

South Ribble Borough Council

Responses from Management:

Auditor question	Response
General Enquiries of Management	
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	<p>The impact of Covid-19 will have a potential effect on the collection rates of both council tax and business rates. The impact on the council going forward is mitigated by the Government's policy on allowing the council to allocate any losses over a 3 year rather than 1 to 2-year period. The council holds £3.1m in a business rates retention reserve that could be called upon to manage temporary drops in collection rates</p> <p>The council will experience a reduction in collection of income through Fees and Charges or income from its commercial tenants. The matter was considered in increasing the level of debt provision during 2020/21.</p> <p>There was no indication of substantial additional impairment of Council assets.</p>
Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	We have considered the accounting policies. There have not been any events or transactions that have caused us to change or adapt our accounting policies.
Is there any use of financial instruments, including derivatives?	No
Are you aware of any significant transaction outside the normal course of business?	The council has paid out over £27m of business grants as part of the Government's Covid support scheme.
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	Due to Covid we may expect temporary reductions in some of the valuations of our investment assets.
Are you aware of any guarantee contracts?	None
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	 <p>Legal Costs 20.21 SRBC.xlsx</p>
Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	<p>No</p> <p>There is potential evidence of fraud with regard to one Small Business Grant Paid for £10k that the Council is pursuing a refund for</p>

Auditor question	Response
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	 Advisor Costs 20.21 SRBC.xlsx
<i>Fraud risk assessment</i>	
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes, there is no indication that the financial statements have been materially misstated due to fraud</p> <p>Internal Audit undertake their own proactive fraud detection work and participate fully in the National Fraud Initiative.</p> <p>Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Governance Committee and to Senior Management Team, including fraud risks and governance issues.</p> <p>Internal Audit Section will undertake special investigations in cases of suspected fraud or irregularity. Financial Procedure Rules and the Council's Anti-Fraud and Corruption Policy require the Head of Audit to be notified immediately of all discovered or suspected cases of fraud, corruption or other financial irregularity.</p> <p>Fraud in relation to revenues and benefits is dealt with separately by specific investigation officers.</p> <p>The s151 Officer has the overall responsibility for assessing the risk of material misstatement in the financial statements and is supported by services who provide the appropriate evidence for this assessment.</p> <p>A review of all corporate risks forms part of the quarterly report to the Leadership Team, of which the CFO is a member, identifying risk levels, risk owners and mitigating actions. This is reported to Shared Senior Management Team of which the CFO is a member.</p> <p>All reports submitted to committees require financial comments from the CFO or qualified representative. In addition, a risk section has been added to reports so that authors outline the major risks associated with decisions.</p> <p>Financial implications of future risks are discussed amongst officers at Senior Management Team as well interaction with members at leader's brief and committee meetings</p>

Auditor question	Response
<p>What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Whilst we are confident in our own systems, there is a heightened risk of error and fraud in relation to Benefits, although this is mitigated through quality assurance processes within the service and Internal Audit data quality work.</p> <p>There are also higher risks in relation to the payment of invoices that is mitigated through the necessary separation of duties and checks when procuring and paying for services.</p> <p>There is a higher risk of fraud relating the business grants payments made to businesses throughout 20/21. Risks have been analysed, reported and mitigated with only one potential fraudulent £10k payment made.</p>
<p>Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>See above text about business grants</p> <p>Through the work carried out by internal audit Reporting of Corporate Risks to Governance Committee Specific fraud would be communicated to the Governance Committee when deemed material</p>
<p>Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>None</p> <p>Yes as identified previously</p> <p>This is a duplicate question asked previously above</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>Internal Audit, in accordance with the Public Sector Internal Audit Standards considers the risk of fraud in every review.</p> <p>Fraud risks are included on the Council's dedicated risk management system GRACE and categorised as a fraud risk to allow for specific fraud risk monitoring.</p>
<p>How do you assess the overall control environment for the Council, including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p>	<p>Due to COVID 19, Internal Audit have not been able to undertake sufficient reviews to be able to form an opinion on the overall control environment. However, Internal Audit are aware that the Council has operated in a stable environment for a number of years and has obtained assurance from other sources listed in the Internal Audit Annual Report presented to the Governance Committee in May 2021. Robust actions plans with agreed implementation dates are in place for any instances where the control environment can be strengthened. Counter Fraud policies are in place and available on both the intranet and the website. These include:</p> <ul style="list-style-type: none"> • Anti Fraud, Bribery and Corruption Strategy

Auditor question	Response
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<ul style="list-style-type: none"> • Whistleblowing policy • Anti money laundering policy. • The Fraud Response plan <p>The additional testing of the Creditors system (previously highlighted as an area of concern for the over-ride of control) has not highlighted any additional areas of concern.</p>
<p>Are there any areas where there is potential for misreporting?</p>	<p>There is adequate separation of duties in place to prevent the potential for misreporting</p>
<p>How does the Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Code of Conduct including ethical standards and behaviours which officers are required to comply with. The code is referenced in employee appointment letters and a link is provided in the letter to a number of relevant documents including the Code of Conduct, adherence to which is a condition of their employment</p> <p>The Information Security Policy is also there which states what is acceptable and unacceptable in terms of information and using the Council's IT systems.</p> <p>Council values that provide an ethical framework are used at recruitment and during PDR's.</p> <p>Awareness is raised of probity policies via Core Brief and items on the loop.</p> <p>Mandatory fraud awareness training is due to be rolled out to all officers imminently.</p> <p>No significant issues have been reported</p>
<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>The recruitment process includes robust measures to ensure all relevant documents are obtained and reviewed prior to an offer of employment being made.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None</p> <p>Major related party's risks are monitored and reported separately</p>
<p>What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>Governance Committee approve the Internal Audit Plan and receive interim reports throughout the year. Reports contain a summary of work undertaken and would include fraud risk and issues and breaches of internal control if identified.</p>

Auditor question	Response
What has been the outcome of these arrangements so far this year?	The limited amount of Internal Audit reviews completed during 20-21 has not identified any fraud issues or significant breaches of internal control.
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
Have any reports been made under the Bribery Act?	No
Impact of laws and regulations	
How does management gain assurance that all relevant laws and regulations have been complied with?	Requirement for the Monitoring Officer to receive and comment on all council and executive decisions.
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	Internal audit reviews and risk management processes outlined previously
Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	None
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Monitoring Officer (or deputy) attends all Governance Committee meetings
Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?	None
Is there any actual or potential litigation or claims that would affect the financial statements?	None
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Litigation or claims may be picked up by legal services or services. Where necessary these will be reported to the Leader of the Council through the monitoring officer. Any budget implications of such litigations will be reported to Executive Cabinet, either through a separate report or through the quarterly budget monitoring report. The Council has set aside reserves to fund possible future costs of planning appeals.
Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None
Related Parties	
Have there been any changes in the related parties disclosed in the Council's 2019/20 financial statements? If so please summarise: <ul style="list-style-type: none"> the nature of the relationship between these related parties and the Council whether the Council has entered into or plans to enter into any transactions with these related parties 	There was an approved expansion of shared services during 2020/21 with new shared service lead posts in Policy and Governance starting from 1 st December 2020. Leisure Services were brought in house at South Ribble Council as at April 2021 with the previous supplier, Serco Operating Leisure Ltd, no longer managing leisure services on the Council's behalf.

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<ul style="list-style-type: none"> the type and purpose of these transactions 	
What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?	The Transformation and Partnerships Team send emails to Directors and Service leads to refresh the list enabling Finance to identify significant transactions undertaken or budgeted to be undertaken.
What controls are in place to authorise and approve significant transactions and arrangements with related parties?	<p>The Council has sufficient separation of duties and appropriate authorisation limits to ensure purchase orders and invoices are paid as required.</p> <p>Monthly budget monitoring ensures that the Council will identify any variances to agreed payments with related parties.</p>
What controls are in place to authorise and approve significant transactions outside of the normal course of business?	<p>Payments cannot be paid outside normal procedure rules including separation of duties regarding payments being raised and invoices paid.</p> <p>There is no out of hours service.</p>
Accounting Estimates - General Enquiries of Management	
What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Pension Valuations PPE Valuations Material Creditor and Debtor transactions including shared services charges between Councils Provision for Business Rates appeals.
How does the Council's risk management process identify and addresses risks relating to accounting estimates?	This is dealt with within the finance section Senior Finance staff keep up-to-date with changes in accounting practises including purchasing the Code of Practice, attending relevant CIPFA training sessions and reviewing previous accounts to prepare for any changes.
How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Use of the CIPFA code of practice for local govt accounts. Review of source data provided to external experts (PP&E, pensions) and comparison of assumptions and results between financial years.
How do management review the outcomes of previous accounting estimates?	Comparison of estimates to eventual actual transactions, use this to form future judgements. Use these to review and challenge current outcomes of estimates.
Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No changes made to the processes, however underlying assumptions are reviewed and potentially changed.
How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Review of skills held internally, and outsource identified gaps, using knowledge of reputable and appropriate experts.
How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Review the underlying assumptions, and where there is material change, analyse to understand it and/or challenge the results.
How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Answered above
What is the nature and extent of oversight and governance over management's financial	Any substantial changes to the statement of accounts that result from changes in accounting

Auditor question	Response
reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> • Management's process for making significant accounting estimates • The methods and models used • The resultant accounting estimates included in the financial statements. 	estimates will be reported to Governance Committee alongside the draft statement.
Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No
Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	Any substantial changes to the statement of accounts that result from changes in accounting estimates will be reported to Governance Committee alongside the draft statement.

