

GOVERNANCE COMMITTEE

TUESDAY, 28TH JANUARY, 2020, 6.00 PM

WHEEL 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 meeting Tuesday, 26 November 2019 of Governance Committee

(Pages 3 - 6)

Minutes of the meeting held Tuesday 26 November 2019 attached to be signed as a correct record by the Chair.

4 Audit Progress Report and Sector Update

(Pages 7 - 20)

Report of the Council's External Auditor, Grant Thornton attached.

5 Internal Audit Plan Progress Report as at 31 December 2019

(Pages 21 - 28)

Report of the Interim Head of Shared Assurance attached.

6 Internal Audit Reports - Assurance Opinion Limited Issued Quarter 3

(To Follow)

Report of the Interim Head of Shared Assurance to follow.

Gary Hall
INTERIM CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillors
Ian Watkinson (Chair), James Flannery (Vice-Chair), Christine Melia, Angela Turner,
Damian Bretherton, Colin Clark and Margaret Smith

The minutes of this meeting will be available on the internet at
www.southribble.gov.uk

Forthcoming Meetings

6.00 pm Tuesday, 31 March 2020 - Wheel Room, Civic Centre, West Paddock,
Leyland PR25 1DH

MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE Tuesday, 26 November 2019

MEMBERS PRESENT: Councillors Ian Watkinson (Chair), James Flannery (Vice-Chair), Christine Melia, Angela Turner, Damian Bretherton, Colin Clark and Margaret Smith

OFFICERS: Gary Hall (Interim Chief Executive), Dave Whelan (Legal Services Manager/Interim Monitoring Officer), Jane Blundell (Interim Section 151 Officer), Tony Furber (Principal Financial Accountant), Mark Heap, Coral Astbury (Democratic and Member Services Officer) and Darren Cranshaw (Assistant Director of Scrutiny & Democratic Services)

EXTERNAL AUDITOR: Mark Heap (Grant Thornton)

OTHER MEMBERS AND OFFICERS: Councillor Alan Ogilvie and Councillor Phil Smith

15 Apologies for absence

None.

16 Declarations of Interest

None.

17 Minutes of meeting Tuesday, 24 September 2019 of Governance Committee

That the minutes of the Governance Committee meeting held on Tuesday 24 September 2019 to be agreed as a correct signing for by Chair.

18 Audit Plan Progress Report 2019/20 April - October 2019

The Council's Internal Auditor presented a report of the Interim Head of Shared Assurance providing a progress report on the Audit Plan for 2019/20 from 1 April to 31 October 2019.

It was reported that 5 reviews were at draft report stage awaiting finalisation, a further 4 had commenced and 2 had been completed. The completed reviews were on performance management information with a limited assurance rating and review of the Improvement Reference Group / annual governance statement without an assurance rating. In order to ensure the audit plan is completed an additional auditor had been appointed.

Following a Member enquiry, the definition of limited assurance is that the Council

cannot place sufficient reliance on the controls in place, with substantive weaknesses. With regards the performance management review, further testing of the data was undertaken and found that 10 out of the 21 performance measures were wrongly reported, with 5 not having the source documentation. Management had put in place an action plan and a follow-up audit would be undertaken in 3 – 6 months' time.

Reference was made to the unplanned additional work undertaken of 21.5 days that hadn't been included in the audit plan previously presented to the Committee. It was explained that the unplanned work was driven by emerging issues identified as part of legacy issues and work on the Annual Governance Statement. Additional resources had been made available to complete the unplanned work, with the costs met from underspends elsewhere in Shared Services. Confirmation was provided that the detail of the unplanned work would be presented to the Committee at the appropriate time. The cost of the additional unplanned work was requested and would also be provided.

Reassurance was provided that the audit plan would be delivered as planned within the resources provided as long as no unforeseen issues arose.

Members felt it would be helpful to receive the reports from any future audit reviews that receive a limited assurance rating.

RESOLVED (Unanimously):

1. That the report be noted.
2. Detailed information on the unplanned work and costs involved would be provided to the Committee at the appropriate time.
3. Future audit review reports with limited assurance be provided to the Committee.

19 Audit Progress Report and Sector Update

Mark Heap from the Council's External Auditor, Grant Thornton, presented the audit progress report and sector update.

It was reported that the 2018-2019 audit work was ongoing. Reference was made to Grant Thornton's review of fees in light of the increased complexity of local government financial transactions and financial reporting. Discussion would take place with the Council's Section 151 Officer including any proposed variations to the fees set by PSAA Limited before communicating with the Governance Committee.

Following a Member query, the External Auditor would look into whether the Council took part in CIPFA – Chief Financial Officer confidence survey.

A discussion took place on when the Annual Governance Statement would be presented to the Committee. It was reported that the Council would be able to finalise the Annual Governance Statement once current investigations into legacy issues were complete and this could be released to the External Auditor to conclude their work on the accounts.

The External Auditor confirmed that from their perspective good progress was being made on the audit with thanks to management and there was nothing to currently bring to the Committee's attention.

Following a query about the audit deliverables planned date including a 'to be confirmed', the External Auditor noted the comments and would ensure it is updated to include the relevant dates.

RESOLVED (Unanimously):

That the report be noted.

20 Treasury Management Activity Mid-year review 2019/20

The Council's Principal Financial Accountant presented a report of the Interim Section 151 Officer on the treasury management activity mid-year review for 2019/20 to the end of September 2019.

It was reported that during the first six months of 2019/20 an average daily cash balance of £39.9M earned interest of £182K, a return of 0.91%. The investment balances at the end of September was £44.6M.

Reference was made to the Public Works Loan Board increasing their rate by 1% in the margin of its lending rates above gilt yield. It was appreciated that there were no implications to the Council's medium-term financial strategy, but something to be aware of for the future.

Following an enquiry about the term investment with Chorley Borough Council, it was confirmed that this was on standard commercial terms and not on a preferential basis.

In response to an enquiry about how the funds from the two term investments that had matured would now be invested, the Principal Financial Accountant undertook to circulate this information outside the meeting.

RESOLVED (Unanimously):

That the report be noted.

21 Constitution - Contract Procedure Rules

The Council's Interim Monitoring Officer presented a report proposing amendments to the Council's constitution concerning contract procedure rules. The proposed changes had been considered at a meeting of the Governance Task Group on 14 October 2019.

A typographical error had been included in paragraph 23 of the contract procedure rules concerning standstill periods. The paragraph should read:

"23.1 Standstill Period (for high value only)" \ 1 For all contracts tendered under the Regulations, a ten calendar day (where electronic communication is used or 15 calendar days where non-electronic communication is used)

‘standstill period’ must be observed between the decision to award and contract conclusion. Although the Standstill period is counted in calendar days, it must end on a working day. Authorised Officers should consult the Shared Procurement Team for advice on the specific detail which must be included in Standstill Letters under the Regulations. The Standstill period is an express requirement in the Regulations and must be followed.”

Following queries concerning the transparency of authorised signatories to enter into contracts, it was acknowledged that this could be strengthened as part of the Committee’s next review of the scheme of delegation.

Reassurance was provided that relevant officers would be trained on the updated contract procedure rules. As part of preparing any contracts the Council enters into Brexit implications would be assessed by the Legal Services team.

RESOLVED (Unanimously):

That the amended contract procedure rules be agreed for submission to the next Full Council meeting for final approval.

Chair

Date

Audit Progress Report and Sector Update

South Ribble Borough Council

20 January 2020



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Introduction

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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

www.grantthornton.co.uk ..

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.

Update at 20 January 2020

2018-19 Audit Work

Our 2018-19 audit of your financial statements and our work on the value for money conclusion is continuing. We will update the Committee of progress at the meeting.

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claim was completed on 29 November 2019, in advance of the 30 November deadline. We are pleased to report that our work identified no issues and we would like to thank the Housing Benefits team for their assistance throughout the process.

Meetings

We meet regularly with the Chief Executive and Finance Officers as part of our liaison meetings. We continue to be in discussion with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events and publications to support the Council. Our annual workshop for your finance team will take place early in 2020 and invites have now been sent.

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

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second 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 2018/19 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 are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Governance 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.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Audit Findings Report The Audit Findings Report was reported to the July Governance Committee.	TBC	Ongoing
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	TBC	Ongoing
Annual Audit Letter This letter communicates the key issues arising from our work.	TBC	Ongoing
2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2019	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.	March 2020	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Reports.	April 2020	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Governance Committee.	July 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2020	Not yet due

Sector Update

Councils 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 Governance 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

MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) Financial savings from local audit reforms have been realised
- 5) There has been an increase in audit providers
- 6) Auditors are properly responding to questions or objections by local taxpayers
- 7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny

National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. ‘Relevant authorities’ are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

Stage 1 involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

This stage of the consultation is now closed. The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

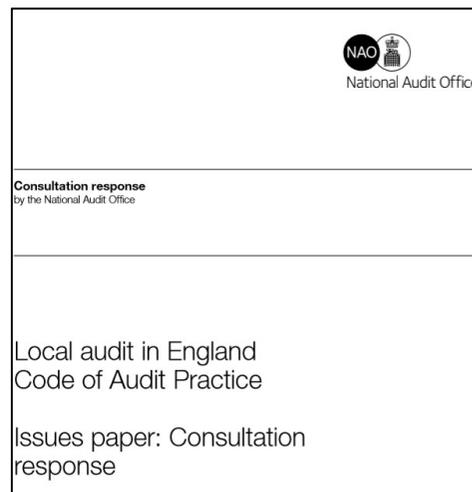
Stage 2 of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

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

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation closed on 22 November 2019. The new Code will apply from audits of local bodies’ 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>



Financial Reporting Council – Summary of key developments for 2019/20 annual reports

On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.

IFRS 16 Leases

The FRC letter notes “IFRS 16 is effective for periods beginning on or after 1 January 2019. We recently conducted a thematic review looking at how companies reported on their adoption of the new standard in their June 2019 interim accounts. In advance of our detailed findings which will be published shortly, I set out what we expect to see by way of disclosures in the forthcoming accounts, drawing on the results of our work.

- Clear explanation of the key judgements made in response to the new reporting requirements;
- Effective communication of the impact on profit and loss, addressing any lack of comparability with the prior year;
- Clear identification of practical expedients used on transition and accounting policy choices; and
- Well explained reconciliation, where necessary, of operating lease commitments under IAS 17, ‘Leases’, the previous standard and lease liabilities under IFRS 16.”

The implementation of IFRS is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases and the three interpretations that supported its application. Authorities will need information and processes in place to enable them to comply with the requirements. They will need to make disclosures in the 2019/20 accounts about the impact of IFRS 16 in accordance with IAS 8/ Code 3.3.4.3 requirements for disclosure about standards which are issued but are not yet effective.

Financial Reporting

Challenge question:

Will you have the opportunity to review and comment on your authority’s statement of accounts before they are published at the end of May?



What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.granthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

<https://www.ifs.org.uk/publications/14563>



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REPORT TO	ON
Governance Committee	28 th January 2020



TITLE	REPORT OF
Internal Audit Plan Progress Report as at 31 December 2019	Interim Head of Shared Assurance

Is this report confidential?	No
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PURPOSE OF THE REPORT

1. To provide the Governance Committee with a summary of Internal Audit work undertaken for South Ribble and the Shared Services element for the period 1 April 2019 to 31 December 2019.

RECOMMENDATIONS

2. Members are asked to consider and note the contents of the report.

EXECUTIVE SUMMARY

3. Governance Committee are required to be informed of and review Internal Audit work as part of their review of the Council's internal control environment and overall Governance arrangements. To that end the report outlines the work undertaken for the period, the individual opinion of the internal control environment of those pieces of work completed, the progress of work to 31 December 2019 and the status of planned and ongoing work.

The detailed information in regard to progress against individual areas of work / auditable areas up to the 31 December 2019 has been provided at Appendix 1.

CORPORATE PRIORITIES

4. The report relates to the following corporate priorities:

Excellence and Financial Sustainability	X
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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BACKGROUND TO THE REPORT

5. This is the progress report of work undertaken for the 2019/20 Plan, which was previously agreed with the Governance Committee.

PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

6. Audit Plan Progress

This is the progress report in respect of the period 1st April 2019 – 31st December 2019; it includes those items carried forward from 2018/19, that are now completed, progress against the 2019/20 plan and the status of individual auditable areas. The appendix outlines the actual time spent against the planned time for each area and the assurance opinion where work is completed.

The following reviews have either recently commenced or are in progress;

- Ethical Culture Review
- Corporate Complaints
- Absence Management
- Procurement (Shared Financial Services)

A number of reviews are at Draft Report stage and are awaiting review by the Acting Principal Auditor and / or the Interim Head of Shared Assurance. These are outlined below;

- Credit Cards
- Environmental Enforcement – Fixed Penalty Notices
- Environmental Health (split into 3 area reports);
 - Environmental Protection
 - Food Safety
 - Health & Safety
- Car Park Management / Enforcement
- Tree Inspections & Maintenance
- Creditors
- NFI Data Matching Reviews
- Shared Services Review of Accounts

The following table outlines the main piece of work completed in the last period:

Audit Work Area	Assurance Rating	Comments
GDPR Compliance Reviews	Limited	This review was undertaken to assess compliance with the General Data Protection Regulation (GDPR) which came into effect on 25 th May 2018. Due to the increase in the level of risk to the Council the scope of the audit was increased as were the number of days required to complete this audit. The audit identified that whilst some systems of control are in place there are significant weaknesses in the application of controls in this area as GDPR principles are still not fully implemented some 20 months after the regulations came into effect, leaving the Council open to significant risk. (A copy of the Audit report is to be provided to Members under a separate agenda item).

Performance Management Information	Limited	Previously reported to Governance Committee however, a copy of the Audit report is to be provided to Members under a separate agenda item.
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The ‘% of audit plan completed’ for this period April – December 2019 currently stands at 52% (total of planned audit time used against the audit work plan). Whilst this is lower than expected for this point in the year the combined % of audit plan work which has now either commenced, is in progress, is at draft report stage or complete currently stands at 73%.

The significant number of days spent on investigation and governance work for SRBC has impacted on the level of work completed at both SRBC and Chorley BC. The investigation work is now concluded and will therefore lessen the impact on the audit staff and allow them to focus on the work within the audit plan. In addition, the previously reported temporary arrangements with regards to the recruitment of 2 temporary auditors and 1 auditor acting up into the Principal Auditor role have been extended until the end of March 2020 which will ensure that the audit plan is completed.

The re-focus of the audit team on the work within the audit plan is now evident by the number of reviews which have recently commenced, are in progress and at draft report stage, as per Appendix 1. The progress of audit work against the plan is being closely monitored and reviewed by the Interim Head of Shared Assurance.

COMMENTS OF THE STATUTORY FINANCE OFFICER

- 7. The unplanned work particularly in relation to the investigation and governance work for South Ribble has impacted on the delivery of the planned work in the audit plan. In order to mitigate this, the interim staffing arrangements have been extended to the end of the financial year. The additional cost has been funded from underspends within the overall shared services budget.

COMMENTS OF THE MONITORING OFFICER

- 8. The legal implications have been considered in the report.

OTHER IMPLICATIONS:

<p>► Risk</p>	<p>The matters raised in the report are cross cutting and impact upon those individual services reviewed and the Internal Control environment of the Council. Failure to report the progress of the Audit Plan to the Governance Committee would result in the lack of awareness of those charged with the responsibility for the Governance of the Council of issues in regard to the Council’s overall control environment. This could result in financial, legal and / or reputational harm to the Council.</p>
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BACKGROUND DOCUMENTS

- South Ribble Internal Audit Plan 2019/20
- Shared Financial Services Internal Audit Plan 2019/20

APPENDICES

Appendix 1 – Internal Audit Plans 2019/20 Progress for South Ribble Council and Shared Financial Services.

Janice Bamber
Interim Head of Shared Assurance

Report Author:	Telephone:	Date:
Janice Bamber Interim Head of Shared Assurance	01772 625272	14 January 2020

INTERNAL AUDIT PLANS 2019/20
SOUTH RIBBLE COUNCIL

WORK AREA	RISK	EST (Days)	ACT	BAL	REVIEW STATUS	ASSURANCE RATING	STATUS
AUDIT PLANNED WORK							
Areas of work to be identified		60	0	60			
CORPORATE							
Corporate Complaints	Medium	10	5.2	4.8	In progress		Review of Complaints ongoing as part of investigation work
RESOURCES & TRANSFORMATION							
HR							
Absence Management	Medium	10	1.4	8.6	Commenced		Audit scope agreed with Service Lead
Democratic Services							
Ethical Culture Review	High	10	7.7	2.3	In Progress		Audit scope agreed with Service Lead / Testing in progress
Customer & Digital							
ICT Review	High	20	3.3	16.7			Meeting with MIAA to agree areas to be reviewed and assessment of audit work previously undertaken within ICT
GDPR Compliance Reviews	High	10	35.3	(25.3)	Completed	Limited	Further work completed, reported to Leadership Team and management actions to be agreed as part of Annual Governance Statement work
Council Tax	High	5	0	5			
NNDR	High	5	0	5			
Housing Benefits	High	5	0	5			
Finance							
Income Collection & Receipt	High	25	0	25			
Credit Cards	High	10	19.2	(9.2)	Draft Report		Draft Report complete; with Interim Head of Shared Assurance for review
REGENERATION & GROWTH							
Neighbourhoods & Development							
My Neighbourhood Processes	High		0	0	Deleted		Not required as Member & Officer working group to review My Neighbourhoods following changes to areas.
Environmental Enforcement – Fixed Penalty Notices	High	10	7.2	2.8	Draft Report		Additional audit to replace My Neighbourhoods, specific area in respect of Fixed Penalty Notices to be reviewed following discussions with Director. Draft report complete; with Interim Head of Shared Assurance for review
Environmental Health (3 areas); Environmental Protection, Food Safety; Health & Safety.	High	15	17.2	(2.2)	Draft Report		Increase in days taken from My Neighbourhoods as 3 separate areas reviewed. Draft reports complete; with Interim Head of Shared Assurance for review
Leases / Licences to Community Centres etc.	High	10	0	10			
Parks & Neighbourhoods							
Car Park Management / Enforcement	High	10	12.1	(2.1)	Draft Report		Draft Report complete; with Interim Head of Shared Assurance for review
Tree Inspections & Maintenance	High	10	8.7	1.3	Draft Report		Draft Report complete; with Interim Head of Shared Assurance for review
TOTAL PLANNED WORK		225	117.3	107.7			52% of audit time used against the planned work plan

UNPLANNED WORK							
Performance Management Information (additional work)		0	23.4	(23.4)	Completed	Limited	Further work completed, reported to Leadership Team and management actions to be agreed as part of Annual Governance Statement work. Previously reported.
Review of IRG / AGS		0	45	(45)	Completed	N/A	Work undertaken to review IRG recommendations and action taken against those actions for inclusion in and review of Annual Governance Statement.
Total Unplanned Work		0	68.4	(68.4)			
TOTAL WORK (Planned & Unplanned)		225	185.7	39.3			82% of audit time used against the planned/unplanned work plan

ONGOING WORK THROUGHOUT THE YEAR							
CORPORATE AREAS							
Annual Governance Statement	N/A	20	13.5	6.5	Ongoing		Work was completed on initial AGS, following issues arising from investigations and IRG review, AGS is to be reviewed so further work is required
Assurance Mapping	N/A	10	5.6	4.4	Ongoing		Work is being undertaken to map all sources of Assurance across Council to complement Audit Planning process and ensure work Internal Audit undertake complements any other assurance work rather than duplicates.
Anti-Fraud & Corruption	N/A	10	0.1	9.9	Ongoing		
NFI	N/A	5	1	4	Ongoing		Preparation for the Council Tax Single Person Discount / Electoral Register exercise later this financial year
Governance Committee	N/A	10	4.7	5.3	Ongoing		Preparation of reports for Governance Committee
Total Corporate Areas		55	24.9	30.1			
PROJECT SUPPORT							
HR and Payroll system update	Project		0.2		Project Support		Advice re risk and controls re enhancement to HR systems
InPhase Development	Project		4.6		Project Support		Advice re risk and controls re implementation of improved Project Management System.
Project Support Total Days		20	4.8	15.2			
GDPR Implementation	Project	5	4	1	Project Support		Increased Audit presence within project group
Project Support Totals		25	8.8	16.2			
TOTAL ONGOING WORK		80	33.7	46.3			42% of Ongoing work completed
OTHER WORK							
Residual Work from 2018/19							
Commercial Properties	N/A		4.8		Completed	Limited	Follow Up Quarter 4
Health & Safety	N/A		9.9		Completed	Adequate	Actions implemented to improve culture
Residual Work Total Available Days		10	14.7	(4.7)			
GENERAL Areas							
GRACE System Administration	N/A	10	0	10			

Post Audit Reviews	N/A	5	0.3	4.7			Review of previous 2 years management actions to determine if implemented or status of implementation, results will be reported to Governance Committee.
General Areas Total Available Days		15	0.3	14.7			
Contingency / Irregularities							
Contingency / Consultancy			7		Ongoing		Advice / Support from Internal Audit in respect of issues arising, fraud awareness, scam emails received etc.
Investigations / Irregularities			117.5		In Progress		Ongoing investigation work by Interim Head of Shared Assurance primarily regarding current issues.
NB. Investigation work / reports / outcomes will be reported to Governance Committee at the appropriate time, any reporting at this time may hamper / hinder any ongoing process.							
Contingency/Irregularities Total		10	124.5	(114.5)			
Total Other Work		35	139.5	(104.5)			
TOTALS		340	358.9	(18.9)			

SHARED FINANCIAL SERVICES

WORK AREA	RISK	EST (Days)	ACT	BAL	REVIEW STATUS	ASSURANCE RATING	COMMENTS
AUDIT PLANNED WORK							
Creditors	High	20	29.6	(9.6)	Draft Report		Audit work completed and Draft Report prepared. File and Report with Interim Head of Shared Assurance for review.
Financial Systems;	High	20	0	20			
Procurement	High	30	0.7	29.3	COMMENCED		Audit scope to be agreed
Money Laundering	High	20	0	20			
NFI Data Matching Reviews of Financial Matches inc. Creditors / Payroll / Housing Benefits	Medium	10	10.2	-0.2	Draft report		Work undertaken on Creditors & Payroll matches re: employees, Draft report with Interim Head of Shared Assurance for review
Total Planned Work		100	40.5	59.5			
UNPLANNED WORK							
Shared Services Review of Accounts			7	(7)	Draft report		Audit work completed and Draft Report prepared. File and Report with Interim Head of Shared Assurance for review.
Total Unplanned Work			7	(7)			
OTHER WORK							
General Areas							
GRACE System Administration	N/A	5	0.2	4.8			
Post Audit Reviews	N/A	5	0	5			
Total General Areas		10	0.2	9.8			
Residual Work from 2018/19							
Cash & Bank			12.1		Completed	Substantial	Previously Reported
Treasury Management			1.1		Completed	Substantial	Previously Reported
Payroll			2.1		Completed	Limited	Previously Reported
Main Accounting					Completed	Substantial	Previously Reported
Total Residual Work		5	15.3	-10.3			
Contingency / Irregularities							
Total Contingency / Irregularity Work		5	0	5			
TOTALS		120	63	57			52.5% of audit time used against the Shared Financial Services audit plan