

Governance Committee

Tuesday, 25th May, 2021, 6.00 pm

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

Agenda

This meeting will be live streamed on YouTube and can be accessed [here](#).

IMPORTANT INFORMATION – MEMBERS

Please can any members who wish to attend this socially distanced meeting at the Civic Centre please advise democraticservices@southribble.gov.uk in advance order that arrangements may be made to ensure social distancing.

IMPORTANT INFORMATION – MEMBERS OF THE PUBLIC

Unfortunately, due to the current situation surrounding COVID19 we are unable to allow members of the public to speak at this meeting, these measures are temporary and will be reviewed as circumstances and the current restrictions improve.

However, written representations are being received and can be read out at the meeting with a written response provided. If you would like to make representations on any of the items below please email Democratic Services, democraticservices@southribble.gov.uk no later than 12pm on Friday 21 May 2021.

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

Minutes of the last meeting held on Tuesday, 23 March 2021 attached.

4 South Ribble Borough Council Audit Progress Report and Sector Update

(Pages 3 - 8)

(Pages 9 - 26)

Report of Grant Thornton attached.		
5	Annual review of Council's Counter Fraud Policies	(Pages 27 - 66)
Report of the Director of Governance and Monitoring Officer enclosed.		
6	Internal Audit Annual Report	(Pages 67 - 76)
Report of the Director of Governance and Monitoring Officer enclosed.		
7	Review of the effectiveness of Internal Audit	(Pages 77 - 118)
Report of the Director of Governance and Monitoring Officer enclosed.		
8	Draft Annual Governance Statement	(Pages 119 - 140)
Report of the Director of Governance and Monitoring Officer enclosed.		
9	Review of Compliance with CIPFA Financial Management Code	(To Follow)
Report of the Director of Finance to follow.		
10	South Ribble Key Partnerships and Contracts Framework	(Pages 141 - 152)
Report of the Deputy Chief Executive enclosed.		

Gary Hall
Chief Executive

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

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

Forthcoming Meetings

6.00 pm Tuesday, 27 July 2021 - Civic Centre, West Paddock, Leyland PR25 1DH

Minutes of Governance Committee

Meeting date Tuesday, 23 March 2021

Members present: Councillors Ian Watkinson (Chair), Colin Sharples (Vice-Chair), Damian Bretherton, Christine Melia, Margaret Smith and Angela Turner

Officers: Gary Hall (Chief Executive), Chris Moister (Director of Governance), James Thomson (Deputy Director of Finance), Dawn Highton (Shared Service Lead- Audit & Risk), Jacqui Murray (Senior Auditor), Rebecca Aziz-Brook (Transformation & Change Team Leader), Georgia Jones (Director, Audit at Grant Thornton LLP), Darren Cranshaw (Shared Services Lead - Democratic, Scrutiny & Electoral Services) and Clare Gornall (Democratic and Member Services Officer)

Other members and officers: Councillors Chisholm, Foster, Ogilvie, Trafford, P Smith, Titherington and Tomlinson

Public: 0

Prior to commencing the official business of the meeting, the Chair referred to the sad news regarding the recent passing of Councillor Colin Clark who was a member of the Committee. He paid tribute to Councillor Clark and a minutes' silence was held.

79 Apologies for absence

There were none.

80 Declarations of Interest

There were none.

81 Minutes of the last meeting

RESOLVED (unanimously):

That the minutes of the meeting held on 19 January 2021 be agreed and signed as a correct record.

82 Annual Governance Statement - Progress Report

The Director of Governance and Monitoring Officer presented a report updating members on the progress of the Annual Governance Statement Action Plan.

He referred to the 3 outstanding actions in the report. He informed members that the actions at paragraphs 16 and 17 were now being progressed by the Service Lead for Audit and Risk and the action at paragraph 18 was to be presented to members at this meeting.

It was confirmed to the meeting that it was not intended to report on progress against the plan to the meeting again as the outstanding actions would be reported to members on resolution.

RESOLVED – (unanimously):

That the progress and substantial completion of the action plan be noted.

83 Internal Audit Plan 2021 - 2022

Ms Dawn Highton, Shared Services Lead – Audit and Risk presented a report explaining the content of the Internal Audit work programme for the 2021- 2022 financial year which has been determined following a detailed risk assessment and consultation exercise.

The report proposed that the progress reporting be moved to three times per annum i.e. September, January and the full Annual Report May/June. (It was noted that for the year 2020-21, due to the impact of COVID on internal audit work in 2019-20, an interim report will be provided on the progress of key quarter 1 reviews at the May 2021 meeting).

Ms Highton referred to the gap between the Committee approving its Annual Plan in March and receiving its first progress report in September. Members of the Committee were assured that if any internal audit reviews were carried out during that time they would receive a copy of the report as soon as it was finalised so there would be no delay.

Arising from questions by a member, the following responses were provided:

- With regard to the planned audit in 2021-22 of Section 106 agreements, this is a risk based review and therefore will include the collection and spend of monies.
- Reference was made to the Internal Audit Team resources and the Internal Audit Plan 2021/22 which is based on 499 audit days. The internal audit team is now fully resourced with 4 full time staff members, and we will be buying in an additional 2 members and IT resource. It has been possible to buy in an additional 25 audit days.
- With regard to performance indicator targets, it is not always possible to achieve 100% management actions due to factors such as varying circumstances and changes to systems and processes. Therefore, the current target is 90%.

RESOLVED (unanimously):–

1. That the Committee approves the 2021 – 2022 – Internal Audit Plan and associated indicators.
2. That the Committee approves the Internal Audit Charter.

84 Key Contracts and Partnerships Framework - approach

Ms R Aziz-Brook, Transformation and Change Team Leader, presented a report outlining a proposed approach for the development of the Key Contracts and Partnerships Framework and the next steps.

Arising from questions from members, the following responses were given:

- 1) A Register of Council Key Contracts is available and published in line with legislation
- 2) Agreement to include in the list of proposed key contracts and partnerships any movement of monies / expected receipt of monies arising from the City Deal Partnership e.g. CIL, New Homes Bonus
- 3) Some high value contracts (e.g. McKenzie Arms, Worden Hall) are not included. This is because the Framework is based on the range of considerations listed at paragraph 7 such as reliance on the proposed partner to deliver core services.

RESOLVED (unanimously): That, subject to the inclusion of information specified at point 2) above, the approach for the development of the Key Contracts and Partnerships Framework and next steps be approved.

85 Governance Committee Effectiveness Review

Ms Dawn Highton, Shared Services Lead – Audit and Risk presented a report of the Director of Governance and Monitoring Officer which sought to do the following:

- To evaluate the Council's compliance with the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance, "Audit Committees – Practical Guidance for Local Authorities and Police 2018";
- To present a revised Terms of Reference for members' consideration;
- To present details of the review of the self-assessment of good practice contained within the guidance; and
- To put forward proposals to address recommendations in relation to developing members' skills and knowledge.

Ms Highton informed members that self-assessment questionnaires would be emailed to the Committee this week.

The following responses were given to issues raised by members:

- With regard to the possibility of appointing an independent person to the Committee (e.g. with specialist skills such as qualified accountancy) - other councils do have them for example Blackpool has 2 independent persons, however this is a unitary authority. Member were advised it was a matter for the Committee, however the process is very open and transparent at South Ribble in that all Council members can attend and participate at Committee meetings.
- Regarding member briefings prior to formal Committee meetings, e.g. Chair/Vice Chair briefings, it was stressed that any member of the Committee

is welcome to ask any questions on the agenda or raise any other issues prior to the meeting either with council officers or the external auditor.

- It was suggested that the Vice Chair be a member of the opposition. Members were advised this was a matter for Full Council.

RESOLVED (unanimously):-

1. That the report be noted;
2. That the updated Terms of Reference be submitted to Full Council for approval;
3. That the self-assessment of good practice and the subsequent actions be noted;
4. That the proposals in relation to developing members' skills and knowledge be accepted.

86 Risk Management Strategy

The Shared Services Lead – Audit and Risk presented a report of the Director of Governance and Monitoring Officer concerning the Risk Management Strategy, which was last updated and presented to the Audit Committee in April 2018. The report indicated that the Strategy had now been reviewed and updated and demonstrated how the Council was seeking to ensure that the management of risk becomes embedded and at the centre of its' day to day work.

Arising from questions from members, the following responses were given:

- An online Member briefing session explaining the GRACE system will be arranged
- Councillor Bretherton made reference to how the Asset Allocation of the Employee Pension Fund was reported in the Statement of Accounts. The make up of the Assets indicated that the Pension Fund was invested in a high risk manner- 53% invested in Private Equity. The Auditor confirmed that the Asset Allocation was incorrectly reported.
It was agreed that the Deputy Director of Finance and Section 151 officer would provide confirmation that the Statement of Accounts had been updated and Councillor Foster, the Council's representative on the Lancashire Pensions Fund Committee who was also in attendance at the meeting, confirmed that the Committee robustly monitors investments and that he would supply contact details for members to obtain further information about its work.
- Concern was expressed with regard to the clarity of the definitions of risk in the Strategy, however it was agreed to roll out the Strategy, receive feedback and review as appropriate.
- It was confirmed that the 'red risks' identified for 3 monthly review in the GRACE system would actually be monitored on an ongoing basis. GRACE would generate an additional alert to review the risk after 3 months.
- A Corporate Governance Group had been established which will meet regularly to monitor risk management.

RESOLVED (unanimously):- That the updated Risk Management Strategy be approved.

87 Local Code of Corporate Governance Update

The Director of Governance and Monitoring Officer presented a report informing members of updates to the Local Code of Corporate Governance and seeking approval of the proposed amendments.

RESOLVED (unanimously):- That the Local Code of Corporate Governance, attached at Appendix A to the report, be approved.

88 Proposed Updated Financial Procedure Rules

The Deputy Director of Finance and Section 151 officer presented a report which reviews and updates the financial regulations and Financial Procedure Rules as detailed in the Council's Constitution.

Arising from questions by members, the following responses were given:

- Reference was made to paragraph 6.10, page 15 which stated "All trust funds shall wherever possible be in the name of the Council." The Deputy Director of Finance and Section 151 officer indicated he would provide the list of trust funds to members.
- Regarding the timescale for training of officers on the new Financial Procedure Rules, members were informed that the report would need to be approved at Full Council, however the intention was for online training to be rolled out in May 2021.

RESOLVED (unanimously):-

1. That the proposed changes to Financial Procedure Rules be noted;
2. that the Committee recommends adoption of the proposed changes to Council.

Chair

Date

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South Ribble Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2021

May 2021



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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 South Ribble Borough 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.

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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.

Progress at May 2021

Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in April 2021, and we will complete our planning work in June 2021. We expect to begin our work on your draft financial statements in July 2021.

Our planning work includes:

- Inquiries of management and those charged with governance
- Updated review of South Ribble Borough Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how South Ribble Borough Council makes material estimates for the financial statements

In July we will issue a detailed audit plan, setting out our proposed approach to the audit of South Ribble Borough Council's 2020/21 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 September 2021.

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 is 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 2020-21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach is more complex, more involved and will make more impact. Before beginning work, we will discuss with you:

- Timing
- Resourcing
- Fees

Please see page 8 for further details.

Progress at May 2021 (cont.)

Other areas

Certification of claims and returns

We certify South Ribble Borough Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim is being finalised and an extension to 31 May 2021 has been granted from DWP. The certification work for the 2020/21 claim has not yet begun.

Meetings

We met with Finance Officers in April 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 also met with your Chief Executive in April to discuss South Ribble Borough Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support South Ribble Borough Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to South Ribble Borough 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. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession.

Additionally, across all sectors and firms, the 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, as detailed at page 11 in relation to the revised ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

Our work in the Local Government sector in 2018/19 and 2019/20 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 will include a full breakdown of fees in our audit plan.

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

2020/21 Deliverables	Planned Date	Status
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 South Ribble Borough Council's 2020/21 financial statements and the Auditor's Annual Report on South Ribble Borough Council's Value for Money arrangements.	July 2021	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the September Governance Committee.	September 2021	Not yet due
Auditors Report This is the opinion on your financial statements.	September 2021	Not yet due
Auditor's Annual Report This Report communicates the key issues arising from our Value for Money work. * The requirement is for the Auditor's Annual Report to be issued within three months of the audit opinion.	September 2021*	Not yet due

Sector Update

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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 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

The new approach to Value for Money

The nature of value for money work

Section 20 and 21 of the Local Audit and Accountability Act 2014 (the Act), require auditors to be satisfied that the body “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. The auditor’s work on VFM arrangements is undertaken in accordance with the Code and its supporting statutory guidance. The Comptroller and Auditor General has determined through the 2020 Code and guidance that the key output from local audit work in respect of VFM arrangements is the commentary as reported in the Auditor’s Annual Report. It is therefore not a VFM arrangements ‘conclusion’ or an ‘opinion’ in the same sense as the opinion on the financial statements themselves. The Act and the Code require auditors to consider whether the body has put in place ‘proper arrangements’ for securing VFM. The arrangements that fall within the scope of ‘proper arrangements’ are set out in ‘AGN 03 Auditors’ work on VFM arrangements’, which is issued by the NAO. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services, including how the body:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Governance

How the body ensures that it makes informed decisions and properly manages its risks, including how the body:

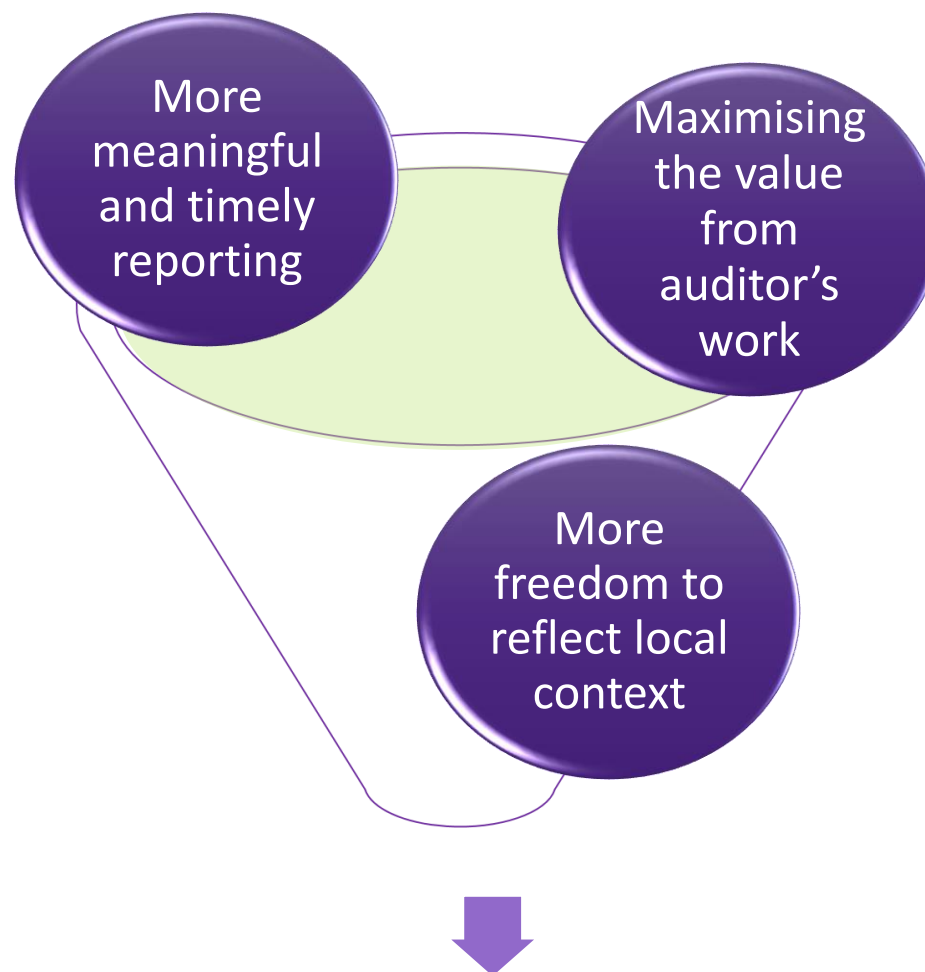
- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Governance Committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The new approach to Value for Money

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, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the body evaluates the services it provides to assess performance and identify areas for improvement;
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.



VFM arrangements commentary and recommendations

The new approach to Value for Money

The table below details what will be reported in the Auditor's Annual Report:

Section of report	Content
Commentary on arrangements	An explanation of the VFM work that has been undertaken during the year, including the risk assessment and any further risk-based work. It will also highlight any significant weaknesses that have been identified and brought to the body's attention. The commentary will allow auditors to better reflect local context and draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself.
Recommendations	Where an auditor concludes that there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.
Progress in implementing recommendations	Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily.
Use of additional powers	Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this should be reported in the auditor's annual report.
Opinion on the financial statements	The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements.

The table below details the three types of recommendations that auditors can make. Auditors may make recommendations at any time during the year.

Type of recommendation	Definition
Statutory recommendation	Where auditors make written recommendations to the body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. A recommendation of this type requires the body to discuss and respond publicly to the report.
Key recommendation	Where auditors identify significant weaknesses in a body's arrangements for securing value for money, they have to make recommendations setting out the actions that the body should take to address them
Improvement recommendation	Where auditors do not identify a significant weakness in the body's arrangements, but still wish to make recommendations about how the body's arrangements can be improved

Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of South Ribble Borough Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 financial instruments

South Ribble Borough Council's Information systems

In respect of South Ribble Borough Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that South Ribble Borough Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at South Ribble Borough Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management addresses this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

How can you help?

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquiries are completed by management and confirmed by those charged with governance at a Governance Committee meeting. For our 2020/21 audit we will be making additional enquiries on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquiries in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is South Ribble Borough Council acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:



Local government finance in the pandemic – National Audit Office

The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

2019/20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.

This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)

CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>



Agenda Item 5

Report to	On
Governance Committee	Tuesday, 25 May 2021



Title	Report of
Annual review of Council's Counter Fraud Policies	Director of Governance and Monitoring Officer

Is this report confidential?	No
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Purpose of the Report

1. This report comes before Members to note the revised Anti-Fraud, Bribery and Corruption Policy, the Fraud Response Plan and the Whistleblowing Policy.

Recommendations

2. Members are asked to note the policies as set out in Appendices A, B and C.

Corporate outcomes

3. The report relates to the following corporate priorities:

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

Background to the report

4. In administering its responsibilities, the Council has a duty to protect public funds and to raise awareness in relation to any potential threats that may affect the financial and/or reputational position of the organisation. The suite of counter fraud policies reinforces the Council's commitment to the prevention and detection of fraudulent activity. They also support the Local Code of Governance in promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Counter Fraud Policies

5. The general aim of all the Council's counter fraud policies is to reduce the occurrence and impact of fraud, corruption and bribery on the organisation and provide an effective channel of communication for anyone who has concerns or suspicions of malpractice.

6. The Council had both an Anti-Fraud and Corruption Statement and Strategy and a separate Bribery Policy. These documents have been combined and revised in light of best practice, particularly the guidance from CIPFA Code of Practice – Managing the Risk of Fraud and Corruption and the four key themes of the Local Government Fraud Strategy – Fighting Fraud and Corruption Locally (2020).

7. The themes comprise the following:

- Acknowledge the responsibility of the governing body for countering fraud and corruption;
- Identify the fraud and corruption risks;
- Develop an appropriate counter fraud and corruption strategy;
- Provide resources to implement the strategy;
- Take action in response to fraud and corruption.

Fraud Response Plan

8. This document has been revised to reflect the Council's current arrangements when a fraud is reported and sets out the responsibilities for those involved.

Whistleblowing Policy

9. The Whistleblowing Policy has been amended with a view to making the policy clearer in terms of the roles and responsibilities of officers involved in dealing with referrals from Officers, Members, partner organisations and the public.

Training and awareness

10. It is the intention to raise awareness of the revised policies by the completion of mandatory e-learning by officers. The policies will also be available on the Council's intranet and website.

Appendices

Appendix A – Anti Fraud, Bribery and Corruption Statement and Strategy

Appendix B - Fraud Response Plan

Appendix C – Whistleblowing Policy

Dawn Highton
Service Lead Audit and Risk

Report Author:	Email:	Telephone:	Date:
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Anti Fraud, Bribery and Corruption Statement and Strategy.

April 2021

ANTI FRAUD, BRIBERY AND CORRUPTION POLICY STATEMENT

The Council (South Ribble Council & Chorley Council) is committed to adopting a zero tolerance approach to fraud, and corruption from both internal and external sources. It is committed to acting professionally, fairly and with integrity and to implementing and enforcing effective systems to counter fraud, bribery and corruption. The Council will promote an environment that actively encourages the highest principles of honesty and integrity.

The overall objective is to limit the Council's exposure to fraud and corruption, and to minimise financial loss and the potential adverse effects on its reputation in the event of this occurrence by:

- creating a counter fraud culture;
- understanding the fraud risks facing the Council;
- implementing measures to deter, prevent and detect fraud;
- promptly and professionally investigating alleged or detected fraud; and
- imposing appropriate sanctions and redress where fraud or corruption are proven.

All Members and employees of the Council should ensure the highest standards of stewardship of public funds. The detection, prevention and reporting of fraud, bribery and corruption is the responsibility of all Members, employees (including casuals, temporary and agency staff), partners, and contractors of the Council. The Council aims to fight fraud and corruption by encouraging prevention whilst also promoting detection.

It is important to note that fraud may be committed both from within the Council and externally. Fraud may be complex or simple; opportunistic, pre-planned or continuous. Unlike fraud, bribery and corruption usually require the involvement of a Council member or employee.

ANTI FRAUD, BRIBERY AND CORRUPTION STRATEGY

1. Introduction

- 1.1 Chorley Council and South Ribble Borough Council are committed to promoting a strong ethical and counter fraud culture. This anti-fraud and corruption strategy is the mechanism for achieving this commitment and in particular, aims to reduce losses to fraud and corruption in all areas of the Councils to an absolute minimum.
- 1.2 Both Councils have a wide range of policies and procedures which aim to prevent fraud, bribery and corruption and these include:
- Contracts Procedure Rules,
 - Financial Procedure Rules
 - Local Code of Corporate Governance;
 - Codes of Conduct for Employees
 - Codes of conduct for Elected Members;
 - Capability and Conduct Policy;
 - Whistleblowing Policy;
 - Anti-Money Laundering Policy;
 - Information Security Framework
- 1.3 This strategy adheres to the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption (2014) and the four key themes of the Local Government Fraud Strategy – Fighting Fraud & Corruption Locally.(2020). The Code requires leaders of public sector organisations to have a responsibility to embed effective standards for countering fraud and corruption in their organisations in order to support good governance and demonstrate effective financial stewardship and strong public financial management.

CIPFA – Managing the Risk of Fraud & Corruption	Fighting Fraud & Corruption Locally
Acknowledge the responsibility of the governing body for countering fraud and corruption	Govern Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance
Identify the fraud and corruption risks	Acknowledge Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Develop an appropriate counter fraud and corruption strategy	Prevent Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
Provide resources to implement the strategy	
Take action in response to fraud and corruption.	Pursue Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

2. Definitions of Fraud, Bribery and Corruption

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud as

"the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."

Put simply, fraud is an act of deception intended for personal gain or to cause a loss to another party. The Fraud Act 2006 defines fraud in three classes:

- False representation
- Failure to disclose information where there is a legal duty to do so
- Abuse of position

2.2 CIPFA defines corruption as the:

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

2.3 The Theft Act 1968 defines theft as:

"a person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it."

2.4 CIPFA defines bribery as

"an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage".

The Bribery Act 2010 contains the following four categories of offence and whilst it was updated in May 2013, these categories of offence remained unchanged:

- offering, promising or giving a bribe to another person;
- requesting, agreeing to receive or accepting a bribe from another person;

- bribing a foreign public official; and
- a corporate offence of failing to prevent bribery.

3 Scope

- 3.1 The Councils aim to foster honesty and integrity, and to uphold the Seven Principles of Public Life developed by the Nolan Committee on Standards in Public Life and set out at Appendix 1 below. High ethical standards are an integral part of good governance. In promoting good governance the Council aims to create a counter fraud culture to help deter people from committing fraud and to encourage those who suspect fraudulent activity to report it.
- 3.2 The Policy Statement / Strategy applies to all elected Members and all officers (full time, part time, temporary, casual and volunteers) who work for the Councils. The term “officer” includes all types of employees of the Councils.
- 3.3 The Councils also expect that individuals and organisations (e.g. partners, suppliers, contractors, service providers and voluntary organisations) that it deals with will act with integrity and without thought or actions involving fraud, bribery and corruption. Where relevant, the Councils will include appropriate clauses in its contracts about the consequences of fraud, bribery and corruption and evidence of such acts are most likely to lead to a termination of the particular contract and may lead to prosecution.
- 3.4 The Anti-Fraud, Bribery and Corruption Policy Statement and Strategy are commended to the Councils partner organisations with the expectation that they will be applied either wholly or as the basis for their own local version

4 Creating and maintaining a strong culture

- 4.1 Responsibility for an anti-fraud culture is the joint duty of all those involved in giving political direction, determining policy and management. The strategy should be directed against fraud and corruption whether it is attempted against the Council from outside or from within its own workforce.
- 4.2 The Councils expects that Members and officers at all levels will lead by example in ensuring adherence to legal requirements, Contracts Procedure Rules, Financial Procedure Rules, Codes of Conduct and best (professional) practice.
- 4.3 As part of this culture, the Councils will provide clear routes by which concerns can be raised by both Members and officers, and those outside who are providing, using or paying for public services.
- 4.4 The Shared Senior Management Team is expected to deal swiftly and firmly with those who defraud the Council or who are corrupt. The Councils, including Members and the Shared Senior Management Team will be robust in dealing with financial malpractice.
- 4.5 The Governance Committees, have included within their Terms of Reference the need to ensure that adequate arrangements are established and operating to deal with situations of suspected or actual wrongdoing, fraud and corruption.

5 Deterrence

5.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Councils, and these include:-

- Publicising the fact that the Council is firmly set against fraud and corruption and states this at every appropriate opportunity – e.g., publicising the Whistleblowing arrangements, clauses in contracts, statements on benefits claim forms and publications etc.;
- Acting robustly and decisively when fraud and corruption are suspected and proven – e.g., the termination of contracts, dismissal and prosecution etc.;
- Taking action to effect the maximum recoveries for the Council – e.g. through agreement, Court action, penalties and insurance etc.;
- The Council's Shared Service Lead Communications and Visitor Economy will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. Where appropriate, the results of any action taken, including prosecutions, will be reported in the media.
- Having sound internal control systems that still allow for innovation, but at the same time do not provide the opportunity for fraud and corruption.

6 Prevention / Managing the Risk of Fraud and Corruption

6.1 The following internal control measures are in place to assist with the prevention of fraud:

- The Council's Monitoring Officer has a duty to report to the Council where it appears to her that any proposal, decision or omission by the Council, a committee or officer has given rise to, (or is likely to give rise to), a contravention of any enactment, rule of law or statutory code of practice.
- The Section 151 officer has a statutory responsibility under the Local Government Act 1972 to ensure the proper administration of the Council's financial affairs. The Accounts and Audit Regulations 2015 require the Councils to maintain a sound system of internal control.
- The Shared Leadership Team have a responsibility to ensure that internal controls, including those in a computerised environment are adequately designed and effectively operated.
- The Internal Audit Team reviews the adequacy of the Council's internal controls including those to prevent fraud. Internal Audit and the Council's Risk Management Strategy endeavour to provide appropriate advice to officers to ensure they are fully aware of the need to give sufficient emphasis to the preventative aspects of fraud and corruption work. The Internal Audit Plan includes a programme of work based on key risk areas. This programme of work is not restricted solely to the investigation of detected fraud but inherently includes anti-fraud assurance work intended to deter and prevent fraud.
- Managers across the Council have an important role to play in the prevention of fraud and corruption. Managers need to understand the importance of soundly designed systems which meet key control objectives and minimise the opportunities for fraud and corruption. They are responsible for assessing the potential for fraud and corruption within their own Service's activities and for implementing appropriate strategies to reduce this risk.

7 Combining with Others to Prevent and Fight Fraud

- 7.1 The Councils are committed to exchanging information with other local and national agencies in order to identify and prevent fraud using data matching techniques. Such activity is carried out in full compliance with the General Data Protection Regulation and the Code of Practice for National Fraud Initiative Data Matching Exercises and includes providing information to other agencies for data matching purposes. Any employee found to be perpetrating fraud on another local or national agency is liable to face disciplinary action where this has implications for the Council's trust and confidence in the employee. In certain cases disciplinary action could lead to dismissal.
- 7.2 With the increase in recent years of frauds perpetrated against a variety of public bodies, which usually involve fraudsters having multiple identities and addresses, the necessity for liaison with other organisations has become paramount. Some of these include:
- Police Forces and Fraud Squads
 - Other Local Authorities
 - External Auditor
 - Universities and Colleges
 - Department for Works and Pensions
 - National Anti Fraud Network

8 Detection and Reporting Concerns

- 8.1 It is the responsibility of Directors / Assistant Directors, Service Leads and their teams to prevent and detect fraud and corruption.
- 8.2 However, despite the best efforts of officers and auditors, many frauds are discovered by chance or "tip-off". It is often the alertness of employees and the public that enables detection to occur.
- 8.3 Reporting suspected irregularities is essential to the Anti-Fraud, Bribery and Corruption Strategy and ensures:-
- consistent treatment of information regarding fraud and corruption;
 - proper investigation by an independent and experienced audit team;
 - the proper implementation of a fraud response investigation plan;
 - the optimum protection of the Councils interests.
- 8.4 The Fraud Response Plan provides a clear path for raising concerns and facilitating "tip-offs", and the fraud response arrangements to enable such information or allegations to be properly dealt with. The Councils Whistleblowing Policy also gives advice on how to raise a concern and the safeguards and support that are available to those who raise concerns.

9. Investigations

- 9.1 Senior management are responsible for recording any allegation of fraud or corruption that they receive and are required to inform the Service Lead Audit and Risk of all suspected irregularities. The Service Lead Audit and Risk will liaise with the Corporate Governance Group to progress the investigation. This is to ensure that the matter is dealt with promptly and confidentially and that:
- all evidence that has been received is recorded;
 - evidence is sound and adequately supported;
 - all of the evidence that has been collected is secure, including electronic evidence;
 - where appropriate, other agencies are contacted e.g. Police;
 - when appropriate, to arrange for the notification of the Council's insurers;
 - a report to senior management is issued and where appropriate, recommend that management take disciplinary action in accordance with the Council's Capability and Conduct Procedures, and make any necessary revisions to systems and procedures to ensure that similar frauds do not recur.
- 9.3 Depending on the nature and anticipated extent of the allegations, the investigation officer will normally work closely with management, HR, Legal etc., and other agencies, such as the Police. This is to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.
- 9.4 The Council's External Auditor, Grant Thornton, also has powers to independently investigate fraud and corruption, and the Council can use this service too.
- 9.6 Where a fraud has occurred, management will need to take action to ensure that any control weaknesses which provided the opportunity for this to occur are addressed. Where appropriate, control weaknesses will be identified by the investigation. Any lessons learnt will be disseminated to all relevant sections.

10. Sanctions and Redress

- 10.1 Where financial impropriety is discovered, whether perpetrated by officers, Members or organisations (e.g. suppliers, contractors, and service providers) the Council deal with, the presumption is that the Police will be called in. The Crown Prosecution Service determines whether or not a prosecution will be pursued. Referral to the Police is a matter for the Chief Executive, the Monitoring Officer and the Service Lead Audit and Risk.
- 10.2 Referral to the Police will not inhibit action under the Council's Capability and Conduct Procedures. Serious cases of fraud or corruption would represent gross misconduct and consequently the officer may be liable to dismissal.
- 10.3 The Chief Executive and the Monitoring Officer will advise on the course of action to be taken in relation to Members.

- 10.4 Suspected financial impropriety by any organisation the Council deals with will be the subject of an investigation. If proven, this could result, for example, in the termination of an individual contract and may result in prosecution.
- 10.5 In proven cases of financial loss, the Council will seek to recover all such losses through whatever means it considers appropriate. If the fraudster is an employee, the loss may be recovered from any monies due to the individual on the termination of employment. In the event of the fraudster being a member of the Lancashire County Pension Fund, the Council may be able to recover the loss from the employee's accrued benefits in the Scheme.
- 10.6 In the event of the Council receiving a request for a reference in respect of an employee who has been dismissed as a result of a fraud/irregularity investigation, the Service Lead Transformation and Partnership should be contacted for guidance regarding the wording of any reference provided.

11. Responsibilities

FF&CL	CIPFA Managing the Risk of Fraud Principles	Responsibility
GOVERN	<i>Acknowledge the responsibility of the governing body for countering fraud and corruption</i>	
	The organisation's leaders acknowledge the threats of fraud and corruption, the harm they can cause and the potential for savings from managing the risk.	Shared Management Team / Elected Members
	The organisation's leaders acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the standards of good governance.	Shared Management Team / Elected Members
FF&CL	CIPFA Managing the Risk of Fraud Principles	Responsibility
ACKNOWLEDGE	<i>Identify Risks</i>	
	Fraud risks are routinely considered as part of the organisation's strategic risk management arrangements	Shared Management Team
	The organisation identifies the risks of corruption in its governance framework	Director of Governance
	The organisation uses estimates of fraud loss, and where appropriate measurement exercises, to quantify the	Director of Governance / Service Lead Audit and Risk

	harm that different fraud risks exposures	
PREVENT	<i>Develop an appropriate counter fraud and corruption strategy</i>	
	The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals	Governance Committee
	The strategy includes consideration of all the pro-active and reactive components of a good practice response to fraud risk management	Director of Governance / Service Lead Audit and Risk
	The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.	Director of Governance / Service Lead Audit and Risk
	<i>Provide Resources</i>	
	An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk;	Shared Management Team
	The organisation utilises counter fraud staff with appropriate skills and professional accreditation	Internal Audit Service
	The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required	Internal Audit Service
	The organisation has protocols in place to facilitate data and intelligence sharing to support counter fraud activity	Director of Governance / Service Lead Audit and Risk
PURSUE	<i>Take action in response to fraud and corruption</i>	
	The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy	Director of Governance
	Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of improving resilience to fraud and corruption	Shared Management Team / Internal Audit Service

	There is a report to the governing body at least annually on performance against the Counter Fraud Strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report	Director of Governance / Service Lead Audit and Risk / Governance Committee
	The governing body receives a report at least annually on the impact and cost effectiveness of its counter fraud activities	Governance Committee / Director of Governance / Service Lead Audit and Risk

The Seven Principles of Public Life - the Nolan Committee on Standards in Public Life

Selflessness

Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.

Honesty and Integrity

Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.

Objectivity

Members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

Accountability

Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

Openness

Members should be as open as possible about their actions and those of their Authority and should be prepared to give reasons for those actions.

Personal Judgement

Members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

Respect for others

Members should promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the Authority's statutory officers and its other employees.

Duty to uphold the law

Members should uphold the law and on all occasions act in accordance with the trust that the public is entitled to place in them.

Stewardship

Members should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

Leadership

Members should promote and support these principles by leadership and by example and should act in a way that secures or preserves public confidence.

Fraud Response Plan.

April 2021

1. Introduction

- 1.1. The Council's Anti-Fraud, Bribery and Corruption Policy and Strategy makes it clear that the Council is committed to adopting a zero tolerance approach to fraud, bribery and corruption from both internal and external sources. Where fraud, bribery or corruption is suspected the Council will deal with the allegations seriously in accordance with Council procedures.
- 1.2 This Fraud Response Plan provides guidance to Councillors and staff on the procedures that should be followed where a fraud is suspected or discovered. It includes reporting requirements, responsibilities for actions and how allegations will be investigated. It should be read in conjunction with the Council's Anti -Fraud, Bribery and Corruption Policy and Strategy, and the Whistleblowing Policy.
- 1.3 It is important to ensure that a structured and consistent approach is implemented by the Council for the investigation of any cases of fraud, bribery and corruption. This Fraud Response Plan sets out the Council's approach to ensure:
 - Councillors and staff are aware of how to report any allegations of fraud, bribery or corruption;
 - there is a clear understanding of who will lead investigations and appropriate staff are informed and involved;
 - Information about the investigation is retained by officers involved in the case. in accordance with the Council's Information Management and retention policies;
 - further losses of funds or assets where fraud may have occurred are prevented and the recovery of losses is maximised;
 - evidence is gathered to support an allegation and inform further action;
 - evidence necessary for possible disciplinary and criminal action is established and secured;
 - any adverse effects or publicity on the business of the Council or any other partner organisations involved are minimised;
 - a review is undertaken of the reasons for the incident and action taken to improve control, strengthen procedures and prevent recurrence.
- 1.4 Under no circumstances should staff feel that they must tolerate the abuse of systems employed at the Council by other staff members or outside persons in ways that may be classed as potentially fraudulent behaviour. Whilst total anonymity cannot be guaranteed, every effort will be made not to reveal your name. However, if criminal activity is found and the case is forwarded to the police, your identity may be needed at a later date. However, all persons implicated by an allegation must be informed of the circumstances and relevant evidence and allowed to comment as part of the investigation.
- 1.5 The Council seeks to establish a flexible Fraud Response Plan to enable the approach to be varied in individual cases. Generally, the approach taken shall depend on the perceived risk to the Council in a financial or reputational sense. This shall be judged individually for each case, based on the information available.

2. Reporting Suspicions

- 2.1 The procedures detailed below should be followed for all suspected cases of fraud, bribery and corruption involving Council staff, its partners and suppliers. You may also come across instances where third parties are attempting to defraud or scam the Council, for example submitting bogus invoices or changing bank details of suppliers. Any concerns such as these should be reported to the Service Lead Audit and Risk who will investigate further and arrange for alerts to be circulated to relevant areas of the Council.
- 2.2 Examples of fraud, bribery and corruption include, but are not limited to theft, financial irregularities, and misuse of Council property, vehicles or equipment, misuse of Council systems, conflicts of interest and supplier kickbacks.

Action by Employees

- 2.3 You should raise your concerns or suspicions with your line manager in the first instance. If you feel unable to approach your line manager, you should report any concerns or suspicions of financial irregularity to the Service Lead Audit and Risk. Alternatively, you may choose to report your concerns or suspicions anonymously via the Council's whistleblowing reporting procedures outlined in the Whistleblowing Policy. Whilst total anonymity cannot be guaranteed, every effort will be made not to reveal your name. However, if criminal activity is found and the case is forwarded to the police, your identity may be needed at a later date.
- 2.4 If you suspect a colleague is committing fraud, **under no circumstances** confront him or her with accusations of wrongdoing. This may allow the destruction of evidence and in extreme cases may expose you to physical danger. If your suspicions are mistaken, then workplace relationships may be poisoned irretrievably. The official investigators are best placed to interview suspects.
- 2.5 Once you have reported the incident, you may be contacted further by Internal Audit as part of the ongoing investigation. You should provide them with as much information as possible to enable the investigation to be effectively progressed.

Action by Managers

- 2.6 If you have reason to suspect fraud, bribery or corruption in your work area, or a concern has been reported to you by a member of your staff, you should do the following:
- Listen to the concerns of your staff and treat every report seriously and sensitively. Reassure staff that their concerns will be taken seriously and passed on to the appropriate officer;
 - Obtain as much information as possible from the member of staff, including any notes or evidence to support the allegation. Do not interfere with this evidence and ensure it is kept securely;
 - Do not attempt to investigate the matter yourself or attempt to obtain any further evidence as this may compromise any internal audit, disciplinary or police investigation;

- Report the matter immediately to the Service Lead Audit and Risk.

Action by Councillors

- 2.7 If a Councillor has suspicions about fraud, bribery or corruption whether it be a fellow elected Councillor, officers of the Council or partner organisations of the Council they should report this to the Chief Executive or the Monitoring Officer at the earliest opportunity.

Action by Members of the Public

- 2.8 If a member of the public would like to raise a concern, they should follow the reporting procedure contained within the Whistleblowing Policy on the Council's website.

3. Malicious Allegations

- 3.1 All Councillors and staff should be aware that malicious or vexatious allegations will not be tolerated and may be dealt with as a disciplinary matter.

4. Investigating Allegations of Fraud

- 4.1 In the event of any serious or immediate threat to the Council's financial position, significant fraud, bribery or major accounting breakdown, the Service Lead Audit and Risk must be immediately informed who will then notify the Corporate Governance Group. If it is considered there are *prima facie* grounds for the concern or complaint involving the alleged misconduct of Council staff, the Service Lead Audit and Risk will commence a preliminary investigation. If the allegation involves a Member, the Monitoring Officer will be informed.
- 4.2 It is of the utmost importance that until the Service Lead Audit and Risk initiates an investigation no other officer shall investigate the matter, interview staff or attempt to gather evidence, as failure to comply with relevant legislation may jeopardise the investigation.
- 4.3 An initial investigation into the allegations will be completed. At this stage either the allegations will be dismissed, or a full investigation will be initiated. This is provided that the Service Lead Audit and Risk in conjunction with the Corporate Governance Group are satisfied there is sufficient concern, or evidence exists that a fraud may have been committed. If a preliminary investigation shows the allegations to be groundless, the matter may then be dismissed and referred back to the Directorate to resolve.
- 4.3 If it appears that a criminal offence has occurred, referral to the Police is a matter for the Chief Executive, the Monitoring Officer and the Service Lead Audit and Risk.
- 4.4 In some cases, it may be necessary to suspend officers from work in order to conduct the investigation. Should it be deemed necessary to suspend an employee, Human Resources will be consulted.

- 4.5 The investigation will be carried out in a timely manner ensuring that all allegations are properly investigated and reported, whilst ensuring the investigation complies with all:
- Relevant statutory requirements
 - Codes of Practice,
 - Ethical standards of relevant professional bodies,
 - Council policies, including the Equality and Diversity Policy.
- 4.6 Resources needed for the investigation will be identified and an investigating officer assigned to the investigation. During the course of the investigation, the following actions will be taken:-
- A fraud log will be completed detailing every action taken during the investigation, this will include the dates and times that each action undertaken was carried out;
 - As much documentary evidence as possible will be gathered before any interviews are conducted. All evidence must be obtained lawfully, properly recorded and retained securely in accordance with all relevant legislation including the Police and Criminal Evidence Act 1984 and the Criminal Procedure and Investigations Act 1996;
 - There should be no attempt to review any data which is stored electronically on the Council's computer equipment that may be required as evidence. Only suitably skilled officers should retrieve this data in such a way as to ensure there is no interference with the original data. This is crucially important if the data retrieved is to be permissible in court;
 - Fact finding interviews will be conducted during the course of the investigation. If at any time during these interviews it becomes apparent that a criminal offence may have been committed, a caution must be administered, the interview suspended and an interview under caution must be undertaken that complies with the Police and Criminal Evidence Act 1984;
 - All interviews of employees will be undertaken by two people from the investigation team. Normally, one person will ask the questions and the other will take contemporaneous notes. Once the notes have been typed up, a copy will be provided to the employee who will be invited to read them, make and initial any amendments and then sign the interview notes, accepting them as a correct record. It is good practice for the interviewer to counter-initial any amendments to confirm their acceptance. Should there be any disagreement, the interviewer will need to consider the materiality of the amendment and if significant, this should be brought out in the ensuing report,
- 4.7 In some instances, the investigations may require technical expertise that the investigation team does not possess. In these circumstances, the Service Lead Audit and Risk will discuss with the Corporate Governance Group whether external specialists should be involved.

- 4.8 Staff should note that failure to cooperate fully with an investigation may itself constitute grounds for disciplinary action.

5 Reporting of an incidence of Fraud, Bribery and / or corruption

- 5.1 Upon completion of the investigation and subject to the Council's Capability and Conduct procedures where relevant, where an incidence of fraud, bribery and/or corruption is found to have taken place, a report will be produced and issued to the relevant Director and the Corporate Governance Group. This report is to enable informed decisions to be made regarding any further action that may be required.
- 5.2 The report shall contain:
- a description of the incident/issues alleged including an assessment of the value of any losses;
 - the people involved and the means by which the fraud was allowed to occur (highlighting any control and/or operating weaknesses within the systems)
 - all possible facts relating to the alleged fraud;
 - recommendations to improve/restore the controls and minimise the risk of a re-occurrence;
 - a conclusion on the way forward;
 - any other relevant material.
- 5.3 A report on the fraud shall be presented to the Governance Committee at their next meeting following the completion of the investigation. An interim report may be presented if a Governance Committee meeting takes place during an ongoing investigation.
- ## **6. Recovery of Assets and / or Sanctions**
- 6.1 If it is determined on the basis of evidence that a fraud has taken place, unless a referral has been made earlier, the Service Lead Audit and Risk will discuss the matter with the Corporate Governance Group and a decision taken as to whether to refer the matter to the Police.
- 6.2 In accordance with the Anti-Fraud, Bribery and Corruption Policy, if it is confirmed the Council has suffered financial loss, attempts will be made to recover such losses from the perpetrator.

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Whistleblowing Policy

April 2021

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FOREWORD

South Ribble Borough Council and Chorley Council (the council) is committed to ensuring that it, and the people working for it, complies with the highest standards of openness, probity and accountability.

In line with that commitment, it expects and encourages all employees to maintain high standards in accordance with the Code of Conduct for Council Employees.

This Policy aims to encourage workers with serious concerns about any aspect of the council's work to come forward and voice those concerns, so that they can be investigated effectively.

This council is fully committed to supporting employees who come forward with allegations of wrongdoing and will as so far is possible ensure that complete confidentiality is maintained.

Like other policies, the Whistleblowing Policy, when invoked can start a process; it is therefore of paramount importance that the correct process is being used – the Whistleblowing Policy is designed to investigate serious allegations of wrongdoing; the council has other policies for less serious investigations. Like most things, it will come down to individual judgement and the reasonableness and proportionality tests.

Whether or not it is the Whistleblowing Policy that is appropriate, the Chief Executive and the rest of the Leadership Team are unambiguously committed to taking seriously any and all allegations of wrongdoing – serious or otherwise.

This policy will be reviewed on an annual basis.

Gary Hall
Chief Executive

1. POLICY OVERVIEW

- 1.1 The council expect the highest standards of conduct from all employees, and for everyone employed by the councils to act with honesty, integrity, and to represent the council to the best of their ability. In line with that commitment the Council expects employees and others who it deals with who have concerns about any aspect of the Council's work to come forward and voice these concerns. It is recognised that most cases will have to proceed on a confidential basis.
- 1.2 This Policy makes it clear that you can report concerns without fear of victimisation, subsequent discrimination or disadvantage. The Policy has been written with regard to the Public Interest Disclosure Act 1998 and follows the Department for Business, Energy and Industrial Strategy – Whistleblowing Guidance for Employers and Code of Practice (March 2015) and is intended to encourage and enable employees to raise concerns rather than overlooking them.
- 1.3 This policy applies to all employees (including those designated as casual, temporary, authorised volunteers or individuals gaining work experience), elected Members and those contractually working for the Council on its premises. It also covers suppliers and those providing services under a partnership arrangement with the Council. Members of the public are also encouraged to report their concerns via this Policy. It is intended to encourage and enable you to raise serious concerns within the Council rather than ignoring a problem or 'blowing the whistle' outside.
- 1.4 The Council expects all organisations that deal with it and who have serious concerns about any aspect of the Council's work to also come forward and voice their concerns via this policy.

2. POLICY OBJECTIVES

- 2.1 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or the Council. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 2.2 This Policy is designed to:
 - Encourage employees to feel confident in raising serious concerns and to question and act upon their concerns;
 - Provide guidance on how to raise those concerns and be given feedback on any action taken.
 - Reassure employees that if they raise concerns and reasonably believe them to be in the public interest, they will be protected;
 - To advise and remind employees that the detrimental treatment of colleagues who blow the whistle may be considered a disciplinary matter.

2.3 There are other procedures in place to enable employees to raise a grievance or complaint relating to their own employment. The Whistleblowing Policy is intended to cover major concerns that fall outside the scope of other procedures. These can include:

- Conduct which is an offence or a breach of law;
- Failure to comply with a legal obligation;
- Disclosures related to miscarriages of justice;
- Racial, sexual, disability or other discrimination against another employee or service user;
- Health and safety risks, including risks to the public as well as other employees;
- Damage to the environment;
- The unauthorised use of public funds;
- Possible fraud, bribery or corruption including but not limited to theft of property, financial irregularities, misuse of Council property and systems, conflicts of interest or supplier rewards;
- Sexual or physical abuse of another employee or service user
- Individuals intentionally circumventing the councils' internal controls, for example failing to observe the Council's Constitution (including the Council's Contractual and Financial Procedure Rules);
- Employment of an officer without relevant qualifications or other conduct which gives you cause for concern.

This list is not exhaustive.

2.4 Any serious concerns that you have about any aspect of service provision or the conduct of staff or Members of the Councils or others acting on behalf of the Council can be reported under this Policy. This may be about something that:

- Makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Councils subscribes to; or
- Is against the Council's Procedural Rules and Policies; or
- Falls below established standards of practice; or
- Amounts to improper conduct.

However, if you have a general concern about service provided to you, it should be raised as a complaint to the Council.

3 THE COUNCILS' RESPONSIBILITIES

The councils will:

- Listen to the concerns of workers.
- Publicise the existence of the Whistleblowing Policy
- Ensure that anyone dealing with concerns or disclosures has been trained on handling disclosures and will receive sufficient procedural guidance.

- Ensure that any tendering processes require the contractor to either fully comply with Council Whistleblowing policies and / or their own policies which meet the Council's requirements.
- Deal with disclosures promptly and professionally.
- Ensure that employees who make disclosures in good faith do not suffer any detriment.
- Not prevent individuals who may have signed a settlement agreement which contains a confidentiality clause, from making a disclosure.

4 EMPLOYEE RESPONSIBILITIES

In order to be covered by this Policy, an employee making a disclosure must reasonably believe that they are acting in the public interest and the disclosure tends to show past, present or likely future wrongdoing.

There may be situations where you are unsure as to whether your concerns should be raised under the Whistleblowing Policy or another Policy, in such situations you are encouraged to raise your concerns rather than worry about the appropriate procedure.

5 PROTECTION UNDER THE POLICY

- 5.1 The Council is committed to good practice and high standards of conduct and wants to be supportive of all its employees. If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any form of retribution as a result. Providing you are acting in good faith, it does not matter if you are mistaken.
- 5.2 The Council recognises that the decision to report a concern can be a difficult one to make. If you reasonably believe that what you are saying is true and that raising your concern is in the public interest, you should have nothing to fear because you will be doing your duty to your employer and those to whom you are providing a service.
- 5.3 The Council will not tolerate any harassment or victimisation (including informal pressures) of an employee who raises a genuine concern which is in the public interest and will take appropriate action to protect you when you raise a concern under this procedure. Any member of staff who harasses or victimises a whistleblower may not only be personally liable but may be subject to disciplinary action.
- 5.4 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you as an employee.
- 5.5 The Public Interest Disclosure Act 1998 (hereinafter referred to as 'the Act') (and as amended by the Enterprise and Regulatory Reform Act 2013) protects employees against detrimental treatment or dismissal as a result of any disclosure of normally confidential information in the interests of the public. The Act only covers protected disclosures under six categories, namely; crime, illegality,

miscarriage of justice, damage to health and safety, damage to the environment, and 'coverups' about these issues.

- 5.6 Employees who raise concerns or who are the subject of an investigation can access confidential counselling via Human Resources.

6 CONFIDENTIALITY

- 6.1 It is essential for all concerned that disclosures of wrongdoing or irregularity are dealt with properly, quickly and discreetly. This is in the interests of the Council, its employees, any persons who are the subject of such allegations, as well as the person making the disclosure.
- 6.2 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you do not want your name to be disclosed, we will not normally reveal it without your consent. It must be appreciated, however, that the investigation process may reveal the source of the information and you may need to come forward as a witness and provide a statement as part of the evidence. If a situation arises where we are not able to resolve the concern without revealing your identity we will discuss with you whether and how we can proceed. Despite your request for confidentiality, there may be circumstances where the councils must disclose your identity.
- 6.3 It may be possible to establish the truth about allegations from another independent source and the Council will seek to do this wherever possible.

7 ANONYMOUS ALLEGATIONS

- 7.1 This policy encourages you to put your name to your allegation whenever possible. Where an individual chooses to report their concerns anonymously, such anonymity will be respected. However, the Council's ability to investigate anonymous complaints can be hampered by not being able to further explore issues or obtain evidence during the investigative process. Furthermore, if the identity of the person who has provided the information is not known, it becomes extremely difficult to either reassure or protect you. Concerns expressed anonymously are much less powerful and will only be considered at the discretion of the Council.

In exercising this discretion the factors taken into account include:

- the seriousness of the issues raised;
- the credibility of the concern; and
- the likelihood that the allegation can be confirmed from other attributable sources.

- 7.2 If the allegation suggests criminal activity and the case warrants police assistance, the identity of the person reporting the details may be important at a later date if criminal proceedings are to be pursued. Identification is therefore preferred and will assist with the investigation.

8 MALICIOUS, VEXATIOUS OR UNTRUE ALLEGATIONS

- 8.1 If you make an allegation which you believe is in the public interest, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain disciplinary action may be taken against you if you are a Council employee. If you are an elected Member, you may be in breach the Code of Conduct for Members. If you are a contractor or partner, such allegations may put you in breach of your contractual responsibilities to the Council.
- 8.2 Malicious or vexatious allegations include those which are trivial and do not have any substance and are made persistently and annoyingly for the wrong reasons, for example simply to make trouble.

9 HOW TO RAISE A CONCERN

- 9.1 In raising a concern, you should be prepared to provide the following information:
- Your name and a contact point. As referred to above it will be more difficult for the councils to pursue issues if concerns have been raised anonymously.
 - The background and history of the concern (giving relevant dates);
 - The reason why you are particularly concerned about the situation;
 - Any personal interest or connection which you may have in the matter; and
 - The name(s) of any colleagues/ employees who you consider are either directly involved or can help provide further information.
- 9.2 The earlier you express the concern the easier it is to take action. Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for concern.
- 9.3 If you ultimately feel that you have to take the matter outside of the Council, possible contacts are included at Section 14 of this policy

Procedure for Council Employees

- 9.4 As a first step, you should raise concerns with the Monitoring Officer in the first instance. A central log of all concerns will be kept by the Monitoring Officer. If the concern relates to financial irregularities or failures of financial controls the receiving officer of the report must immediately notify the Service Lead Audit & Risk. Contact details are included in the Policy.
- 9.5 Concerns are usually better in writing. If you do not feel able to put your concern in writing, you can telephone or meet the appropriate officer.

Procedure for Members

- 9.6 Elected Members who have a genuine concern about malpractice should raise any concern with the Monitoring Officer. If a Member is approached by a member of the public wishing to raise a concern, they can either signpost them to the Whistleblowing Policy or report the matter to either the Monitoring Officer or the Service Lead Audit & Risk.

Procedure for Contractors

- 9.7 As a first step, you should normally raise concerns with your contract manager, who will then inform the lead Council Officer who is dealing with the particular contract. This depends on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your manager or the lead Council Officer is involved, you should directly approach the Monitoring Officer.

Procedure for Members of the Public

- 9.8 The Council encourages those external to the Council who suspect fraud and/or corruption to contact the Monitoring Officer or the Service Lead Audit & Risk on the contact details contained at Section 14 of this Policy.

Social Media

- 9.9 Any concerns raised via social media platforms should be reported to the Service Lead Audit and Risk who will raise it with senior managers. This method of reporting is not considered to be a formal channel of raising a concern.

10 HOW THE COUNCIL WILL RESPOND

- 10.1 The Monitoring Officer will acknowledge receipt of your concerns within **5 working days** of a concern being raised and you will be sent a written response:

- Acknowledging that the concern has been received;
- Indicating how the Council proposes to deal with this matter and setting out clearly the roles of all the officers involved;
- Giving an estimate of how long it may take to investigate the matter;
- Telling you whether any enquiries will need to be made;
- Supply you with information on staff support mechanisms.

- 10.2 The Monitoring Officer, in conjunction with the Corporate Governance Group will determine the most appropriate course of action to take, which may necessitate them consulting with other people, both within and outside the councils. Where appropriate, matters raised may:

- Be investigated by the Monitoring Officer / or an investigating officer;
- Be referred to the Police or other statutory agencies;
- Be referred to the External Auditor;
- Form the subject of an independent inquiry

- 10.3 In order to protect individuals and those against whom concerns are raised, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of specific procedures (for example, safeguarding or discrimination issues) will normally be referred for consideration under those procedures.
- 10.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is concluded.
- 10.5 The amount of contact between the investigating officer and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the investigating officer may seek further information from you.
- 10.6 Where a meeting is arranged, (and this can be off-site if you so wish), you can be accompanied by a trade union, a professional association representative or a friend.
- 10.7 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 10.8 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to any legal constraints, or practical constraints such as the complaint being made anonymously the Council will inform you of the outcome of any investigation. However, there may be situations where further information cannot be provided where the investigating officers consider that the information is sensitive or confidential.

11 THE INVESTIGATION

- 11.1 Where an investigation is deemed necessary responsibility for this task will be assigned to an investigating officer (depends upon the nature of the complaint). However, the Monitoring Officer retains overall ownership for dealing with concerns raised.
- 11.2 As part of the investigation, a record of all interviews shall be kept and statements signed by those spoken to as part of the investigation. The role of the investigating officer is to make a judgement and form a view of the complaint based on the investigation undertaken. The investigating officer will be required to prepare a report on their investigation and provide a set of clear conclusions and next steps, if appropriate.
- 11.3 The investigating officer will be required to present their report to the Monitoring Officer for action / consideration as is required. If the Monitoring Officer is actually or potentially implicated by the investigation, then the report should be presented to the Chief Executive.

11.4 If, an initial investigation gives rise to potential disciplinary matters, the investigation will continue in accordance with the Council's Conduct and Capability Policy and Procedure. HR should be consulted at the earliest opportunity.

12 HOW TO TAKE IT FURTHER

12.1 Advice and guidance on how matters of concern may be pursued can be obtained from the Chief Executive, Monitoring Officer, the Service Lead Audit & Risk or the HR Manager.

12.2 Alternatively, external advice can be sought from a Trade Union or Protect - a charity that provides confidential advice to anyone who believes there is serious wrongdoing in the workplace.

12.3 Independent advice and assistance can also be sought from the Council's External Auditors, Grant Thornton or the Local Government Ombudsman.

12.4 If you feel that you have been unfairly treated because you have blown the whistle you can raise your concerns with your line manager, the Service Lead Audit & Risk, the HR Manager, or the Chief Executive.

12.5 This policy is intended to provide you with an avenue within the Council to raise concerns and contact details are provided below. The Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside of the Council, further additional contacts are detailed in Appendix 1.

13 REVIEW OF THE POLICY, RECORDING & MONITORING

13.1 The Monitoring Officer has overall responsibility for the maintenance, operation and monitoring of this Policy.

13.2 The Monitoring Officer will maintain a corporate register of all concerns that are brought to his attention.

13.3 The Monitoring Officer will review the corporate register and produce an annual report for Governance Committee. The report will include a summary of the concerns raised, to which Service they related, the post to which the concerns related (if not confidential) and any lessons learned. The report will not include any employee names. The aim of this is to ensure that the Council and/or the relevant service area learns from mistakes and does not repeat them, and consistency of approach across the departments.

13.4 The corporate register together with the annual reports will be available for inspection by internal and external audit, after removing any confidential details.

14 CONTACT DETAILS

Council Contact Details	
Chief Executive	Tel 01257 515151 (CBC) Tel 01772 625302 (SRBC) Email gary.hall@chorley.gov.uk or gary.hall@southribble.gov.uk
Monitoring Officer	Tel 01257 515160 Email chris.moister@chorley.gov.uk or chris.moister@southribble.gov.uk
Deputy Monitoring Officer	Tel 01772 625247 Email David.whelan@southribble.gov.uk David.whelan@chorley.gov.uk
Service Lead - Audit & Risk	Tel 01772 625625 Email dawn.highton@southribble.gov.uk Dawn.highton@chorley.gov.uk
Designated Safeguarding Officer	Tel 01772 625329 Email Jennifer.mullin@southribble.gov.uk Jennifer.mullin@chorley.gov.uk
HR Manager	Tel 01257 515372 Email hollie.walmsley@chorley.gov.uk Hollie.walmsely@southribble.gov.uk
External Organisations Contact Details	
External Auditor – Grant Thornton (UK) LLP	4 Hardman Square, Spinningfields, Manchester M3 3EB, Tel: 0161 953 6900
Fraud Hotline	01772 625332

Protect	<p>The Green House 244-254 Cambridge Heath Road London E2 9DA</p> <p>Email whistle@protect-advice.org.uk</p> <p>https://protect-advice.org.uk/</p> <p>Tel 020 3117 2520</p>
The Local Government Ombudsman,	<p>Tel: 0300 061 0614</p> <p>Website www.lgo.org.uk/</p>
Lancashire Police	<p>Tel: 01772614444</p> <p>Lancashire Constabulary Headquarters PO Box 77, Hutton, Preston PR4 5SB Tel: 101</p> <p>Website: https://www.lancashire.police.uk/</p>
Action Fraud	<p>Tel: 0300 123 2040</p> <p>Website: https://www.actionfraud.police.uk</p>
The Information Commissioner	<p>The Office of the Information Commissioner Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF Tel: 0303 123 1113</p> <p>Website: https://ico.org.uk/</p>
The Environment Agency	<p>National Customer Contact Centre PO Box 544 Rotherham S60 1BY Tel: 03708 506 506</p> <p>Email: enquiries@environmentagency.gov.uk</p> <p>https://www.gov.uk/government/organisations/environment-agency</p>
Health and Safety Executive	<p>Tel: 0300 0031647</p> <p>https://www.hse.gov.uk/contact/concerns.htm</p>

Advisory, Conciliation and Arbitration Service (ACAS)	http://www.acas.org.uk/conciliation
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Report to	On
Governance Committee	Tuesday, 25 May 2021

Title	Report of
Internal Audit Annual Report	Director of Governance and Monitoring Officer

Is this report confidential?	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 2020/2021 and to give an opinion as required by the Public Sector Internal Audit Standards 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. That the Committee note the contents of the report.

Corporate outcomes

4. The report relates to the following corporate priorities:

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

The Role of Internal Audit

5. The Internal Audit Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the head of internal audit to provide an opinion on the council's control environment. This report fulfils this requirement and assists the council in meeting the requirements of the Accounts and Audit Regulations 2015.

Internal Audit Plan 2020-21

6. During 2020-21, it was reported to members that the Internal Audit Service was in a period of transition for 3 main reasons:
- Reduced capacity. For a large proportion of the year, the service operated on reduced resources due to the loss of a number of experienced officers. Whilst the service utilised temporary staff, this impacted upon service continuity, provision and work planning.
 - COVID 19. The national lockdowns had a significant impact on the service. Internal Audit Team assisted with the council's initial response and were redeployed to the Community Hubs to provide support. As a result, approximately 176 audit chargeable and non-chargeable days were lost.
 - As Internal Audit returned to normal duties, it was apparent that other services and teams were largely diverted onto covid response and this impacted upon the planning and delivery of audits.
7. Despite the above challenges, the table below shows the work undertaken by the Internal Audit Service over the course of the year including a summary of work and the assurance rating awarded.

Review	Assurance Rating	Summary of work completed / findings
South Ribble Council		
Annual Governance Statement (2020)	Not applicable	The Council is required under 10(1)(b) of the Accounts and Audit Regulations 2015 to publish an Annual Governance Statement. The role of Internal Audit was to co-ordinate a review of the system of governance and highlight any improvement actions to include in the Annual Governance Statement Action Plan.
Assurance Mapping (19-20)	Not applicable	Whilst this work was completed as a separate exercise, assurance mapping is included with the Audit Planning Risk Assessment and is updated on an on-going basis.
Anti Fraud and Corruption	Not applicable	Fraud alerts were issued on an on-going basis.
National Fraud Initiative (NFI)	Not applicable	The use of NFI has been extensive over the course of the past year. In addition to the biennial exercise, data has also been uploaded for the numerous COVID

		Business Support Grants. Furthermore, the council has recently taken advantage of the pre-payment checks offered by the NFI to reduce the risk of grant payments being made either in error or fraudulent claims. The results of the data matching exercises are due to be released over the coming weeks and the results will be reported to the committee over the course of the coming year.
Corporate Complaints (20-21)	Substantial	No key control issues identified
GDPR Implementation Follow up Review	Not applicable	Our work has concluded that the majority of actions have been implemented within the agreed timescale. The remaining outstanding actions are in progress, however is largely due to the significant change in working practices that they have not yet been fully implemented.
Council Tax	Substantial	No key control issues identified
Business Rates	Full	No key control issues identified
Housing Benefits	Substantial	No key control issues identified
Car Park Management / Enforcement follow up review	Not applicable	Our review concluded that 5 actions have been fully implemented and that only 1 action in progress which is expected to be fully implemented in the near future.
Project Support	Not applicable	On-going support has been provided to project managers over the course of the year.
Risk and Control Self Assessment	Not applicable	On-going support has been provided to risk owners over the course of the year.
COVID support work / Business Grants / Test and Trace	Not applicable	A considerable amount of work has been undertaken in support of the various grants paid over the past 12 months. Newly introduced processes were considered by Internal Audit prior to

		<p>implementation. In addition, risk assessments required by the Department for Business, Energy and Industrial Strategy (BEIS) have been completed in conjunction with Shared Financial Services.</p> <p>The Internal Audit Plan for 21-22 contains a substantial number of days to allow for post assurance work to take place.</p>
Shared Services		
Creditors	Not applicable	<p>A review of Creditors was undertaken in 2019/20 and draft report findings were taken to the Governance Committee in June 2020. It was agreed that due to the issues identified further substantive work would be undertaken.</p> <p>Additional substantive testing was carried out on 6.5% of all purchase orders raised (where there was a variance above £0.01). Testing found that the discrepancies are reasonably explained. A detailed action plan has been agreed and will be followed up using the newly introduced process.</p>
Money Laundering	Adequate	<p>Our work identified that the Council has an Anti-Money Laundering Policy that provides suitable guidance for officers, establish reporting arrangements, and provide details of the officer nominated as the Council's Money Laundering Reporting Officer (MLRO) and their associated responsibilities. Officers within key service areas had an awareness of money laundering and were undertaking due diligence checks, when required, as part of the day-to-day delivery of the service.</p> <p>Our review, however, has highlighted some areas of improvement and these include:</p> <ul style="list-style-type: none"> • A review and relaunch of the Policy • Training to be provided to all Officers and Members.

Definition of Assurance Ratings

Assurance Rating	Definition
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

Follow up of agreed management actions

8. For the reviews completed, a 100% agreement rate has been achieved. All agreed actions contained within the reviews completed have been accepted and will followed up to ensure implementation and will be reported on at future meetings of the committee.
9. The Annual Governance Statement update report presented to the Governance Committee in March 21, contained the following action:

Agree an approach to monitoring and managing the implementation of management actions agreed in internal audit reports - The consideration of this action was deferred until after the appointment of the Service Lead for Audit and Risk to enable them to lead on it. Internal Audit are currently identifying all agreed management actions which remain outstanding.

10. Since February 2021, we have been working with Directors to establish the status of each outstanding action. The table below shows the current position:

Number of actions outstanding as at Feb 2021	Number of actions fully implemented	Number of actions in progress or revised dates agreed	Percentage implementation rate
135	94	41	70%

11. All remaining outstanding actions will be recorded on GRACE which will allow for a systematic reporting regime to be introduced which will include monthly monitoring by the Corporate Governance Group and reports to Directors / Service Leads.

Head of Audit Opinion

12. The Public Sector Internal Audit Standards require the Head of Audit to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance. Members may recall that CIPFA issued guidance relating to the opinion and that a limitation of scope may be applicable due to the impact that COVID.

13. It has been reported to members over the course of 2020 that the impact of COVID-19 on the Internal Audit Service has been considerable and as can be seen in the table at paragraph 8, the results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an annual opinion on the overall adequacy and effectiveness of the organisation's framework of **control**.
14. It is however, possible to provide an opinion on the overall adequacy and effectiveness of the organisations framework of **risk management and governance** and I can confirm that the arrangements are of an **adequate** standard.
15. Over the past 12 months, a significant amount of work has been undertaken to introduce and strengthen the governance and risk management arrangements throughout the whole council and this is clearly evidenced within the Local Code of Governance. The work undertaken by Internal Audit to support the compilation of the Annual Governance Statement Action Plan confirms that the framework of governance policies is now in place however there is further work to do to ensure that these are fully embedded.
16. Although I am unable to form an opinion on the control environment of the Council, members can be assured of the following:
- the work carried out during 2020-21 did not identify any control failures that have not been previously reported to the Committee;
 - robust actions plans are in place for any legacy issues with actions owners assigned and implementation dates agreed;
 - advisory work has been undertaken on new processes introduced as a result of COVID 19;
 - despite the lack of a systematic monitoring process for the implementation of agreed management actions emanating from Internal Audit Reports, a large proportion of actions have been implemented.
17. It must be stressed, that it is anticipated that as the committee have already approved a comprehensive audit plan, I fully anticipate being able to provide a complete opinion for the Annual Report for 2021-2022.

Quality and Improvement Assurance Programme (QAIP)

18. 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.
19. The internal assessments include the following:
- An annual self-assessment of the effectiveness of the Internal Audit Service audit service using the PSIAS and Local Government Application Note. PSIAS. From this assessment an action plan highlighting areas for improvements will be developed.

- 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 Internal Audit process is required to comply with the standards and this is recorded on final reports.

20. 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 2023.

21. The internal annual self-assessment has now been conducted and the results are included as a separate report on the agenda. Five areas for improvement for the Internal Audit Service have been identified and details are included on the action plan at **Appendix A**.

There are no background papers to this report.

Appendices

Appendix A – Self Assessment Action plan

Dawn Highton
Service Lead Audit and Risk

Report Author:	Email:	Telephone:	Date:
Dawn Highton (Shared Service Lead- Audit & Risk)	dawn.highton@southribble.gov.uk	01772 625625	10/5/21

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Public Sector Internal Audit Standards Self-Assessment Action Plan

May 2021

Ref	Action	Responsible Officer	Date
1	Update of Internal Audit Manual and associated procedures to ensure they meet the current operational requirements.	Service Lead Audit and Risk / Senior Auditor	September 2021
2	Ensure that the PSIAS / LGAN self assessment is undertaken annually and reported to senior management and the Governance Committee.	Service Lead Audit and Risk	May 2022
3	Ensure the results of the QAIP are reported annually to both senior management and the Governance Committee	Service Lead Audit and Risk	May 2022
4	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	Service Lead Audit and Risk	November 2021
5	Implement a system to ensure all agreed management actions are routinely followed up	Service Lead Audit and Risk	May 2021

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Report to	On
Governance Committee	Tuesday, 25 May 2021



Title	Report of
Review of the effectiveness of Internal Audit	Director of Governance and Monitoring Officer

Is this report confidential?	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 and Local Government Application Note as a means of assessing the effectiveness of Internal Audit.

Recommendations

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

Corporate outcomes

3. The report relates to the following corporate priorities:

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

Background to the report

4. 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 can be relied upon as a key source of evidence in the Annual Governance Statement.
5. The Public Sector Internal Audit Standards came into effect on the 1st April 2013 and are applicable to the whole of the public sector. A Local Government Application Note (LGAN) 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.

6. 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. Internal assessments are both on-going and periodic, whilst an external assessment must be undertaken at least once every five years. The last external assessment was conducted in April 2018 and reported to the Governance Committee.
7. 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.

Assessment

8. 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. This is attached at **Appendix A** to this report. The self-assessment demonstrates that the Service conforms with the standards with the exception of 2 areas of non-conformance and 3 of partial compliance.
9. The Action plan to address the identified areas is included within the Internal Audit Annual Report.

There are no background papers to this report

Appendices

Appendix A – Public Sector Internal Audit Standards Self Assessment

Dawn Highton
Service Lead Audit and Risk

Report Author:	Email:	Telephone:	Date:
Dawn Highton (Shared Service Lead- Audit & Risk)	dawn.highton@southribble.gov.uk	01772 625625	10/5/21

Questions to consider			Evidence / comments
1 Mission of Internal Audit			
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?			<div>✓ Arrangements set out within Internal Audit Charter – approved by Governance Committee March 2021.</div> <div>✓</div>
<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
2 Definition of Internal Auditing			
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 – approved by Governance committee March 2021.
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 require a review to ensure they meet the current operation requirements.
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
3 Core Principles			
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.			
Demonstrates integrity.			✓ All members of IA team are professionally qualified and therefore comply with their awarding bodies Code of Ethics.
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?			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Demonstrates competence and due professional care.			<div>✓ All members of IA team are professionally qualified and therefore comply with their awarding bodies Code of Ethics</div> <div>✓ Specialist skills procured when required (ICT)</div> <div>✓ Experienced Audit Team</div>
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	
Is objective and free from undue influence (independent).			<div>✓ Arrangements set out within Internal Audit Charter – approved by Governance committee March 2021.</div>
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	
Aligns with the strategies, objectives, and risks of the organisation.			<div>✓ Risk assessment based upon current risks and objectives of the organization / service. Internal Audit Plan compiled following consultation with Managers and risk analysis. Plan approved by Governance Committee</div>
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	
Is appropriately positioned and adequately resourced.			<div>✓ Organisational structure</div>
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	
Demonstrates quality and continuous improvement.			<div>Internal Audit self-assessment has not been conducted; and reported to Governance Committee for a number of years.</div>
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	
Communicates effectively.			<div>✓ Reporting arrangements as set out within the Audit Charter.</div>
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	
Provides risk-based assurance.			

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?			<div>✓ Annual risk assessment undertaken to inform annual plan.</div> <div>✓ Individual reviews based on risks</div>
CONFORMS	PARTIAL	NOT CONFORMING	
Is insightful, proactive, and future-focused.			
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?			<div>✓ Internal Audit involvement with project teams providing proactive advice and guidance on risk, governance and control (As per Internal Audit Plan).</div> <div>✓ New and emerging risks considered during the risk assessment and within each individual audit</div>
CONFORMS	PARTIAL	NOT CONFORMING	
Promotes organisational improvement.			
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?			<div>✓ CAE member of Senior Leadership Team and involvement with Corporate Governance Group</div> <div>✓ identification of key areas for improvement within the AGS following comprehensive review undertaken by IA.</div>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
4 Code of Ethics			
Integrity			
<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"> ■ Performing their work with honesty, diligence and responsibility? ■ Observing the law and making disclosures expected by the law and the profession? ■ Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation? ■ Respecting and contributing to the legitimate and ethical objectives of the organisation? 			<ul style="list-style-type: none"> ✓ Quality Control process (QAIP) ✓ Satisfaction surveys ✓ Audit Charter – responsibilities ✓ Signed Declaration of interests ✓ Code of Conduct ✓ Professional Code of Ethics
CONFORMS	PARTIAL	NOT CONFORMING	
Objectivity			
<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"> ■ Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? ■ Not accepting anything that may impair or be presumed to impair their professional judgement? ■ Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review? 			<ul style="list-style-type: none"> ✓ Internal Audit Charter ✓ Signed Declaration of interests ✓ Professional Code of Ethics ✓ Code of Conduct
CONFORMS	PARTIAL	NOT CONFORMING	
Confidentiality			
<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"> ■ Acting prudently when using information acquired in the course of their duties and protecting that information? ■ 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? 			<ul style="list-style-type: none"> ✓ Internal Audit Charter ✓ Professional Code of Ethics ✓ Code of Conduct
CONFORMS	PARTIAL	NOT CONFORMING	

Competency			<ul style="list-style-type: none">✓ All members of IA team are professionally qualified.✓ Specialist skills procured when required (ICT)✓ Experienced Audit Team✓ On-going training and development (assessed through staff PDRs)
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by: <ul style="list-style-type: none">■ Only carrying out services for which they have the necessary knowledge, skills and experience?■ Performing services in accordance with the PSIAS?■ Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?			
CONFORMS	PARTIAL	NOT CONFORMING	

Seven Principles of Public Life			<ul style="list-style-type: none">✓ All members of IA team are professionally qualified and therefore comply with their awarding bodies Code of Ethics✓ Annual declarations of interest✓ Internal Audit Charter✓ Code of conduct
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> ?			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Standards			
5 Attribute Standards			
5.1 1000 Purpose, Authority and Responsibility			
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.			
Does the internal audit charter conform with the PSIAS by including a formal definition of: ■ the purpose ■ the authority, and ■ the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?			Internal Audit Charter ✓ Purpose ✓ Authority ✓ Responsibilities
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>✓ Charter approved by Governance Committee March 21.</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> ■ Set out the internal audit activity's position within the organisation? ■ Establish the chief audit executive's (CAE) functional reporting relationship with the board? ■ 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. ■ 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? ■ 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? ■ Define the scope of internal audit activities? ■ Recognise that internal audit's remit extends to the entire control environment of the organisation? ■ Establish the organisational independence of internal audit? ■ Cover the arrangements for appropriate resourcing? ■ Define the role of internal audit in any fraud-related work? ■ 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? ■ Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities? ■ Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation? ■ Define the nature of consulting services? ■ Recognise the mandatory nature of the PSIAS? 			<p>Internal Audit Charter</p> <ul style="list-style-type: none"> ✓ Purpose ✓ Reporting ✓ Authority ✓ Independence & Objectivity ✓ Authority ✓ Scope & Responsibilities ✓ Scope & Responsibilities ✓ Independence ✓ Responsibilities ✓ Scope of activities ✓ Anti-Fraud & Corruption Strategy ✓ Independence & Objectivity ✓ Scope & Responsibilities ✓ Consultancy work ✓ Compliance with PSIAS
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
CONFORMS	PARTIAL	NOT CONFORMING	
5.2 1100 Independence and Objectivity			
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"> ■ Individual auditor? ■ Engagement? ■ Functional? ■ Organisation? 			<ul style="list-style-type: none"> ✓ Declaration of interests form ✓ Internal Audit Plan ✓ Internal Audit Charter (Independence) ✓ Code of Conduct
CONFORMS	PARTIAL	NOT CONFORMING	
1110 Organisational Independence			
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	

Questions to consider			Evidence / comments
<p>Does the CAE's position in the management structure:</p> <ul style="list-style-type: none"> ■ Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? ■ Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management? 			<ul style="list-style-type: none"> ✓ Audit Plan reported to and approved by Governance committee November 20 ✓ All final reports and action plans agreed and issued to Directors.
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"> ✓ Annual Audit Report
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"> ■ approves the internal audit charter ■ approves the risk-based audit plan ■ approves the internal audit budget and resource plan ■ receives communications from the CAE on the activity's performance (in relation to the plan, for example) ■ approves decisions relating to the appointment and removal of the CAE ■ approves the remuneration of the CAE ■ seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations. <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>			As above
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
1111 Direct Interaction with the Board			
Does the CAE communicate and interact directly with the board?			<div>✓ As per Internal Audit Charter</div> <div>✓ Governance committee meetings / Chairs Brief</div> <div>✓ Ad-hoc meetings</div>
CONFORMS	PARTIAL	NOT CONFORMING	
1112 Chief Audit Executive Roles Beyond Internal Auditing			
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?			<div>✓ Internal Audit Charter includes safeguards</div>
Does the board periodically review these safeguards?			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
1112 Chief Audit Executive Roles Beyond Internal Auditing			
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?			✓ Internal Audit Charter includes safeguards
Does the board periodically review these safeguards?			
CONFORMS	PARTIAL	NOT CONFORMING	
1120 Individual Objectivity			
Do internal auditors have an impartial, unbiased attitude?			✓ Professional Code of Ethics ✓ Internal Audit Charter ✓ Satisfaction survey at end of each audit would likely indicate any difficulties
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors avoid any conflict of interest, whether apparent or actual?			✓ Signed declaration of interests ✓ Professional code of ethics
CONFORMS	PARTIAL	NOT CONFORMING	
1130 Impairment to Independence or Objectivity			
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)?			✓ Internal Audit Charter
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?			✓ Internal Audit Charter ✓ Staff are experienced auditors and have had no operational responsibilities however, this may need to be reviewed given the work undertaken by auditors during the COVID-19 pandemic
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?			✓ Not applicable for 2020-21
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?			✓ Allocation of work based on skills, knowledge and experience of audit team, where possible responsibilities and assurance engagements are periodically rotated.
CONFORMS	PARTIAL	NOT CONFORMING	
Have internal auditors declared interests in accordance with organisational requirements?			✓ Signed declaration of interests forms.

CONFORMS	PARTIAL	NOT CONFORMING	
Questions to consider			Evidence / comments
Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?			✓ None offered or accepted, however, process covered within Code of Conduct
CONFORMS	PARTIAL	NOT CONFORMING	
Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?			✓ None identified
CONFORMS	PARTIAL	NOT CONFORMING	
Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?			✓ Declaration of Interests signed by auditors ✓ Professional Code of Ethics
CONFORMS	PARTIAL	NOT CONFORMING	
If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?			✓ No impairment of independence or objectivity noted
CONFORMS	PARTIAL	NOT CONFORMING	
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?			✓ 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.			
1210 Proficiency			
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent? Is the CAE suitably experienced?			<ul style="list-style-type: none"> ✓ CMIIA ✓ 8 years Head of Audit experience
CONFORMS	PARTIAL	NOT CONFORMING	
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes? 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?			<ul style="list-style-type: none"> ✓ CAE fully responsible for recruitment. ✓ Up to date Job descriptions and person specifications e.g. Senior Auditor and Auditor posts
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? 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?			<ul style="list-style-type: none"> ✓ Through in-house, external training courses, networking. ✓ Specialist skills for ICT audit bought in.
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"> ✓ All auditors sufficiently experienced. ✓ Internal Audit procedures clearly specify the need to consider fraud risks.
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of key information technology risks and controls?			<ul style="list-style-type: none"> ✓ Staff have a general knowledge. ✓ Specialist ICT service is bought in for specific audits.
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"> ✓ One member of staff is trained in use of IDEA. Used primarily in Payroll and Creditors work.
CONFORMS	PARTIAL	NOT CONFORMING	

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

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

5.4 1300 Quality Assurance and Improvement Programme			
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.			
<p>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?</p> <p>Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?</p> <p>Does the CAE maintain the QAIP?</p> <p>Are any statutory requirements for review of the internal audit activity satisfied?</p>			<ul style="list-style-type: none"> ✓ Quality Assurance and Improvement Programme (QAIP) in place including performance indicators and quality control of audit work.
CONFORMS	PARTIAL	NOT CONFORMING	
1310 Requirements of the Quality Assurance and Improvement Programme			
Does the QAIP include both internal and external assessments?			<ul style="list-style-type: none"> ✓ Specified in the QAIP
CONFORMS	PARTIAL	NOT CONFORMING	
1311 Internal Assessments			
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?			<ul style="list-style-type: none"> ✓ Work is allocated to auditors based on previous knowledge of review, any involvement within a project team and experience ✓ Reviews allocated on a quarterly basis and monitored through regular discussions with individual auditors
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal assessments include ongoing monitoring of the internal audit activity, such as:</p> <ul style="list-style-type: none"> ■ Routine quality monitoring processes? ■ Periodic assessments for evaluating conformance with the PSIAS? 			<ul style="list-style-type: none"> ✓ CAE or Senior Auditor reviews each audit assignment ✓ PSIAS checklist used for Annual Review of Effectiveness of IA
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"> ■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities? ■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement? ■ Does the CAE measure, monitor and report on progress against these targets? ■ Does ongoing performance monitoring include obtaining stakeholder feedback? 			<ul style="list-style-type: none"> ✓ Targets approved by Governance committee March 2021 ✓ Agreed part of Business planning ✓ To be included with every progress report to Governance committee ✓ Satisfaction survey issued following each review
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"> ✓ Annual Self Assessments carried out by CAE ✓ Memorandum of understanding sets out criteria for external assessment carried out by Lancashire Heads of Audit (Peer review)
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"> ✓ Reported to Governance committee in each progress report
CONFORMS	PARTIAL	NOT CONFORMING	
1312 External Assessments			
<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"> ✓ External peer review carried out April 2018. ✓ Governance committee Report June 2018. ✓ Next external peer review due 2023
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>
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>			See above
CONFORMS	PARTIAL	NOT CONFORMING	
1320 Reporting on the Quality Assurance and Improvement Programme			
<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"> ■ the results of both external and periodic internal assessment must be communicated upon completion ■ the results of ongoing monitoring must be communicated at least annually ■ 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. 			<p>✗ The QAIP was last reported to Governance committee in June 2018</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?			✓ Annual Report May 21
CONFORMS	PARTIAL	NOT CONFORMING	
1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'			
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	
1322 Disclosure of Non-conformance			
Has the CAE reported any instances of non-conformance with the PSIAS to the board?			✓ Annual Report May 21
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
6 Performance Standards			
6.1 2000 Managing the Internal Audit Activity			
<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"> ■ providing objective and relevant assurance ■ contributing to the effectiveness and efficiency of the governance, risk management and internal control processes. 			
2010 Planning			
<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"> ■ How the internal audit service will be delivered? ■ How the internal audit service will be developed in accordance with the internal audit charter? ■ How the internal audit service links to organisational objectives and priorities? 			<ul style="list-style-type: none"> ✓ Risk based plans are developed annually consistent with the Council's priorities. ✓ Audit plan considers both assurance work and consultancy work on corporate plan / strategy projects. ✓ Reviews cover broad range of service areas to enable an annual internal audit opinion to be made. ✗ Internal Audit Manual to be updated to include requirements of PSIAS / LGAN
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"> ✓ 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. Each system / function within the audit universe is given a criticality rating based on a range of risk factors which determines the timescale for review. ✓ Risk Management Strategy supported by discussions with all senior management
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the risk-based plan set out the:</p> <ul style="list-style-type: none"> ■ Audit work to be carried out? ■ Respective priorities of those pieces of audit work? ■ Estimated resources needed for the work? <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"> ✓ Audit Plan (approved by Governance committee) ✓ Priorities agreed with Directors and reflected in the timing of the review ✓ Resources allocated ✓ Audit Plan report clearly specifies the assurance reviews and project team involvement (consultancy) and governance work. ✓ Audit Plans contain contingency time to allow for unplanned reviews / changes to planned reviews
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"> ✓ Audit Plan kept under constant review and amended when necessary. Any changes are reported to and approved by Governance committee
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"> ✓ An Audit risk assessment is used as basis for Audit Plan. ✓ Audit Risk assessment updated every year in quarter 4 when developing Audit Plan.
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"> ■ Any declarations of interest (for the avoidance for conflicts of interest)? ■ The requirement to use specialists, eg IT or contract and procurement auditors? ■ Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? ■ 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? 			<ul style="list-style-type: none"> ✓ Where appropriate ✓ Procurement of ICT specialists ✓ Contingency time included within Audit Plan ✓ Plan allocations set out time for Audit Planning / Monitoring / Reporting and time for Governance committee reporting and attendance at meetings
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"> ✓ Senior Managers consulted on the Audit risk assessment and comments recorded. ✓ Governance committee approval of audit plan ✓ All involved with the planning process
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"> ✓ Consultancy engagements included as part of the planning process ✓ Plan includes consultancy / projects etc.
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2020 Communication and Approval			
Has the CAE communicated the internal audit activity’s plans and resource requirements to senior management and the board for review and approval?			✓ Audit Plan reported to Shared Management Team and Governance committee. ✓ Have previously reported changes and sought approval from the Governance committee
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?			✓ Any resource limitations would be discussed with senior managers and Governance committee
CONFORMS	PARTIAL	NOT CONFORMING	
2030 Resource Management			
Does the risk-based plan explain how internal audit’s resource requirements have been assessed?			✓ Plan allocations set out the number of days available including both internal and external resources
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?			✓ Timing of engagements discussed with Directors / Service Leads and recorded on Audit risk assessment
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?			✓ Any concerns would be identified and discussed prior to production of and approval of the plan.
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	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2040 Policies and Procedures			
<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"> ✗ Audit Manual and associated procedures to be reviewed to ensure they meet operational requirements ✓ Audit drive (electronic system) ✓ Document templates
CONFORMS	PARTIAL	NOT CONFORMING	
2050 Coordination			
<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,</p> <p>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</p>			<ul style="list-style-type: none"> ✓ Assurances considered at audit plan discussion stage, ✓ Service Assurance Statements identify other sources of assurance given ✓ Email correspondence to discuss audit overlap. Quarterly meetings with External Audit
CONFORMS	PARTIAL	NOT CONFORMING	
2060 Reporting to Senior Management and the Board			
<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"> ✓ Interim reports presented to Governance committee ✓ Issues raised with managers / directors when appropriate. ✓ All other reviews reported in accordance with Governance committee timetable
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>			
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.			
2110 Governance			
<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"> ■ Making strategic and operational decisions? ■ Overseeing risk management and control? ■ Promoting appropriate ethics and values within the organisation? ■ Ensuring effective organisational performance management and accountability? ■ Communicating risk and control information to appropriate areas of the organisation? ■ Coordinating the activities of and communicating information among the board, external and internal auditors and management? 			<ul style="list-style-type: none"> ✓ Overall aim of the IA Service (Audit Charter) ✓ Through specific audit reports, including the annual audit of the Governance / Risk Management Frameworks. ✓ CAE involvement in Corporate Governance Group ✓ Ownership of corporate policies i.e. anti-fraud, whistleblowing etc ✓ Performance Management included within each engagement where appropriate ✓ Performance Management included within Internal Audit Plan annually as a review. ✓ Communicated through Audit reports and through provision of advice and guidance ✓ Individual Audit reports issued to Directors /External Audit ✓ Internal Audit annual report and progress reports to Governance committee
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"> ✓ Ownership of corporate policies i.e. anti-fraud, money laundering etc. ✓ Through individual audit reviews incl. Ethical culture
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"> ✓ Areas for consideration discussed and agreed with Director
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2120 Risk Management			
<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"> ■ Organisational objectives support and align with the organisation's mission? ■ Significant risks are identified and assessed? ■ Appropriate risk responses are selected that align risks with the organisation's risk appetite? ■ 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? 			<ul style="list-style-type: none"> ✓ Review of Risk management included within Internal Audit Plan ✓ Use of risk management framework ✓ Use of GRACE risk management system to record risks and controls ✓ All risks assigned to an owner ✓ Corporate risk register reported and monitored
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"> ■ Achievement of the organisation's strategic objectives? ■ Reliability and integrity of financial and operational information? ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 			<ul style="list-style-type: none"> ✓ Risk-based Audit Plan ✓ Risk-based auditing for each individual audit review ✓ All areas considered as part of planning / scope of each review as appropriate.
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"> ✓ Individual audit engagements specifically review identified fraud risks ✗ Review to assesses the council's arrangements against CIPFA Code of Practice and Fighting Fraud and Corruption Locally to be undertaken.
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	
2130 Control			
<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"> ■ Achievement of the organisation's strategic objectives? ■ Reliability and integrity of financial and operational information? ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 			<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>
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>
CONFORMS	PARTIAL	NOT CONFORMING	
6.3 2200 Engagement Planning			
<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"> ■ Objectives? ■ Scope? ■ Timing? ■ Resource allocations? 			<p>✓ Standard document templates</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"> ■ The objectives of the activity being reviewed? ■ The means by which the activity controls its performance? ■ The significant risks to the activity being audited? ■ The activity's resources? ■ The activity's operations? ■ The means by which the potential impact of risk is kept to an acceptable level? ■ The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? ■ The opportunities for making significant improvements to the activity's governance, risk management and control processes? 			<ul style="list-style-type: none"> ✓ Audit Engagement Plan and report ✓ Review of performance information is included within the engagement where appropriate ✓ Use of risk registers and recorded in the Risk and Control Evaluation ✓ Resource availability considered at the Audit Engagement Plan stage and discussed during the initial meeting. ✓ Part of audit planning and initial discussion with Service Lead incl. within the Engagement Plan ✓ Review of the risk register and assessment of the controls in place ✓ Basis of the risk based assignment. Findings included within the report ✓ Basis of the risk based assignment. Findings and actions to improve included within the report
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"> ■ Objectives? ■ Scope? ■ 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)? 			Not applicable - Service not provided to external parties
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"> ■ Objectives? ■ Scope? ■ The respective responsibilities of the internal auditors and the client and other client expectations? <p>For significant consulting engagements, has this understanding been documented?</p>			<ul style="list-style-type: none"> ✓ Engagement plan clearly sets out the role of Internal Audit within consulting engagements
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2210 Engagement Objectives			
<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"> ■ Significant errors? ■ Fraud? ■ Non-compliance? ■ Any other risks? 			<ul style="list-style-type: none"> ✓ Within Audit Engagement Plan and discussed at initial meeting. ✓ Review of the risk register and compilation of the RCE ✓ Audit engagement working papers
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"> ✓ Most service areas have PIs to assess adequacy of performance and these are tested where appropriate and included within the Engagement Plan
<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"> ✓ If PI's were inadequate we would identify and include within the IA report. ✓ Where appropriate
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"> ✓ Included within the Audit Engagement Plan
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"> ✓ Audit Engagement Plan (reviewed and agreed with CAE and Directors)
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>			This has not occurred as significant consultancy work is included within the IA Annual plan
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"> ✓ Included within Audit Engagement Plan ✓ This has not occurred but discussion would take place if the situation arose ✓ Key focus of the consultancy work ✓ IA role is to ensure that governance, risk management and control issues are considered throughout the whole project
CONFORMS	PARTIAL	NOT CONFORMING	
2230 Engagement Resource Allocation			
<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"> ✓ Resource allocation is estimated for each review and is included within the Annual Plan ✓ Plan is based on current knowledge of the system under review. ✓ Plan allocations issued to all auditors ✓ Time is monitored throughout the course of the audit to ensure resources are used effectively and efficiently.
CONFORMS	PARTIAL	NOT CONFORMING	

<i>2240 Engagement Work Programme</i>			
<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"> ■ Identifying information? ■ Analysing information? ■ Evaluating information? ■ Documenting information? <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"> ✓ RCE produced which details all the controls to be tested during the course of the review. ✓ All working papers are retained on the Shared Audit network drive. ✓ 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 ✓ CAE / Senior Auditor approves all RCEs prior to review commencing. ✓ Auditors can amend work programme according to complexity and time on approval by CAE
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
6.4 2300 Performing the Engagement			
The questions in this section seek to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support engagement			
2310 Identifying Information			
<p>Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?</p> <p>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</p>			<ul style="list-style-type: none"> ✓ Working papers retained on the Shared Audit network drive. ✓ Experienced auditors able to identify sufficient, reliable, relevant and useful information in order to provide assurance or otherwise in all reviews undertaken ✓ CAE review of working papers and report would identify any shortcomings.
CONFORMS	PARTIAL	NOT CONFORMING	
2320 Analysis and Evaluation			
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and			✓ As above
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented:</p> <ul style="list-style-type: none"> ■ Intentional wrong doing? ■ Errors and omissions? ■ Poor value for money? ■ Failure to comply with management policy? ■ Conflicts of interest? 			✓ Experienced auditors who would be able to identify and document within working papers
CONFORMS	PARTIAL	NOT CONFORMING	
2330 Documenting Information			
<p>Have internal auditors documented the relevant information required to support engagement conclusions and results?</p> <p>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?</p>			<ul style="list-style-type: none"> ✓ Working papers contain the relevant information (template documents and quality system) ✓ Senior Auditor review of working papers and report would identify any shortcomings ✓ Any shortcomings would be addressed and rectified
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"> ✓ Records held on shared network drive. Only internal audit staff have access to this drive. ✓ Retention requirements included within the Audit Manual (to be reviewed)
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"> ✓ In line with GDPR requirements
2340 Engagement Supervision			
<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"> ✓ Ongoing discussion with auditor, file review and report clearance will identify any issues ✓ 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.
CONFORMS	PARTIAL	NOT CONFORMING	
6.5 2400 Communicating Results			
<p>The questions in this section seek to confirm that internal auditors communicate the results of engagements in an</p>			
2410 Criteria for Communicating			
<p>Do the communications of engagement results include the following:</p> <ul style="list-style-type: none"> ■ The engagement's objectives? ■ The scope of the engagement? ■ Applicable conclusions? ■ Recommendations and action plans, if appropriate? 			<ul style="list-style-type: none"> ✓ Report templates used ✓ Summary of overall findings included with controls assurance ratings ✓ Management Action Plan
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"> ✓ Meeting arranged with Lead Officer to discuss draft report, findings and agree management actions
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</p>			<ul style="list-style-type: none"> ✓ Red and amber risks reviewed and actions prioritized according to the level of control ✓ Actions prioritized by priority level with the timescale recorded on the action plan ✓ Any alternative actions are recorded in the management action plan.
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"> ✓ Material facts disclosed. ✓ Control assurance ratings based on findings of the review. If challenged, the auditee must provide evidence to support change ✓ All Audit reports are issued to Directors and External Audit.
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"> ✓ Each identified risk is awarded an assurance opinion on the RCE These support the overall assurance opinion awarded for the review
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"> ✓ Where necessary (but has not occurred)
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>			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
2420 Quality of Communications			
<p>Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?</p>			<ul style="list-style-type: none"> ✓ Report template used ✓ Factual accuracy of report findings confirmed with auditee at draft report stage ✓ Satisfaction survey issued after each review
CONFORMS	PARTIAL	NOT CONFORMING	
2421 Errors and Omissions			
<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"> ✓ This would be done where required
CONFORMS	PARTIAL	NOT CONFORMING	
2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'			
<p>Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?</p>			<ul style="list-style-type: none"> ✓ Report template
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2431 Engagement Disclosure of Non-conformance			
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: ■ 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? ■ The reason(s) for non-conformance? ■ The impact of non-conformance on the engagement and the engagement results?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
2440 Disseminating Results			
Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?			✓ Circulation specified on Audit Engagement Plan
CONFORMS	PARTIAL	NOT CONFORMING	
Has the CAE communicated engagement results to all appropriate parties?			✓ As per each individual Audit Engagement Plan
CONFORMS	PARTIAL	NOT CONFORMING	
Before releasing engagement results to parties outside the organisation, did the CAE: ■ Assess the potential risk to the organisation? ■ Consult with senior management and/or legal counsel as appropriate? ■ Control dissemination by restricting the use of the results?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?			✓ Summary of consultancy work undertaken included within Progress Report / Annual Report
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2450 Overall Opinion			
<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"> ✓ Annual Report (limitation of scope applied for 2020/21 due to COVID pandemic) ✓ Results of individual reviews reported to senior managers and the Governance committee throughout the year ✓ Overall annual opinion based on opinions of individual pieces of audit work undertaken during the year
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the communication identify the following:</p> <ul style="list-style-type: none"> ■ The scope of the opinion, including the time period to which the opinion relates? ■ Any scope limitations? ■ The consideration of all related projects including the reliance on other assurance providers? ■ The risk or control framework or other criteria used as a basis for the overall opinion? <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"> ✓ Annual Report ✓ Where appropriate ✓ Other assurance providers are included (highlighted within SAS as part of AGS work) ✓ Results of audit reviews undertaken during the year ✓ Included in summary table of each review ✓ Opinion included within AGS
CONFORMS	PARTIAL	NOT CONFO	
<p>Does the annual report incorporate the following:</p> <ul style="list-style-type: none"> ■ The annual internal audit opinion? ■ A summary of the work that supports the opinion? ■ A disclosure of any qualifications to the opinion? ■ The reasons for any qualifications to the opinion? ■ A disclosure of any impairments or restriction in scope? ■ A comparison or work actually carried out with the work planned? ■ A statement on conformance with the PSIAS? ■ The results of the QAIP? ■ Progress against any improvement plans resulting from the QAIP? ■ A summary of the performance of the internal audit activity against its performance measures and targets? ■ Any other issues that the CAE judges is relevant to the preparation of the governance statement? 			<ul style="list-style-type: none"> ✓ Annual report includes all required information
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
6.6 2500 Monitoring Progress			
<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>			✗ A rigorous system to ensure all agreed management actions are fully implemented is to be introduced.
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the internal audit activity monitor the results of consulting engagements as agreed with the client?</p>			✓ As per any other engagement
CONFORMS	PARTIAL	NOT CONFORMING	
6.7 2600 Communicating the Acceptance of Risks			
<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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Agenda Item 8

Report to	On
Governance Committee	Tuesday, 25 May 2021



Title	Report of
Draft Annual Governance Statement	Director of Governance (Monitoring Officer)

Is this report confidential?	No
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Purpose of the Report

1. To present the Annual Governance Statement for the period 2020/21.

Recommendations

2. That the Annual Governance Statement be approved as a correct statement of the Council's governance environment and be recommended to the Leader and Chief Executive for signature.

Reasons for recommendations

3. 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.

Other options considered and rejected

4. The Council are legally obliged to prepare an Annual Governance Statement.

Corporate outcomes

5. The report relates to the following corporate priorities: *(tick all those applicable)*:

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

Background to the report

6. 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 that it continuously seeks to achieve best value in service delivery. As part of that, the council is required to publish an Annual Governance Statement (AGS).
7. 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.
8. 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
9. 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.
10. 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.
11. 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: the steps that have been taken to test and enhance the council's governance framework, and the actions that need to be taken in the coming period.
12. This report provides an overview of the key elements of the AGS, with the full AGS attached at appendix A.
13. The AGS reflects that the Local Code of Corporate Governance was refreshed in March this year, and to reflect feedback from members on the length of the document the code has been hyperlinked rather than reproduced in the body of the statement.
14. Members will note at section 4 of the report the Service Lead for Audit and Risk (Head of Internal Audit) was unable to give an opinion on the internal control environment for the reasons given. This should not be seen as being a negative statement on that environment, only that there has been inadequate testing of it to provide an opinion.

15. It has been noted by CIPFA / SOLACE on a recent training session that most Council's Internal Audit are likely to find themselves in this position due to the Covid Pandemic limiting the assurance work undertaken during this year.
16. Members will recognise that the other methods used to review the governance framework provide assurance. It can be seen there has been significant strengthening of this framework in the last 12 months.
17. Section 5 of the report details identified governance issues. Members will note that none of the issues are seen as significant, and a number of them have already been identified as requiring strengthening prior to the preparation of the AGS. This is a marked change from last year, and recognises the hard work done by the Council to make improvements.
18. There is no AGS action plan this year. The improvements proposed will be addressed by the Senior Management Team and overseen by the Corporate Governance Group. Implementation of the actions agreed to deliver the improvements will be reported to the Governance Committee as part of next years' AGS.

Risk

19. The risks identified within the AGS (the areas of the governance environment that require strengthening) will be managed by the Corporate Governance Group who will monitor the implementation of the improvements using the GRACE system.

Comments of the Statutory Finance Officer

20. *No comments.*

Comments of the Monitoring Officer

21. *Contained in the body of the report.*

There are no background papers to this report

Appendices

Appendix A – Annual Governance Statement 2020/21 (draft)

Chris Moister
Director of Governance (Monitoring Officer)

Report Author:	Email:	Telephone:	Date:
Chris Moister (Director of Governance)	chris.moister@southribble.gov.uk	01257515160	13 May 2021

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APPENDIX A

Annual Governance Statement 2020/21

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^{1 2}. 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 23 March 2021 and can be accessed through this hyperlink [here](#).

¹ 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".

² South Ribble Borough Council has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE Framework. A copy of the local code is available on line at www.southribble.gov.uk or can be obtained by contacting D Whelan, Deputy Monitoring Officer - Civic Centre, West Paddock, Leyland, Lancs, PR25 1DH

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 objectives are being met lawfully, in accordance with the corporate plan, medium term financial strategy and in a way that demonstrates value for money. The framework is the basis for the decision making structures and compliance with it enables members to have sufficient information to test any proposals and / or delivery and to make a reasonable, evidence based decision.

Changes introduced this year enhance the framework. Member led executive decision making ensures that decisions are made appropriately and there are clear processes through open cabinet, public speaking provisions and call in to challenge.

If you had read last year's Annual Governance Statement, you will note a marked difference in the conclusions this year. The action plan to address the corporate governance failings identified has been implemented as planned and councillors and members of the public will note that as a result the concerns raised for a number of years have been addressed and are no longer viewed as significant failings. The culture of the organisation has been reviewed and changes implemented in management structures and organisational development to embed good governance. The internal controls have been reviewed and amended where appropriate and training has been provided to both councillors and members of staff. Recruitment to key statutory roles has been completed, and council processes, procedures and the performance monitoring framework have been updated to ensure that the change can be measured consistently. These actions show the organisation is committed not only to improvement but evidencing that improvement.

Since the compilation of the last Annual Governance Statement, the Council has significantly strengthened its governance arrangements by:

- Officer structure – One of the causes of the issues which arose and were identified in the AGS for 2018/19 2019/20 was a lack of a stable senior management team. The Council has taken significant actions to address this. The three statutory officer roles are now permanently recruited to and a stable senior management team has been introduced. The Chief Executive (Head of Paid Service) is now shared on a permanent basis with Chorley Council. The same postholder has been in place since 2019. The Director of

Governance (Monitoring Officer) has been in post since December 2019. The s151 Officer post was covered by the Deputy Director acting up during 2020/21. The Director of Finance role has now been recruited to permanently, with the new postholder starting in April 2021. In addition, two key roles at service lead level have also been established and filled in December 2019, Communications and Visitor Economy and Transformation and Partnerships. These roles are important in developing and improving the council's culture.

- Organisational development – the council has fully reviewed its OD programme, introducing a new ELearning portal and establishing the Flair Programme to develop staff who aspire to be managers and leaders.
- Review of the constitution and financial procedure rules –the standing orders for Council meetings and the terms of reference for all committees have been reviewed and redrafted. The standing orders are now more streamlined and the constitution, as a document, has been simplified to avoid repetition and make it clearer and easier to understand. A revised process for executive decision making ensures that relevant cabinet members take decisions in a transparent and consistent manner, strengthening the democratic oversight of the organisation. The Financial Procedure Rules have been updated to reflect organisational changes and changes to authorisation levels.
- Performance management framework – Showing the benefit of a stronger organisational corporate centre, a new performance management framework has been developed and adopted, aligning it to the corporate plan and ensuring that the council is able to effectively manage its performance and delivery of its priorities.
- Management of Projects – the Senior Management Team meet as Programme Board quarterly to review the progress of corporate projects.
- Information governance – A GDPR Leadership group has been established to lead on the embedding of the council's information governance policies and processes.
- Governance Training – training on ethical decision making has been given to both members and officers which incorporated decision making processes and report writing (for officers), training has also been given on procurement.
- Risk Management – The Risk Management Strategy has been updated and the council have committed to the use of GRACE as the risk management tool. Internal Audit are leading on the training of staff on the use of the system which in addition to risk will be used to monitor the implementation of management actions taken from audits.

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

Impact of Covid on the Council's governance arrangements

There is no doubt that the COVID pandemic impacted on the Council's governance arrangements, most clearly evidenced by the change in approach to Council committee meetings and decision making. The constitution provided an urgency procedure which was used appropriately to enable council business to continue when meetings could not be held. However, significant work was undertaken to implement remote and hybrid meeting access. This enabled members to participate in meetings even where access to the Civic Centre was not possible. Whilst public participation was more limited this was still enabled and the public could watch the meetings live via the internet.

The pandemic accelerated the roll out technology which has contributed to a more open and engaged culture, which was the cause of some of the previously identified issues. Teams and other technology has been used to improve the sharing of information and building relationships across teams – demonstrated through the implementation extended shared services and Chief Executive Listening sessions, which have enabled the Chief Executive to engage directly with staff across the organisation. The changes to staff policies have improved working conditions and introduced greater consistency across the organisation.

What was changed however was the ability to properly test the internal control and risk management environments. Staff from across the Council including those from Internal Audit, changed roles to facilitate Covid support works. This limited the council's ability to both in terms of undertaking the testing but also of the availability of teams to be tested. This should not be taken as reflecting positively or negatively on performance of the council only that it cannot be evidenced in this way one way or another.

4. How we review the effectiveness of the Governance Framework

This section identifies the structures, committees 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. In addition, the Committee's skills and knowledge have been assessed and training will be arranged to meet any training needs identified.

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 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

Unlike many other councils, South Ribble Borough Council's Scrutiny Committee has continued to meet during the pandemic and provide robust scrutiny. This has included consideration of South Ribble Partnership, the progress of the delivery of the Worden Hall project and executive portfolios. Pre-decision Scrutiny has also taken place of key corporate strategy projects and Budget and Medium Term Financial Strategy. A detailed recommendation tracking process is in place to ensure that responses are provided to the recommendations made.

The Scrutiny Committee has continued to undertake reviews and in 2020/2021 undertook an in-depth review into health inequalities following the Marmott 10 years on report, with a particular emphasis on income deprivation and access to services. Linked with this review the Committee is preparing to scrutinise housing associations within the borough.

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. An innovative Member Personal Development Planning process was piloted and rolled out to all Members, which is informing our Member training plans moving forward.

During the year all Member training was provided on governance/ethical decision-making, code of conduct, equality and diversity and GDPR. Training on the use of I-pads and Microsoft Teams as part of the approach to virtual/hybrid meetings has also taken place with a number surgeries/clinics and other learning opportunities. Member briefings were also held on the residents survey, city deal, corporate strategy, new website, shared services and social media.

A Cabinet development programme was also put together and implemented in collaboration with North West Employers' Organisation.

Members have also attended a number of external training courses and conferences via the LGA and other providers on topics such as social value, equality and diversity, PREVENT, scrutiny, public health, community wealth building and climate change.

Management Team / Leadership Team

In January 2021, a shared senior management team was created with Chorley Council. In addition to the already shared Deputy Chief Executive, Director of Finance and Director of Governance, the Chief Executive is now a shared role permanently alongside four director roles.

The council's Senior Management Team is made up of the Chief Executive, Deputy Chief Executive and Directors, as well as the Shared Service Lead for Transformation and Partnerships and Shared Service Lead for Communications and Visitor Economy. The team meets weekly. They consider the strategic direction of the council, supporting effective organisational management and support for the delivery of the council's agreed priorities. In addition, the senior management team meet on a quarterly basis as a programme board to consider the progress made in delivering the council's corporate plan, address any issues and manage risk.

A shared Senior Leadership Team has also been established. This meets monthly and its membership includes all Assistant Directors and Service Leads in addition to the SMT members. This meeting focusses on overseeing internal communications, organisational development and transformation. In addition, the meeting receives reports on service performance and HR issues.

Section 151 Officer / Director of Finance

The Council has undertaken a review of the requirements of CIPFA Statement on the Role of the Chief Financial Officer into its governance framework and has evidenced its compliance with the guidance. Over the past 12 months, the Deputy S151 officer has fulfilled the role and has been a permanent member of the Shared Management Team.

During 2020/21, local authorities have been working towards compliance with the new CIPFA Financial Management Code in advance of full implementation and compliance in 2021/22. The Council has carried out an initial assessment of compliance with the standards contained within the FM Code, and although there is evidence to support this, areas for improvement have been identified and actions to address these are in the process of implementation.

Statutory Regulation / Monitoring Officer

The main regulatory change in this period related to the introduction of remote attendance at meetings and the facilitation of decision making in this environment.

Processes were put in place to maintain the transparency of decision making to include reporting to full council where urgency powers were used. The constitution was reviewed and amended to ensure its fitness for purpose to support constraints around decision making during covid. As mentioned the Standing Orders were reviewed and amended to temporarily reduce public participation in meetings due to the constraints imposed by the technical solution. However, the public, whilst not being able to speak at meetings could still view them remotely.

Training was provided to both Members and Officers on ethical decision making, the code of conduct and in relation to procurement processes.

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
- Director of Governance (Monitoring Officer)
- Director of Finance S151 Officer
- Shared Service Lead (Transformation and Partnerships)

- Shared Service Lead 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.

Programme Board

The Corporate Strategy was refreshed to reflect the local context and streamlined with a focussed number of projects and performance measures to ensure deliverability. The Performance Management Framework was also fully reviewed and refreshed in September 2020 to outline clear processes, expectations, roles and responsibilities including data quality. A corporate programme board has been established and meets 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.

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).

It has been reported to members over the course of 2020 that the impact of COVID-19 on the Internal Audit Service has been considerable. A consequence, the results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an annual opinion on the overall adequacy and effectiveness of the organisation's framework of control.

An opinion has been provided on the overall adequacy and effectiveness of the organisations framework of risk management and governance. The Head of Audit has confirmed that the arrangements are of an **adequate** standard. This is due to the following:

Over the past 12 months, a significant amount of work has been undertaken to introduce and strengthen the governance and risk management arrangements throughout the whole council and this is clearly evidenced within the Local Code of Governance. The work undertaken by Internal Audit to support the compilation of the Annual Governance Statement Action Plan confirms that the framework of governance policies is now in place however there is further work to do to ensure that these are fully embedded.

Although, it has not been possible to form an opinion on the control environment of the Council, the Head of Audit has provided the following assurance:

- the work carried out during 2020-21 did not identify any control failures that have not been previously reported to the Committee;
- robust actions plans are in place for any legacy issues with actions owners assigned and implementation dates agreed;
- advisory work has been undertaken on new processes introduced as a result of COVID 19;
- despite the lack of a systematic monitoring process for the implementation of agreed management actions emanating from Internal Audit Reports, a large proportion of actions have been implemented.

GDPR Leadership Group / Information Governance

The Leadership GDPR Group is established now and have been monitoring progress towards full GDPR compliance. Various initiatives have been initiated via the GDPR Officers Group to assess ongoing compliance. This work indicates good staff awareness and secure methods of working whilst working from home. This work is ongoing. The Data Protection Officer is monitoring the Brexit situation to ensure that the Council responds in a timely manner to any developments as regards GDPR status.

Organisational Development

An Organisational Development Strategy was developed and approved in October 2020 to with key objectives to: support the needs of the workforce; to facilitate staff engagement through a variety of mechanisms; to demonstrate investment in staff and their personal development; to underpin consistent management and to develop the leadership team. A package of interventions has been designed and rolled out including the Flair talent development programme; staff listening days and virtual briefings with the Chief Executive and Senior Management Team; staff listening day working groups to address key themes and issues collaboratively; a new digital learning management system to facilitate e-learning; Senior Management Team executive coaching; and a management development programme to commence in July ensuring a baseline of management fundamentals. All staff receive a fully tailored induction when joining the shared service and the performance review process has been reinforced for all staff to ensure a clear link from organisational priorities through to individual staff objectives.

Corporate Complaints / Local Ombudsman

Whilst the number of customer complaints processed as stage one complaints have increased year on year, 111 in 2019/20 increased to 169 in 2020/21, the percentage of complaints upheld fell significantly from 31% to 15%.

The Council are aware of 7 complaints which were made to the Local Government Ombudsman in the year 2020/21. In 2 of those, the Ombudsman decided not to investigate and in the remaining 5 there were no findings against the Council.

This is suggestive of an improvement of levels of service and compliance with council processes and the Council can take some assurance from the independent testing of the Council by the Local Government Ombudsman.

External Audit

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

We have been advised of the results of the reviews of the effectiveness of the governance framework and statement of internal control by these bodies and plan to address the weaknesses identified and will ensure continuous improvement of the system is in place through the proposed action plan in section 5.

5. Governance Environment: Areas to Strengthen

A detailed action plan to address significant governance failings identified at that time was approved by Governance Committee last year and reported to council. Progress against the actions have been reported to Governance Committee throughout last year.

There are 2 outstanding actions

1. Development of a consultation framework and community engagement strategy; and
2. Development of a Key Partnerships Framework.

These are not judged to be significant governance failings in themselves and are due to be completed in accordance with the action plan this year.

Implementation of the other identified actions has enhanced the council's governance framework. This has been demonstrated by the outcomes of the reviews of compliance outlined in section 4 above. As a result no significant governance issues have been identified. It must be recognised however, that the Head of Internal Audit has been unable to provide an opinion on the control environment. This is not to say that the environment is inadequate, but there has simply not been the audit testing work undertaken necessary to evidence a valued opinion. Given the changes implemented in year this should not be surprising.

The review exercises which have been completed have identified the following areas which are not viewed as significant issues but require strengthening.

Themes	Improvement Required
Recruitment/Induction	<p>To ensure all new employees receive a comprehensive induction covering all core areas, the corporate induction will be updated to include welcome videos from the senior management, introduction to the borough and mandatory training covering core policies and health and safety.</p> <p>Continued focus on HR System transformation is required to ensure a robust administrative process is operational and suitable controls are in place for all aspects of Human Resources and Organisational Development</p>

Themes

Improvement Required

Governance & Management

Management Development Programme has been designed to establish a baseline level of management competency as well as providing ongoing support to maintain performance. The aim is to commence delivery with cohorts of managers from September 2021 through a range of methods including e-learning, which will also form part of the induction process for future managers.

Introduce a standardised DMT agenda with agreed standing items to ensure a consistent approach is adopted across the Council. This will incorporate items of Corporate significance identified by the Communications team within their forward plan.

Fraud and Corruption

Fraud awareness training to be delivered to all relevant officers using e-learning modules
 Fraud reports to be presented to Governance Committee
 Fraud risk register to be compiled and monitored on a regular basis

Corporate Information Source for Officers (Connect)

To improve the user experience for employees and ensure essential information is easy to access. The following improvements to Connect should be considered:

- Defined area on Connect for all core policies.
- Service areas to review information they have published on Connect and to remove outdated material.
- Create a manager zone within Connect to ensure all essential guidance and resources for managerial responsibilities are easily sourced.

Risk Management

Ensure risk management is embedded throughout the organisation and within all Council activities.

Budget Monitoring

To re-establish budget monitoring reports to aid budget holders after a further analysis of the report content is undertaken. Reports will be tailored to ensure that they meet the needs of the service area.

Themes	Improvement Required
GDPR	The GDPR Leadership Group should undertake a full review to ensure that the register is up to date with data responsibilities correctly defined and continue to monitor and expedite the outstanding data disposal actions to ensure they are implemented imminently.
Equality	The equality scheme should be revised and refreshed including revised equality objectives to ensure that it is up to date and fit for purpose.
Key Corporate Policies	Devise and implement a corporate process to ensure all staff revisit key policies so a good level of awareness is maintained across the organisation.
Value for Money	Adopt an organisation wide Transformation Strategy & Programme incorporating a value for money elements to deliver efficient services through service reviews and shared services.
Inventories	Directors to ensure that inventories are compiled and maintained in accordance with the Councils guidance notes for service unit fixed assets registers.
Transparency Act	Publish up to date information and include all mandatory criteria.

When considering the issues it is important to note that the some go to the embedding of the improved governance environment.

- Policy documents are there, but not easily accessible.
- Asset registers are kept but they are not centralised or published correctly.
- The personal development review process was only introduced this year and remains paper based rather than digital.

It should also be recognised that these issues have already been identified for improvement.

- The induction for staff process under review;

It is also clear that some actions reflect the changes in working environment imposed by Covid and remote working as well as the management structure changes implemented.

- GDPR compliance cannot be demonstrated, which in part must be due to the absence from the office;
- Budget monitoring has not taken place due to changes in responsibility.

All the improvements identified will be considered by the Senior Management Team. The actions agreed will have individual implementation plans and allocated to a Responsible Officer. Each plan will be placed on the GRACE system and progress will be reviewed by SMT and ultimately reported to Governance Committee.

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

Report to	On
Governance Committee	25 th May 2021

Title	Report of
Key Contracts and Partnerships Framework	Deputy Chief Executive

Is this report confidential?	No
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Purpose of the Report

1. To present the Key Contracts and Partnerships Framework (included at appendix A) for South Ribble Borough Council.

Recommendations

2. To endorse the Key Contracts and Partnerships Framework for approval by Cabinet.

Reasons for recommendations

3. As part of the South Ribble Annual Governance Statement there is an action to develop a Key Contracts and Partnerships Framework to ensure effective monitoring of key contracts and partnerships to demonstrate and evidence that they are delivering effective, efficient and economic services providing best value for the council.

Other options considered and rejected

4. The alternative is South Ribble Borough Council does not have a Key Contracts and Partnerships Framework in place. This has been rejected on the basis that there are key contracts and partnerships within the Council which would benefit from additional effective monitoring to demonstrate and evidence that they are delivering effective, efficient and economic services providing best value for the Council.

Corporate outcomes

5. The report relates to the following corporate priorities: *(tick all those applicable)*:

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

Background

6. The approach to developing a Key Contracts and Partnerships Framework was presented to Governance Committee in March 2021. This report presents the final version of the Framework prior to Cabinet approval (see appendix A).
7. The framework will ensure the effective monitoring of key contracts and partnerships to demonstrate and evidence that they are delivering effective, efficient and economic services providing best value for the council.

Outline

8. The council is involved in many contracts and partnerships, with many different partners. The aim of the framework is to differentiate the level of governance and risk management that needs to be applied based on the following considerations:
 - There is significant impact on the delivery of the council's strategic objectives
 - There is a large reliance on the proposed partner to deliver core services
 - There is significant financial value
 - The scale of human and other resources involved is large
 - The length/timescales of the commitment are significant
 - There is a significant degree of risk
9. The framework sets out:
 - The definition of a key contract or partnership
 - The contracts and partnerships that will be monitored under the framework
 - The approach to performance monitoring via Cabinet annually including financial assessment
 - Roles and responsibilities
 - Governance expectations

Next steps

10. Following feedback from Governance Committee, the final framework and initial monitoring report will be presented to Cabinet in June 2021 for approval.

Comments of the Statutory Finance Officer

11. The relevant financial information is included in appendix A but there are no direct financial implications as a result of this report.

Comments of the Monitoring Officer

12. The Council has a duty to achieve best value contained in the Local Government Act 1999 and effective contract monitoring is in furtherance of that duty.

CHRIS SINNOTT
DEPUTY CHIEF EXECUTIVE

Report Author:	Email:	Telephone:	Date:
Victoria Willett Shared Service Lead Transformation and Change	vicky.willett@southribble.gov.uk	01257 515248	11.05.2021

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Key Contracts and Partnerships Framework

2021

Aim of the framework

Many of the successful outcomes for South Ribble are delivered in partnership with other organisations and through key contracts supplying services on behalf of the Council.

The aim of this framework is to provide a fit for purpose, robust and streamlined mechanism to monitor and performance manage key contracts and partnerships to ensure these contracts and partnerships are delivering effective, efficient and economic services providing best value for the Council. The framework provides clarity around responsibility and accountability, ensures outcomes are monitored, reviewed and evaluated to ensure the risks for the council and for the partnership are assessed, agreed and managed.

What is a key contract or partnership?

It is important to define what we mean by a key contract or partnership:

- Contractual arrangements with organisations, both to provide services on behalf of the Council and also to supply the Council with products and services to support the smooth running of Council services.
- Organisations from various sectors that the Council brings together to improve outcomes for local people by working together.

The Council is involved in many contracts and partnerships therefore it is important to outline the reasons why some contracts or partnerships warrant more consideration than others, particularly in terms of the following:

- There is significant impact on the delivery of the Council's strategic objectives
- There is a large reliance on the proposed partner to deliver core services
- There is significant financial value
- The scale of human and other resources involved is large
- The length/timescales of the commitment are significant
- There is a significant degree of risk

These differences determine the level of governance and risk management that is needed for the key contracts and partnerships identified and managed through this framework.

Existing key contracts and partnerships

The key contracts and partnerships currently to be managed through this framework are:

- **Select Move Partnership** – choice-based housing lettings partnership and allocations policy.
- **Capita** – key supplier of revenues and benefits software and associated services, including managed system support for the Council.
- **IDOX** – key supplier, providing the Council with support for ICT, democratic and licensing services.
- **FCC Environment** – to deliver the waste contract, providing a waste and recycling collection service.
- **Firmstep** – to deliver the Customer Relationship Management, Time Management System and single sign-on technology.

- **Local Plan Partnership (South Ribble Borough Council, Chorley Council and Preston City Council)** – to develop and deliver the local plan for 2023.
- **Preston, South Ribble and Lancashire City Deal** – to deliver infrastructure investment in Central Lancashire.
- **Shared services with Chorley Council** – two sovereign councils working together with shared functions to deliver council services.
- **Civica** – provides a core financials system software licence and maintenance.
- **Lancashire County Council** – provides the payroll and expenses services.

The contract between the council and its wholly owned leisure company will be included in the scope of the key contracts and partnerships framework once those arrangements are established. This list will be kept under review and amended to reflect any change in status or to accommodate important new contracts or partnerships. Full details of these listed can be found at Appendix A.

Monitoring

To ensure that key contracts and partnerships are closely monitored, the framework sets out a range of controls and measures. These safeguard the success of the contracts and partnerships and ensure that they achieve the Council's priorities and goals outlined in the Corporate Strategy. Where key partners already have strong governance and reporting arrangements in place then the key contract or partnership reporting should not duplicate these but instead provide greater visibility.

It is proposed that a performance update on key contracts and partnerships will be taken through Cabinet annually. This will include the following:

- The performance of the Council's key contracts and partnerships against targets set for the current year;
- Any emerging issues including whether contracts are on budget;
- A financial assessment of key partners strength and stability; and
- An update on the changes to our key contracts and partnerships.

This formal monitoring should supplement ongoing contract management and monitoring at a service level through operational meetings, board meetings and updates to executive members as general good practice.

Responsible officer role

The responsible officer for each contract or partnership must adhere to this framework. The role includes the following:

- Establishing an agreement covering the governance arrangements of the contract or partnership on approval of a new contract or partnership.
- Reporting any proposal to enter into a new key partnering arrangement to Cabinet, incorporating all of the points identified in the 'establishing a new key contract or partnership' section of this framework.
- Ensure effective and regular monitoring arrangements are in place, as per the monitoring and review arrangements for key contract or partnership section within this framework.

Adding new contracts and partnerships

During procurement of any new services or contracts and establishing a partnership, it should be considered by the responsible officer if the contract or partnership falls under the remit of a key partnership. They should refer to this framework and the Transformation and Partnerships service for advice at this point.

If it is agreed that it does fall under the remit, any proposal to enter into a new key contract or partnership should be brought through with the annual update to Cabinet and should demonstrate the following:

- The partnerships impact on the Council's priorities
- Consideration of the Council's exposure to risk and the potential liabilities including financial risk
- Any insurable risks and clarify responsibility and ownership
- Governance and risk management arrangements, including terms of reference for the partnership
- That partnerships are fit for purpose, demonstrate value for money and have added value.

Governance

Following approval to establish a new key contract or partnership, control measures and governance arrangements should be set out in an agreement or contract. This should cover:

- **Aims and objectives;** there should be a common vision and agreed objectives that are aligned with the Council's strategic objectives.
- **Roles and responsibilities;** there needs to be clear roles and responsibilities of the Council and the key partners which should be supported by clear reporting lines and a decision-making framework.
- **Decision making procedures;** there needs to be some alignment between the Council's decision-making processes and timetables with the partners. This enables decisions with significant policy or financial implications to be planned carefully and executed effectively. Key contract or partnership representatives should have sufficient authority to commit their organisations to a particular course of action.
- **Behaviours;** we also expect partners to demonstrate high standards of honesty, integrity, objectivity, openness, personal judgement, respect for others and a strong commitment to achieving the goals and common vision of the partnership.
- **Risk management:** good risk management is key to delivering successful outcomes and this should be captured in a joint risk register.
- **Equality and diversity monitoring (includes Integrated Impact Assessment);** the Council will work with partner organisations to promote equality and diversity in line with the Council's procedures. The agreement should include a statement on how the partnership will operate on the basis of principles that actively value the benefits of diversity and ensure fair treatment and equality of opportunity.
- **Anti-Fraud and corruption;** partners of the Council and all companies with whom it is contracted, will be fully informed of the procedures the Council has in place to combat fraud.

- **Data quality:** it is critical that any information or data supplied to the Council to monitor performance, make decisions or allocate resources is robust with relevant data sharing and data quality protocols should be in place.
- **Whistleblowing policy:** the Council should take active steps to ensure that key contractors providing services on behalf of the Council either have their own whistleblowing arrangements in place or adopt the Council's.
- **Safeguarding vulnerable adults and children;** the Council is committed to safeguarding and promoting the welfare of children and vulnerable adults and to delivering services for children and vulnerable adults that promote best practice. It expects representatives, colleagues and partners to share this commitment. Partners should refer to the Council's safeguarding policies which set out the Council's guidance on protection procedures and specifies the roles and responsibilities of the Council's representatives.
- **Sustainable procurement and local spend;** work proactively to achieve sustainability and environmental objectives and extend sustainability improvements in accordance with the Council's social value commitments and policies.
- **Business continuity arrangement:** there should be effective, relevant business continuity arrangements that are maintained throughout the life of the partnership or contract.
- **Dispute prevention and resolution controls;** the partnership agreement should also contain agreement variation and dispute resolution mechanisms so that if problems arise they are resolved quickly and amicably.
- **Exit strategies;** develop a clear exit strategy for all of its key contracts and partnerships in order to mitigate the financial, reputational and other risks that could materialise. Notice periods and exceptions to notice periods should also be included.

Appendix A – Key Contracts and Partnerships 2021

Key contract / partnership	Purpose	Lead directorate	Value – per annum	Reason for inclusion
Select Move partnership	Choice based lettings partnership and allocations policy – part of this is commissioning CIVICA as the software provider for the housing register and homeless database	Communities	£9k	<ul style="list-style-type: none"> • There is significant impact on the delivery of the council's strategic objectives • Delivery of core services
Capita	Key supplier of revenues and benefits software and associated services, including managed system support for the council.	Customer and Digital	£100k approx.	<ul style="list-style-type: none"> • Delivery of core services • Significant degree of risk • Significant financial value
IDOX	Key supplier, providing the council with support for ICT, Democratic and Licensing services.	Customer and Digital	£250k approx.	<ul style="list-style-type: none"> • Delivery of core services • Significant degree of risk • Significant financial value
FCC Environment	To deliver the waste contract, providing a waste and recycling collection service.	Customer and Digital	£1.9m	<ul style="list-style-type: none"> • Delivery of core services • Significant financial value • Scale of human and other resources involved is large • The length/timescales of the commitment are significant • Significant degree of risk
Firmstep	To deliver the CRM, TMS, single sign on technology.	Customer and Digital	£58k	<ul style="list-style-type: none"> • Delivery of core services • Significant degree of risk
Local plan partnership – SRBC CBC and Preston	To develop and deliver the local plan for 2023.	Planning and Development	N/A	<ul style="list-style-type: none"> • Scale of human and other resources involved is large • The length/timescales of the commitment are significant • Significant degree of risk
Shared Services with Chorley Council	Sovereign councils working together with shared functions to deliver council services.	Policy and Governance	N/A	<ul style="list-style-type: none"> • Delivery of core services • Scale of human and other resources involved is large

Preston, South Ribble and Lancashire City Deal	To deliver infrastructure investment in Central Lancashire.	Planning and Development	N/A	<ul style="list-style-type: none"> • There is significant impact on the delivery of the council's strategic objectives • Significant degree of risk
Civica	Provides a core financials system software licence and maintenance.	Policy and Governance	£64k	<ul style="list-style-type: none"> • Delivery of core services • Significant degree of risk
Lancashire County Council	Provides the payroll and expenses services.	Policy and Governance	£23k	<ul style="list-style-type: none"> • Delivery of core services • Significant degree of risk

