• Initial check to establish if the Council's Volunteer Policy is under review so that any changes can be reflected in arrangements.</li> <li>• Review and update procedures.</li> </ul>	Barry Elder August 2023

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'



		<ul style="list-style-type: none"> <li>• Develop a behaviours code of conduct.</li> <li>• Implement an activity attendance register which will be signed off by participants to evidence receipt of safety briefing, which covers risks/controls and safe working procedures.</li> </ul>	
3	<p>Inspections are carried out to identify, report and enable action to be carried out if hazardous issues are identified. Also, a separate inspection is carried out and recorded regarding lifelines that are located next to areas of water. Experienced Neighborhood Officers are responsible for carrying out these inspections and new staff are trained 'on the job'. However, written procedures and guidance have not been compiled and a record of 'on the job' training is not available.</p> <p>It is important that inspection procedures/guidance/training is documented to provide clear standards, to provide consistency and to evidence the Council's inspection process supplementing information captured within the inspection forms.</p>	<p>Head of Neighbourhoods and Waste will develop written procedures/flow chart for the inspection process and lifeline checks and these will be updated to align with the Policy once it is implemented.</p> <p>Induction programme will be developed for new starters; on the job training will be documented and competency signed-off.</p>	Barry Elder August 2023
<b>Site Identification</b>			
4	<p>It is essential that the Council maintain a core record of all open water sites that it is responsible to clearly identify location and condition and help identify any risks associated with them.</p> <p>Currently there is no comprehensive list of water sites, however within the next few months this will be rectified as there is a project in progress to implement the Alloy Asset Management System (by August 23). All areas of water will be plotted on the Alloy system. Additionally, because the Council's mapping system hasn't been maintained work is in progress to update the Council's mapping system. Together this should mean that the Council has an</p>	Head of Neighbourhoods and Waste will ensure that all water sites are captured in the Alloy Asset Management System.	Barry Elder August 2023

	accurate record of all water sites that can be linked to inspection records, signs/safety equipment locations and rectification/maintenance work requests.		
<b>Inspection Regime</b>			
5	<p>Water site risk assessments that inform the nature and frequency of inspection, and the level of monitoring required at each site should be in place.</p> <p>Our review identified that a completed/documented risk assessment has not been undertaken for all areas of water. Furthermore, a review of available generic risk assessments (contained in Management Plans) and the Penwortham reservoir risk assessment identified a lack of sufficient detail.</p> <p>Management should undertake/document a detailed risk assessment for each area of water to inform the nature/frequency of inspections and the assessment criteria and rationale to support other additional safety measures required (signs, lifelines, lifebuoy, fencing), thus evidencing that sufficient arrangements are in place.</p>	<p>Head of Neighbourhoods and Waste will develop a water site risk assessment template, which will align with the water management/safety policy, by the end of October 23.</p> <p>Rolling programme of water site risk assessments to commence November 23 and will be completed by January 2024. Risk assessments will be reviewed at agreed time interval thereafter (as per the Policy), unless changes to conditions/site/use necessitate an earlier review.</p>	Barry Elder January 2024
6	<p>Our review identified that inspections are carried out on a site basis; if the site includes areas of water this is included in the assessment.</p> <p>Testing identified that inspections are carried out, hazards identified, and work completed to rectify hazards or it is referred for action, this information is documented. However, due to lack of supporting evidence we are unable to provide any assurance that the inspections are completed at the expected due date.</p>	<p>As an interim measure the Head of Neighbourhoods and Waste will:</p> <ul style="list-style-type: none"> <li>• Configure (by the end of August 23) the Alloy Asset Management System to include Neighbourhood Officer site inspections on a 3-monthly basis, and lifeline checks will be carried out on a weekly basis.</li> </ul>	Barry Elder August 2023

	<p>In addition, there is no planned maintenance and inspection routines in place for the recently acquired Penwortham Reservoir.</p> <p>There is a risk that the Council may struggle to demonstrate that it is meeting its responsibilities as landowner under the Occupiers Liability Act by not ensuring sites are assessed and inspected on a regular basis, and that sufficient evidence of inspections is retained.</p>	<ul style="list-style-type: none"> <li>Continue to carry out ad-hoc grounds maintenance work and introduce Neighbourhood site inspections at Penwortham reservoir.</li> </ul> <p>Post Policy approval Head of Neighbourhoods and Waste will update Alloy Asset Management System to reflect the agreed frequency of Neighbourhood Officer site inspections/lifeline checks.</p> <p>Post completion of the Penwortham site risk assessment and following the Director of Commercial Service's development of the site management plan, the maintenance programme/inspection routines will be updated in the Alloy Asset Management System.</p>	
7	<p>There is no documented policy/procedure/guidance regarding the categorization of reported defects including timescales for addressing hazards identified during an inspection.</p> <p>Whilst testing found that works are completed, inspection records don't currently reflect that any consideration has been given to determining how quickly works should be completed dependent upon the level of risk.</p> <p>It is understood that the Alloy Asset Management System can be configured to categorize defects with aligned timescales.</p>	<p>Management Action 1 refers.</p> <p>Also, the Head of Neighbourhoods and Waste will ensure the Alloy Asset Management System is configured to categorise defects by the end of August 2023. Following approval of the Policy any changes will be updated in the Alloy Asset Management System immediately.</p>	Barry Elder August 2023
<b>Management</b>			
8	<p>Whilst it was apparent that the Neighbourhood Manager would be aware if an inspection had not been recorded in the database, no further supervisory checks are carried out to ensure that the</p>	<p>Head of Neighbourhoods and Waste will introduce a programme of periodic Neighbourhood Officer Inspection supervisory checks by the end of June 23. The</p>	Barry Elder August 2023

	<p>inspection programme is being robustly carried out and defects are being correctly identified.</p> <p>A programme of periodic supervisory checks should be introduced to ensure that standards are maintained, and a consistent approach applied across all sites by all officers.</p>	<p>programme will include periodic supervisor level site checks to ensure that standards are maintained, and a consistent approach applied across all sites by all officers. In addition, the Neighbourhood Manager will carry out periodic site checks.</p> <p>Supervisory checks will be recorded in the Alloy Asset Management System by the end of August 23.</p>	
<b>Health &amp; Safety</b>			
9	<p>Working near water is an inherent risk and safety measures should be adopted to safeguard officers and volunteers from harm. Risk assessments are essential to help identify specific site risks and provide officers with the tools to help manage this risk.</p> <p>A review of the available risk assessments for working near water highlighted further work is required as the risks and controls are not site specific and are not reflective of the individual conditions and the full range of hazardous activities undertaken for each body of water.</p> <p>In addition, testing identified that the Service does not have Safe systems of work (SSOW) in place in relation to working near water. Adopting robust SSOW for employees working in or around water will help demonstrate that the Council is meeting its responsibility under the Health &amp; Safety at Work Act 1974.</p>	<p>The Neighbourhoods Service will work with the Health &amp; Safety team to assess the requirements for each site-specific risk assessment and safe systems of working near water. This will consider individual conditions and the full range of hazardous activities undertaken for each body of water. The review will be aligned with the migration to the new HARRIET (Hazard Assessment, Risk Review, Identification and Evaluation Tool) system.</p>	<p>Barry Elder March 2024</p>
10	<p>Volunteer activity and event risk assessments are developed by the Neighbourhood Officers, a review of a sample of risk assessments identified:</p> <ul style="list-style-type: none"> <li>There is a mixture of manual and electronic forms. All risk assessments should be retained electronically as they can then</li> </ul>	<p>Head of Neighbourhoods and Waste will ensure that:</p> <ul style="list-style-type: none"> <li>Volunteer activity and event risk assessments are all electronically recorded.</li> <li>Wildlife Trust 'Watch Group' responsibilities (between the Council and the Wildlife Trust) are clearly understood/documentated by the end of May 23.</li> </ul>	<p>Barry Elder June 2023</p>

	<p>be readily accessed for future events/shared by officers and cannot be destroyed by fire/water or lost.</p> <ul style="list-style-type: none"> <li>Wildlife Trust risk register does not meet the Council's standards. Since events involve vulnerable individuals (children) and are led by Council staff the Council's template should be used.</li> <li>Task based and school visit risk assessments need to be reviewed as they are currently in an old-style format.</li> </ul>	<ul style="list-style-type: none"> <li>Council's risk assessment template documentation to be completed.</li> </ul>	
11	<p>All employers have a legal duty to ensure the safety of their employees and volunteers whilst they are at work, this includes ensuring that lone workers are as safe as possible. During our review it was highlighted that lone working arrangements need to be improved for the Neighbourhood Officer (based at Longton Brickcroft), action was taken to address this (Solo Protect device). However, on occasions visitor centre volunteers may also work alone on weekends and their lone working arrangements have not yet been considered.</p> <p>The Neighbourhood Manager should carry out a lone working risk assessment for volunteers at Longton Brickcroft. Also, to further strengthen lone working arrangements a formal procedure needs to be developed within the Service outlining the arrangements to be followed to manage the risks of working alone keeping officers and volunteers healthy and safe.</p>	<p>The Head of Neighbourhoods and Waste will ensure visitor centre volunteer lone working risk assessment is completed and documented by the end of June 23. This may involve issuing Solo Protect device to the volunteers.</p> <p>The Head of Neighbourhoods and Waste will ensure lone working arrangements are formalised in a procedure to reflect the needs of the service (employees and volunteers).</p>	Barry Elder September 2023
<b>Risk Management</b>			
12	<p>An open water specific register should be drafted to ensure that the unique risks associated with managing water sites across the borough are adequately captured, monitored and regularly reviewed. This should be added to the Grace risk management system to ensure the information is kept up to date.</p>	<p>The Head of Neighbourhoods and Waste will complete a water specific risk register in Grace to assess the risks associated with managing water sites.</p>	Barry Elder July 2023

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# Chorley Council & South Ribble Borough Council

FINAL  
Internal Audit Report

## GDPR- Data Retention 2022/2023

Audit Assurance: Limited  
Auditor: Struan Jackson  
Date Issued: 15<sup>th</sup> May 2023



Cert No: 20128



WORKING TOGETHER

<b>Reason for the Audit &amp; Scope</b>	
1	<p>UK organisations that process personal information need to comply with the Data Protection Act 2018/UK General Data Protection Regulations (UK GDPR) and are required to create a data retention policy to help manage the way personal information is handled and stored.</p> <p>A Data Retention Policy outlines why and how data is stored, outlines how long data will be kept and how this will be disposed of, it is also fundamental to the organisations overall data management and regulatory compliance. All corporate records including emails and attachments must be managed in accordance with the Council's Data Retention Policy.</p>
2	The review is included in the 2022/23 Audit Plan approved by the respective Governance Committee on 27 <sup>th</sup> September 2022 & 23 <sup>rd</sup> November 2022.

<b>Audit Objectives</b>	
3	The overall objective of the audit was to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are being sufficiently managed.
4	The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.

<b>Audit Assurance</b>	
5	The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.
6	Our evaluation of the reliance we can place on the three lines of defence is shown in Appendix A.
7	<p>Both Councils have developed a suite of data management policies and operational guidance designed to ensure compliance with the requirements of GDPR, including the following documentation that aid and provide direction to officers in relation to data retention practices:</p> <ul style="list-style-type: none"> <li>• Record of Processing Activities (SRBC)/ Information Asset Registers (CBC);</li> <li>• Records Management Policy (SRBC)/Data Usage and Data Retention and Erasure Policy (CBC)</li> <li>• Data Retention Schedules;</li> <li>• Privacy notices.</li> </ul> <p>Testing identified that although both Councils have established suitably comprehensive policies and guidance there is a lack of ongoing review and monitoring to ensure that the policies and associated documentation continues to reflect the data management processes operating within the organisation. Specific weakness identified for both Councils in relation to data policies/procedures were:</p> <ul style="list-style-type: none"> <li>• Data management policies and associated guidance lack regular review and contain inaccuracies and out of date references relating to organisational structure and officer roles and responsibilities;</li> <li>• A number of inconsistencies were identified with the data retention periods outlined within the ROPA/Information Asset Registers, Data Retention Schedules, Privacy Notices published on Council webpages, and the actual practices identified to be operational within the Service. These practices need to be aligned to ensure a consistent approach is adopted and clear and accurate information is provided to the public.</li> <li>• The ROPA has not been routinely updated in line with changes in structure and responsibilities across the organisation and some data records need an updating where the responsibility for the data has changed from one Information Asset Owner (IAO) to another. Maintaining effective records of the organisation's data processing activities is an important obligation under The Data</li> </ul>

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'



Protection Act 2018/UK GDPR and further work is required to the Council's ROPA to ensure that it accurately reflects each organisation's current data processing environment.

- Poor accessibility to the ROPA/Information Asset Registers with a general lack of awareness amongst key officers to the location of each document.

Practices put in place to maintain focus and awareness of UK GDPR legislation appear to have waned with little evidence of cross-Council Data Management Groups operating; and routine reminders to Information Asset Owners (IAO) regarding their Record of Processing Activities (ROPA) responsibilities reducing in frequency. Completion rates for mandatory GDPR training developed to maintain staff awareness currently fall short of the 85% completion target for mandatory modules outlined within the SLT Corporate Health Dashboard (47% SRBC and 71% CBC).

Suitable guidance is available for the disposal and deletion of data at both Councils however, the majority of service areas sampled across both Council's showed poor adherence to the policy with multiple instances of storing data for a period of time exceeding that outlined in the service's ROPA/Information Asset Register/Retention Schedule/Privacy Notice; and exhibiting little awareness of the data archiving/deletion capability of the customer management system software that they were utilising. Additionally, the respective data management policies outline a specific requirement to maintain a register of destruction of records for data disposals/deletions, particularly for large scale data disposals, however, there were no examples of this being maintained for the services sampled.

Due to the number of essential improvements required to strengthen the current operational arrangements which are detailed in the action plan at Appendix B a **Limited** assurance rating has been awarded for this review. The Senior Information Risk Officer (SIRO) and the Data Protection Officer (DPO) were notified of the control weaknesses reported above during the course of our review and have committed to implement additional controls to improve management oversight and governance arrangements for compliance with GDPR these are outlined within the Management Action Plan at Appendix B.

**Control Rating Key**

**Full** – the Authority can place complete reliance on the controls. No control weaknesses exist.

**Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.

**Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.

**Limited** - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

Risk and Controls	SRBC Control Evaluation	CBC Control Evaluation
<b>Risk 1 – Lack of organisational data retention policy</b>		
GDPR Data Management Group operational.	Action 1	Action 1
Records management policies and procedures are in place.	Action 2	Action 2
Policies/guidance is accessible for officers.	Action 3	Action 3
Officer affirmation of compliance with the Information Security Framework and associated data policies.	Action 11	Working as Intended
Officer mandatory GDPR training to support policies.	Action 4	Action 4
<b>Risk 2 – Privacy notices are not in place or do not reflect operational arrangements</b>		
Corporate and service specific privacy notices are in place.	Working as intended	Action 12
Privacy notices comply with the Information Commissionaire Office (ICO) requirements.	Working as intended	Working as intended
Privacy notices data retention information reflects operational requirements.	Action 5	Action 5
<b>Risk 3 – The ROPA (Record of Processing Activity) / Information Asset Register does not accurately reflect the type of records processed.</b>		
The ROPA / IAR's accurately records the data collected and processed by the council.	Action 6	Action 6

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

The ROPA / IAR's are reviewed and updated in compliance with GDPR requirements.	Action 6	Action 6
Council officers have access to the ROPA/Information Asset Register.	Action 7	Action 7
Regular reminders are issued to Information Asset Owners.	Action 8	Action 8
<b>Risk 4 – Record retention schedules are not in place for each service and do not reflect practices outlined in privacy notice</b>		
Data retention schedules are in place and regularly reviewed.	Action 2	Action 2
Data retention schedules reflect operational requirements.	Action 2	Action 2
The data retention schedules are aligned with the ROPA/ IAR's/Privacy Notices.	Action 5	Action 5
<b>Risk 5 - Records are retained for longer than required</b>		
Data is retained in line with operational requirements/data retention schedules.	Action 9	Action 9
Records management policies and procedures are in place.	Action 2	Action 2
<b>Risk 6 – Procedures are in place to delete and dispose of records securely in compliance with the Data Retention Policy or service retention schedules.</b>		
Disposal guidance is in place and available to officers.	Working as intended	Working as intended
Data disposal guidance is reviewed and updated.	Action 3	Action 3
Data is disposed of in accordance with Data management policies and other associated data related guidance material	Action 9	Action 9

\*Additional risks and controls identified by Internal Audit to be added to GRACE

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

## AUDIT ASSURANCE

### Three Lines of Defence

Audit Area	1 <sup>st</sup> Line	2 <sup>nd</sup> Line	3 <sup>rd</sup> Line	Internal Audit opinion
GDPR- Data Retention	Service Managers	Data Protection Officer	Internal Audit	Currently reliance cannot be placed on the first line of defence as the services exhibited poor adherence to the organisations data management processes and associated guidance.

### Risk and Control Evaluation

Risks Examined	Full	Substantial	Adequate	Limited
<b>Risk 1 – Lack of Organisational data retention policy</b>				✓
<b>Risk 2 – Privacy notices are not in place or do not reflect operational arrangements</b>			✓	
<b>Risk 3 – The ROPA (Record of Processing Activity) does not accurately reflect the type of records processed.</b>				✓
<b>Risk 4 – Record retention schedules are not in place for each service and do not reflect practices outlined in privacy notice</b>				✓
<b>Risk 5 - Records are retained for longer than required</b>				✓
<b>Risk 6 – Procedures are not in place to delete and dispose of records securely in compliance with the Data Retention Policy or service retention schedules.</b>				✓
<b>OVERALL AUDIT OPINION</b>				✓

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

MANAGEMENT ACTION PLAN			
NO.	FINDING	AGREED ACTION	OFFICER & DATE
<b>South Ribble &amp; Chorley Findings</b>			
1	<p>Our review established that GDPR/Data Groups effected to support both Council's ongoing requirements of UK GDPR/Data Protection Act 2018 are no longer meeting and cannot be considered as operating.</p> <p>During the course of our review this weakness was acknowledged by the SIRO and DPO and commitment was provided to establish both a Data Owners Group and a Shared Information Security Council encompassing both organisations.</p>	<p>Agreed – The Information Security Council is to be re-established to take the strategic ownership and monitoring of performance. It will meet on a quarterly basis and will consider:</p> <p>the Register of Processing Activity;            receive reports from Data Owners Group            changes to policies            retention periods            new data use            receive reports of ICO reporting.</p>	<p>Director of Governance</p> <p>June 23</p>
2	<p>Testing identified that both Councils have comprehensive policies in place that provide guidance to officers on the management, use, retention and deletion of data, however, testing identified a lack of regular review resulting in inaccuracies/errors with organisational structure/roles and responsibilities, and incomplete data retention schedules that do not reflect the current needs each service and the organisation as a whole.</p>	<p>A new suite of policies has been drafted and will be presented to SMT for review / approval.</p> <p>New policies include:</p> <p>Data Breach policy;            Data Protection policy;            Data Retention and Erasure policy;            Data Usage policy;            Information classification policy;            Subject access request policy.</p> <p>Once agreed with SMT, policies will be shared and awareness raised.</p>	<p>Director of Customer and Digital</p> <p>June 23</p>

3	<p>Data management policies and other associated data related guidance material can be found on both Council's intranets however, these were not easy to locate, do not align, and contain links to empty folders/missing information. Furthermore, testing identified that many key officers were uncertain where to locate this documentation.</p> <p>To ensure that accurate, relevant and up to date information is available to officers to support the data management policies, processes and legal requirements the guidance on both Council's intranets should be assessed and updated as soon as possible; and given suitable prominence on the Council's intranet.</p>	<p>Agreed – awareness will be raised via SLT / core briefs and a dedicated page on the intranets will be established.</p>	<p>Director Customer and Digital</p> <p>June 23</p>
4	<p>Testing established that the completion rates for the GDPR mandatory module within Learning Hub falls short of the 85% completion target for mandatory modules outlined within the SLT Corporate Health Dashboard (47% SRBC and 71% CBC). Further work is required to ensure that all Council staff complete the mandatory training.</p> <p>During the course of our review this weakness was acknowledged by the SIRO and DPO and commitment was provided to review data management training requirements.</p>	<p>Agreed by SMT.</p> <p>Each member of SMT to ensure that mandatory training is completed by all Council staff.</p>	<p>Senior Management Team</p> <p>September 2023</p>
5	<p>Privacy notices are available to the public on both Councils websites and our review confirmed that the format of privacy notices sampled complied with the Information Commissioner Office (ICO) requirements.</p> <p>However, further comparison of the sampled privacy notices against corporate data retention schedules found that the information provided was not aligned for a number of services reviewed.</p>	<p>Agreed by SMT</p> <p>Each member of SMT will ensure that privacy notices are reviewed and updated to reflect the current data retention schedules.</p>	<p>Senior Management Team</p> <p>September 2023</p>

	<p>There is a need for services to ensure that the information on the data retention schedules is accurate and that this information matches that provided to customers within the published privacy notice to ensure that the Council is being clear and transparent with how it is handling personal and sensitive data.</p>		
6	<p>Testing identified that both Councils have a Record of Processing Activities (ROPA/Information Asset Register) that provides an overview of the organisations data processing activities however, a review of these documents identified that they are not fully completed and are not being revisited and updated on a regular basis in line with corporate guidance.</p> <p>Both Council's need to ensure that the ROPA is suitably comprehensive covering all services areas/functions; and that they have effective processes in place to keep the ROPA record up to date. A poorly maintained ROPA may put the Council at risk of not meeting its obligations under the DPA 2018/UK GDPR.</p>	<p>Agreed by SMT.</p> <p>Each member of SMT will ensure that the ROPA / Information Asset Registers are updated and accurately reflect current operational activity.</p> <p>The Information Security Council will ensure that going forwards ROPAs / Information Asset Registers are maintained.</p>	<p>Senior Management Team</p> <p>September 2023</p>
7	<p>Our review identified issues at both Councils with the prominence and accessibility of the ROPA/Information Asset Register/s. During the course of our review the document was either not readily available on the intranet (SRBC), or it was located on a page that was hard to locate/poorly labelled (CBC).</p> <p>It was acknowledged during the course of our review that access to the ROPA was reinstated for SRBC, however further consideration should be given to the prominence/location of this document at both Council's so that the ROPA can be easily accessed and readily available to officers (IAOs) tasked with adding, removing and amending the information contained within.</p>	<p>Agreed – awareness will be raised via SLT / core briefs and a dedicated page on the intranets will be established</p>	<p>Director Customer and Digital</p> <p>June 23</p>

8	Evidence was available to show that an email reminder has been issued by the Data Protection Officer within the last 12 months to maintain IAO awareness of the ROPA/Information Asset Register and their associated data management responsibilities however, the frequency of reminders has decreased since this was last reviewed by Internal Audit in March 2022.	Agreed – this will form part of the monitoring undertaken by the Information Security Council and reminders / updates will be requested on a quarterly basis.	Director of Governance  June 23
9	<p>It is a requirement of both Council's data management policies that "personal data shall be kept in a form which permits identification of data subjects for no longer than is necessary for the purpose for which the personal data are processed".</p> <p>The review highlighted a number of service areas across both Council's failing to follow the data retention/deletion requirements of the data management policies holding data in excess of business need and/or for a period of time exceeding that outlined in the ROPA/Information Asset Register/Retention Schedule/Privacy Notice.</p> <p>Furthermore, services sampled also exhibited little awareness of the data archiving/deletion capability of the customer management system software that they were utilising to process personal data.</p>	<p>Agreed by SMT</p> <p>Each member of SMT will ensure that their Directorates review data held (both paper based and electronically) to ensure compliance with their data retention schedules.</p>	<p>Senior Management Team</p> <p>September 2023</p>
10	A specific requirement of the respective data management policies for each Council is to maintain a register of destruction of records for data disposals/deletions. Where our testing did identify examples of good data management and expired data had been deleted in accordance with the agreed arrangements, a register of disposal had not been maintained.	<p>Agreed by SMT</p> <p>Each member of SMT will ensure that a register of destruction of records for data disposals is completed and maintained going forwards.</p>	<p>Senior Management Team</p> <p>September 2023</p>

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

<b>South Ribble Only Findings</b>		
11	Prior to logging into the Council's joint network each day officers are required to affirm that they understand and agree to the requirements of the Information Security Framework and its associated data policies including the Corporate Data Usage Policy (CDUP). Testing identified that the CDUP is not available to South Ribble officers on Connect or via the Learning Hub and appears to be a CBC only policy, not applicable to South Ribble officers.	Shared policies being developed and awareness to be raised. Complete
<b>Chorley Only Findings</b>		
12	Testing identified that Legal Services did not have a privacy notice in place and available to view on the Council's website.  To comply with the requirements of GDPR, privacy notices are required where personal data is processed.	Agreed – Privacy notice will be placed on the website  Director of Governance  June 23
	Outside the agreed scope for this review, testing identified that there is the opportunity to align processes and policies given the expansion of shared services between Chorley Council and South Ribble Council and the similarity of the Council's data processing requirements. This option should be explored further when considering actions for the above findings.  During the course of our review this weakness was acknowledged by the SIRO and DPO and commitment was provided to align and re-publish data management policies across both Councils.	See action 2



In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

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# Agenda Item 7



Report of	Meeting	Date
Head of Audit and Risk	Governance Committee	Tuesday, 23 May 2023

## Internal Audit Effectiveness Review

Is this report confidential?	No
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Is this decision key?	No
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## Purpose of the Report

1. This report relates to the results of the self-assessment carried out by Internal Audit against the requirement of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) as a means of assessing the effectiveness of Internal Audit.

## Recommendations

2. That the Committee notes the results of the self -assessment recently undertaken as part of the Governance Committee's consideration of the system of internal control.

## Reasons for recommendations

3. Evidence that the Council has an effective Internal Audit Service.

## Other options considered and rejected

4. None.

## Corporate priorities

5. The report relates to the following corporate priorities: (Please bold one)

<b>An exemplary council</b>	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

# Agenda Item 7

## Background to the report

6. The Accounts and Audit (England) Regulations 2015 requires that the relevant body, at least once in a year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind the review is to ensure that the opinion in the annual report by the Head of Audit / Chief Audit Executive (CAE) can be relied upon as a key source of evidence in the Annual Governance Statement.
7. The Public Sector Internal Audit Standards came into effect on the 1<sup>st</sup> April 2013 and are applicable to the whole of the public sector. A Local Government Application Note was produced by CIPFA in collaboration with the Chartered Institute of Internal Auditors as a sector specific requirement within the PSIAS framework. The LGAN was re-issued in 2019 with minor amendments.
8. One of the Attribute Standards within the PSIAS refers to a Quality Assurance and Improvement Programme (QAIP) which must comprise both internal and external assessments. This has been recently been reviewed and is included at **Appendix A**.
9. The QAIP states that internal assessments are both on-going and periodic, whilst an external assessment must be undertaken at least once every five years. External assessment can be in the form of a full external assessment or a self-assessment with independent external validation. The majority of Lancashire districts made the decision to continue with the annual self-assessment to be independently verified by a peer review. The last external assessment was conducted in April 2018 and reported to the Governance Committee with the next review scheduled for completion in June 2023.

## Annual Assessment

10. In order to meet the requirements of the Accounts and Audit Regulations, a self-assessment has been carried out by the Service Lead Audit and Risk using the checklist contained within the revised LGAN. The LGAN states that if the periodic assessment is in the form of a self-assessment, the checklist contained within the guidance should be used for assessing conformance as it covers both the PSIAS and the LGAN.
11. The self-assessment is attached at **Appendix B** to this report. This demonstrates that the Service conforms with the Standards. There are 135 aspects of conformance, of which full conformance has been achieved for 129. There are 5 areas which are not applicable to the Internal Audit Service with only one area of partial conformance.
12. The Action plan at **Appendix C** shows the identified actions from the 2023 self-assessment. There is only the one action being carried forward to 2023 for the one area of partial conformance.

## Climate change and air quality

13. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

# Agenda Item 7

## Equality and diversity

14. The material presented and discussed in this report has no direct implications on equality and diversity.

## Risk

15. Failure to undertake the annual self-assessment against the PSAIS and LGAN will leave the Council unable to demonstrate that the Internal Audit Service conforms with the expected Standards.

## Comments of the Statutory Finance Officer

16. No comment.

## Comments of the Monitoring Officer

17. No comment.

## Background documents

Public Sector Internal Audit Standards

Local Government Application Note

## Appendices

Appendix A – Quality Assurance and Improvement Programme

Appendix B - Self Assessment

Appendix C – Action Plan

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**QUALITY ASSURANCE &  
IMPROVMENT PROGRAMME**

**April 2023**



WORKING TOGETHER

## **INTRODUCTION**

The PSIAS require the Chief Audit Executive to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit activity to be assessed against the PSIAS (ie Definition of Internal Auditing, the Code of Ethics and the Standards themselves) for conformance.

The Accounts and Audit Regulations 2015 require a relevant authority to conduct a review each financial year of the effectiveness of the system of internal control. Since Internal Audit is a significant component of internal control, it is appropriate for an annual review to be conducted of the effectiveness of internal audit.

The PSIAS require that the QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical whilst external assessments must be undertaken at least once every five years.

### **Internal Assessments:**

#### Ongoing Assessment

This requires the CAE to establish policies and procedures to guide staff in the conduct of their duties to ensure they conform to the PSIAS. This is achieved in the following ways:

- The Quality System includes procedures which are maintained by the Chief Audit Executive to provide staff with detailed information regarding the various elements of the audit process. This is contained on the Shared Drive.
- The Quality system and associated documents not only explains about the audit process but also the way in which the Shared Internal Audit Service conducts itself, how work is recorded using an electronic record management system for evidencing and recording audit work and maintaining audit files
- These policies and procedures are updated on an ongoing basis through the issue of update messages to the staff with the content being updated within the Quality system.
- The Quality system contains references to the audit planning process and how the annual audit plan is produced and approved by Governance Committee. Once approved, the CAE then allocates the plan amongst the auditors. This is usually based on a combination of factors; namely familiarity with the audit activity, the auditor has some existing knowledge of the service. However, the CAE has to be aware of other factors here:
  - over familiarity with the service which may lead to complacency
  - the need to provide audit staff with variety in their work
  - the need to ensure the audit work is commensurate with the skills and experience and competence of the auditor concerned
- The CAE ensures that the audit review has been undertaken in accordance with the Quality system and that all necessary aspects of the audit have been



carried out and the findings and conclusions within the report are supported by appropriate evidence.

- A review process in which the CAE / Senior Auditor considers the audit working papers and report and raises any queries with the auditor carrying out the review.
- Satisfaction Surveys (Assignment level) are issued with the Final Audit report and are issued to the lead contact. These seek feedback about various aspects of the audit, the auditor's approach and the usefulness of the audit.
- A set of Performance Indicators designed to give an indication of the success in the delivery of the service. The following indicators are maintained:

Performance Indicator	Target
% of planned time used	90%
% audit plan completed	90%
% satisfaction rating (assignment level)	90%
% of agreed actions implemented by management	90%

## Service Development.

The Shared Internal Audit Service develops through various means including:

- Institute of Internal Auditors – information is regularly received by email of relevant courses put forward by the IIA.
- North West and North Wales Regional Audit Group events – seminars and weekend events designed to keep auditors up to date and identify potential improvements
- Other courses – short courses offered by a range of training providers.

In addition, on an annual basis, a Business Plan is compiled and approved. This contains individual projects to improve the Internal Audit Service and progress against these is monitored through the year.

## Internal Performance Reviews.

The Shared Internal Audit Service complies with the corporate management performance framework. This comprises of the automated performance review process, three times per annum and regular meetings (121s) with their immediate line manager.

## Periodic Assessment

The periodic assessment is in the form of a PSIAS self-assessment which is completed annually by the CAE. This is challenged internally by the Corporate Governance Group. Following this, the self-assessment is reported to Governance Committee in May who are asked to note the results as part of the Committee's consideration of the system of internal control (Ref: Accounts and Audit Regulations 2015). The conclusion regarding conformance with the Standards then forms part of the authority's Annual Governance Statement.

Any significant areas of non-compliance with the PSIAS that are identified through the self-assessment will be reported in the Annual Report and used to inform the Annual Governance Statement.

## External Assessments

The requirement for an external assessment to be carried out at least once every five years can be satisfied by either arranging for a full external assessment, carried out by a person(s) from outside the organisation, or a self-assessment with external validation.

## Approach

In March 2014, the Governance Committee confirmed that the approach to be taken for the external assessment would be a **self-assessment with external validation** using a Peer Review approach amongst the Lancashire districts.

The Lancashire districts have appointed a Subgroup to determine the exact approach to be adopted and they have developed a Memorandum of Understanding setting out the approach together with a draft format of a report. A timetable has been developed for those authorities who have agreed to participate, leading up to March 2023 by when all reviews must be completed in order to meet the five year requirement.

## Scope of the Assessment

The external validation will consist of a broad scope of coverage primarily designed to assess the extent of conformance with the Standards. This will be determined through an examination of a range of documentation including the Internal Audit Charter, the Audit Plan, its policies, procedures and practices.

The assessment will also comprise completion of a questionnaire and short interviews with key officers within the council, designed to assess the quality of relationship that internal audit has with its customers. In other words, the review will look beyond the simple checklist approach seek to identify the extent to which internal audit adds value to the organisation.

The outcome of the review will be a written report containing an action plan in response to any significant comments and recommendations that may be identified.

Any significant areas of non-compliance with the PSIAS that are identified through the self-assessment will be reported in the Annual Report and used to inform the Annual Governance Statement.

Questions to consider			Evidence / comments
<b>1 Mission of Internal Audit</b>			
Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?			✓ Arrangements set out within Internal Audit Charter. Annual Audit Plan and Opinion.
<i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i>			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>2 Definition of Internal Auditing</b>			
Based on your review of conformance with other requirements of the PSIAS and LGAN, is the internal audit activity independent and objective?			✓ Arrangements set out within Internal Audit Charter. Financial Procedure Rules.
CONFORMS	PARTIAL	NOT CONFORMING	
Based on your review of conformance with other requirements of the PSIAS and LGAN, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?			✓ The Internal Audit Manual and associated procedures
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>3 Core Principles</b>			
The Core Principles, taken as a whole, articulate internal audit effectiveness, and provide a basis for considering whether the review of conformance with the attribute standards and performance standards reflects full conformance, partial conformance or non-conformance with the PSIAS and the Local Government Application Note. In making this assessment, the assessor should have regard to positive evidence of conformance or non-conformance and the lack of evidence of non-conformance where positive evidence is difficult to obtain.			
Where there are instances of partial conformance or non-conformance in particular areas, you may need to make a judgment having regard to materiality and other factors in order to form a view on whether the internal audit activity CONFORMS with a particular Core Principle. Any such judgments should be highlighted and explained.			
<b>Demonstrates integrity.</b>			
Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles of Public Life), do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by demonstrating integrity?			✓ All members of IA team professionally qualified and comply with awarding bodies Code of Ethics. Staff declarations. Register of Interest
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>Demonstrates competence and due professional care.</b>			<ul style="list-style-type: none"> <li>✓ Compliance with awarding bodies Code of Ethics</li> <li>✓ Specialist skills procured when required (ICT)</li> <li>✓ Experienced Audit Team</li> <li>✓ Audit Manual and procedures</li> </ul>
Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by demonstrating competence and due professional care?			
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Is objective and free from undue influence (independent).</b>			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter</li> <li>✓ Annual Report and Opinion</li> </ul>
Having regard to your review of conformance with the Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being objective and free from undue influence (independent)?			
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Aligns with the strategies, objectives, and risks of the organisation.</b>			<ul style="list-style-type: none"> <li>✓ Risk assessment based upon current risks and objectives of the organization / service.</li> <li>✓ Internal Audit Plan compiled following consultation with Managers and risk analysis. Plan approved by Governance Committee</li> </ul>
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?			
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Is appropriately positioned and adequately resourced.</b>			<ul style="list-style-type: none"> <li>✓ Organisational structure</li> <li>✓ Audit Plan incl resources</li> </ul>
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being appropriately positioned and adequately resourced?			
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Demonstrates quality and continuous improvement.</b>			<ul style="list-style-type: none"> <li>✓ Internal Audit self-assessment reported to Governance Committee May 22 / May 23</li> <li>✓ Quality Assurance and Improvement programme.</li> </ul>
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by demonstrating quality and continuous improvement?			
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Communicates effectively.</b>			<ul style="list-style-type: none"> <li>✓ Reporting arrangements as set out within the Audit Charter.</li> </ul>
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by communicating effectively?			
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Provides risk-based assurance.</b>			

<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?</p>			<ul style="list-style-type: none"> <li>✓ Annual risk assessment undertaken to inform annual plan.</li> <li>✓ Review of risk registers</li> <li>✓ Service Assurance statements</li> <li>✓ Corporate risk registers</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p><b>Is insightful, proactive, and future-focused.</b></p>			<ul style="list-style-type: none"> <li>✓ Internal Audit involvement with project teams providing proactive advice and guidance on risk, governance and control (As per Internal Audit Plan).</li> <li>✓ New and emerging risks considered during the risk assessment and within each individual audit</li> </ul>
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being insightful, proactive, and future-focused?</p>			
CONFORMS	PARTIAL	NOT CONFORMING	
<p><b>Promotes organisational improvement.</b></p>			<ul style="list-style-type: none"> <li>✓ CAE member of Senior Leadership Team and involvement with Corporate Governance Group</li> <li>✓ identification of key areas for improvement within the AGS following comprehensive review undertaken by IA.</li> <li>✓ Individual Internal Audit Reports</li> </ul>
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by promoting organisational improvement?</p>			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>4 Code of Ethics</b>			
<b>Integrity</b>			
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display integrity by:</p> <ul style="list-style-type: none"> <li>■ Performing their work with honesty, diligence and responsibility?</li> <li>■ Observing the law and making disclosures expected by the law and the profession?</li> <li>■ Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation?</li> <li>■ Respecting and contributing to the legitimate and ethical objectives of the organisation?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Quality Assurance and Improvement Programme</li> <li>✓ Satisfaction surveys</li> <li>✓ Audit Charter – responsibilities</li> <li>✓ Signed Declaration of interests</li> <li>✓ Code of Conduct</li> <li>✓ Professional Code of Ethics</li> <li>✓ Audit Manual</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Objectivity</b>			
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by:</p> <ul style="list-style-type: none"> <li>■ Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</li> <li>■ Not accepting anything that may impair or be presumed to impair their professional judgement?</li> <li>■ Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Quality Assurance and Improvement Programme</li> <li>✓ Satisfaction surveys</li> <li>✓ Audit Charter – responsibilities</li> <li>✓ Signed Declaration of interests</li> <li>✓ Code of Conduct</li> <li>✓ Professional Code of Ethics</li> <li>✓ Audit Manual</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Confidentiality</b>			
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by:</p> <ul style="list-style-type: none"> <li>■ Acting prudently when using information acquired in the course of their duties and protecting that information?</li> <li>■ Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Quality Assurance and Improvement Programme</li> <li>✓ Satisfaction surveys</li> <li>✓ Audit Charter – responsibilities</li> <li>✓ Signed Declaration of interests</li> <li>✓ Code of Conduct</li> <li>✓ Professional Code of Ethics</li> <li>✓ Audit Manual</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

<b>Competency</b>			<ul style="list-style-type: none"> <li>✓ All members of IA team are professionally qualified.</li> <li>✓ Specialist skills procured when required (ICT)</li> <li>✓ Experienced Audit Team</li> <li>✓ On-going training and development (assessed through staff PDRs)</li> </ul>
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:</p> <ul style="list-style-type: none"> <li>■ Only carrying out services for which they have the necessary knowledge, skills and experience?</li> <li>■ Performing services in accordance with the PSIAS?</li> <li>■ Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</li> </ul>			
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Seven Principles of Public Life</b>			<ul style="list-style-type: none"> <li>✓ All members of IA team are professionally qualified and therefore comply with their awarding bodies Code of Ethics</li> <li>✓ Annual declarations of interest</li> <li>✓ Internal Audit Charter</li> <li>✓ Code of conduct</li> </ul>
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i>?</p>			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider	Evidence / comments		
<b>Standards</b>			
<b>5 Attribute Standards</b>			
<b>5.1 1000 Purpose, Authority and Responsibility</b>			
<p>The questions in this section seek to confirm that the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, formally approved in an internal audit charter and periodically reviewed.</p>			
<p>Does the internal audit charter conform with the PSIAS by including a formal definition of:</p> <ul style="list-style-type: none"> <li>■ the purpose</li> <li>■ the authority, and</li> <li>■ the responsibility</li> </ul> <p>of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?</p>		<p>Internal Audit Charter</p> <ul style="list-style-type: none"> <li>✓ Purpose (section 1)</li> <li>✓ Authority (section 4)</li> <li>✓ Responsibilities (section 7)</li> </ul>	
CONFORMS	PARTIAL	NOT CONFORMING	



Questions to consider			Evidence / comments
<p>Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?</p> <p>Note that it is expected that the Governance committee will fulfil the role of the board in the majority of instances.</p>			<p>✓ Internal Audit Charter (Section 3.2)</p>
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> <li>■ Set out the internal audit activity's position within the organisation?</li> <li>■ Establish the chief audit executive's (CAE) functional reporting relationship with the board?</li> <li>■ Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? Where applicable, this will need to encompass shared service or external providers of internal audit, and the role of the contract manager.</li> <li>■ Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?</li> <li>■ Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</li> <li>■ Define the scope of internal audit activities?</li> <li>■ Recognise that internal audit's remit extends to the entire control environment of the organisation?</li> <li>■ Establish the organisational independence of internal audit?</li> <li>■ Cover the arrangements for appropriate resourcing?</li> <li>■ Define the role of internal audit in any fraud-related work?</li> <li>■ Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety?</li> <li>■ Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities?</li> <li>■ Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?</li> <li>■ Define the nature of consulting services?</li> <li>■ Recognise the mandatory nature of the PSIAS?</li> </ul>			<p>Internal Audit Charter</p> <ul style="list-style-type: none"> <li>✓ Purpose (Section 1)</li> <li>✓ Reporting (section 5)</li> <li>✓ Organisational independence and objectivity (section 5)</li> <li>✓ Independence &amp; Objectivity</li> <li>✓ Authority (section 4)</li> <li>✓ Scope &amp; Responsibilities (section 6)</li> <li>✓ Scope &amp; Responsibilities</li> <li>✓ Independence (section 5)</li> <li>✓ Responsibilities (section 7)</li> <li>✓ Scope of activities (section 6)</li> <li>✓ Independence &amp; Objectivity</li> <li>✓ Scope &amp; Responsibilities</li> <li>✓ Scope of Activities</li> <li>✓ Compliance with PSIAS (section 3)</li> </ul>
CONFORMS	PARTIAL	NOT-CONFORMING	

Questions to consider			Evidence / comments
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?			✓ Reviewed and presented to Governance Committee March 21 / March 22
CONFORMS	PARTIAL	NOT CONFORMING	
<b>5.2 1100 Independence and Objectivity</b>			
The questions in this section seek to confirm that the internal audit activity is independent and internal auditors are objective in performing their work.			
Does the CAE have direct and unrestricted access to senior management and the board?			✓ As per Internal Audit Charter
Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the Governance committee?			✓ As per Internal Audit Charter
CONFORMS	PARTIAL	NOT CONFORMING	
Does the CAE attend Governance committee meetings?			✓ CAE attendance and participation at Governance committee meetings
Does the CAE contribute to Governance committee agendas?			
CONFORMS	PARTIAL	NOT CONFORMING	
Are threats to objectivity identified and managed at the following levels:			
<ul style="list-style-type: none"> <li>■ Individual auditor?</li> <li>■ Engagement?</li> <li>■ Functional?</li> <li>■ Organisation?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Declaration of interests form</li> <li>✓ Internal Audit Plan</li> <li>✓ Internal Audit Charter (Independence)</li> <li>✓ Code of Conduct</li> <li>✓ Code of Ethics</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>1110 Organisational Independence</b>			
This subsection seeks to confirm that reporting and management arrangements been put in place that preserve the CAE's independence and objectivity.			
This is of particular importance when the CAE is line-managed by another officer of the authority.			
Does the CAE report to an organisational level equal or higher to the corporate management team?			✓ CAE reports to Director of Governance who is a member of the Shared Senior Management Team
Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?			✓ Internal Audit Charter (reporting and monitoring)
CONFORMS	PARTIAL	NOT CONFORMING	<ul style="list-style-type: none"> <li>✓ Financial Procedure Rules</li> <li>✓ Organisation structure</li> </ul>

Questions to consider			Evidence / comments
<p>Does the CAE’s position in the management structure:</p> <ul style="list-style-type: none"> <li>■ Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?</li> <li>■ Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Audit Plan reported to and approved by Governance committee .</li> <li>✓ All final reports and action plans agreed and issued to Directors.</li> <li>✓ Internal Audit Charter</li> <li>✓ Organisation Structure</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p>			<ul style="list-style-type: none"> <li>✓ Annual Audit Report</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?</p> <p>The ‘Interpretation’ to PSIAS 1110 provides examples of factors which may indicate that the CAE reports functionally to the Board, which include where the board:</p> <ul style="list-style-type: none"> <li>■ approves the internal audit charter</li> <li>■ approves the risk-based audit plan</li> <li>■ approves the internal audit budget and resource plan</li> <li>■ receives communications from the CAE on the activity’s performance (in relation to the plan, for example)</li> <li>■ approves decisions relating to the appointment and removal of the CAE</li> <li>■ approves the remuneration of the CAE</li> <li>■ seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.</li> </ul> <p>The Public Sector Interpretation to PSIAS 1110 notes that board approval of CAE remuneration does not generally happen in the UK public sector, and that the underlying principle is therefore that the independence of the CAE must be safeguarded by ensuring that their remuneration or performance assessment is not inappropriately influenced by those subject to audit.</p> <p>EQA assessors should therefore consider whether adequate steps are taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not inappropriately influenced by those subject to audit. This might for example reflect some involvement of the chief executive in the performance assessment process or feedback from the Governance committee chair.</p>			<p>Reports to Governance Committee incl:                      Audit Plan (March 22 &amp; September 22)                      Audit Charter (March 22)                      Audit Plan resources.                      Audit Interim reports (Sept/ Nov / Jan)                      Annual report incl opinion</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b><i>1111 Direct Interaction with the Board</i></b>			
Does the CAE communicate and interact directly with the board?			<ul style="list-style-type: none"> <li>✓ As per Internal Audit Charter</li> <li>✓ Governance committee meetings and minutes / Chairs Brief</li> <li>✓ Ad-hoc meetings</li> <li>✓ All reports in Head of Service name</li> </ul>
CONFORMS	PARTIAL	NOT-CONFORMING	
<b><i>1112 Chief Audit Executive Roles Beyond Internal Auditing</i></b>			
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter includes safeguards</li> </ul>
Does the board periodically review these safeguards?			
CONFORMS	PARTIAL	NOT-CONFORMING	

Questions to consider			Evidence / comments
<b>1112 Chief Audit Executive Roles Beyond Internal Auditing</b>			
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter includes safeguards</li> <li>✓ Internal Audit periodically reviewed and approved by Governance Committee</li> </ul>
Does the board periodically review these safeguards?			
CONFORMS	PARTIAL	NOT CONFORMING	
<b>1120 Individual Objectivity</b>			
Do internal auditors have an impartial, unbiased attitude?			<ul style="list-style-type: none"> <li>✓ Professional Code of Ethics</li> <li>✓ Internal Audit Charter</li> <li>✓ Satisfaction survey at end of each audit would likely indicate any difficulties</li> <li>✓ Officer declarations</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors avoid any conflict of interest, whether apparent or actual?			<ul style="list-style-type: none"> <li>✓ Signed declaration of interests</li> <li>✓ Professional code of ethics</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>1130 Impairment to Independence or Objectivity</b>			
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter</li> <li>✓ Staff are experienced auditors and have had no operational responsibilities</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?			<ul style="list-style-type: none"> <li>✓ Review of Risk Management undertaken by external 3<sup>rd</sup> party to maintain independence</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?			<ul style="list-style-type: none"> <li>✓ Allocation of work based on skills, knowledge and experience of audit team, where possible responsibilities and assurance engagements are periodically rotated.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Have internal auditors declared interests in accordance with organisational requirements?			<ul style="list-style-type: none"> <li>✓ Signed declaration of interests forms.</li> </ul>

CONFORMS	PARTIAL	NOT CONFORMING	
Questions to consider			Evidence / comments
CONFORMS	PARTIAL	NOT CONFORMING	✓ None offered or accepted, however, process covered within Code of Conduct
CONFORMS	PARTIAL	NOT CONFORMING	✓ None identified
CONFORMS	PARTIAL	NOT CONFORMING	✓ Declaration of Interests signed by auditors ✓ Professional Code of Ethics
CONFORMS	PARTIAL	NOT CONFORMING	✓ No impairment of independence or objectivity noted
CONFORMS	PARTIAL	NOT CONFORMING	✓ Any significant changes to the approved audit plan would be reported to the Governance committee for approval
CONFORMS	PARTIAL	NOT CONFORMING	

5.3 1200 Proficiency and Due Professional Care			
This section seeks to confirm that engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the CAE and their staff, and how they exercise their capability in practice.			
<b>1210 Proficiency</b>			
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?			<ul style="list-style-type: none"> <li>✓ CMIIA</li> <li>✓ Service Lead JD</li> </ul>
Is the CAE suitably experienced?			<ul style="list-style-type: none"> <li>✓ 10 years Head of Audit experience</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?			<ul style="list-style-type: none"> <li>✓ CAE fully responsible for recruitment.</li> <li>✓ Up to date Job descriptions and person specifications e.g. Senior Auditor and Auditor posts</li> </ul>
Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?			
CONFORMS	PARTIAL	NOT CONFORMING	
Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?			<ul style="list-style-type: none"> <li>✓ Through in-house, external training courses, networking.</li> <li>✓ Specialist skills for ICT audit bought in.</li> </ul>
Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?			
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?			<ul style="list-style-type: none"> <li>✓ All auditors sufficiently experienced.</li> <li>✓ Internal Audit procedures clearly specify the need to consider fraud risks.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of key information technology risks and controls?			<ul style="list-style-type: none"> <li>✓ Staff have a general knowledge.</li> <li>✓ Specialist ICT service is bought in for specific audits.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?			<ul style="list-style-type: none"> <li>✓ Staff trained in use of IDEA. Used primarily in Payroll and Creditors work.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>1220 Due Professional Care</b>			
<p>Do internal auditors exercise due professional care by considering the:</p> <ul style="list-style-type: none"> <li>■ Extent of work needed to achieve the engagement's objectives?</li> <li>■ Relative complexity, materiality or significance of matters to which assurance procedures are applied?</li> <li>■ Adequacy and effectiveness of governance, risk management and control processes?</li> <li>■ Probability of significant errors, fraud, or non-compliance?</li> <li>■ Cost of assurance in relation to potential benefits?</li> </ul> <p>In doing the above, internal auditors must also consider how technology-based audit and other data analysis techniques can provide assurance.</p>			<ul style="list-style-type: none"> <li>✓ Discussed and agreed with auditee / Engagement Plan</li> <li>✓ Testing of controls to mitigate risks as part of audit work</li> <li>✓ Through core audit work</li> <li>✓ Management actions considered for practicality of implementation and discussed with auditee prior to agreement</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal auditors exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> <li>■ Needs and expectations of clients, including the nature, timing and communication of engagement results?</li> <li>■ Relative complexity and extent of work needed to achieve the engagement's objectives?</li> <li>■ Cost of the consulting engagement in relation to potential benefits?</li> </ul>			As above
CONFORMS	PARTIAL	NOT CONFORMING	



<b><i>1230 Continuing Professional Development</i></b>		
<p>Has the CAE defined the skills and competencies for each level of auditor? and Does the CAE periodically assess individual auditors against the predetermined skills and competencies?</p>		
CONFORMS	PARTIAL	NOT CONFORMING
<ul style="list-style-type: none"> <li>✓ Job description for Senior Auditor and Auditor</li> <li>✓ Staff Performance development reviews regularly undertaken</li> <li>✓ Regular 1-1 discussions are held with each Auditor to discuss performance / progress against reviews etc.</li> </ul>		
<p>Do internal auditors undertake a programme of continuing professional development? and Do internal auditors maintain a record of their professional development and training activities?</p>		
CONFORMS	PARTIAL	NOT CONFORMING
<ul style="list-style-type: none"> <li>✓ Work undertaken and on-going training helps to ensure requirements for CPD are met.</li> <li>✓ The Corporate Learning Hub is utilized to hold all training data.</li> </ul>		

<b>5.4 1300 Quality Assurance and Improvement Programme</b>			
The questions in this section seek to confirm that the CAE has developed and maintained a Quality Assurance and Improvement Programme (QAIP) through which conformance with the PSIAS can be and is properly assessed.			
Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated? Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement? Does the CAE maintain the QAIP? Are any statutory requirements for review of the internal audit activity satisfied?			✓ Quality Assurance and Improvement Programme (QAIP) in place including performance indicators and quality control of audit work. ✓ QAIP periodically reviewed. ✓ Referenced in Review of Effectiveness of Internal Audit to Governance Committee (May 23)
CONFORMS	PARTIAL	NOT CONFORMING	
<b>1310 Requirements of the Quality Assurance and Improvement Programme</b>			
Does the QAIP include both internal and external assessments?			✓ Specified in the QAIP
CONFORMS	PARTIAL	NOT CONFORMING	
<b>1311 Internal Assessments</b>			
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?			✓ Reviews allocated on a quarterly basis and monitored through regular discussions with individual auditors ✓ Specified in the QAIP
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal assessments include ongoing monitoring of the internal audit activity, such as: ■ Routine quality monitoring processes? ■ Periodic assessments for evaluating conformance with the PSIAS?			✓ CAE or Senior Auditor reviews each audit assignment and reports ✓ PSIAS checklist used for Annual Review of Effectiveness of IA ✓ Specified in the QAIP
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> <li>■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities?</li> <li>■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?</li> <li>■ Does the CAE measure, monitor and report on progress against these targets?</li> <li>■ Does ongoing performance monitoring include obtaining stakeholder feedback?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Targets approved by Governance committee March 2022</li> <li>✓ Agreed part of Business planning</li> <li>✓ To be included with every progress report to Governance committee</li> <li>✓ Satisfaction survey issued following each review</li> <li>✓ Review progress monitored at regular 121s</li> <li>✓ Time Management System</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?</p> <p>Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.</p>			<ul style="list-style-type: none"> <li>✓ Annual Self Assessments carried out by CAE</li> <li>✓ Memorandum of understanding sets out criteria for external assessment carried out by Lancashire Heads of Audit (Peer review)</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?</p>			<ul style="list-style-type: none"> <li>✓ Reported to Governance committee in each progress report</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>1312 External Assessments</b>			
<p>Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?</p> <p>Has the CAE discussed the alternative approaches to external assessment with the board? This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether there are factors which might be considered to warrant a demonstrably independent assessment.</p>			<ul style="list-style-type: none"> <li>✓ External peer review carried out April 2018.</li> <li>✓ Governance committee Report June 2018.</li> <li>✓ Next external peer review planned for 2023</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?</p> <p>In doing this, the CAE should consider whether the assessor or assessment team has demonstrated its competence in both the professional practice of internal auditing <i>and</i> the external assessment process. Competence can be demonstrated through both experience and theoretical learning. Experience of similar organisations or sectors is more valuable than less relevant experience. In the case of an assessment team, not all members need to have all the competencies – it is the team as a whole that is qualified.</p> <p>If the capability of the assessor or assessment team is not immediately obvious, the CAE should document how they used professional judgement to decide whether this is sufficient to carry out the external assessment.</p> <p>If the assessor or assessment team has any real or apparent conflicts of interest with the organisation, this should be clearly explained to the board, and safeguards should be put in place to minimise the effect of this on the conduct of the external assessment.</p> <p>Conflict of interest may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.</p>			<p>✓ Peer Review teams are all Lancashire Heads of Audit and any impairments will be taken into account by the Sub Group who appoint the reviewers for each authority.</p> <p>✓ Use of Lancashire Peer Review process agreed with the Governance Committee</p>
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the Governance committee, the CFO or the chief executive?</p> <p>The CAE should also agree this scope with the external assessor or assessment team.</p>			<p>✓ Memorandum of Understanding in place.</p>
CONFORMS	PARTIAL	NOT-CONFORMING	
<b><i>1320 Reporting on the Quality Assurance and Improvement Programme</i></b>			
<p>Has the CAE reported the results of the QAIP to senior management and the board?</p> <p>Note that:</p> <ul style="list-style-type: none"> <li>■ the results of both external and periodic internal assessment must be communicated upon completion</li> <li>■ the results of ongoing monitoring must be communicated at least annually</li> <li>■ the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.</li> </ul>			<p>✓ Review of the effectiveness of Internal Audit reported to Governance Committee (May 23)</p> <p>✓ On-going monitoring included in interim reports to Governance Committee and Corporate Governance Group throughout the year including performance indicators.</p>
CONFORMS	PARTIAL	NOT-CONFORMING	

Questions to consider			Evidence / comments
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?			✓ Head of Audit Annual Report May 21 / May 22 / May 23
CONFORMS	PARTIAL	NOT CONFORMING	
<b>1321 Use of 'CONFORMS with the International Standards for the Professional Practice of Internal Auditing'</b>			
Has the CAE stated that the internal audit activity CONFORMS with the PSIAS only if the results of the QAIP support this?			✓ Included within every Internal Audit Report
CONFORMS	PARTIAL	NOT CONFORMING	
<b>1322 Disclosure of Non-conformance</b>			
Has the CAE reported any instances of non-conformance with the PSIAS to the board?			✓ Annual Report
CONFORMS	PARTIAL	NOT CONFORMING	
If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>6 Performance Standards</b>			
<b>6.1 2000 Managing the Internal Audit Activity</b>			
<p>The questions in this section seek to confirm that the internal audit activity's work achieves the purposes and responsibility of the activity, as set out in the internal audit charter, and that the internal audit activity adds value to the organisation and its stakeholders by:</p> <ul style="list-style-type: none"> <li>■ providing objective and relevant assurance</li> <li>■ contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.</li> </ul>			
<b>2010 Planning</b>			
<p>Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?</p> <p>Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?</p> <p>Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:</p> <ul style="list-style-type: none"> <li>■ How the internal audit service will be delivered?</li> <li>■ How the internal audit service will be developed in accordance with the internal audit charter?</li> <li>■ How the internal audit service links to organisational objectives and priorities?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Risk based plans are developed consistent with the Council's priorities, corporate and operational risk registers</li> <li>✓ Audit plan considers both assurance work and consultancy work on corporate plan / strategy projects.</li> <li>✓ Reviews cover broad range of service areas to enable an annual internal audit opinion to be made.</li> <li>✓ Internal Audit Manual</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?</p> <p>In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?</p> <p>If such a risk management framework does not exist, has the CAE used their judgement of risks after input from senior management and the board and evidenced this?</p>			<ul style="list-style-type: none"> <li>✓ Audit Risk Assessment reflects risk position of each area of activity. Consideration given to range of factors including previous opinion, date last audited, new and emerging risks / changes to processes / staffing etc.</li> <li>✓ Audit Risk Assessment considers SSMT minutes, corporate, project and operational risk registers</li> <li>✓ Risk Management Strategy supported by discussions with all members of senior management</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the risk-based plan set out the:</p> <ul style="list-style-type: none"> <li>■ Audit work to be carried out?</li> <li>■ Respective priorities of those pieces of audit work?</li> <li>■ Estimated resources needed for the work?</li> </ul> <p>Does the risk-based plan differentiate between audit and other types of work?</p> <p>Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?</p>			<ul style="list-style-type: none"> <li>✓ Plan now only developed for 6 months to allow focus on new and emerging risks</li> <li>✓ Audit Plan contains both assurance, consultancy and governance reviews (approved by Governance committee )</li> <li>✓ Priorities agreed with Directors and reflected in the timing of the review</li> <li>✓ Resources allocated</li> <li>✓ Audit Plans contain contingency time to allow</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?</p>			<ul style="list-style-type: none"> <li>✓ Audit Plan kept under constant review and amended when necessary. Any changes are reported to and approved by Governance</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Is the internal audit activity's plan of engagements based on a documented risk assessment?</p> <p>Is the risk assessment used to develop the plan of engagements undertaken at least annually?</p>			<ul style="list-style-type: none"> <li>✓ An Audit risk assessment is used as basis for Audit Plan.</li> <li>✓ Audit Risk assessment updated throughout the year and used as basis of the development of the</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>In developing the risk-based plan, has the CAE also given sufficient consideration to:</p> <ul style="list-style-type: none"> <li>■ Any declarations of interest (for the avoidance for conflicts of interest)?</li> <li>■ The requirement to use specialists, eg IT or contract and procurement auditors?</li> <li>■ Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?</li> <li>■ The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Office declaration of interests</li> <li>✓ Procurement of ICT specialists</li> <li>✓ Contingency time included within Audit Plan</li> <li>✓ Plan allocations set out time for Audit Planning / Monitoring / Reporting and time for Governance</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?</p> <p>Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?</p>			<ul style="list-style-type: none"> <li>✓ Senior Managers consulted on the Audit risk assessment and comments recorded.</li> <li>✓ Plan presented to SSSMT</li> <li>✓ Governance committee approval of audit plan</li> <li>✓ All involved with the planning process</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?</p> <p>Are consulting engagements that have been accepted included in the risk-based plan?</p>			<ul style="list-style-type: none"> <li>✓ Consultancy engagements included as part of the planning process</li> <li>✓ Plan includes consultancy / projects etc.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>2020 Communication and Approval</b>			
Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?			<ul style="list-style-type: none"> <li>✓ Audit Plan reported to Shared Management Team and Governance committee.</li> <li>✓ Have previously reported changes and sought approval from the Governance committee</li> </ul>
Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?			
CONFORMS	PARTIAL	NOT CONFORMING	
Has the CAE communicated the impact of any resource limitations to senior management and the board?			<ul style="list-style-type: none"> <li>✓ Any resource limitations discussed with senior managers / CGG / Governance committee.</li> </ul>
CONFORMS			
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2030 Resource Management</b>			
Does the risk-based plan explain how internal audit's resource requirements have been assessed?			<ul style="list-style-type: none"> <li>✓ Plan allocations set out the number of days available including both internal and external resources</li> </ul>
CONFORMS			
CONFORMS	PARTIAL	NOT CONFORMING	
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?			<ul style="list-style-type: none"> <li>✓ Timing of engagements discussed with Directors / Service Leads and recorded on Audit risk assessment and Audit Plan. Issued to SSMT</li> </ul>
CONFORMS			
CONFORMS	PARTIAL	NOT CONFORMING	
If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?			<ul style="list-style-type: none"> <li>✓ Any concerns would be identified and discussed prior to production of and approval of the plan.</li> </ul>
This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.			
CONFORMS			
CONFORMS	PARTIAL	NOT CONFORMING	



Questions to consider			Evidence / comments
<b>2040 Policies and Procedures</b>			
<p>Has the CAE developed and put into place policies and procedures to guide the internal audit activity?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems to guide staff in performing their duties in a manner that CONFORMS to the PSIAS</p> <p>Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?</p>			<ul style="list-style-type: none"> <li>✓ Audit Manual and associated procedures</li> <li>✓ Audit drive (electronic system)</li> <li>✓ Document templates</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2050 Coordination</b>			
<p>Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?</p> <p>The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers.</p> <p>They should also meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans.</p> <p>Where key organisational risks relate to work undertaken through partnerships, the auditor may be able to take assurance from work undertaken by others, or by obtaining assurance directly.</p>			<ul style="list-style-type: none"> <li>✓ Assurances considered and collated at audit plan discussion stage,</li> <li>✓ Service Assurance Statements identify other sources of assurance given</li> <li>✓ Reports issued to External Audit</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2060 Reporting to Senior Management and the Board</b>			
<p>Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?</p> <p>Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?</p> <p>Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?</p>			<ul style="list-style-type: none"> <li>✓ Progress against the plan, findings and KPIs presented to CGG</li> <li>✓ Interim reports presented to Governance committee</li> <li>✓ Issues raised with managers / directors when appropriate.</li> <li>✓ All other reviews reported in accordance with Governance committee timetable</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b><i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i></b>			
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	

6.2 2100 Nature of Work			
The questions in this section seek to confirm that the internal audit activity evaluates and contributes to the improvement of the organisation's governance, risk management and internal control processes using a systematic and disciplined approach.			
<b>2110 Governance</b>			
<p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> <li>■ Making strategic and operational decisions?</li> <li>■ Overseeing risk management and control?</li> <li>■ Promoting appropriate ethics and values within the organisation?</li> <li>■ Ensuring effective organisational performance management and accountability?</li> <li>■ Communicating risk and control information to appropriate areas of the organisation?</li> <li>■ Coordinating the activities of and communicating information among the board, external and internal auditors and management?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Overall aim of the IA Service (Audit Charter)</li> <li>✓ Through specific audit reports, including the annual audit of the Governance / Risk Management Frameworks.</li> <li>✓ CAE involvement in Corporate Governance Group</li> <li>✓ Delivery of Governance Essentials Training to all members of SLT</li> <li>✓ Ownership of corporate policies i.e. anti-fraud, whistleblowing etc</li> <li>✓ Performance Management included within each engagement where appropriate</li> <li>✓ Performance Management included within Internal Audit Plan as a review.</li> <li>✓ Communicated through Audit reports and through provision of advice and guidance</li> <li>✓ Individual Audit reports issued to Directors /External Audit</li> <li>✓ Internal Audit annual report and progress reports to Governance committee</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.			<ul style="list-style-type: none"> <li>✓ Ownership of corporate policies i.e. anti-fraud, money laundering etc.</li> <li>✓ Through individual audit reviews incl. Ethical culture</li> <li>✓ SAS received and reviewed as part of the AGS process</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives? This is an area where the CAE may be able to use other sources of assurance.			<ul style="list-style-type: none"> <li>✓ Salford Council commissioned to provide ICT assurance</li> <li>✓ ICT reports considered by the CGG</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>2120 Risk Management</b>			
<p>Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:</p> <ul style="list-style-type: none"> <li>■ Organisational objectives support and align with the organisation's mission?</li> <li>■ Significant risks are identified and assessed?</li> <li>■ Appropriate risk responses are selected that align risks with the organisation's risk appetite?</li> <li>■ Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Review of Risk management periodically included within Internal Audit Plan</li> <li>✓ Use of risk management framework</li> <li>✓ Use of GRACE risk management system to record risks and controls</li> <li>✓ All risks assigned to an owner</li> <li>✓ Corporate risk register reported and monitored</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> <li>■ Achievement of the organisation's strategic objectives?</li> <li>■ Reliability and integrity of financial and operational information?</li> <li>■ Effectiveness and efficiency of operations and programmes?</li> <li>■ Safeguarding of assets?</li> <li>■ Compliance with laws, regulations, policies, procedures and contracts?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Risk-based Audit Plan</li> <li>✓ Risk-based auditing for each individual audit review</li> <li>✓ All areas considered as part of planning / scope of each review as appropriate.</li> <li>✓ Service Assurance Statements reviewed by IA annually</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p> <p>CIPFA has issued a <i>Code of Practice on Managing the Risk of Fraud and Corruption</i>, and strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk.</p>			<ul style="list-style-type: none"> <li>✓ Individual audit engagements specifically review identified fraud risks</li> <li>✗ Review to assesses the council's arrangements against CIPFA Code of Practice and Fighting Fraud and Corruption Locally completed and action plan being developed.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

<p>Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?</p> <p>Are internal auditors alert to other significant risks when undertaking consulting engagements?</p> <p>Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes?</p>			<p>✓ IA involved with project teams to provide advice and guidance on governance, control and risk.</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?</p>			<p>✓ GRACE system assigns risk owners to individual risks. IA do not own any risks other than those relating to the IA service</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2130 Control</b>			
<p>Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> <li>■ Achievement of the organisation's strategic objectives?</li> <li>■ Reliability and integrity of financial and operational information?</li> <li>■ Effectiveness and efficiency of operations and programmes?</li> <li>■ Safeguarding of assets?</li> <li>■ Compliance with laws, regulations, policies, procedures and contracts?</li> </ul>			<p>✓ Risk-based Audit Planning process</p> <p>✓ Risk-based auditing for each individual audit review</p> <p>✓ All areas considered as part of planning / scope of each review as appropriate.</p> <p>✓ Risk-based Audit Plan</p> <p>✓ Service Assurance statements reviewed by IA annually</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?</p>			<p>✓ Where appropriate</p> <p>✓ Knowledge shared within wider Audit and Risk team during fortnightly meetings</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>6.3 2200 Engagement Planning</b>			
<p>Do internal auditors develop and document a plan for each engagement?</p> <p>Does the engagement plan include the engagements:</p> <ul style="list-style-type: none"> <li>■ Objectives?</li> <li>■ Scope?</li> <li>■ Timing?</li> <li>■ Resource allocations?</li> </ul>			<p>✓ Standard document templates / Audit Engagement Plan issued agreed and issued at the start of each review.</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> <li>■ The objectives of the activity being reviewed?</li> <li>■ The means by which the activity controls its performance?</li>   <li>■ The significant risks to the activity being audited?</li>   <li>■ The activity's resources?</li>   <li>■ The activity's operations?</li>   <li>■ The means by which the potential impact of risk is kept to an acceptable level?</li> <li>■ The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?</li> <li>■ The opportunities for making significant improvements to the activity's governance, risk management and control processes?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Audit Engagement Plan and report</li> <li>✓ Review of performance information is included within the engagement where appropriate</li> <li>✓ Use of risk registers and recorded in the Risk and Control Evaluation</li> <li>✓ Resource availability considered at the Audit Engagement Plan stage and discussed during the initial meeting.</li> <li>✓ Part of audit planning and initial discussion with Service Lead incl. within the Engagement Plan</li> <li>✓ Review of the risk register and assessment of the controls in place</li> <li>✓ Basis of the risk based assignment. Findings included within the report</li> <li>✓ Basis of the risk based assignment. Findings and actions to improve included within the report</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:</p> <ul style="list-style-type: none"> <li>■ Objectives?</li> <li>■ Scope?</li> <li>■ The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Engagement plan developed and agreed with wholly owned companies prior to commencement</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <ul style="list-style-type: none"> <li>■ Objectives?</li> <li>■ Scope?</li> <li>■ The respective responsibilities of the internal auditors and the client and other client expectations?</li> </ul> <p>For significant consulting engagements, has this understanding been documented?</p>			<p>✓ Engagement plan clearly sets out the role of Internal Audit within consulting engagements</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>2210 Engagement Objectives</b>			
<p>Have objectives been agreed for each engagement?</p> <p>Have internal auditors carried out a preliminary risk assessment of the activity under review?</p> <p>Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?</p> <p>Have internal auditors considered the probability of the following when developing the engagement objectives:</p> <ul style="list-style-type: none"> <li>■ Significant errors?</li> <li>■ Fraud?</li> <li>■ Non-compliance?</li> <li>■ Any other risks?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Within Audit Engagement Plan and discussed at initial meeting.</li> <li>✓ Review of the risk register and compilation of the RCE</li> <li>✓ Audit engagement working papers</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?</p> <p>If the criteria has been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?</p>			<ul style="list-style-type: none"> <li>✓ Most service areas have PIs to assess adequacy of performance and these are tested where appropriate and included within the Engagement Plan</li> </ul>
<p>If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?</p> <p>If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?</p>			<ul style="list-style-type: none"> <li>✓ If PI's were inadequate we would identify and include within the IA report.</li> <li>✓ Where appropriate</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?</p> <p>Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?</p>			<ul style="list-style-type: none"> <li>✓ Included within the Audit Engagement Plan</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?</p> <p>Does the scope for each engagement include consideration of relevant systems, records, personnel and physical properties? Does this consideration include areas under the control of outside parties, where appropriate?</p>			<ul style="list-style-type: none"> <li>✓ Audit Engagement Plan (reviewed and agreed with CAE and Directors)</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	



Questions to consider			Evidence / comments
<p>Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?</p> <p>Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting standards?</p>			<p>This has not occurred as significant consultancy work is included within the IA Annual plan</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?</p> <p>If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?</p> <p>During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?</p> <p>During consulting engagements, were internal auditors alert to any significant control issues?</p>			<ul style="list-style-type: none"> <li>✓ Included within Audit Engagement Plan</li> <li>✓ This has not occurred but discussion would take place if the situation arose</li> <li>✓ Key focus of the consultancy work</li> <li>✓ IA role is to ensure that governance, risk management and control issues are considered throughout the whole project</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b><i>2230 Engagement Resource Allocation</i></b>			
<p>Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement based on:</p> <p>a) The nature and complexity of the individual engagement?</p> <p>b) Any time constraints?</p> <p>c) The resources available?</p>			<ul style="list-style-type: none"> <li>✓ Resource allocation is estimated for each review and is included within the Annual Plan</li> <li>✓ Plan is based on current knowledge of the system under review.</li> <li>✓ Plan allocations issued to all auditors</li> <li>✓ Time is monitored throughout the course of the audit to ensure resources are used effectively and efficiently.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

<p><b>2240 Engagement Work Programme</b></p>			
<p>Have internal auditors developed and documented work programmes that achieve the engagement objectives?</p> <p>Do the engagement work programmes include procedures for:</p> <ul style="list-style-type: none"> <li>■ Identifying information?</li> <li>■ Analysing information?</li> <li>■ Evaluating information?</li> <li>■ Documenting information?</li> </ul> <p>Were work programmes approved prior to implementation for each engagement?</p> <p>Were any adjustments required to work programmes approved promptly?</p>			<ul style="list-style-type: none"> <li>✓ RCE produced which details all the controls to be tested during the course of the review.</li> <li>✓ All working papers are retained on the Shared Audit network drive.</li> <li>✓ Experienced / Professionally qualified auditors able to use appropriate methods to identify, analyse , evaluate and document information in order to provide assurance or otherwise in all reviews undertaken</li> <li>✓ CAE / Senior Auditor approves all RCEs prior to review commencing.</li> <li>✓ Auditors can amend work programme according to complexity and time on approval by CAE</li> </ul>
<p>CONFORMS</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	

Questions to consider			Evidence / comments
<b>6.4 2300 Performing the Engagement</b>			
The questions in this section seek to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support engagement			
<b>2310 Identifying Information</b>			
Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?  Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the			<ul style="list-style-type: none"> <li>✓ Working papers retained on the Shared Audit network drive.</li> <li>✓ Experienced auditors able to identify sufficient, reliable, relevant and useful information in order to provide assurance or otherwise in all reviews undertaken</li> <li>✓ CAE review of working papers and report would identify any shortcomings.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2320 Analysis and Evaluation</b>			
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and			<ul style="list-style-type: none"> <li>✓ Auditors follow standardized process. Each assurance rating is based upon evidence considered as part of the quality process</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented:  <ul style="list-style-type: none"> <li>■ Intentional wrong doing?</li> <li>■ Errors and omissions?</li> <li>■ Poor value for money?</li> <li>■ Failure to comply with management policy?</li> <li>■ Conflicts of interest?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Experienced auditors who would be able to identify and document within working papers</li> <li>✓ Review of working papers and report to ensure scope and objectives of the review achieved</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2330 Documenting Information</b>			
Have internal auditors documented the relevant information required to support engagement conclusions and results?  Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?			<ul style="list-style-type: none"> <li>✓ Working papers contain the relevant information (template documents and quality system)</li> <li>✓ Senior Auditor review of working papers and report would identify any shortcomings</li> <li>✓ Any shortcomings would be addressed and rectified</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the CAE control access to engagement records?</p> <p>Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?</p> <p>Has the CAE developed and implemented retention requirements for all types of engagement records?</p>			<ul style="list-style-type: none"> <li>✓ Records held on shared network drive. Only internal audit staff have access to this drive.</li> <li>✓ Retention requirements included within the Audit Manual</li> </ul>
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?</p>			<ul style="list-style-type: none"> <li>✓ Retention schedule developed in accordance with corporate approach</li> </ul>
<b>2340 Engagement Supervision</b>			
<p>Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?</p> <p>Is appropriate evidence of supervision documented and retained for each engagement?</p>			<ul style="list-style-type: none"> <li>✓ Ongoing discussion with auditor, file review and report clearance will identify any issues</li> <li>✓ Working papers reviewed are signed by the Senior Auditor / CAE and comments recorded on the RCE to highlight any areas of concern which must be addressed prior to the issue of the draft report.</li> </ul>
CONFORMS	PARTIAL	NOT-CONFORMING	
<b>6.5 2400 Communicating Results</b>			
<p>The questions in this section seek to confirm that internal auditors communicate the results of engagements in an</p>			
<b>2410 Criteria for Communicating</b>			
<p>Do the communications of engagement results include the following:</p> <ul style="list-style-type: none"> <li>■ The engagement's objectives?</li> <li>■ The scope of the engagement?</li> <li>■ Applicable conclusions?</li> <li>■ Recommendations and action plans, if appropriate?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Report templates used</li> <li>✓ Summary of overall findings included with controls assurance ratings</li> <li>✓ Management Action Plan</li> </ul>
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?</p>			<ul style="list-style-type: none"> <li>✓ Meeting with Lead Officer to discuss draft report, findings and agree management actions</li> <li>✓ Report issued to officers set out in the engagement plan</li> </ul>
CONFORMS	PARTIAL	NOT-CONFORMING	

<p>If recommendations and an action plan have been included, are recommendations prioritised according to risk?</p> <p>If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?</p> <p>If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?</p>			<ul style="list-style-type: none"> <li>✓ Red and amber risks reviewed and actions prioritized according to the level of control</li> <li>✓ Actions prioritized by priority level with the timescale recorded on the action plan</li> <li>✓ Any alternative actions are recorded in the management action plan.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?</p>			<ul style="list-style-type: none"> <li>✓ Material facts disclosed.</li> <li>✓ Control assurance ratings based on findings of the review. If challenged, the auditee must provide evidence to support change</li> <li>✓ All Audit reports are issued to Directors and External Audit.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Opinions should be supported by sufficient, reliable, relevant and useful information (in line with responses to questions for PSIAS 2300).</p> <p>Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?</p>			<ul style="list-style-type: none"> <li>✓ Each identified risk is awarded an assurance opinion on the RCE These support the overall assurance opinion awarded for the review</li> <li>✓ Positive assurance is included within the report</li> <li>✓ Working papers reviewed to ensure accuracy of opinion</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?</p>			<ul style="list-style-type: none"> <li>✓ Where necessary (but has not occurred)</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?</p>			<ul style="list-style-type: none"> <li>✓ CAE providing assurance to council wholly owned companies.</li> <li>✓ Reports to Board of Directors and Governance Committee set out reporting requirements</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2420 Quality of Communications</b>			
<p>Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?</p>			<ul style="list-style-type: none"> <li>✓ Report template used</li> <li>✓ Factual accuracy of report findings confirmed with auditee at draft report stage</li> <li>✓ Satisfaction survey issued after each review</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2421 Errors and Omissions</b>			
<p>If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?</p>			<ul style="list-style-type: none"> <li>✓ This would be done where required</li> <li>✓ Meeting to discuss draft report may identify errors and omissions if applicable</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

<b><i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i></b>			
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?			✓ Noted on the Report template
CONFORMS	PARTIAL	NOT-CONFORMING	

Questions to consider			Evidence / comments
<b>2431 Engagement Disclosure of Non-conformance</b>			
<p>Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:</p> <ul style="list-style-type: none"> <li>■ The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?</li> <li>■ The reason(s) for non-conformance?</li> <li>■ The impact of non-conformance on the engagement and the engagement results?</li> </ul>			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2440 Disseminating Results</b>			
<p>Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?</p>			✓ Circulation specified on Audit Engagement Plan
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the CAE communicated engagement results to all appropriate parties?</p>			✓ As per each individual Audit Engagement Plan
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Before releasing engagement results to parties outside the organisation, did the CAE:</p> <ul style="list-style-type: none"> <li>■ Assess the potential risk to the organisation?</li> <li>■ Consult with senior management and/or legal counsel as appropriate?</li> <li>■ Control dissemination by restricting the use of the results?</li> </ul>			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?</p>			<ul style="list-style-type: none"> <li>✓ Summary of consultancy work undertaken included within Progress Report / Annual Report</li> <li>✓ Any significant issues highlighted during the consultancy engagement are raised with the lead officer during the review</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	



Questions to consider			Evidence / comments
<b>2450 Overall Opinion</b>			
<p>Has the CAE delivered an annual internal audit opinion?</p> <p>Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control?</p> <p>Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?</p> <p>Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information (having regard to the answers to questions on PSIAS 2300)?</p>			<ul style="list-style-type: none"> <li>✓ Annual Report</li> <li>✓ Results of individual reviews reported to senior managers and the Governance committee throughout the year</li> <li>✓ Overall annual opinion based on opinions of individual pieces of audit work undertaken during the year and knowledge of other sources of assurance both internal and external.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the communication identify the following:</p> <ul style="list-style-type: none"> <li>■ The scope of the opinion, including the time period to which the opinion relates?</li> <li>■ Any scope limitations?</li> <li>■ The consideration of all related projects including the reliance on other assurance providers?</li> <li>■ The risk or control framework or other criteria used as a basis for the overall opinion?</li> </ul> <p>Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?</p> <p>Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?</p>			<ul style="list-style-type: none"> <li>✓ Annual Report</li> <li>✓ Where appropriate</li> <li>✓ Other assurance providers are included (highlighted within SAS as part of AGS work)</li> <li>✓ Results of audit reviews undertaken during the year</li> <li>✓ Included in summary table of each review</li> <li>✓ Opinion included within AGS</li> </ul>
CONFORMS	PARTIAL	NOT CONFO	
<p>Does the annual report incorporate the following:</p> <ul style="list-style-type: none"> <li>■ The annual internal audit opinion?</li> <li>■ A summary of the work that supports the opinion?</li> <li>■ A disclosure of any qualifications to the opinion?</li> <li>■ The reasons for any qualifications to the opinion?</li> <li>■ A disclosure of any impairments or restriction in scope?</li> <li>■ A comparison or work actually carried out with the work planned?</li> <li>■ A statement on conformance with the PSIAS?</li> <li>■ The results of the QAIP?</li> <li>■ Progress against any improvement plans resulting from the QAIP?</li> <li>■ A summary of the performance of the internal audit activity against its performance measures and targets?</li> <li>■ Any other issues that the CAE judges is relevant to the preparation of the governance statement?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Annual report includes all required information</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>6.6 2500 Monitoring Progress</b>			
<p>The questions in this section seek to confirm that a system is in place to monitor effectiveness of audit communications results to management, including appropriate follow up when no action is taken by management.</p> <p>Has the CAE established a process to monitor and follow up management actions to ensure that agreed actions have been effectively implemented or that senior management have accepted the risk of not taking action?</p>			
<p>Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?</p> <p>Do the results of monitoring management actions inform the risk-based planning of future audit work?</p>			<ul style="list-style-type: none"> <li>✓ Comprehensive monitoring system introduced in 21/22.</li> <li>✓ Progress against implementation of actions reported to CGG and Governance Committee</li> <li>✓ Implementation of actions considered as part of the audit planning process</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the internal audit activity monitor the results of consulting engagements as agreed with the client?</p>			<ul style="list-style-type: none"> <li>✓ As per any other engagement</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>6.7 2600 Communicating the Acceptance of Risks</b>			
<p>This section considers the arrangements which apply if the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation.</p> <p>Situations of this kind are expected to be rare. PSIAS 2600 sets out communication requirements for the CAE. It is not the responsibility of the CAE to resolve the risk.</p>			
<p>If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?</p> <p>If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?</p>			<p>Has not occurred but if it did, the matter would be reported to Senior Management</p> <p>This has not occurred but if it did, the matter would be reported to Governance committee</p>
CONFORMS	PARTIAL	NOT CONFORMING	



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**Public Sector Internal Audit Standards Self-Assessment Action Plan****May 2023**

<b>Ref</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Status</b>
1	Undertake a review of the Council's arrangements against the CIPFA Code of Practice on Managing the risk of fraud and corruption and Fighting Fraud and Corruption Locally	Head of Audit and Risk	In progress. The review has been undertaken an action plan is being developed. – See AGS action plan

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# Agenda Item 8



Report of	Meeting	Date
Director of Governance	Governance Committee	Tuesday, 23 May 2023

## Draft Annual Governance Statement

Is this report confidential?	No
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Is this decision key?	Not applicable
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### Purpose of the Report

1. To present to Committee for review the draft Annual Governance Statement for 2022/23.

### Recommendations

2. Members approve the Annual Governance Statement in draft form for inclusion with the draft statement of accounts.

### Reasons for recommendations

3. The Annual Governance Statement forms part of the Statement of Accounts. The Annual Governance Statement has been prepared in accordance with CIPFA/SOLACE Guidance and has drawn from evidence sources identified in the statement to reach its conclusions

### Executive summary

5. This is only necessary for reports of longer than 4 sides and should include detail on HR and customer service implications.

### Corporate priorities

6. The report relates to the following corporate priorities: (Please bold one)

<b>An exemplary council</b>	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

### Background to the report

7. The council is required to ensure that it has in place a sound system of governance, that it regularly reviews the effectiveness of that system and the it continuously

# Agenda Item 8

seeks to achieve best value in service delivery. As part of that, the council is required to publish an Annual Governance Statement (AGS).

8. The Annual Governance Statement is developed alongside the Statement of Accounts but assesses the governance framework for the whole council and all of its activities. The form of the AGS and the approach taken to its development is based on guidance that is produced by CIPFA and SOLACE.
9. The guidance from CIPFA and SOLACE sets out that councils are obliged to Develop and maintain an up to date local code of governance consistent with the 'core principles' set out in the framework Review their existing governance arrangements against the framework Prepare a governance statement in order to report publicly on the extent to which the council complies with its own code on an annual basis including how it monitored the effectiveness of its governance arrangements in the year and on any planned changes in the coming period.
10. The annual governance statement is required to be signed by the most senior officer (normally the Chief Executive) and the most senior member (normally the Leader), but it is developed and owned collectively by senior officers and members.
11. The guidance states that there should be a review undertaken by a body, such as the Governance Committee, that has not been involved in the production of the AGS.
12. The statement has five sections: Section one: introduction Section two: the council's responsibility in producing an annual governance statement and the purpose of the annual governance statement Section three: the governance framework, and how the council complies with its local code Section four: how the council reviews the effectiveness of the governance framework Section five: reflects back and updates on the progress improvements identified in the previous AGS and improvements recommended to be taken in the coming period.
13. The full AGS attached at appendix A.

## **Climate change and air quality**

14. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

## **Equality and diversity**

15. The Annual Governance Statement includes reference to how we discharge these duties.

## **Risk**

16. There are no risk implications addressed within this report. The Annual Governance Statement addresses in part our approach to management of risk. There are suggested improvements within the action plan to enhance this.

## **Comments of the Statutory Finance Officer**

17. No Comments

## **Comments of the Monitoring Officer**

18. Contained in the body of the report.

## **Background documents**



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None

## Appendices

Appendix A Draft Annual Governance Statement – 2022/23

Report Author:	Email:	Telephone:	Date:
Chris Moister (Director of Governance)	chris.moister@southribble.gov.uk		22 May 2023

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Appendix 1

# Annual Governance Statement 2023/24

## 1. INTRODUCTION

The Annual Governance Statement is a point in time assessment of the council's governance framework. It considers information assembled over the course of the previous 12 months to make an evidence-based assessment of the systems, processes, culture and values that feed into our internal control environment and our compliance with them. This document draws the evidence together and provides a valued judgement of our governance environment.

The AGS provides an overview of the council's key governance systems and explains how they are tested and the assurance that can be relied upon to show that these systems and processes operating effectively. The Statement comprises an overview of the key elements of its governance framework and what evidence has been received in order to determine the effectiveness of the arrangements. In addition, the Statement contains an update on the areas for improvement identified last year, together with proposed areas for improvement for the coming year.

## 2. What is Corporate Governance

South Ribble Borough Council is responsible for ensuring that its business is conducted in accordance with the law, to the highest standards and that there is a sound system of governance (incorporating the system of internal control). Public money must be protected and properly accounted for. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and delivering an efficient and effective service.

To meet this responsibility, we have put in place arrangements for overseeing what we do (this is what we mean by governance). These arrangements are intended to make sure we do the right things, in the right way, for the right people, in a fair, open, honest and accountable way.

Our Governance Framework is based on the CIPFA/SOLACE Framework<sup>1</sup>. It promotes and demonstrates our commitment to the principles of good governance and incorporates the council's values that emphasise how we do things at South Ribble Borough Council. It is important to note that a robust governance framework only has value if it is complied with and contains sufficient controls to ensure this.

The adopted Local Code of Corporate Governance incorporates and demonstrates how the 7 principles detailed by the CIPFA/SOLACE Framework, and set out below, are complied with.

Good governance means:-

- behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- ensuring openness and comprehensive stakeholder engagement
- defining outcomes in terms of sustainable economic, social and environmental benefits
- determining the interventions necessary to optimise the achievement of the intended outcomes
- developing the council's capacity, including the capability of its leadership and the individuals within it
- managing risks and performance through robust internal control and strong public financial management
- implementing good practices in transparency, reporting, and audit to deliver effective accountability

Our Local Code was reviewed and updated this year and approved by Governance Committee on 7 March 2023 and can be accessed through this hyperlink [here](#).

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<sup>1</sup> The CIPFA / SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers) framework "Delivering Good Governance in Local Government".

### 3. The Council's Governance Framework

The governance framework comprises the systems, processes, culture and values by which we direct and control our activities including those by which we account to, engage with and lead the community. It enables us to monitor how we are achieving our long-term aims and to demonstrate where this has led to improved services that are delivering value for money. The council has responsibility for ensuring that there is a sound system of governance.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our priorities and aims, so it can only offer reasonable protection. It is based on an ongoing process that is designed to:

- Identify and prioritise the risks that could prevent us achieving our aims and objectives
- Assess the likelihood and impact of the risk occurring
- Manage the risks efficiently, effectively and economically.

The local code should enable members to satisfy themselves that council has processes, systems and checks which ensure our objectives are being met lawfully, in accordance with the corporate and medium term financial strategies and in a way that demonstrates value for money. The framework is the basis for the decision-making structures, compliance with it enables members to have sufficient information to test recommendations and to make a reasonable, evidence based decisions.

There has been evidence of improvement in the governance framework with external audit recognising in earlier years that significant works have been undertaken to develop and implement robust policies and processes to support it. It is important that the Council acknowledge that the work completed is only the beginning and we must continue to commit to improvement. We must demonstrate this commitment through honest self-assessment and regularly reviewing how we can be better, using the governance framework to self-identify issues and improvements and take steps to implement them quickly.

However, there continue to be failures in the governance environment and as a result members cannot draw full assurance in relation to compliance, but it is important to recognise that these are being identified by ourselves through audits and reviews and demonstrate that there is a greater level of honesty and transparency in the way the Council is working.

#### Values of good governance

The Council also promotes and demonstrates the values of good governance by upholding high standards of conduct and behaviour. The following strong arrangements are in place to ensure that appropriate standards of behaviour are maintained:

Codes of Conduct (Members and Officers)  
Member Officer Protocol  
Suite of HR policies



## Suite of Counter Fraud Policies

The Code of Conduct for Members has been comprehensively reviewed, led by members of the Standards Committee and supported by the Independent Persons. It was strengthened with changes proposed in updated guidance from the Local Government Association incorporated.

### **The end of the pandemic**

A recent meeting of the Constitution Working Group has recommended the removal of changes to Standing Orders introduced during Covid. This will remove some procedural restrictions relating to the attendance of the public and their participation in meetings taking us back to the pre-pandemic position. The Working Group feel this promotes greater transparency in decision making.

## 4. How we review the effectiveness of the Governance Framework

This section identifies the structures, committees bodies and officer roles which serve to review the appropriateness of the governance arrangements and their application.

The Council has a responsibility to keep the effectiveness of its governance arrangements under review to ensure continuous improvement. This review is informed by the work of the Governance Committee supported by management, internal and external auditors and other review agencies.

**Governance Committee** - The Governance Committee provides member oversight and scrutiny of the Council's business controls. The Governance committee undertakes all of the core functions of an audit committee as identified in the relevant CIPFA guidance. An assessment has been undertaken during 2020/21 and this confirmed that the Committee are operating in line with CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018. Looking forward, new guidance has been issued by CIPFA which includes a self-assessment of good practice exercise. It is proposed to work with the Committee this Summer to review how the Committee functions are discharged.

**Shared Services Joint Committee** - The Joint Committee monitors service performance of the shared services partnership between South Ribble Borough and Chorley Borough Councils, and is a good example of our effective governance of partnerships.

**Standards Committee** - the committee's role is to promote high ethical standards. Standards Committee reports to full Council on an annual basis on the work that it carried out. There have been no hearings this year.

### Scrutiny Committee

The Scrutiny Committee have continued to play an active role in the business of the Council, holding the Executive to account and assisting in the development of Policy and feeding into the budget cycle. It was Chaired by a councillor who is not part of the administration.

The Scrutiny Budget and Performance Panel meets to challenge and comment on the quarterly performance and budget monitoring reports prior to consideration by Cabinet as part of our new rigorous Performance Management Framework.

The Scrutiny Chair attends the Lancashire County Council Health Scrutiny Committee and reports back to each meeting. The Council plays a leading role in the North West Strategic Scrutiny Network which shares learning and best practice amongst Members.

### Member Training

The Council holds the North West Employers Member Development Charter and has a cross-party Member Development Steering Group that takes an overview of Member training and development. A Member Personal Development Planning is now embedded with member PDP's being completed.





During the year all Member training was provided a number of different topics and Member briefings held to support member understanding of council business.

Members have also attended a number of external training courses and conferences via the LGA and other providers.

### **Management Team / Leadership Team**

This has been a period of change for both the Senior Management Team and Senior Leadership Team. A new Chief Executive started employment on 1 January 2023 and fulfils the Head of Paid Service role. The Director of Commercial Services and Director of Planning and Development have both left the authority. This has necessitated some temporary arrangements in relation to these roles. The recruitment to the Senior Leadership Team has continued with all Head of Service roles now filled.

### **Section 151 Officer / Director of Finance**

The Director of Finance/ Section 151 Officer is a member of the Senior Management Team.

### **Statutory Regulation / Monitoring Officer**

This role is fulfilled by the Director of Governance who is also a member of the Senior Management Team.

### **Corporate Governance Group / Officer arrangements**

In developing this Annual Governance Statement, the council's senior officers have worked collectively to understand and assess the effectiveness of the implementation of the council's governance framework. This work has been overseen by a Corporate Governance Group comprising:

- Chief Executive
- Deputy Chief Executive (currently vacant)
- Director of Governance (Monitoring Officer)
- Director of Finance S151 Officer
- Director Change and Delivery
- Head of Audit and Risk



The Corporate Governance Group (CGG) have worked with the council's Senior Management Team who have individually produced and collectively reviewed service assurance statements which assess compliance with and understanding of the council's governance framework. This assessment has supported the production of this document.

It is also important to note the ongoing role that a council's senior officers have in ensuring that good governance is enacted in the working of the organisation.

A terms of reference for the CGG have been developed which will further enhance the governance monitoring and reporting arrangements. These will ensure greater accountability of Heads of Service for their responsibilities to the governance environment. Whilst the Director of Governance will continue to be responsible for maintaining and monitoring the governance framework, the CGG will support the drive for its embedding in the organisation.

### **Programme Board**

A corporate programme board continues to meet quarterly to review and monitor the performance of the Corporate Strategy projects and performance measures ahead of reporting to Cabinet. The board is made up of the Senior Management Team as those accountable for overall programme delivery and ensuring compliance with the Performance Management Framework. The board receive an update report highlighting issues, concerns and risks by exception. The board will discuss issues and identify solutions before cascading directions back to project managers and teams.

### **Data Security / Information Governance**

The Data Protection Officer function is fulfilled by the Director of Governance. The Senior Information Risk Owner is the Director (Customer and Digital).

The Information Security Council consisting of the SIRO, DPO, and Head of ICT, Customer and Digital oversees data security, information governance and compliance. The terms of reference are in the process of being refreshed to ensure clear responsibility lines are established. The ISC will work with the Senior Leadership Team to monitor performance and assess development and training needs.

### **Organisational Development**

The HR Hub has brought together in one place both the OD strategy and wider eLearning opportunities making it easier to manage and identify gaps in staff's knowledge and / or experience but also a framework to address them. Greater use of the system has been developed with Managers able to monitor completion of mandatory training within their teams.



The Personal Development Review process has now run through a complete cycle with the on line system enabling live monitoring of completion of the different stages.

### **Corporate Complaints / Local Ombudsman**

The number of customer complaints processed as stage one complaints have decreased year on year, 199 in 2021/22 to 178. In terms of numbers this is not a significant change year on year but does represent a reduction of 10%.

The Council are aware of 6 complaints which were made to the Local Government Ombudsman in the year 2022/23. None of the complaints were upheld.

### **External Audit**

The Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

The most recent review undertaken (which is for the period 2021/22) has acknowledged the Council's continued commitment to enhance the governance environment, identifying only improvements that should be made. This is a continuing endorsement of the work the council have done in recent years.

### **Centre for Governance and Public Scrutiny**

This year the Centre for Governance and Public Scrutiny undertook an independent step-back review of the council's governance environment paying close attention to

- The impact of changes to the Constitution
- Member roles and relationships
- Executive decision-making, accountability and transparency
- Public participation.

Whilst the CfG&PS identified no issues a number of recommendations were made and Council have resolved to adopt them. These are in the process of being fully considered.

## Internal Audit and the Head of Audit Opinion

Internal Audit is responsible for providing assurance on the quality and effectiveness of the system of governance and internal control. A risk based Internal Audit Plan is produced. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service. This report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers.

The Internal Audit Annual Report contains a statement/ judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

The Annual Internal Audit report contains the following opinion from the Head of Internal Audit:

Based on the work undertaken and evidence available to Internal Audit including other sources of assurance, it is considered that the overall adequacy and effectiveness of the Council's governance, risk management and control processes are **adequate** for the financial year ended 31<sup>st</sup> March 2023 except for the significant control weaknesses identified during the course of the year including:

- Commercial Directorate Procurement review;
- Utilities management review;
- Open water Management review
- General Data Protection regulations – data retention.

## 5. Governance Environment: Areas to Strengthen

There have been a number of limited assurance Internal Audit reports issued this year. Some of the failings identified could have had very serious consequences for the Council.

A routine Internal Audit of the creditors system highlighted a failure to adhere to financial management procedures in relation to payments to a contractor. Based upon this finding, an audit of the procurement within the directorate was commissioned. This identified significant governance failings in terms of procurements undertaken and compliance with the contract procedure rules and confirmed the failures to provide proper financial management. A comprehensive management action plan was agreed, and its implementation has progressed in year. The actions still require embedding.

A Directorate Development Group has been established. Its purpose is to ensure the failings identified are being proactively addressed. This is intended to be a supportive environment, recognising that whilst the Heads of Service are new to the organisation, they must own the need to improve and lead on embedding the culture of good governance. It will monitor improvement, identify barriers to compliance and seek solutions. It is chaired by the Chief Executive.

One of the more significant issues identified was procedural failing in relation to Information Security. Council policies were not adhered to in relation to systems access. Whilst it should not be concluded that there was anything improper done, the risk of such activity taking place was not adequately considered, controlled or managed.

The Senior Management Team have undertaken works to ensure the extent of this non-compliance is known and further works are being undertaken to improve monitoring arrangements in relation to council system access and external spend. This is not to identify failures in the governance framework as such, but to highlight and understand situations that could lead to a breakdown in control arising.

The improvements to the IT network, systems and software have been delivered in line with the Council's Digital Strategy and have strengthened the council's data security arrangements and made us more resilient. Whilst there is an impact on the wider governance environment, these works were necessary and urgent. They were the foundation actions to provide a solid base for the governance environment. They will enable greater digitisation of processes and control of access to information. This is also an opportunity to redesign processes for use on the new systems to ensure they meet the council's needs and obligations. In the short term there will be challenges for the council, but the longer term benefits will be realised as the new procedures are implemented. An initial piece of work has been undertaken to identify key procedures to be developed using the Microsoft Approval platform. Existing procedures were considered and prioritised. Some are identified in the Action Plan below.

The Service Assurance Statements have identified some additional areas of corporate failure to comply with policies. This is evidence that the governance environment needs to be embedded further with greater emphasis and attention given to the operation of the Governance Framework and compliance with procedures and systems. These areas for improvement are recognised in the actions in the table below.

Statutory Officers are working with the Senior Leadership Team to embed the importance of compliance with the governance framework, attending Directorate Management meetings. The Corporate Governance Group receive reports from Heads of Service detailing where the governance framework is working well and where there are challenges. This provides an opportunity to share good practice but is an on-going review of issues that maybe shared across the organisation.

A strong governance environment, as set out in part 2 above, needs all the elements working together in concert. We are not there yet. Failings continue to be identified, the main area being around compliance. However, we have established ways to resolve the identified issues as we continue to strive to improve.

The following table relates to the action plan from the 2021/22 Annual Governance Statement. The improvements are specific and the table indicates whether the action is completed or outstanding. It will be noted that only one action is being carried forward to next year with all other actions being complete or partially complete.

Theme	Areas for improvement	Suggested improvement	Progress
Process/ System	Failure to identify, monitor and report of fraud risks facing the Authority	To develop the Council's approach to fraud following the assessment of the Council's arrangements against Fighting Fraud and Corruption Locally 2020-2025	Outstanding This work was arranged to be undertaken in conjunction with Preston CC. Unfortunately the allocated officer from PCC was not available to support the review Carried forward to 23/24.
	Failure to have a system in place to ensure key corporate policies are regularly reviewed, version controlled and remain up to date and accurate.	Devise and implement a corporate process to ensure all staff revisit key policies so a good level of awareness is maintained across the organisation	In progress This will be delivered through the Microsoft Approvals platform and the process is in development. Carried forward to 23/24
	Contract Management System	Directors to ensure all contracts are entered onto the corporate CMS in a timely fashion including current "live" contracts.	This has been delayed pending the implementation of the new intranet Carried forward to 23/24
	Risk Management	A range of reports to be developed to allow Directors to challenge data held with	Completed

		GRACE including partnership, project and operational risks.	
	Cyber Security, use of ICT equipment and system access	<p>Once approved, awareness of the contents of the Shared Information Security Framework should be raised using all communication methods.</p> <p>A programme of Cyber security training sessions should be developed and delivered to highlight to all officers and members the risks faced by the council.</p> <p>Align where appropriate all IT forms and processes across the shared council environment.</p>	<p>Completed</p> <p>Carried Forward to 2023/24</p> <p>In progress – key processes have now been identified for development on the Microsoft Approvals platform which will be fully integrated with Council systems. IT are working with staff leads for different processes to ensure the procedure meets the needs of the Council Prioritisation of the key processes has been undertaken to ensure that the highest risk processes are being addressed first.</p>
Staff development	Equality	Once approved, the refreshed equality framework should be rolled out including training and updating of EIAs on website	Completed
	Organisational Development	OD to ensure monitoring reports are issued to Directors on a regular basis. This is to include monitoring of compliance with new HR policies and processes.	Completed
	OD Strategy to be developed (May 22)		

	Mandatory training modules to be completed in full	All Directors to ensure all mandatory training is completed within the agreed timescales.	Whilst there has been progress in relation to this action performance remains below target and remains a priority Carried Forward to 2023/24
Corporate	Constitution	Constitution to be reviewed and updated where applicable.	In progress Will be completed in Q2 2023 carried forward to 2023/24
	Business continuity	To put forward a business case for the future management of business continuity to standardize and align process across the two authorities.  To establish a forward plan of testing to ensure plans are robust, encompass all council activity and are fit for purpose.	Complete

Following the assessment of our governance environment, no significant failings were identified by the Corporate Governance Group, although as the council have committed to continuous improvement the group have identified areas where it could be enhanced. Although, as stated, last years actions are not being rolled forward into this years' plan, some are being adapted into new actions to reflect in year changes. The table will form the basis for a more detailed action plan for delivery of the improvements. It is intended to report progress against the plan to Governance Committee mid year and year end.

Theme	Areas of identified failings	Suggested improvement
Process/ System	Failure to identify, monitor and report of fraud risks facing the Authority	To develop the Council's approach to fraud following the assessment of the Council's arrangements against Fighting Fraud and Corruption Locally 2020-2025
	Failure to have a system in place to ensure key corporate policies are regularly reviewed, version controlled and remain up to date and accurate.	Devise and implement a corporate process to ensure all staff revisit key policies so a good level of awareness is maintained across the organisation



	Contract Management System	Directors to ensure all contracts are entered onto the corporate CMS in a timely fashion including current “live” contracts.
	Inventories	To improve the quality of the council’s asset inventory records to enable accurate insurance cover to be provided
	Cyber Security, use of ICT equipment and system access	A programme of Cyber security training sessions should be developed and delivered to highlight to all officers and members the risks faced by the council.
	IT system access	Review and improve leaver form and process to ensure all relevant teams and points of contact are notified in a timely fashion to action.
Staff development	Performance Development Review	Undertake a review of the PDR process to identify barriers for its use and improvements to the system
	Mandatory training modules to be completed in full	<p>All Directors to ensure all mandatory training is completed within the agreed timescales.</p> <p>Corporate Governance Group to review and hold Directors to Account on below target completion rates.</p> <p>Enhanced training to be provided on</p> <ul style="list-style-type: none"> <li>• Finance</li> <li>• Data Protection/Information Governance</li> <li>• Procurement</li> </ul>
Corporate	Constitution	Constitution to be reviewed and updated where applicable. This is to specifically include the Financial Procedure Rules and Scheme of Delegation.
	Business continuity	Business Continuity Plans to be held using the dedicated system and allocated into Category A and B Services.

		Testing Exercise of the Business Continuity Plans to be undertaken
	Data Security and Information Management	<p>Embed the Information Security Council and processes for owning and monitoring performance.</p> <p>Review existing data security and information policies.</p> <p>Establish reporting into Corporate Governance Group.</p>
	Transparency Code	Full review of all obligations and performance to ensure the publication of all mandatory data sets
	Agreed Audit Actions	Improve percentage implementation rates of service management actions agreed with Internal Audit.
	Risk	Define risk management appetite and implement escalation and reporting mechanisms for non-strategic risks
	Procurement	<p>Review and centralise the conflict of interest procedure.</p> <p>Further develop the contract management process to include registration of the contract on the transparency register and align with the decision-making process.</p>



## 6. Conclusion

The council is fully committed to ensuring that its governance arrangements are and continue to be as robust as possible. As part of that process the council will monitor implementation of all actions set out in our Action Plan.

.....

Leader of the Council

.....

Chief Executive

Date: .....

On behalf of the Members and Senior Officers of South Ribble Borough Council.

## GLOSSARY

Annual Audit Letter	An External Audit report presented to Council and containing the findings of the Audit Commission's work. It is a requirement of the Code of Practice for Auditors.
Assurance	An evaluated opinion based on evidence and gained from review.
CIPFA	Chartered Institute of Public Finance and Accountancy
Control Environment System of Internal Control	Comprises the organisation's policies, procedures and operations in place to : Establish and monitor the achievement of the organisation's priorities; Identify, assess and manage the risks to achieving the organisation's objectives; Facilitate policy and decision making; Ensure the economical, effective and efficient use of resources; Ensure compliance with policies, legislation and regulations; Safeguard the organisation's assets; Ensure the integrity and reliability of information, accounts and data.
Corporate Governance	Corporate governance is the system by which local authorities direct and control their functions and relate to their communities.
Corporate Governance Group	In 2017 this involved the following officers: Chief Executive; Section 151 Officer; Monitoring Officer; Head of Shared Assurance; Corporate Governance Manager; Corporate Improvement Manager.
SOLACE	Society of Local Authority Chief Executives

# South Ribble Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2023

May 2023



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## Your key Grant Thornton team members are:

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This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at May 2023

## Financial Statements Audit

We completed our initial planning for the 2022/23 audit in March and April 2023. We expect to receive your draft financial statements in August 2023.

In May, we have issued our detailed audit plan, setting out our proposed approach to the audit of the Authority's 2022/23 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 November 2023.

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously introduced secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts.

This was enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that came into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 was extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027/28.

Officers have advised us that the draft financial statements are likely to be available for audit in August. The deadline for the preparation of draft accounts for 22/23 is the end of May 2023 however the ongoing impact of the pandemic, the complexity of accounting requirements and capacity in the finance team mean that we have agreed with officers to commence the audit on a later timescale. This means we will not complete the audit by the target date of the end of September but will work with officers to complete the audit towards the end of November if possible.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. We have issued our Auditor's Annual Report 2021/22 in May 2023.



# Progress at May 2023 (cont.)

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2021/22 claim began in January. DWP extended the deadline for reporting the findings of this work to 31 January 2023. We have liaised with DWP and we expect to complete our work and report to DWP by 31 May 2023.

### Meetings

We met with Finance Officers as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We have also met with your Chief Executive to obtain and update on emerging issues and challenges for the Council.

We have also provided training to your finance team with a view to helping the audit progress smoothly this year. This included detail around the standard of audit evidence required. We continue to liaise with finance officers to try to ensure an efficient audit for 2022/23.

## Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers were invited to our Accounts Workshop in January and February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

# Audit Fees

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2022/23 is the fifth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

## Additional fees for 2021-22

Our audit of the financial statements took longer than anticipated or planned for. This is primarily due to additional audit work which was undertaken in response to new issues identified during the audit as reported in the Audit Findings Report 2021-22. We are therefore proposing an additional fee of £10,450 in relation to the 2021-22 audit.

The reasons for the additional fee are:

- Group accounts – there are transactions and balances reported in the accounts for South Ribble Leisure Limited which, when consolidated, have a material impact to Council’s Statement of Accounts. Therefore, management prepared a revised draft Statement of Accounts including group financial statements which required additional audit procedures to assure specific items in the subsidiary accounts and the consolidation process
- Infrastructure assets - following the introduction of the Statutory Instrument in December 2022 and amendments to the CIPFA Code, we performed additional procedures and technical review of accounting for infrastructure assets resulting in amendments to the financial statements
- Pensions – misstatements were identified in the accounting and valuation of the pension assets and liabilities arising from the combination of subsidiary company and lump sum payment of employer contributions which required management to commission the actuary to revise the IAS19 report and resulted material adjustments required to the financial statements
- Land & building assets not revalued – there were misstatements identified in the accounting for Minimum Revenue Provision and Capital Financing which required consultation with our financial reporting technical team and resulted in material adjustments to the draft Statement of Accounts
- Valuation expert - due to the complexity and estimation uncertainty in relation to valuations of land and buildings and investment property, we consulted with internal property valuations expert to verify the appropriateness of significant assumptions and key inputs to the valuations

# Audit Deliverables

## 2022/23 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to report on the Authority's value for money arrangements in the Auditor's Annual Report

**Planned Date**

May 2023

**Status**

Completed

### Audit Findings Report

The Audit Findings Report will be reported to the November Audit Committee.

November 2023

Not yet due

### Auditors Report

This includes the opinion on your financial statements.

November 2023

Not yet due

### Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

November 2023

Not yet due

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

**Table 1 Audited accounts published by target date over the last six years**

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

## About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



# Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

## About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



# Local government procurement and contract management

## Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector<sup>1</sup>. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

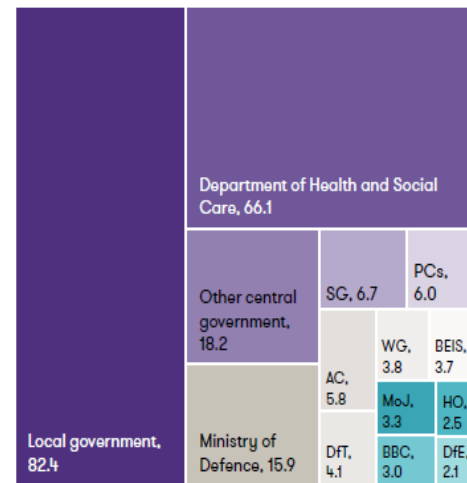
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

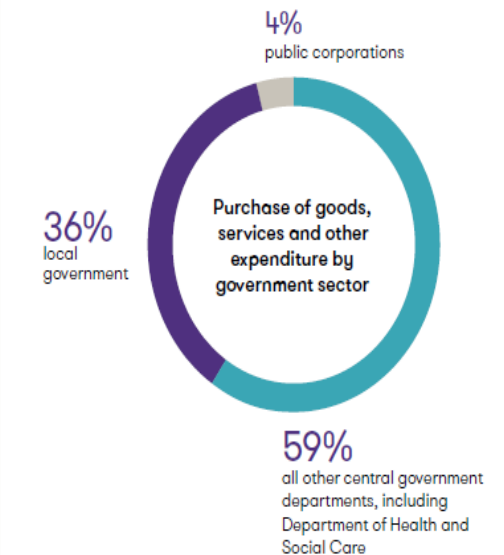
## UK public spending

Public spending on goods and services, £ billions - analysis by segment and department<sup>2</sup>



PCs Other Public Corporations AC Academies  
 DfT Department for Transport MoJ Ministry of Justice  
 WG Welsh Government BBC British Broadcasting Corporation  
 HO Home Office  
 DfE Department of Education BEIS Department of Business, Industry Strategy  
 SG Scottish Government

Goods, services and other expenditure by segment<sup>4</sup>



Agenda Item 9

<sup>1</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022  
<sup>2</sup> Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021  
<sup>3</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022  
<sup>4</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

# SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before today's announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".





# Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

## Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.

# Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

## “Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account. Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

## Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared. This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is **set to be broken**. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole. CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Click here for link to the article](#)



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# South Ribble Borough Council audit plan

Year ending 31 March 2023

South Ribble Borough Council  
23 May 2023



# Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Key matters



## National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

## Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

# Key matters



## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, is for agreement by the Governance Committee.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will review matters identified through our previous audit work on the financial statements and the Value for Money work and we will consider progress against previously agreed recommendations
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of controls – refer to page 8



# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of South Ribble Borough Council ('the Council') for those charged with governance.

## Respective responsibilities

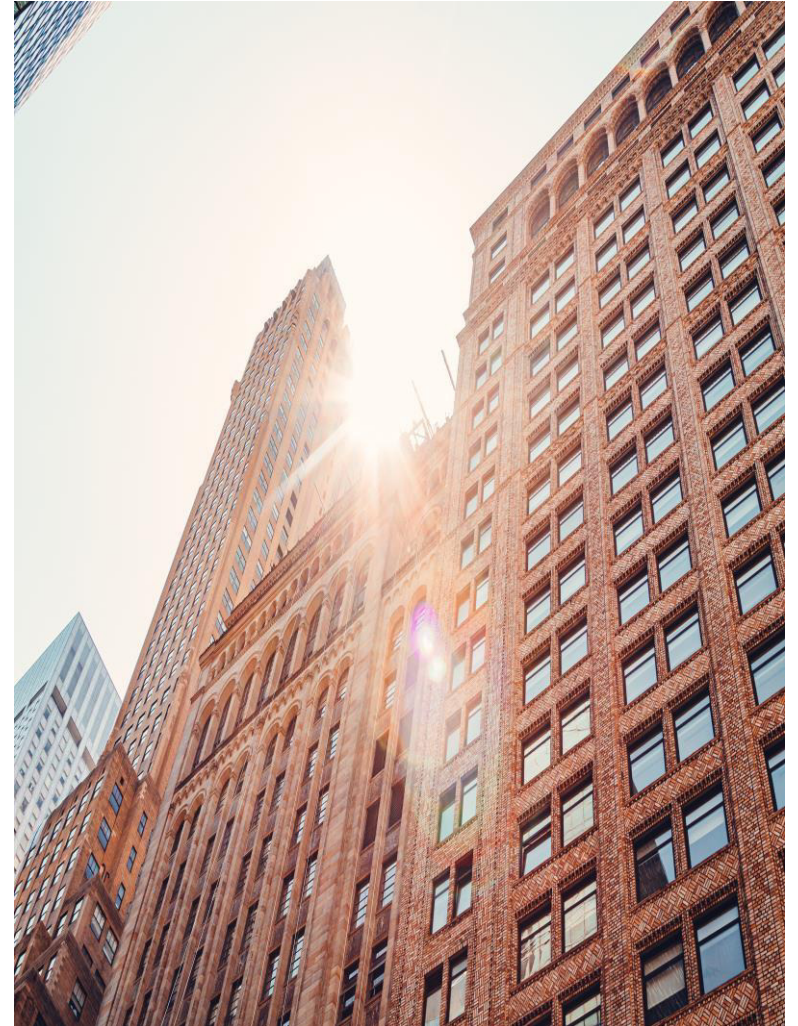
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings and investment properties
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of South Ribble Leisure Limited

## Materiality

We have determined planning materiality to be £0.923m (PY £0.922m) for the group and £0.922m (PY £0.922m) for the Council, which equates to 1.9% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. We do not consider a reduction in performance materiality is required at this time.

Clearly trivial has been set at £0.046m (PY £0.046m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness at this point. However, we will need to update our risk assessment once we have finalised out work on the 21-22 Auditor's Annual Report..

## New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

## Planning enquiries

As part of our planning risk assessment procedures we have engaged with the Governance Committee and made enquiries regarding the risk of fraud. We would appreciate a prompt response to these enquires in due course.

## Audit logistics

Our final visit will take place August to November. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £74,660 (PY: £75,747) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud related to revenue recognition	Group and Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including South Ribble Borough Council mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We therefore do not consider this to be a significant risk.</p>	As we do not consider this to be a significant risk for the Council we will not be undertaking any specific work in this area other than our normal audit procedures.
Risk of fraud related to expenditure recognition	Group and Council	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition.</p> <p>We have considered the risk of improper expenditure recognition and do not consider this to be a significant risk of material misstatement at this time.</p>	As we do not consider this to be a significant risk for the Council we will not be undertaking any specific work in this area other than our normal audit procedures.

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. .</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul>

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the defined benefit pension fund net liability	Group and Council	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements</p> <p>The pension fund net liability of £31.649m (2021-22) is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land & buildings and investment properties	Council	<p>The Council revalues its land and buildings on a five-yearly basis to ensure the carrying value in the financial statements is not materially different from current value at the financial statements date. This valuation of £27.588m (2021-22) represents a significant estimate by management in the financial statements.</p> <p>The valuation of land and buildings is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time. However, the valuation methodology for land and buildings is specified in detail in the CIPFA Code and the sector is highly regulated by RICS, therefore we will focus our audit attention on assets that have large and unusual changes and/or approaches to the valuation of land and buildings, as a significant risk requiring special audit consideration.</p> <p>All investment properties should be valued and reported at fair value under relevant accounting principles. Again, this valuation of £11.159m (2021-22) represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to Council's materiality and the sensitivity of this estimate to changes in key assumptions.</p> <p>We have identified valuation of land and buildings, including investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement. The risk will be pinpointed as part of our final accounts work. We will report an updated risk assessment for valuation of land and buildings in our Audit Findings Report.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• discuss with the valuer the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
South Ribble Borough Council	Yes		Management override of controls Valuation of land and buildings & investment properties Valuation of net pension fund liability	Full scope audit performed by Grant Thornton UK LLP
South Ribble Leisure Ltd	No		Management override of controls Valuation of net pension fund liability	Specified audit procedures relating to risks of material misstatement of the group financial statements including leisure income and expenditure.

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 [the Act].
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.



# Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Council's financial statements, which resulted in two recommendations being reported in our 2021/22 Audit Findings Report. We will review progress with the implementation of our recommendations as part of our audit.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
To be reviewed	<p><b>Land &amp; building assets held at historical cost</b></p> <p>We identified several land and building assets on the assets register which are held at historical cost which is not appropriate under the CIPFA Code. Upon review and through inquiries of management, we have established there are some items which are a component of other buildings on the asset register and therefore double-counted.</p> <p>There is a risk that land &amp; building assets are misstated in the asset register through double-counting or the valuation of such items is inaccurate.</p> <p>We recommended the Council should review the accounting treatment for capital expenditure which forms a component of an existing property asset to consider whether componentisation is appropriate and ensure the assets are subject to revaluation in accordance with the CIPFA Code.</p>	We will follow this up as part of our 22-23 financial statement work.
To be reviewed	<p><b>Infrastructure assets</b></p> <p>From our review of useful lives applied to infrastructure assets, we identified that the basis for determining appropriate useful lives for different types of assets should be reviewed. The accounting policies include a range of 5-60 years for infrastructure assets however, there are additional sub-categories which should be assessed individually e.g. footpaths and bridleways, drainage, parks.</p> <p>There is risk that inappropriate useful lives are applied to assets which could result in a material error in the net book value and accumulated depreciation.</p> <p>We recommended the Council should review the basis for estimating useful lives for infrastructure assets, considering the guidance in the CIPFA Bulletin and ensure the accounting policies are compliant with the requirements of the CIPFA Code.</p>	We will follow this up as part of our 22-23 financial statement work.

# Progress against prior year audit recommendations

## Assessment

## Issue and risk previously communicated

## Update on actions taken to address the issue

To be reviewed

### Cash to bank reconciliation

Our review and testing of the year-end reconciliation of cash balances in the accounting ledger to the bank account has identified that the reconciliation only includes the Council's main bank account however, there are other bank accounts which should also be reconciled and reviewed at year-end.

As part of our procedures we have reconciled the cash balances to the bank account, obtained direct confirmation from the banks and verified items that cleared in the bank after the reporting date. Therefore, we are satisfied the cash balance is not materially misstated.

We raised a similar recommendation in 2020-21 (see page 29) and management have started reviewing the cash to bank reconciliation process to ensure it covers all applicable cash balances in the account, and ensure it is fit for purpose as an effective check on the year-end balance.

We will follow this up as part of our 22-23 financial statement work.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p><b>Determination</b></p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. Materiality at the planning stage of our audit is £0.923m for the group and £0.922m for the Council, which equates to 1.9% of gross expenditure for the prior period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul>
2	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> <li>– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures.</li> </ul>

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p><b>Other communications relating to materiality we will report to the Audit Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.046m (PY £0.046m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance Committee to assist it in fulfilling its governance responsibilities.</p>

# IT audit strategy

In accordance with ISA [UK] 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 18.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Civica Financials	Financial reporting	<ul style="list-style-type: none"> <li>ITGC assessment (design and operating effectiveness)</li> </ul>
iTrent	Payroll	<ul style="list-style-type: none"> <li>Review of Service Auditor Reports - ITGC assessment (design and operating effectiveness) and Complementary user entity controls testing</li> </ul>

# Changes to auditing standards – ISA (UK) 315

This is an overview of the key changes to audit methodology arising from ISA (UK) 315 (Revised July 2020), effective for periods beginning on or after December 15, 2021.

Auditors are required to identify controls within a business process for significant transactions and balances, including journals. ISA 315 also extends the identification of controls to include identification of the risks arising from the use of IT, and the general IT controls (ITGCs) that address those risks, and auditors will be required to perform walkthrough testing of these controls to confirm they are implemented.

Key Elements of ISA (UK) 315	Impact on audit
IT environment	More information required about IT infrastructure and processes – liaison likely to be needed with IT staff
Considering IT risks related to internal controls relevant to the audit.	Additional walkthrough testing of IT general controls that address risks arising from use of IT
Relevant Journal Entry Controls	Additional walkthrough testing of IT general controls relating to journals
Understanding the entity's information system & business process understanding	Potential for additional business processes to require documentation
Control reliance	Potential for increased sample sizes in some areas



# Value for Money arrangements

## Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



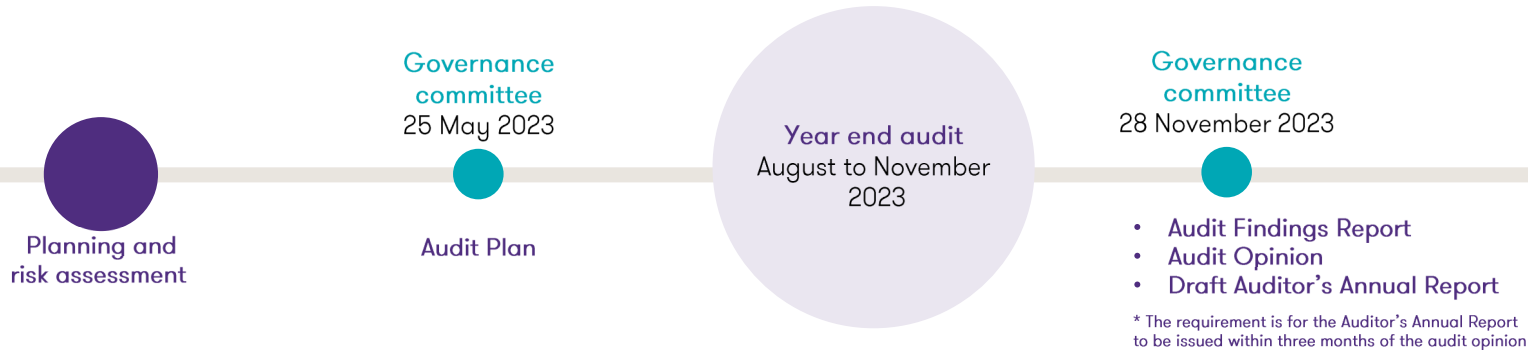
### Governance

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

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness at this point. However, we will need to update our risk assessment once we have finalised out work on the 21-22 Auditor's Annual Report.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

# Audit logistics and team



## Georgia Jones, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

## Matt Derrick, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

## Mehboob Koorowlay, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.



# Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for South Ribble Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £33,821. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Director of Finance.

# Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
South Ribble Borough Council Audit	£75,747	£74,660
Total audit fees (excluding VAT)	£75,747	£74,660

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Scale fee published by PSAA 2022/23	£40,660
<i>Issues not included in the above</i>	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540	£2,100
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Additional procedures to address other local risk factors (VFM significant weaknesses)	£6,000
Group audit procedures	£4,500
Enhanced audit procedures for Infrastructure	£2,650
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
Increased audit requirements of revised ISAs 315/ 240	£3,000
Lower materiality	£2,500
<b>Total proposed audit fees 2022/23 (excluding VAT)</b>	<b>£74,660</b>

All variations to the scale fee will need to be approved by PSAA

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group and Council.

# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits Subsidy Grant	23,633	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £23,633 in comparison to the total fee for the audit of £74,660 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		<p>ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.</p> <p>This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.</p> <p>We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.</p> <p><b>Respective responsibilities</b></p> <p>As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•	
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements ( not typically council tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	



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Report of	Meeting	Date
Director of Finance	Governance Committee	Tuesday 23 May 2023

## URGENT ITEM – Closure of Dormant Bank of Scotland Account

Is this report confidential?	No
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Is this decision key?	No
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Savings or expenditure amounting to greater than £100,000	No
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### Purpose of the Report

- To approve updated bank signatories and the subsequent closure of a dormant Bank of Scotland Bank Account.

### Recommendations

- The Governance Committee, is asked to approve the addition of signatories as follows;

***Louise Mattinson***      ***Director of Finance***  
***Jean Waddington***      ***Principal Financial Accountant***

- The Committee is then asked to approve the subsequent closure of this dormant bank account.

### Reasons for recommendations

- The Bank require a formal minute from an established Council Committee meeting in order to change account signatories and subsequently close the account.

### Other options considered and rejected

- Not applicable.

### Corporate priorities

- The report relates to the following corporate priorities:

# Agenda Item 11

<b>An exemplary council</b>	<b>Thriving communities</b>
<b>A fair local economy that works for everyone</b>	<b>Good homes, green spaces, healthy places</b>

## Background to the report

7. In the 2021/22 External Audit recommendations, it was requested that the Council improve its approach to reconciliation of bank accounts.
8. A full review of bank accounts and reconciliation processes has been undertaken, and this has highlighted that as the “Bank of Scotland” account (account number XXXX9632) has been dormant for a number of years, it would be appropriate to close this and transfer the funds to an active account.
9. The account has a balance of **£37,113** and has remained at this level for a number of years attracting minimal interest.
10. It is unclear why the account was initially set up, and all of the account signatories have left the Council over a number of years.
11. It is proposed to update the signatories as follows;  
  
*Louise Mattinson      Director of Finance*  
*Jean Waddington      Principal Financial Accountant*
12. Once updated, the account will then be closed, with funds transferring to the Council’s main bank account.
13. As part of their due diligence, the Bank require a formal minute approving this approach.

## Climate change and air quality

14. The work noted in this report does not impact the climate change and sustainability targets of the Council’s Green Agenda.

## Equality and diversity

15. Not applicable.

## Risk

16. Not actioning this request will mean that funds are inaccessible in this dormant bank account.

## Comments of the Statutory Finance Officer

17. This request is part of the Council’s response to 2021/22 External Audit recommendations to improve the approach for reconciling bank accounts.

## Comments of the Monitoring Officer

18. No further comments in addition to above.

# Agenda Item 11

## Background documents

There are no background papers to this report.

## Appendices

None

Report Author:	Email:	Telephone:	Date:
Steve Kenyon (Interim Deputy Director of Finance)	<a href="mailto:steve.kenyon@chorley.gov.uk">steve.kenyon@chorley.gov.uk</a>	01257 515151	22 <sup>nd</sup> May 2023
Jean Waddington (Principal Financial Accountant)	jean.waddington@chorley.gov.uk steve.kenyon@southribble.gov.uk	01257 515151	

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